



2013

Registration document

Including the annual Financial report



**COMPAGNIE DE
FINANCEMENT
FONCIER**
GROUPE CRÉDIT FONCIER



This is a free translation into English of Compagnie de Financement Foncier 2013 annual report issued in the French language and is provided solely for the convenience of English speaking readers. In case of discrepancy the French version prevails. Only the French version of the Registration document has been submitted to the AMF. It is therefore the only version that is binding in law.

The original document was filed with the Autorité des marchés financiers (French Financial Market's Authority) on 27 March 2014, in accordance with Article 212-13 of its general regulation and registered under the number D.14-0223 and represents the French "Document de référence" of the Compagnie de Financement Foncier.

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

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Abbreviations used in the document:
Millions of euros: €M
Billions of euros: €bn
Thousands of euros: €K



Activity Report 2013

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Profile

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

A wholly-owned subsidiary of Crédit Foncier (A-/A2/A) ⁽¹⁾, and an affiliate of BPCE (A *(negative outlook)*/A2/A) ⁽¹⁾, the company's sole purpose is to finance the mortgage and public-sector lending activities of both its parent company and the Groupe BPCE as a whole, issuing *obligations foncières*.

Compagnie de Financement Foncier's *obligations foncières* (AAA/Aaa/AA+) ⁽¹⁾ are French legal covered bonds that comply with the European directives UCITS 52-4 ⁽²⁾, CRD ⁽³⁾ and with the Article 129 of the European Capital Requirements Regulation (CRR). The whole Compagnie de Financement Foncier's *obligations foncières* are eligible to European Central Bank's (ECB) refinancing operations and grant preferential treatment to investors in own funds.

Since 2012, Compagnie de Financement Foncier is a member of the Covered Bond Label, created by the European Covered Bond Council (ECBC). This label was created in order to meet the expectations of covered bonds market players for improved standards and increased transparency, especially in providing a regular and harmonize information for investors.

Firmly supported by its parent, Crédit Foncier, which has been issuing French *obligations foncières* since 1852, Compagnie de Financement Foncier continued to be a major player in its market in 2013, with a total outstanding of €75.1 bn as of December 31th, 2013.

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

(2) UCITS: Directive on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities.

(3) CRD: Capital Requirements Directive.



Chairman's message

Bruno DELETRÉ
Chairman

**// New strategic plan 2014-2017:
making Compagnie de Financement
Foncier available to Groupe BPCE
entities**



Compagnie de Financement Foncier is a wholly-owned subsidiary of Crédit Foncier, directly affiliated as its parent company to the central body of Groupe BPCE, the 2nd largest banking group in France ⁽⁴⁾. 2014 marks the beginning of the implementation of BPCE's new strategic plan, which will make much more intensive use of Compagnie de Financement Foncier to both fund the production of Crédit Foncier as well as certain assets of other Group entities, including Caisses d'Épargne and Banques Populaires.

Compagnie de Financement Foncier will continue to be the preferred refinancing tool of Crédit Foncier, alongside additional refinancing sources, such as securitisation and syndication. Since 1999, Compagnie de Financement Foncier has proven its ability to raise long-term funds in the market at very competitive levels due to the relevance of its business model.

BPCE's new strategic plan, "Another way to grow", logically considers Compagnie de Financement Foncier as a central refinancing tool, thereby giving both the means and ambitions for its development.

(4) 2nd in number of bank branches (source: database, bank Internet website 2013), 2nd in terms of deposit and lending market share for individuals (source: Banque de France Q3-2013), 2nd in terms of professionals and individual entrepreneurs market penetration rate (source: Pépites survey - CSA 2011-2012).

Message from the Chief Executive Officer and the Deputy Chief Executive Officer

Thierry DUFOUR
Chief Executive Officer

“ *The quality of Compagnie de Financement Foncier’s creditworthiness and its strong reputation among investors are major assets for Groupe BPCE.* ”

One of the main pillars of BPCE’s strategic plan consists in making Compagnie de Financement Foncier available to all Group entities. It is a prominent long-term refinancing player for the group in the regulatory context of Basel III in which, more than ever before, all banks need to finance their long-term loans through long-term resources. We are therefore making refinancing available for these assets to all Group’s entities under optimal conditions.

As the leading private issuer of *obligations foncières*, Compagnie de Financement Foncier is a key asset that Crédit Foncier brings to BPCE’s new strategic plan «Another way to grow» ambitions, allowing it to strengthen its footing within Groupe BPCE. Compagnie de Financement Foncier continues to be a wholly-owned subsidiary of Crédit Foncier and its use by Groupe BPCE entities is carried out in addition to Crédit Foncier’s production.

Sandrine GUÉRIN
Deputy Chief Executive Officer

“ *Compagnie de Financement Foncier’s obligations foncières are eligible to ECB’s refinancing operations, and are compliant with Article 129 of the European Capital Requirements Regulation (CRR) as well as the ECBC Covered Bond Label Convention* ”

2013 was a transition year on the covered bond market. Covered bond issuances have fallen following a broader trend of banks deleveraging and regulatory changes. In this context, French covered bonds proved once again their resilience, both in terms of liquidity and performance. Pursuant to its new methodology related to the links between State, Public sector and covered bonds, Fitch Ratings revised the rating of Compagnie de Financement Foncier’s issuance programme from AAA to AA+ with a stable outlook. Nonetheless, Compagnie de Financement Foncier remains one of the best rated covered bond issuers worldwide.

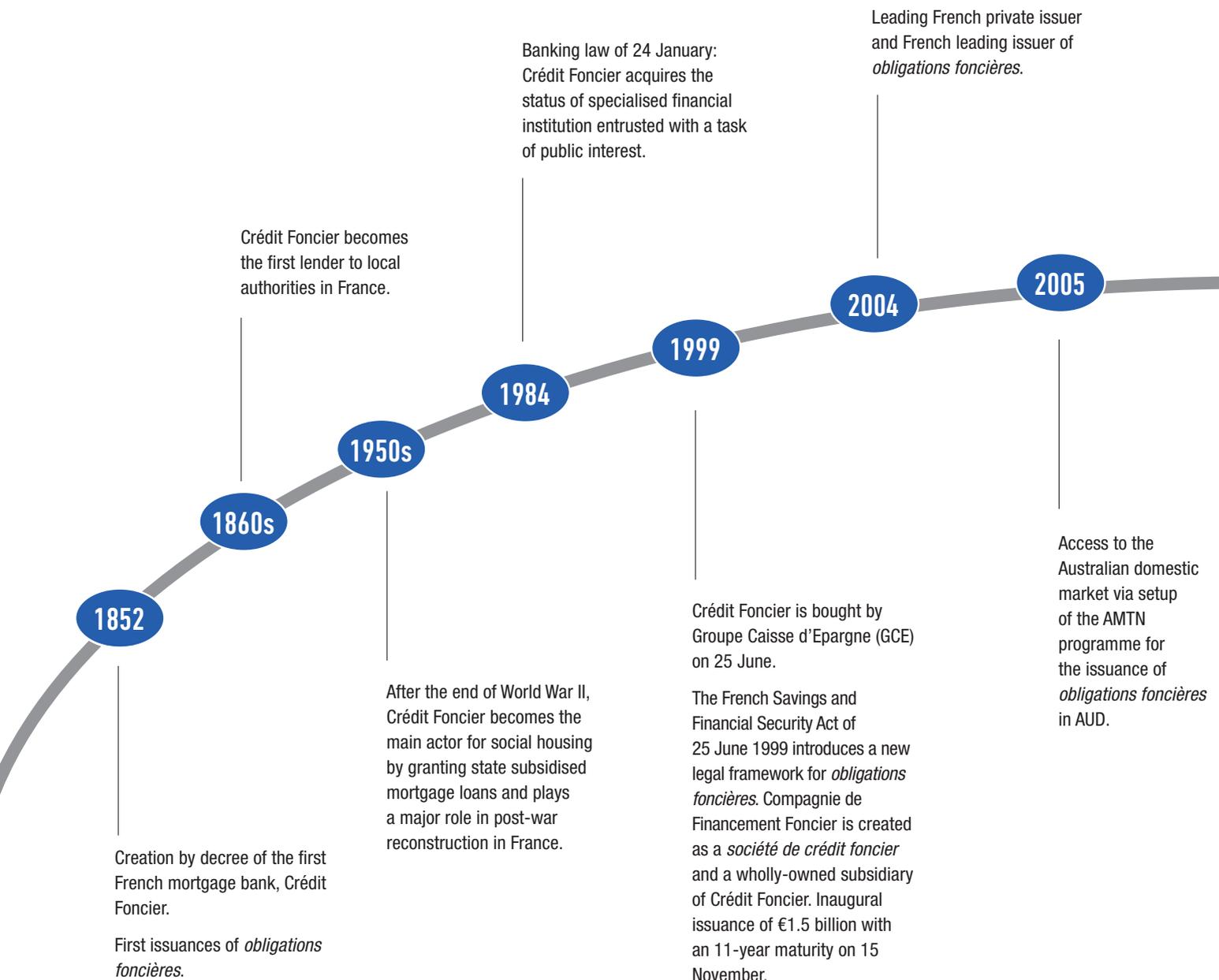
With an asset cover pool which no longer holds securitisations not originated from the group to which it belongs, all the Compagnie de Financement Foncier’s *obligations foncières* are eligible to ECB’s refinancing operations. Furthermore, Compagnie de Financement Foncier is compliant with Article 129 of the European Capital Requirements Regulation (CRR), which transposes the new prudential framework of the Basel Committee (Basel III). These provisions shall enter into force from 1st January 2014.



History

Created in 1852, Crédit Foncier de France, whose main business is to grant property loans backed by first-ranking mortgages, also became the leading lender to local authorities in France and maintained that position until World War II.

From the 1950s onward, Crédit Foncier was entrusted with numerous public interest assignments and has continued to play a key role in the real estate sector, becoming one of the State's main partners in this area.



Launching of the first 50-year *obligation foncière*: first non-sovereign issuer to issue with such a long-term maturity.

2006

2007

Issuance of the first "MAPLE" *obligations foncières* in Canadian dollar in domestic format.

First issuance in the German domestic market.

A record year in terms of issuances of *obligations foncières* with €23.5 billion.

2008

Compagnie de Financement Foncier receives the IFR Award in the "Covered Bond of the Year" category for its €2.5 billion ten-year issuance.

2009

Creation of BPCE by merging the central bodies of the Caisses d'Épargne and the Banques Populaires, and de facto consolidation of Crédit Foncier and Compagnie de Financement Foncier.

2010

Inaugural issuance of USD 2 billion with a three-year maturity in 144A/RegS format. Compagnie de Financement Foncier receives the "Best Issuer of the Year" award from The Cover - Euroweek.

2012

Membership to the ECBC Covered Bond label.

2013

Compagnie de Financement Foncier finalised the disposal of external securitisations recorded in its balance sheet and its *obligations foncières* are eligible for ECB refinancing operations. Compagnie de Financement Foncier is also compliant from 01 January 2014 with Article 129 of the European CRR and the ECBC Covered Bond Label Convention.



Key figures

ISSUER INFORMATION

Issuer: Compagnie de Financement Foncier, affiliated with Groupe BPCE

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

Type of bonds issued: *obligations foncières*

Issue programmes: EMTN, AMTN & USMTS

Sole service provider: Crédit Foncier (A-/A2/A) ^{(1) (2)} a subsidiary of BPCE (A(Negative outlook)/A2/A) ^{(1) (2)}

Ratings of obligations foncières ⁽²⁾

	Long-term rating	Outlook
Standard & Poor's	AAA	Stable
Moody's	Aaa	Stable
Fitch Ratings	AA+	Stable

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

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

SIMPLIFIED ECONOMIC BALANCE SHEET

ASSETS (by type of exposure)

	At 31 December 2013		At 31 December 2012	
	€bn	%	€bn	%
Mortgage loans	38.5	42.9%	43.3	43.0%
Mortgage loans and related items	38.5	42.9%	38.0	37.7%
European senior residential mortgage-backed securities	-	-	5.3	5.2%
Public sector exposures	39.6	44.2%	40.1	39.8%
French Public Sector loans*	28.2	31.5%	19.4	19.2%
Securities and loans from the Public sector abroad	11.4	12.7%	14.2	14.1%
Senior residential securitisation units with public guarantees	0.0	0.0%	6.5	6.5%
Replacement values and other assets	11.6	12.9%	17.4	17.2%
Replacement values	7.0	7.8%	13.3	13.2%
Other assets	4.6	5.1%	4.1	4.0%
TOTAL ASSETS	89.7	100.0%	100.8	100.0%

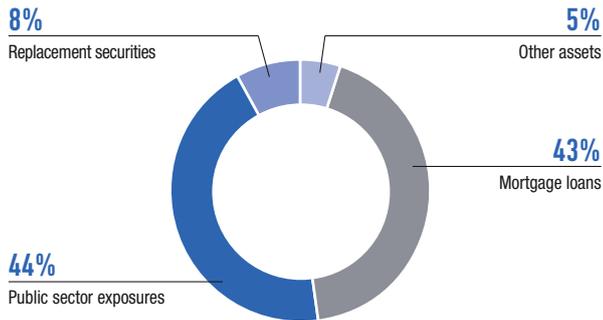
* including deposits and short term loans at Banque de France of €11.4 billion in 2013 compared to €3.7 billion in 2012.

LIABILITIES

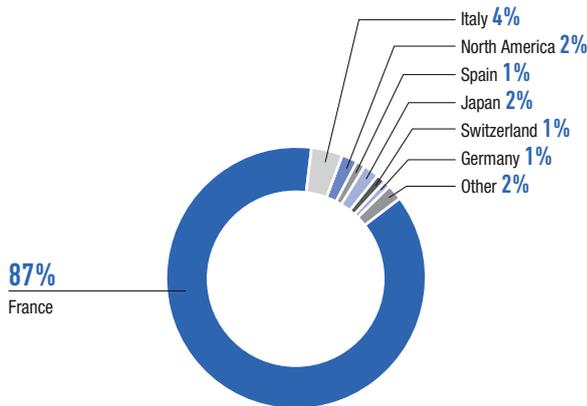
	At 31 December 2013		At 31 December 2012	
	€bn	%	€bn	%
Privileged resources	75.1	83.7%	85.2	84.5%
<i>Obligations foncières</i>	75.1	83.7%	84.4	83.7%
Currency translation difference on <i>obligations foncières</i>	-0.5	-0.6%	-1.2	-1.2%
Other privileged resources	0.5	0.6%	2.0	2.0%
Currency translation difference associated with hedging balance sheet items	0.5	0.6%	0.1	0.1%
Non-privileged resources	14.1	15.7%	15.5	15.4%
Unsecured debt	8.6	9.6%	9.9	9.8%
Subordinated debt and related items	3.8	4.2%	3.8	3.8%
- of which redeemable subordinated notes (RSN)	2.1	2.3%	2.1	2.1%
- of which super-subordinated notes	1.4	1.6%	1.4	1.3%
Shareholders' equity, provisions and reserve for general banking risks	1.8	2.0%	1.9	1.9%
(Regulatory capital)	(4.4)	(4.9%)	(4.4)	(4.4%)
TOTAL LIABILITIES	89.7	100.0%	100.8	100.0%

BREAKDOWN OF ASSETS: €89.7 BILLION

By type of assets

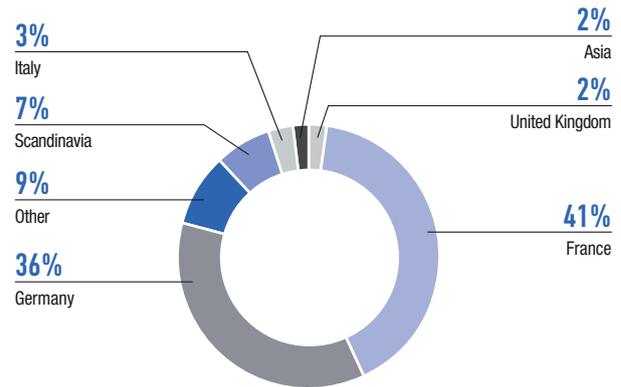


By region

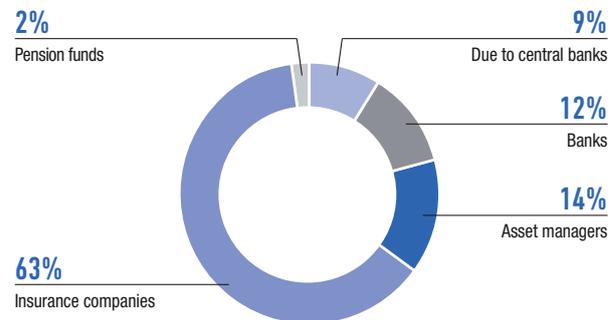


BREAKDOWN OF ISSUANCES IN 2013: €3.5 billion

By region



By investor type



HIGHLIGHTS 2013

Compliance with Article 129 of the European Capital Requirements Regulation (CRR) and renewed membership to the ECBC Covered Bond Label.

Compagnie de Financement Foncier no longer holds securitisations not originated from the group to which it belongs in its balance sheet. Compagnie de Financement Foncier's *obligations foncières* are eligible to ECB's refinancing operations.



PERFORMANCE INDICATORS

€3.5 billion

Obligations foncières issued in 2013

€32.6 million

Net income

€356.3 million

Net banking income

€4.4 billion

Regulatory capital

118.1%

Regulatory overcollateralisation ratio

18.8%

Non-privileged resources/privileged resources ratio

72.6%

Average LTV of mortgage loans

18.3%

Tier-1 ratio*

30.3%

Solvency ratio*

* calculated according to the standard method

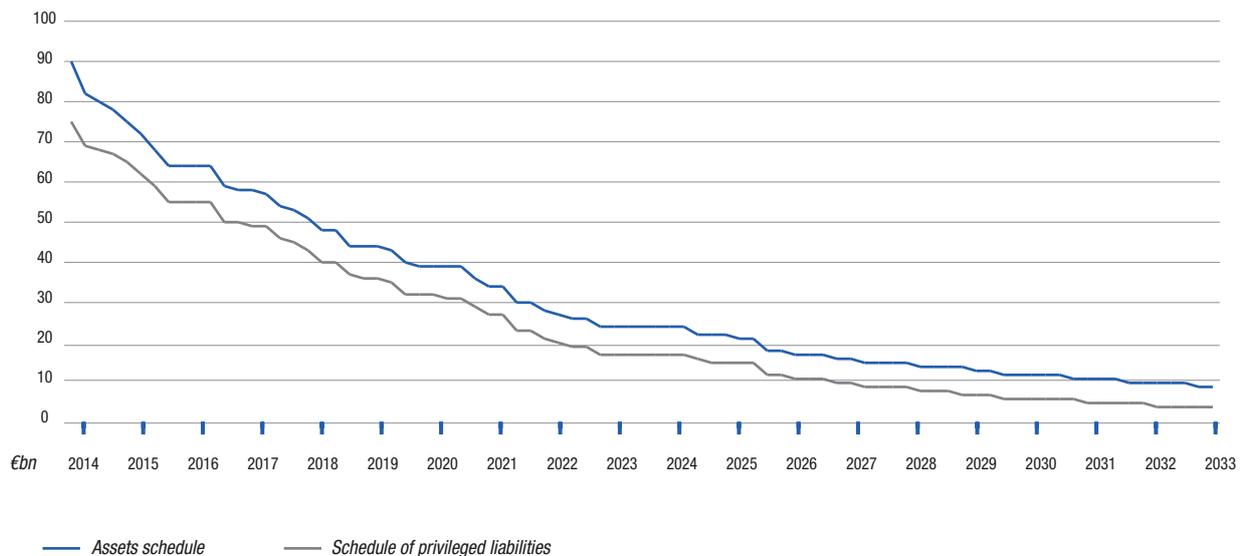
Outstanding privileged liabilities at 31 December 2013

€75 billion of obligations foncières

Positioning

One of the leading European covered bond issuers with a total outstanding of €75 billion at December 31, 2013.

AMORTISATION OF ASSETS AND PRIVILEGED LIABILITIES



BPCE and the strategic plan 2014-2017

BPCE at a glance

Groupe BPCE is the second largest banking group in France, with over 115,000 employees, serves a total of 36 million customers, 8.8 of whom have decided to become cooperative shareholders. Groupe BPCE posted solid performance in 2013, with a moderated risk profile and a strong improvement in solvency. The 2013 net income

attributable to equity holders of the parent increased by 24.3% to €2.7 billion compared with 2012. The Core Tier-1 ratio of the group has extended further from 10.7% in 2012 to 11.4% in 2013.

BPCE's new strategic plan 2014-2017

In November 2013, Groupe BPCE has presented its new strategic plan 2014-2017 «Another way to grow». This development and transformation plan is based on a single ambition: to satisfy the expectations and needs of customers even more fully by reasserting the Group's distinguishing cooperative entity.

Within the framework of this business plan, Groupe BPCE has incorporated Compagnie de Financement Foncier as a key refinancing tool, available to all group entities.

From 2014 onwards, at least five billion euros of assets from Caisses d'Epargne, Banques Populaires and Natixis, eligible to the *société de crédit foncier* (loans to local authorities, long term home loans, secured export financing facilities) will be refinanced, alongside Crédit Foncier's production.

Compagnie de Financement Foncier is thus fully included in the Groupe BPCE's means and strategic goals.



Covered bonds: legal and regulatory framework

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

govern the legal framework of covered bonds: the UCITS and the CRD ⁽⁵⁾ directives. These European directives are transposed into French law in the CMF ⁽⁵⁾.

Covered bonds

Covered bonds are bonds backed by first-ranking assets (first mortgage loans or Public sector exposures). Cash flows deriving from these assets enable those bondholders to be repaid, in priority over all other creditors.

In the European Union, covered bond features are defined by Article 52-4 of the European UCITS directive (2009/65/EC

amended), according to the following criteria:

- the issuer must be a credit institution having its registered office in a European Union Member State and subject to a specific and legal supervision;
- the bondholder must have a preferential claim on cash flows deriving from underlying assets, in the event of the issuer default, over all other creditors. The bondholder may hold up to 25% of their assets in the securities of a single issuer.

UCITS directive - Article 52-4

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

[...]

4. Member States may carry the 5% limit as set out in paragraph 1, subparagraph 1, up to a maximum of 25% for bonds issued by a credit institution whose registered office is in a Member State and which is legally subject to special oversight by the public authorities in the interest of protecting bondholders. In particular, funds resulting from the issue of these bonds are invested, in keeping with the law, in assets which, during the entire valid period of the bonds, may hedge the assets resulting from the bonds and which, should the issuer fail, would be used on a priority basis for repaying principal and paying accrued interest.

[...]

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

The second European piece that provides a definition of covered bonds is the Capital Requirements Directive (CRD) on regulatory capital adequacy which transposes the new global standards through a regulation and a directive. Covered bond holders

are benefiting, particularly European banks, from a favourable regulatory framework. Under the CRD/EU Capital Adequacy Directive (CAD) scheme, banks and insurers have an attractive risk weighting as defined in Articles 4 and 5 of the CRD directive on covered bonds complying with this directive and enjoying the best rating.

(5) UCITS: Directive on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities.

CRD: Capital requirements directive

CMF: Code monétaire et financier

CRD directive: 2006/48/EC (business of credit institutions) and 2006/49/EC (capital adequacy)**Regulation of the European Parliament and of the Council (prudential requirements applicable to credit institutions and investment firms).****Article 129 - Exposures in the form of secured bonds.**

1. In order to benefit from the preferential treatment mentioned in paragraphs 4 and 5, the bonds mentioned in Article 52, paragraph 4, of directive 2009/65/EC (hereinafter referred to as secured bonds») fulfil the conditions stipulated in paragraph 7 and are secured by one of the following eligible assets:

a) exposures to, or guaranteed by, central administrations, central banks of the ESCB ⁽⁶⁾, public sector entities, or regional or local administrations of the Union;

b) exposures to, or guaranteed by, central administrations or central banks of third party countries, multilateral development banks or international organisations, when they belong to the first tier credit quality set out in this chapter; the exposures to, or guaranteed by public sector entities or regional or local administrations of third party countries when they are weighted as exposures to institutions or central administrations and central banks in accordance with Article 115, paragraph 1 or 2, or Article 116, paragraph 1, 2 or 4 respectively and belong to the first tier credit quality set out in this chapter; and exposures within the meaning of the present point that belong at least to the second tier credit quality set out in this chapter, if they do not exceed 20% of the nominal outstanding of the secured bonds of issuing institutions;

c) exposures to institutions that belong to the first tier credit quality set out in this chapter. Total exposures of this type do not exceed 15% of the nominal outstandings of secured bonds from the issuing institution;

[...]

d) loans secured by:

i) a residential property [...] or by preferential shares issued by French securitisation vehicles or by equivalent securitisation bodies governed by the law of a Member State that covers exposures to residential properties.

[...]

4. Secured bonds with credit assessment by an appointed ECAI ⁽⁷⁾ receive risk weight attributed in accordance with table 6b, which corresponds to the credit assessment by the ECAI in accordance with Article 136.

■ **Table 6b**

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

The main feature of covered bonds is the specific mechanism established to protect bondholders. Indeed, bondholders are protected by a priority recourse on the underlying assets of the cover pool in case of the issuer's default, ahead of all creditors. To guarantee them a sufficient level of quality, said assets are strictly defined in the appropriate legislation (chiefly mortgages and claims on central or regional governments, or local authorities).

Since 2008, the covered bond market has experienced very strong growth globally. In 2013, for the first year, the net supply on the Euro covered bond market was negative in spite of a growing number of issuers and the implementation of national legislations on covered bonds in many countries. France, Germany, Spain and Italy remain the main issuing jurisdictions.

The European Covered Bond Council, an association representing over 95% of European covered bond issuers, created the European Covered Bond Label in 2012. For investors, regulators and key market players, the label promotes access to relevant, uniform and transparent information on 70 issuer profiles and 85 asset cover pools. The challenge faced by the covered bond industry today is to learn from the financial crisis, while boosting the characteristics that have, until now, marked the success of this instrument. The main reason behind this success lies in the fact that covered bonds are a long-term private sector funding instrument, promoting distribution of loans to the real economy. It is in this context that the covered bond industry undertook to introduce a quality label, based on a Convention that defines the main characteristics and eligibility criteria of the products. For issuers, the label enhances

(6) ESCB: European System of Central Banks.

(7) ECAI: External Credit Assessment Institutions.



transparency, particularly on the quality of the underlying assets. In a changing environment, the main goals of the European Covered Bond Label are to stimulate the secondary market and bolster its liquidity, while at the same time improving regulation. The progress made in these areas improves the attractiveness of this asset class for investors. The convention applicable in 2014 has evolved and integrated the need to comply with Article 129 of the European

Capital Requirements Regulation (CRR) defining the composition of the asset cover pool so that investors can benefit from preferential treatment in own funds. Compagnie de Financement Foncier complies with these new conditions, and has therefore renewed its membership to the label for 2014. All information and reportings are available on the website «www.coveredbondlabel.com».

French covered bonds: *obligations foncières*

THE BASICS OF OBLIGATIONS FONCIÈRES

FRENCH LAW AND COMPLIANCE WITH EUROPEAN REGULATIONS

In 1999, the French government has passed legislation on the modernisation of the *obligations foncières* framework. This law gives the French financial markets a category of bond instruments, which are competitive and uniform in terms of risks and liquidity, controlled by the *Commission Bancaire* and later by the *Autorité de contrôle prudentiel et de résolution* (ACPR - French Prudential Supervisory and Resolutive Authority which is an administrative authority that supervises the activity of financial institutions)⁽⁸⁾ and a Specific Controller. Until then, the legislation of 1852 on *sociétés de crédit foncier* allowed only *Crédit Foncier de France* or *Crédit Foncier et Communal d'Alsace et de Lorraine* to issue *obligations foncières*. Since 1999, *société de crédit foncier*'s business activities have been governed by the French Monetary and Financial Code (CMF).

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

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

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

- Bondholders are protected by the pool of underlying assets (whose eligibility criteria are defined by law) towards which it has priority recourse in the event of the issuer's default: this is the preferential claim granted to bondholders.

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

SOCIÉTÉS DE CRÉDIT FONCIER

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

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

Structure of a *société de crédit foncier*

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

Obligations foncières, which finance eligible debts, are secured debts that have a preferential claim that confers a priority right on cash-flows deriving from assets to their holders.

In 2013, the numbering of the French Monetary and Financial Code (CMF) has been amended by Order 2013-544 of June 27, 2013 (Article 4). Articles L. 515-13 to L. 515-33 have been replaced by Articles L. 513-2 to L. 513-27.

(8) For further details, please refer to the paragraph on the *Autorité de contrôle prudentiel et de résolution* (ACPR - French Prudential Supervisory and Resolutive Authority) under "Regulatory bodies" on page 20.

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

I. – *Sociétés de crédit foncier* are specialised credit institutions, whose exclusive objective is:

1° to grant or acquire secured loans or exposures to public entities and securities as defined in Articles L. 513-3 to L. 513-7;

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

[...]

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

- loans secured by a first-rank mortgage or equivalent guarantee, when the underlying assets are located in the European Economic Area or in a country with the highest credit rating;
- exposures on public entities such as loans or off-balance sheet commitments, when they concern public entities or entities that are totally guaranteed by them (central administrations, central banks, public institutions, local authorities or their groups, etc.), and having the best credit quality step established by an ECAI recognised by the Autorité de contrôle prudentiel et de résolution (ACPR - French Prudential Supervisory and regulatory Authority) in accordance with Article L. 511-44. Exposures to public entities particularly include debt securities issued or totally guaranteed by one or more public entities. Shares and debt securities issued by securitisation bodies as well as those issued by similar entities are considered as loans and exposures;
- replacement values (limited to 15% of the face value of the privileged resources): securities, and deposits that are adequately safe and liquid.

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

INVESTOR PROTECTION

PREFERENTIAL CLAIM OF HOLDERS OF OBLIGATIONS FONCIÈRES

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

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

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

1. sums from the loans or similar debts, exposures, securities and instruments referred to in Articles L. 513-3 to L. 513-7 of the financial instruments referred to in Article L. 513-10, after compensation, if applicable, as well as claims resulting from deposits made by the *société de crédit foncier* with credit institutions, shall first be allocated to the payment of *obligations foncières* and other privileged resources referred to in item 2 of I of Article L. 513-2;

2. when a *société de crédit foncier* is subject to safeguard, restructuring or insolvency or conciliatory proceedings, the debts arising from the transactions referred to in item 2 of I of Article L. 513-2 shall be paid on their contractual due date and in priority to all other claims, regardless of whether the latter are backed by privileges or security interests, including interests from contracts, of whatever duration. Until the holders of preferential claims within the meaning of the present Article have been fully repaid, no other creditor of the *société de crédit foncier* may exercise any right over the Company's property or rights;

3. a *société de crédit foncier*'s liquidation does not accelerate the repayment of its bonds or other preferential claims referred to in part 1 of this article.

[...]



Obligations foncières bondholders are also protected by the following legal and regulatory provisions:

- **Overcollateralisation**

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

The total amount of the *société de crédit foncier*'s assets must be greater than the amount of their liabilities on which there is a preferential claim as indicated in Article L. 513-11. The Minister for the Economy determines how to measure these assets and liabilities.

Article R. 515-7-2 of the CRBF (French Banking and Financial Regulatory Committee) regulation sets the minimum legal overcollateralisation ratio at 102%. One of the Specific Controller's duties is to monitor compliance with this

overcollateralisation rule. The regulatory overcollateralisation ratio of Compagnie de Financement Foncier was 118.4% at 31 December 2013 and has always exceeded 108% since the establishment of the Company de Financement Foncier in 1999.

Article R. 515-7-2

A *société de crédit foncier* must at all times maintain a cover ratio between its eligible assets, including so-called replacement assets, and its liabilities benefiting from the Privilège of at least 102% in accordance with the criteria laid down by the Minister of the Economy.

- **Matching of assets and liabilities in terms of maturity and rates**

Article 12 of CRBF No. 99-10 requires that matching of maturity and rates of assets and liabilities has to be respected in the *société de crédit foncier* balance sheet management. It is subject to examination by the Specific Controller, who warns the executives and the ACPR if he or she deems that the matching of rates and maturity could create excessive risks for privileged creditors (decree of 23 February 2011).

- **180-day liquidity buffer**

At all times, *sociétés de crédit foncier* must ensure that all cash requirements are covered for a period of 180 days. Therefore, *sociétés de crédit foncier* hold replacement values, assets eligible for credit transactions by the Banque de France or other assets defined by Article R. 515-7-1 that permanently cover all identified cash requirements for the next 180 days.

Article R. 515-7-1

At all times, the *société de crédit foncier* hedges its cash requirements over a period of 180 days, recognising the hedging of forecast cash flows of principal and interest on its assets as well as net cash flows relating to forward financial instruments mentioned in Article L. 513-10. Cash requirements are covered by replacement values, assets eligible for credit transactions by the Banque de France, in keeping with the procedures and conditions determined by the Banque de France for its monetary policy and intra-day credit transactions, and by the refinancing agreements entered into with credit institutions that have top-tier short-term credit quality as established by an external credit-rating organisation recognised by the French Prudential Supervisory Authority pursuant to Article L. 511-44, or that are guaranteed by other legal persons with the same credit quality.

[...]

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

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

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

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

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

If a French company is subject to insolvency proceedings, there will be no power vacuum at its level, as an administrator is appointed to ensure the continuity of management.

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

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

IMMUNITY OF OBLIGATIONS FONCIÈRES HOLDERS

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

Repayment schedule of privileged debt is maintained

In the event of judicial liquidation, debt payment is not accelerated. The debts duly deriving from the transactions shall be paid on their contractual due date and repayment of debts that do not have the

preferential claim will only take place after repayment of *obligations foncières* and other privileged debts.

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

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

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

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

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

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

Article L. 612-34

The *Autorité de contrôle prudentiel et de résolution* may appoint a provisional administrator to any legal person under its supervision, to which all of the legal entity's administrative, management and representative powers are transferred.

[...]

In the event of insolvency of a *société de crédit foncier*, the Specific Controller, as set out in Article L. 513-22 of the French Monetary and Financial Code, must file claim statements on behalf of privileged creditors. Thus, he or she also takes on the role of court-ordered liquidator, and has extensive investigative rights to carry out all assignments.

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

Article L. 511-31

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

Affiliation to a central body

French mutualist banking groups have a central body and some of their subsidiaries may use a specific securing mechanism: the affiliation. *Compagnie de Financement Foncier* is directly affiliated with BPCE SA, the central body of Groupe BPCE; holders of *obligations foncières* enjoy this additional measure of safety.



Article L. 512-12

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

Article L. 512-107

The central body of the savings banks and the popular banks exercises the powers referred to in Articles L. 511-31 and L. 511-32 of this code. In this capacity it is responsible for:

1. Determining the group's policy and strategic objectives and those of each of the networks it comprises;

[...]

5. Taking any measures necessary to ensure the liquidity of the group and of each of the networks and, to this end, to determine the group's liquidity management rules, inter alia by establishing the principles and terms applicable to the investment and management of its member institutions' cash resources and the circumstances in which said institutions may enter into transactions with other credit institutions or investment firms, carry out securitisation transactions or issue financial instruments, as well as any financial transaction required in connection with their liquidity management;

6. Taking any measures necessary to ensure the liquidity of the group and of each of the networks, inter alia by implementing the group's appropriate internal solidarity mechanisms and by creating a guarantee fund common to the two networks for which it shall determine the operating rules, the terms of intervention in conjunction with the funds referred to in Articles L. 512-12 and L. 512-86-1, and the affiliated institutions' contributions for its appropriation and reconstitution;

7. Determining the organisational principles and conditions of the internal auditing mechanism of the group and of each of the networks and providing monitoring of said organisation and of the management and quality of the financial situation of the affiliated institutions, inter alia through on-the-spot inspections within the scope of the intervention described in the fourth paragraph of Article L. 511-31;

8. Determining the risk-management policy and principles, and the limits thereof, for the group and for each of the networks and providing monitoring thereof on a consolidated basis at all times.

REGULATORY BODIES

THE AUTORITÉ DE CONTRÔLE PRUDENTIEL ET DE RÉOLUTION (ACPR - FRENCH PRUDENTIAL SUPERVISORY AND RESOLUTORY AUTHORITY)

The tasks of the Autorité de contrôle prudentiel (ACP - French Prudential Supervisory Authority), now called the *Autorité de contrôle prudentiel et de résolution* (ACPR - French Prudential Supervisory and Resolutive Authority) subsequent to law no. 2013-672 of 26 July 2013 on the separation and regulation of banking activities, are defined by Article L. 612-1 of the French Monetary and Financial Code.

The ACPR is responsible for three main tasks:

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

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

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

As credit institutions, *sociétés de crédit foncier* also provide information about:

- internal control (Articles 42 and 43 of French Banking and Financial Regulatory Committee (CRBF) Regulation no. 97-02, as amended);
- liquidity, via the liquidity and observation ratios.

In addition to this, *sociétés de crédit foncier* must publish specific reports about:

- the quality of their financed assets and, in particular, the characteristics and breakdown of loans and guarantees, liquidity at 180 days in a run-off scenario, as well as the level and sensitivity of interest rate positions;

the report on these points is published on Compagnie de Financement Foncier's website and submitted to the ACPR four times a year, within 45 days following the end of each quarter;

- the calculation of the overcollateralisation ratio, which includes limits on the composition of assets, and the calculation of amounts eligible for refinancing using privileged resources.

The report on this information, certified by the Specific Controller, must be submitted to the ACPR within three months following the end of each half-year.

The *sociétés de crédit foncier* determine the solvency ratio and the regulatory overcollateralisation ratio provided to the French Prudential Supervisory and Regulatory Authority. These audits performed by the ACPR are an additional guarantee for the holders of *obligations foncières*.

Regulation 97-02, as amended - Article 42

At least once a year, reporting institutions shall draw up a report on the conditions under which internal control is conducted.

1. This report covers the different categories of risk mentioned in this regulation, namely:

- a) a description of the main actions carried out in relation to internal control, pursuant to Article 6, and the lessons drawn from these actions;
- b) an inventory of enquiries carried out pursuant to section b of Article 6 and the main lessons to be drawn, especially the main shortcomings identified and follow-up on any corrective action taken;
- c) a description of significant changes made in relation to ongoing and periodic controls during the period under review, in particular to take into account changes in the business and risks;
- d) a description of the conditions under which procedures are put in place for new activities;
- e) a section relating to the internal control of foreign branches;
- f) a description of the main initiatives planned in relation to internal control;
- g) an annex listing agreements and transactions concluded with executive directors and major shareholders as defined by Article 6.3. of Regulation No. 90-02 mentioned above;
- h) an up-to-date description of the classification of money laundering and terrorism financing risks, and justification of this classification.

2. When the reporting institution is an investment firm, the report drawn up as set forth in this Article may recapitulate the information contained in the report provided for in the General Regulations of the *Autorité des Marchés Financiers* (AMF), if the investment firm deems such information to be significant with regard to the matters referred to in the first paragraph of this Article.

Regulation 97-02, as amended - Article 43

At least once a year, "reporting institutions and financial holding companies supervised on a consolidated basis" shall draw up a report on risk assessment and monitoring that provides an overall picture of all of the risks to which they are exposed, including the risks associated with banking and non-banking activities.

[...].

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

For the institutions that are subject to the French ministerial order concerning the identification, assessment, management and control of liquidity risk, this report must include changes in cost-of-liquidity indicators over the period.

"For the standardised approach to assessing liquidity risk, [...] this report must include:

- an appendix that presents the assumptions used to prepare the liquidity statement [...] and, if necessary, any material changes made during the period;
- an analysis of the change in the calculated liquidity gaps in the liquidity statements prepared during the period."

With regard to the monitoring of liquidity [...], the report shall indicate the assumptions used.

This report shall also include:

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

This report may be included in the report provided for in Article 42 of this Regulation.



Risk assessment and monitoring

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

Regulations require a periodic review of these assessment methods and tools.

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

- credit;
- liquidity;
- interest rate;
- currency;
- compliance;
- settlement and intermediation;
- legal;
- operational;
- extreme events (solutions provided in the business continuity plan).

Documentation and information

Credit institutions are required to document the following:

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

The following supervisory and control entities must be kept informed:

- decision-making body: the Board of Directors and its Audit Committee;
- the Company's central body or its shareholder;
- external auditors (Statutory Auditors, Specific Controller);
- regulatory authorities ([ACPR] *Autorité de contrôle prudentiel et de résolution*, [AMF] *Autorité des marchés financiers*: French Financial Markets Authority).

STATUTORY AUDITORS

Appointment of the Statutory Auditors

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

The Statutory Auditors must be appointed for a six-year term, by shareholders at the General Meeting and not by the Company's Executive Directors.

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

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

AUDIT AND CERTIFICATION

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

GENERAL REPORT

In their report to the Ordinary Shareholders' Meeting, the Statutory Auditors must report on the execution of their assignment. By certifying the Company's financial statements, they express that during the course of their assignment they have obtained reasonable assurance that the financial statements are free of material misstatement.

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

SPECIFIC VERIFICATIONS

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

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

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

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

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

Liability of the Statutory Auditors

Liability of Statutory Auditors and Specific Controller

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

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

SPECIFIC CONTROLLER

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

The missions of the Specific Controller, as defined by law under Articles L. 513-23 and 513-24 of the Code and for which he has extensive investigative rights, are essentially to:

- ensure that the *société de crédit foncier* complies with the provisions relating to the eligibility of its assets and with the hedge ratio;
- certify the documents sent to the ACPR, in particular, regulatory ratios, limits and LTV at 30 June and 31 December of each year;
- attend all shareholder meetings and at his request shall be heard by the administrative bodies of the Company. Finally, it is his duty to alert the supervisory authorities of the banking system;
- prepare, for management and decision-making entities, an annual report on the achievement of its assignment, a copy of which is sent to the ACPR.

In accordance with the law and regulations, the Specific Controller must ensure that the *société de crédit foncier* is taking all necessary steps to secure the redemption of *obligations foncières* and other

privileged resources. For this purpose, the Specific Controller must, either on an ongoing basis, or in response to specific events:

- assess the quality of the risk management and monitoring procedures that the *société de crédit foncier* has implemented in order to respect the principles above;
- control the eligibility of loans and other assets held by the *société de crédit foncier*;
- ensure the appropriate overcollateralisation of privileged resources by eligible assets, the compliance with regulatory limits and the LTV eligible for preferential refinancing;
- certify previous ratios, limits and LTV twice a year for the ACPR;
- issue certifications of quarterly bond issuance programmes for issuances in euro equivalent of 500 million or more;
- verify the matching of maturities and interest rates of the *société de crédit foncier's* assets and liabilities (Article 12 of French Banking and Financial Regulatory Committee (CRBF) Regulation No. 99-10);
- appraise the valuation and periodic review procedures of the assets underlying the eligible loans, pursuant to Article 5 of CRBF Regulation No. 99-10.

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

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



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

Specific Controller

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

[...]

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

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

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

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

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

Specific Controller

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

[...]

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

THE AUTORITÉ DES MARCHÉS FINANCIERS (AMF - FRENCH FINANCIAL MARKETS AUTHORITY)

Prospectus directive

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

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

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

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

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

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

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

Transparency directive

The Transparency directive of 2004 - transposed into French law by the Act of 26 July 2005 and the changes to the General Regulation of the AMF by the decree of 4 January 2007 - introduces transparency requirements for the quality of the information provided to investors regarding the company's performance and financial situation. Thus, it helps to guarantee better protection of investors and deepen their trust. Specifically, it harmonises the content and frequency of the publication of information.

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

Thus, Article 221-1 1° of the AMF General Regulation provides regulated informations that the *société de crédit foncier* is required to disclose "effectively and in full" (Article 221-3 I of the AMF General Regulation). This disclosure consists in filing this information with the AMF and posting it on the issuer's website as soon as it has been filed (Article 221-3 II of the AMF General Regulation). This list includes the annual financial report, the half-year financial report, and the statement of Statutory Auditors' fees.

Article L. 412-1

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

[...]

Article L. 621-8-1

The French Financial Markets Authority

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

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

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

[...]

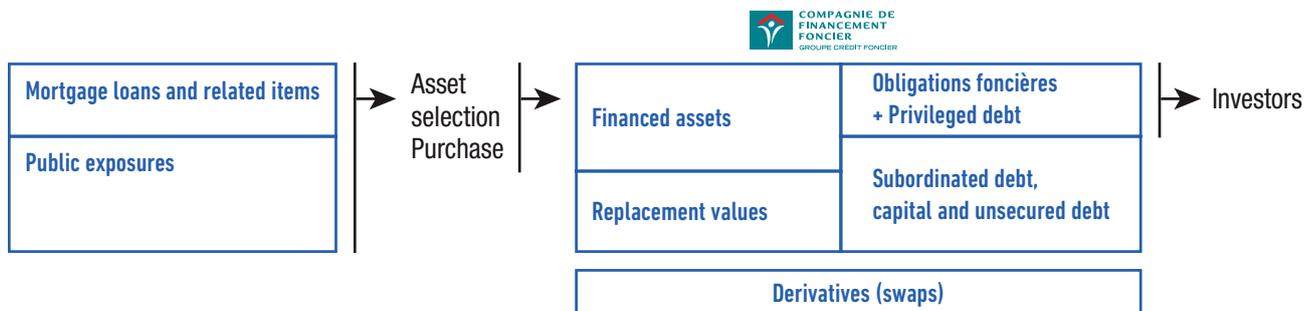


The Compagnie de Financement Foncier business model

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

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

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



Asset selection, management rules and control

MARKET AND CONTEXT

THE FRENCH HOUSING MARKET

The French residential property market is built around two main types of homes: individual property, either stand-alone or on housing developments, and apartment buildings.

Most housing, whether new or existing, is in the private sector. However there is also a system of social housing for low-income households, which receive grants from the French government ⁽⁹⁾.

France has always sought to foster free choice regarding occupancy status (home-ownership, social housing rental, private buy-to-let). This is demonstrated by the support for the various sectors provided by the State through tax advantages. A balanced split between the various modes of occupation, combined with limited levels of debt, helps to provide stability and safety for the market.

In terms of location, the aspiration to individual property led the French population to settle in the suburban areas since the 1970s.

The structural features of the French housing market

HOME BUYERS PROFILE

Adverse economic conditions for several years have led to structural changes in the French housing market. With more than 33 million homes in France in 2013, the French housing market is split on the one hand between Paris and the regions and on the other hand between dynamic cities where the demand remains strong and the cities in demographic decline where prices further decrease. Average statistics calculated on the basis of completed transactions mainly bear on the best assets, with higher negotiating periods, and a stable or a slight increase in general price levels ⁽¹⁰⁾.

(9) State aid: "bricks and mortar subsidies" or "personal subsidies". The system has a specific funding circuit, managed by a state-owned bank (Caisse des Dépôts et Consignations, CDC) and interest rates subsidised by the State.

(10) Crédit Foncier Immobilier

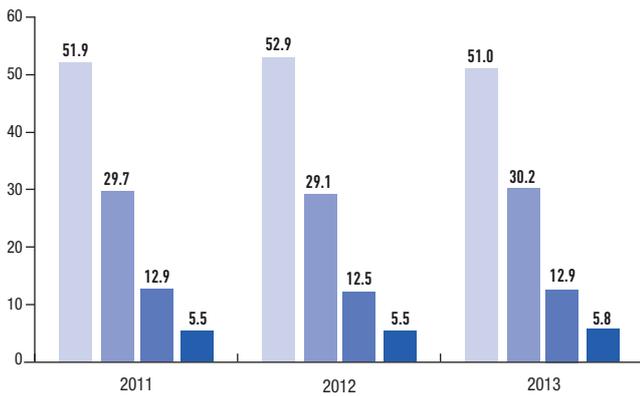
Since 2011, the number of households having the possibility of ownership had not risen, despite favourable lending conditions. The French market is transforming under the effects of a weak economic environment and changes in State incentives, leading to change in the profile of home buyers ⁽¹¹⁾.

The downward trend in the youngest home buyers continues. Home buyers over 45 years old «are taking advantage» of this market transformation (personal contribution and income level).

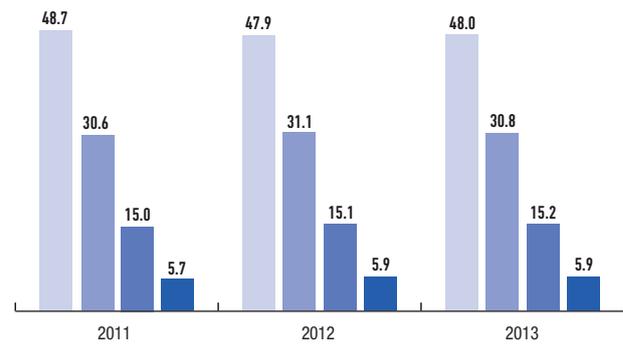
The youngest and the lowest-income households have more difficulties to enter the markets in the absence of State incentives.

All home buyers by age class ⁽¹¹⁾

(in %)



New property

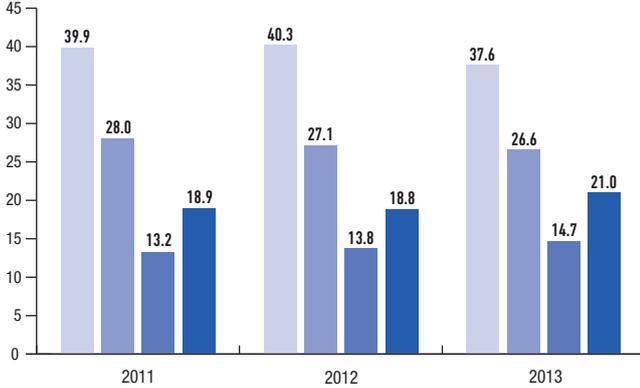


Existing property

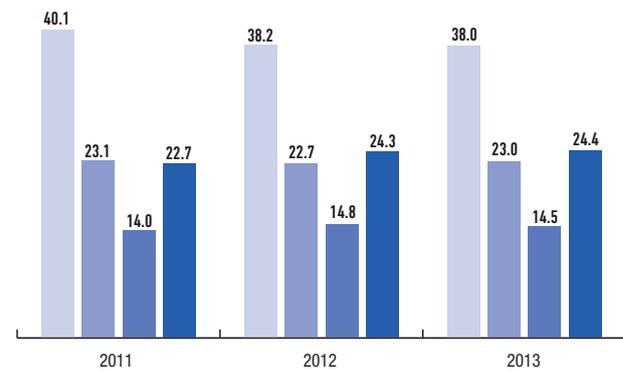
■ less than 35 years ■ 35 to 45 years ■ 45 to 55 years ■ more than 55 years

All home buyers by revenue ⁽¹¹⁾

(in %)



New property



Existing property

■ Less than 3 times SMIC⁽¹²⁾ ■ 3 to 4 times SMIC ■ 4 to 5 times SMIC ■ 5 and more times SMIC

⁽¹¹⁾ Observatoire du Financement des Marchés Résidentiels (French Residential Market Financing Observatory).

⁽¹²⁾ SMIC: Guaranteed minimum wage (gross per hour: 9.19 in 2011 - 9.40 in 2012 - 9.43 in 2013; source INSEE).



Trend data of the French housing market

A DECLINE IN THE DEMAND FOR HOUSING

Since the beginning of 2013, the housing demand is confronted by the recovery in interest rates and an increase in the cost of real estate transactions. The decrease in volume of building permits continued (-12.6%) leading to new housing level down.

Indeed, with 332,000 new-build properties at the end of the year, the dip in new home construction is nearly 30% in six years. The construction level is lower than the estimated annual requirement of 500,000 new housing production forecasted by Crédit Foncier in its study «Demande de logement: la réalité du choc sociologique» (2006). In the face of current economic uncertainty of price developments in real estate market, French people do project themselves into the future, to buy a house or for a rental purpose, neither sell their own-properties⁽¹³⁾. Prices in the new homes sector held up due to high property prices and construction costs.

Regarding existing properties, despite a difficult start to the year, the activity volume has increased by 2.7%. With 723,000 transactions realised, the supply is sustained, especially in *Ile-de-France* region and large urban centres in the regions. Prices have stabilised in a particularly selective market⁽¹³⁾.

THE FRENCH HOUSING LOAN MARKET

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

Guarantee requirements are associated with the granting of a loan. The main types of safeguards are mortgages, the "privilege of the money lender" (*privilège de prêteur de deniers*) and sureties.

- Mortgage: right granted to a creditor on an immovable property as security for a debt, without stripping the owner of his right to the property. In the case of non-compliance with the commitment guaranteed by the mortgage, the beneficiary of this guarantee may seek to sell the property and be paid on the amounts due. The lender has other legal remedies against the borrower in addition to the mortgage, such as wage garnishment.
- Privilege of the money lender: this is similar to a mortgage. It enables the lender to claim priority over any guarantees provided against the property. This privilege can be used only if the loan is to be used to pay the purchase price of an already constructed house or apartment or of land. Thus, it may not be used to guarantee the portion of the loan that finances the construction of a house.
- Surety: personal warranty given by a third party (natural person, mutual guarantee company, ...) who undertakes to pay to the lending institution the amounts owed if the borrower defaults.

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

- Right to follow: right enabling the holder of a security to seize the property into whosoever's hands it may be, even between the hands of a third party purchaser, usually to sell the property and receive the sale price. So, the right to follow through a mortgage loan, enable the lender to seize the net proceeds of sale of the mortgaged property even if the property was sold by the borrower.

Most housing loans in France are amortising loans. The outstanding principal therefore decreases with time. The financing plan for the purchase of housing often combines a personal down payment and one or more loans.

To promote purchases home-ownership among low-income households, the government has established various subsidies corresponding to different levels of income. They include, for instance, the loan for low-income families (*Prêt à l'accession sociale, PAS*), reserved for home-owners. This loan entitles the borrower to personalised housing aid (*aide personnalisée au logement, APL*), *i.e.* State financial assistance to reduce the monthly mortgage payment. It can be supplemented, for new construction and subject to income thresholds, by a capped interest-free loan, known as *PTZ+* (new interest-free loan).

CONDITIONS FOR GRANTING LOANS IN FRANCE: A VERY SECURE SYSTEM

In France, loans are granted after an examination of the borrower's situation. This review covers both the amount of the borrower's income and his or her non-inclusion on the Banque de France register of payment incidents among individuals. This study also ensures that the customer has sufficient residual income⁽¹⁴⁾. In practice, French lenders agree to cap the maximum debt load of individual borrowers at one third of their disposable income. The down payment is usually set at a minimum of 10% of the total loan amount.

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

- for the borrower: the existence of a usury rate, which is the maximum total effective rate at which a loan may be granted, set by the Banque de France. It prevents borrowers from being faced with too high a borrowing rate, which could put them in difficulty when repaying their debts. This helps limit arrears;
- for the lender: a clearly identified role and responsibility. The lender is required to examine the situation of each borrower, and therefore only to grant loans to people with the strongest records. As a rule of jurisprudential origin, the lender is also under an obligation to caution borrowers against taking out excessive debt. Hence, the credit lending policy is prudent: the default rate of French households is among the lowest in Europe.

(13) Crédit Foncier Immobilier studies

(14) The residual income is the remaining amount at the disposal of the borrower after all loan repayments.

DECLINING REAL ESTATE FINANCING IN 2013

The real estate financing market was marked by a slowdown in real estate transactions at the beginning of 2013. The year ended at a similar level of production to 2012, sustained by favourable credit conditions despite a slight recovery during the second semester.

The trend observed in 2013 in the home loans market (+11% of the volume of funds committed with €133 bn) which is, in fact, not really accurate because of an unusual high amount of loan repurchase and home improvement lending in 2013⁽¹³⁾.

Business was impacted by the limitation of the PTZ+ incentive and the decrease of the maturity of the loans to individuals. Economic, legal (Housing Act), but also financial uncertainties surrounding demand for loans for house purchase, and finally on bank's borrowing rates.

In that context where housing loan is used by banks as a loss-leader to attract and retain customers, with a level of lower demand than supply, interest rates are still at a historically low level.

THE FRENCH MORTGAGE MARKET

A mortgage is a security, *i.e.* a right granted to a secured creditor on a property as security against indebtedness.

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

A mortgage is defined by the following features:

- Registered in the « national mortgage registry »;
- Enforceable at first demand;
- Foreclosure process:
 - amount recoverable by the bank: principal + interests + late penalties;
 - duration to the entire enforcement procedure from 15 months to 25 months.

It exists two types of mortgage loans:

- Standard loan purchase (property loan): the mortgage acts as a guarantee for the lender;
- Mortgage loan (broadest meaning of this term): a financial loan, whatever its subject, and secured by a mortgage.

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

Regarding the property value, the value of the property which may be expected to be generated throughout the life of the loan in the event of sale, *e.g.* economically induced, fluctuations of value on the relevant property market and excluding speculative events. French mortgage lending is approved on the basis of the borrower's ability to repay, and not only on the value of the property. It is not possible in France to reload a mortgage loan if the value of the property increase.

Mortgage loans granted to first time buyers can have an additional guarantee provided by FGAS⁽¹⁵⁾.

- FGAS provides services to banks which distribute special property mortgages established by the French government in order to promote residential property ownership (0% mortgage, 0% Eco-loans and Social access mortgages).
- The assumptions of responsibility by the FGAS depend on the level of loan losses.
- The State intervenes as ultimate guarantor.

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

THE PUBLIC SECTOR IN FRANCE

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

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

Organisation

The French Public Sector covers nearly 40,000 public structures. The biggest are the regions, the departments and the municipalities.

- A region is a territorial unit with an elected regional council run by a president with executive powers, under the retrospective control of a regional prefect (Senior member of the French civil service, responsible for administration by the State at the territorial level). The region has its own budget and its main focus are economic development, vocational training and education (final years of secondary school).

Operating expenses and investment make up the lion's share of spending by the region. Its revenues include taxes, incoming transfers⁽¹⁶⁾ and borrowings.

- A department (general council) is a territorial subdivision between the region and the municipality, with an elected general council run by a president with executive powers, under the retrospective control of a departmental prefect. The General Council has its own budget and powers covering social action, major road infrastructure, education (secondary school) and rural development.

(13) *Crédit Immobilier Etudes*

(15) *FGAS: Fonds dve Garantie à l'Accession Sociale. (Government fund promoting access to home ownership). A financial body funded primarily by the French government, FGAS guarantees any loans in default for the lowest-income households. Thus, it provides maximum surety for the loan and therefore the lending body.*

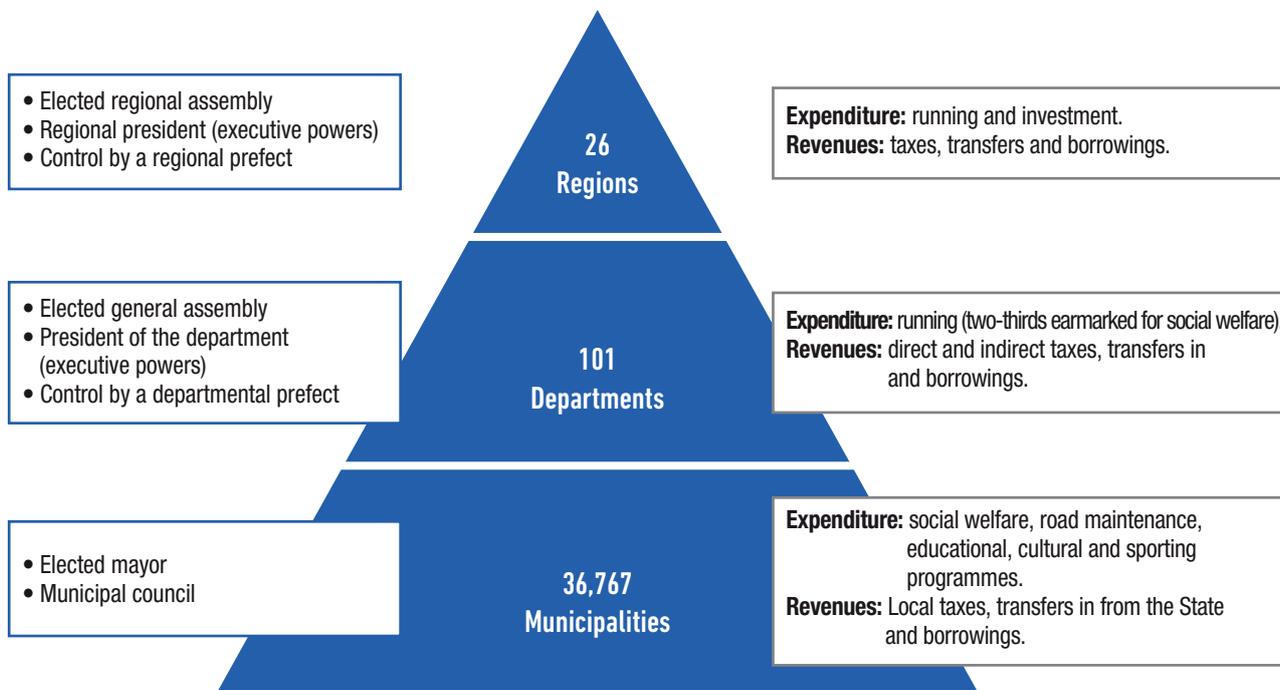
(16) *Transfers: local taxes rebates, transferred taxes, global operations endowment, collected revenues, etc.*



- The municipality is in charge of local government programmes. It is run by a municipal council and a mayor. Its spending is focused mainly on social welfare, road maintenance and the organisation of educational, cultural and sporting activities. The municipality has budgets consisting chiefly of direct local

taxes (property, housing and professional taxes) and transfers from the State; it is responsible for local administration (water management, building permits, etc.). Its presence is mainly felt in land control, industrial development, architectural heritage and environment.

The public sector is subject to controls and managed with balanced budgets ⁽¹⁷⁾



Funding

The French legislative framework makes the public sector a highly controlled sector. The 1984 budget ⁽¹⁸⁾ endowed public structures with management autonomy. As they are responsible for investment decisions to which they commit, they are bound to repay their debts and fulfil their commitments (repayments) at any time.

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

Borrowings are the number-three resource for French regional and local authorities after taxes and transfers and support from the State. Regional and local authorities must follow a budgetary "golden rule", according to which the borrowing can only be used to finance investments and must be repaid from own resources.

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

Repayment of borrowings is considered a mandatory expenditure for the authorities. Thus, should an authority fail to make a payment, the matter is referred to the Prefect, who enters this expenditure in the corrected budget. In this way, the expenditure must be entered into the budget.

Market and environment

The economic and social environment in 2013 was similar to that of 2012, in particularly in terms of sluggish growth and a deteriorated labour market. The recovery of public accounts continues to be a priority and local authorities are involved in this objective. Fiscal reform is also continuing in the background, with further adjustments still required in this area. In this context, the rating agencies Fitch and Standard & Poor's downgraded the rating of France in July and November respectively.

In view of its fundamentals, the participation of the French Public Sector in the public accounts recovery effort needs to be bolstered and the rules of budgetary supervision encourage elected officials to practise increasingly rigorous management. This system is protective for bodies that lend to local authorities, as such authorities have a very low probability of default.

In 2013, local authorities borrowed funds to finance their investments in much smaller proportions than in previous years. The credit offer is still in the process of reorganisation with the new loan activity of the joint venture between La Banque Postale and Local authorities, funded by *Société de Financement Local* (SFIL), from which a volume of €4 bn ⁽¹⁹⁾ per year is expected to be reached once established, i.e. approximately 25% ⁽¹⁹⁾ of the market. Local authorities increasingly resorted directly to the market for

⁽¹⁷⁾ Executive Management of local authorities.

⁽¹⁸⁾ Law No. 83-1179 of 29 December 1983, on the 1984 budget.

⁽¹⁹⁾ Court of Auditors – Local public finances – October 2013.

funds, alone or in groups, and borrowed more vigorously from the bond market.

2014 should be marked by the entry into force of the «trust and responsibility pact» decided by the Government, which will lead to a change in the structure of regional and departmental revenues, in addition to an unprecedented decline in State provisions.

COMPAGNIE DE FINANCEMENT FONCIER'S ASSETS

COMPOSITION OF ASSETS, SELECTION AND MANAGEMENT RULES

Asset composition

The rules observed by Compagnie de Financement Foncier when selecting assets are strictly defined and closely monitored:

- the assets must be eligible pursuant to the law governing the business of *sociétés de crédit foncier*;
- their acquisition is subject to Compagnie de Financement Foncier's own additional requirements, such as the exclusion of commercial mortgage loans;
- these assets are purchased with a margin so as to ensure Compagnie de Financement Foncier's profitability at all times.

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

Asset selection

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

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

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

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

Management of payment defaults

Loan management is assigned to Crédit Foncier by an agreement.

The recovery process involves preventing problems, carrying out precise analysis of risk, making use of safeguards if necessary, and ensuring the rigorous processing of loan applications.

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

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

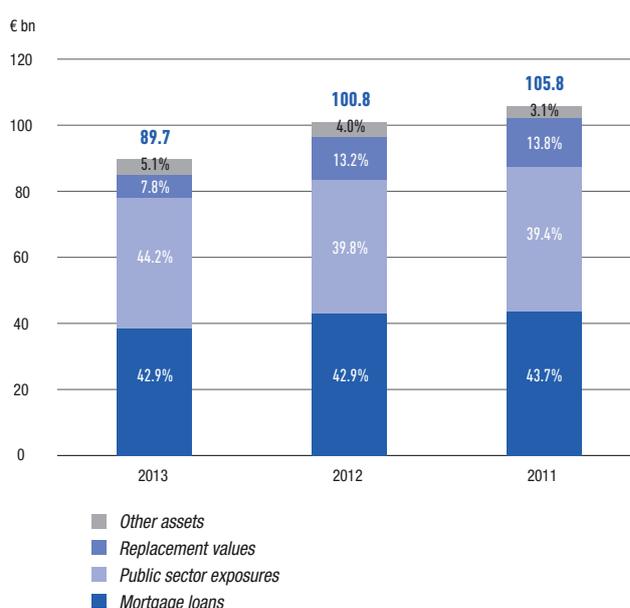
Changes in assets

In 2013, Compagnie de Financement Foncier mainly acquired mortgage loans granted by its parent company to private individuals in France, by means of direct purchases in the amount of €6.0 billion or by subscribing mortgage notes issued by Crédit Foncier for an amount maintaining their outstandings at €8.2 billion. In the Public sector, Compagnie de Financement Foncier increased its exposures to €2.2 billion (loans to Crédit Foncier guaranteed by French public assets pursuant to Article L. 211-38 of the CMF).

In 2013, Compagnie de Financement Foncier started reducing its balance sheet by selling international assets for an amount of €12.5 billion. In the meantime, Compagnie de Financement Foncier bought back and cancelled €1.3 billion in *obligations foncières*.

Loans with direct or indirect public guarantees make up 44.2% of Compagnie de Financement Foncier's total assets with mortgage-based assets accounting for 42.9%.

Changes in assets





MANAGEMENT RULES

Overcollateralisation

COMPLIANCE WITH THE REGULATORY OVERCOLLATERALISATION RATIO (COVERAGE RATIO)

Overcollateralisation, defined by law (Article L. 513-12), requires that the total weighted asset amount of *société de crédit foncier* (specified in the chapter on the basics of *obligations foncières*) are always at least 102% of the total amount of liabilities benefitting from the preferential claim. One of the Specific Controller's duties is to monitor compliance with this regulatory overcollateralisation rule.

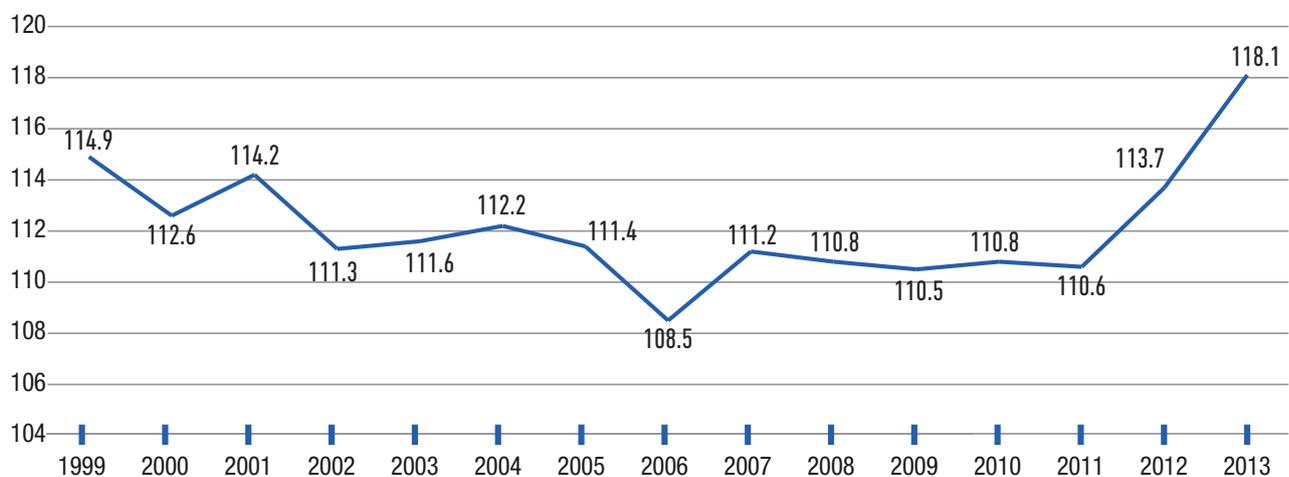
When calculating this regulatory overcollateralisation, and, as stated in CRBF Regulation No. 99-10 as amended ⁽²⁰⁾, assets must be weighted in accordance with their quality and nature.

With €1.8 billion in capital, €3.8 billion in subordinated debt and €8.6 billion in unsecured debt, Compagnie de Financement Foncier's overcollateralisation is well above the legal minimum ratio of 102%.

Since the Company's inception in 1999, this regulatory ratio has always been above 108%. At 31 December 2013, it was 118.1% (compared with 113.7% at 31 December 2012).

Overcollateralisation since 1999

(in %)



MAINTAINING A HIGH OVERCOLLATERALISATION RATIO SPECIFIC TO COMPAGNIE DE FINANCEMENT FONCIER

In addition to the safety provided by the institutional framework and to ensure the best ratings from the principal agencies, Compagnie de Financement Foncier has taken supplementary management measures since 1999.

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

In particular, since 2009, it set up measures to maintain at all times a volume of non-privileged liabilities at least equal to 5% of the liabilities that benefit from the preferential claim. At 31 December 2013, this ratio was at 18.8%.

This level of non-privileged liabilities contributes to the protection of the privileged holders of *obligations foncières*.

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

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

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

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

⁽²⁰⁾ Regulation No. 99-10 of 9 July 1999 concerning *sociétés de crédit foncier* and *Sociétés de financement de l'habitat*, as amended by regulations No. 2001-02 of 26 June 2001 and 2002-02 of 15 July 2002, and by orders of 7 May 2007 and 23 February 2011.

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

■ The following minimum overcollateralisation ratios are currently applied:

Asset class	Outstanding	Origination
Subsidised sector (in run-off)	3.0%	n.a.
Low-income home loans + Interest-free loans	2.5%	3.0%
Residential/Subsidised purchases	3.0%	3.5%
Residential/Buy-to-let	25.0%	30.0%
Public Sector	3.0%	3.0%
Social housing	4.5%	4.5%

- The overcollateralisation required to cover Compagnie de Financement Foncier's overall interest rate risk depends on the size of its balance sheet and on its estimated future earnings. It equals 0.5% of Compagnie de Financement Foncier's assets, minus the net present value of estimated earnings over the next 10 years.

To ensure a high security level, several net present values are calculated in a run-off scenario without new lending and by combining the following assumptions:

- three early repayment assumptions: no early repayment, likely early repayment rate and a stressed early repayment rate that is three times greater than the likely rate;
- three market interest rate assumptions: benchmark yield curve, stressed cash flow assuming unfavourable borrowing and lending conditions at EONIA +1% and EONIA -0.5% respectively, and a 200 bp upward shift in the yield curve.

The lowest net present value among the nine calculated is used to calculate the overcollateralisation ratio for the interest rate risk.

The overcollateralisation required is equal to the most important of the two credit overcollateralisations (on the outstanding and the two-year projection), to which is added the overcollateralisation related to the interest rate risk.

CONTINUOUS MONITORING OF OVERCOLLATERALISATION LEVELS

To ensure that compliance with the overcollateralisation requirements is maintained at all times, it is monitored on an ongoing basis. In addition to the compliance of the regulatory ratio, if Compagnie de Financement de Foncier observes on a quarterly basis, one of the above thresholds, all asset purchases are immediately suspended and non-privileged resources are used to increase overcollateralisation above the minimum required amount.

Principle of financed LTV for residential mortgage loans

The LTV ratio on residential mortgage loans (€30 billion owned directly and €8 billion in mortgage notes at end 2013) is the ratio of the outstanding principal over the value of the underlying real estate. Collateral is revalued annually to monitor compliance with this ratio.

The regulatory annual valuation of assets, as required by the regulation, is based on a prudent assessment of the property's long-term characteristics, local market conditions, the current use of the property and other possible uses. All of this information is provided by Foncier Expertise, Crédit Foncier's wholly-owned, Veritas-certified, of which experts are either certified by a court and/or qualified as Chartered Surveyors (MRICS)⁽²¹⁾.

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

On the basis of these rules, at 31 December 2013 the Company's LTV ratio on its mortgage portfolio was relatively stable at 72.6% vs. 70.3% at 31 December 2012.

Credit risk

ASSET PURCHASING CRITERIA BY CATEGORY

Although regulations require that a *société de crédit foncier* invest only in high quality assets, Compagnie de Financement Foncier implements additional asset purchasing criteria for each asset category, so as to limit its exposure to credit risk. Compagnie de Financement Foncier will not, for example, buy commercial real estate assets. Compagnie de Financement Foncier selects the assets that it wishes to acquire based on their rating, probability of default, score at origination, expected loss and any hedging of assets, as well as yield curves. The assets that meet the Compagnie de Financement Foncier's criteria are then purchased at a price determined by the previous study.

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



Furthermore, Compagnie de Financement Foncier replacement values have very good external credit ratings. The minimum acceptable credit rating for each asset (except for intragroup

assets and assets guaranteed by a collateral) depends on the investment horizon and must meet the minimum rating criteria of each of the three main agencies, as shown below:

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

LIMITING MARKET COUNTERPARTY RISK

The Crédit Foncier Group's risk policy specifies per-market counterparty risk limits and Compagnie de Financement Foncier observes these limits in its decision process.

For its hedging transactions the Company executes a framework agreement with each of its counterparties, with asymmetrical collateralisation and other specific terms set forth in an appendix to this agreement.

Each counterparty agrees to pay Compagnie de Financement Foncier on a daily basis (or on a weekly basis for some of them) depending on the counterparty's rating a security deposit equal to its net debt position, with no compensation for this.

Managing balance sheet risks

MANAGING INTEREST RATE RISK

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

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

HEDGING LIQUIDITY RISK

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

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

Thus, the Company's cash position is sufficient at any given time to meet the contractual payments on its privileged debt over the coming twelve months.

Compagnie de Financement Foncier also limits the duration gap between its assets and its overall liabilities to two years at most. At 31 December 2013, the asset duration was 5.7 years and the liability duration was 6.9 years.

NO CURRENCY RISK

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

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

ORGANISATION OF CONTROLS

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

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

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

Refinancing through the issuance of *obligations foncières*

THE MARKET ENVIRONMENT

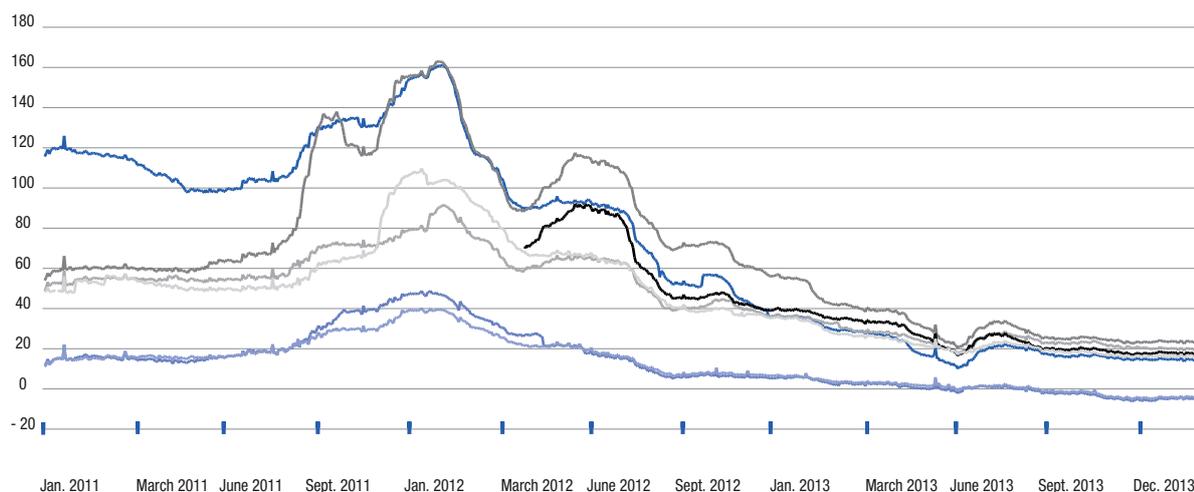
In 2013, for the first time, the net offer on the euro covered bond market was negative, in spite of the fact these products continue to be one of the principal asset classes supported by regulatory initiatives.

The secondary levels on the covered bond market performed well in 2013, in an environment where banks are reducing the size of their balance sheets (deleveraging) and offering fewer issues on the market. Investors' search for yields has enabled issuers from core countries to issue senior unsecured and subordinated debt with the aim of bolstering their equity base under good conditions and issuers from peripheral countries to return to the covered bond market.

Globally, covered bonds worth €100 bn⁽²²⁾ were issued in 2013, which was close to the figures for 2012 (€105 bn).

Thus, a large part of the issuances in 2013 came from France (€17.9 bn), Germany (€15.3 bn), Spain (€11 bn) and Italy (€9 bn)⁽²²⁾. Non-European issuers also took advantage of the attractive swap rates to issue in euro, in particular Canadian (€4.5 bn) and Australian (€3.8 bn)⁽²²⁾ issuers. Globally, the number of transactions on the covered bond market was stable in 2013, in spite of a decline in funding programmes, supported by the development of the sub-jumbo format (issuances under €1 bn) and private placements. Furthermore, in 2013, the issuers favoured maturity segments of over five years, particularly the seven-year format. The return of issuers from peripheral countries on the market was notable: this segment represents more than 25% of the issues since the beginning of 2013, versus only 15% in 2012. To sum up, 78 issuers from 17 different jurisdictions issued covered bonds in 2013.

Core countries⁽²²⁾

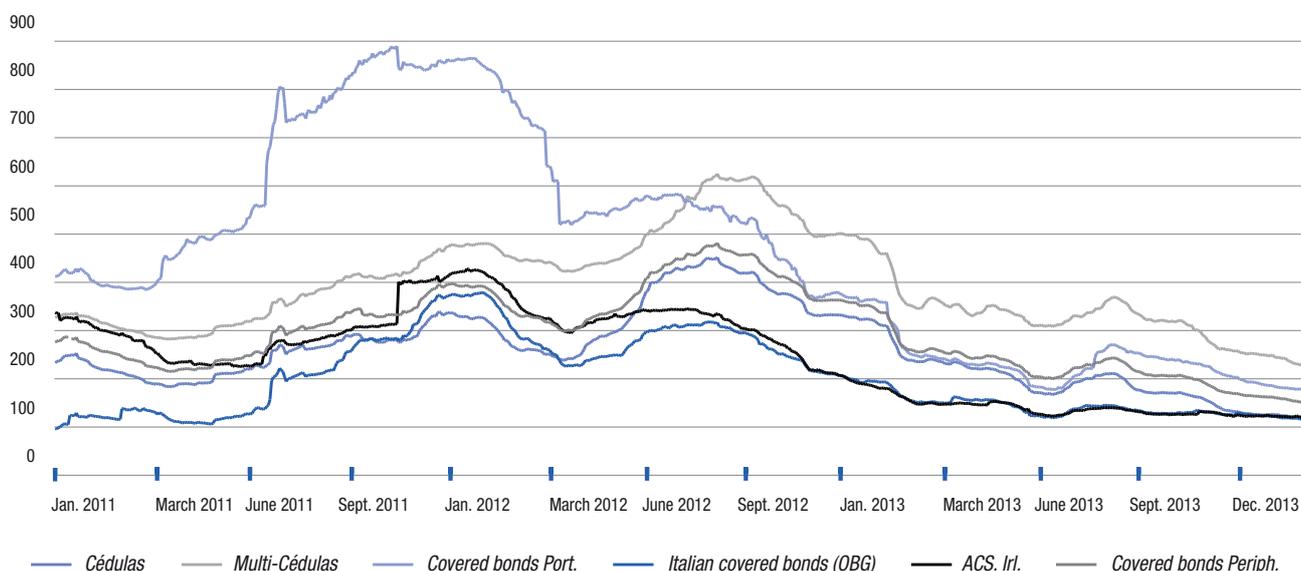


— British covered bonds — Public Pfandbriefe — Dutch covered bonds — Mortgage Pfandbriefe — Obligations Foncières* — OH — Other covered bonds

(22) Natixis - Spreads & Credits - Credit Research - November 2013.



■ Peripheral countries ⁽²²⁾



Cheap liquidity provided by the ECB as well as persistent regulatory pressure led to a market decline in French issuance volumes in 2013 (-30%) ⁽²²⁾. The double downgrade of France's rating by Fitch and Standard & Poor's in July and November 2013 had no impact on the secondary levels of Compagnie de Financement Foncier or on French covered bonds in general.

Combined with the net negative offer of issuances, investors' demand could rise in 2014 if covered bonds are treated as highly liquid assets as part of the short-term liquidity framework LCR of Basel III. ECBC indicates that such treatment of covered bonds would enable the excessive dependence of the European banking sector with respect to Sovereign debt to be reduced and would work toward the desired decoupling between the banking sector and Sovereign risk.

■ COMPAGNIE DE FINANCEMENT FONCIER BOND ISSUANCE IN 2013

In this context, in order to meet the objectives of tightening of spreads, extension of the bond issuance maturity and diversification of the offer, Compagnie de Financement Foncier issued €3.5 bn via its two EMTN ⁽²³⁾ and RCB ⁽²⁴⁾ programmes. Compagnie de Financement Foncier mainly issued in Euro, except a private placement issuance in NOK in order to meet the specific demand of a Norwegian pension fund. The percentage of German investors is very high, similar to the order books of various French bond

issues. The RCB volumes raised this year also saw a significant percentage of investors from Germany. In addition, Compagnie de Financement Foncier can rely on a dependable domestic market, particularly the insurers.

On the primary public market, the year was marked by an additional €750m in January in the benchmark November 2022 bond issue, offering a new long-term investment opportunity to investors.

Although slightly down compared with the previous year, the volumes issued under private placements were significant throughout the year with a total of €2.25 bn and an average maturity of 15 years. Private placements enabled Compagnie de Financement Foncier to optimise its refinancing costs by maintaining a lower spread level than the secondary levels and by raising resources mainly at the long end of the yield curve. The four main Compagnie de Financement Foncier's private placements amounted respectively to €182m with a 16-year maturity, €350m with a 20-year maturity, NOK 1 bn with a 20-year maturity and €200m with a 20-year maturity.

The percentage of French investors in Compagnie de Financement Foncier's bond issues remained stable in 2013 at around 41% of the total volume issued. The marketing efforts with respect to German investors led the latter to also represent 36% of the total volume issued, due in particular to the RCB format (27 transactions amounting to €803m).

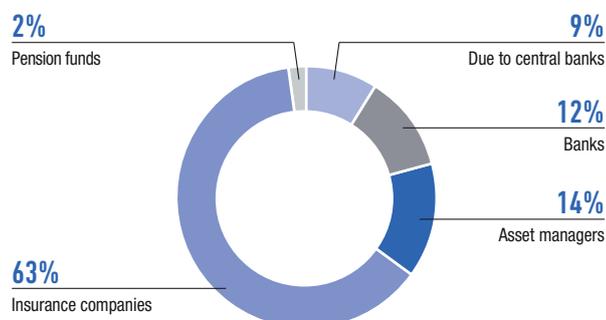
⁽²²⁾ Natixis - Spreads & Credits - Credit Research - November 2013.

⁽²³⁾ EMTN: Euro medium term notes.

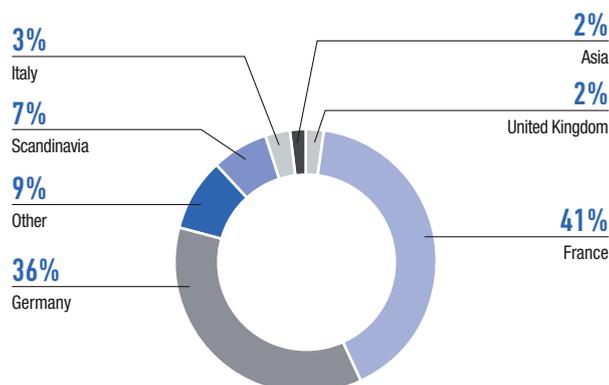
⁽²⁴⁾ RCB: Registered Covered Bonds (German format).

■ Breakdown of Compagnie de Financement Foncier's *obligations foncières* issued in 2013: €3.5 bn

■ By investor type



■ By region



■ COMPAGNIE DE FINANCEMENT FONCIER'S RATINGS

On 18 July 2013, Compagnie de Financement Foncier was placed under negative credit watch following the downgrade of France by Fitch Ratings. On 4 December 2013, the agency revised the rating of Compagnie de Financement Foncier's issuance programme from AAA to AA+ with stable outlook. A simple mechanical consequence of its recently modified methodology, this new rating by Fitch Ratings questions neither the security nor the robustness of the Compagnie de Financement Foncier business model, nor the quality of its asset cover pool.

Compagnie de Financement Foncier's AAA/Aaa/AA+ ⁽²⁵⁾ stable outlook rating reflects both the strength of the French legal framework (ensuring the minimum level of security offered to holders of *obligations foncières*) and the additional commitments by Compagnie de Financement Foncier towards the market, which the rating agencies take into account.

STANDARD & POOR'S METHODOLOGY

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

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

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

FITCH RATINGS METHODOLOGY

Fitch Ratings are realised in three steps: analysis of "discontinuity" risk listing the factors that may lead to payment defaults; analysis of the level of overcollateralisation required via stress tests on cash-flows and analysis of the level of recovery after default. Overall discontinuity risk is determined by the highest risk. Fitch has introduced systemic, sovereign and banking risk into its liquidity risk analysis.

A new rating criteria was implemented in the Fitch methodology on 30 January 2013. This criteria strengthens the link between the European Sovereign rating of the euro zone and the issuance of covered bonds. This methodology provides for the rating of the covered bonds to be maintained above that of the sovereign, extreme default scenarios of the latter and all local authorities, with significant potential losses for their creditors.

MOODY'S METHODOLOGY

Moody's methodology considers two criteria: the parent's credit capacity and the hedge portfolio mainly including the parent's assets.

Moody's believes that the affiliation mechanism allows the issuer to benefit from the parent's creditworthiness. In practice, the parent ensures the liquidity and solvency of the issuing company, a wholly owned subsidiary of Crédit Foncier, which itself belongs to Groupe BPCE.

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



Financial report

2013 MANAGEMENT REPORT

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2013 Management report

Within a difficult economic framework marked by a weak growth in the United States and in Europe, the continuing high debt level of some countries (particularly in Europe) and new regulations in the banking system, Compagnie de Financement Foncier carried out a number of important transactions in 2013, in order to refocus its activities on mortgage or public sector assets originated by its parent company in France and the liquidation of its securitisation portfolio.

Funding needs have accordingly been more limited than in the previous years; Compagnie de Financement Foncier has issued €3.5 billion in *obligations foncières* during the financial year.

As of 31 December 2013, the whole privileged debts still have a very high credit rating from the three major rating agencies (AAA/Aaa/AA+) that recognize the security given by the status of a *société de crédit foncier* and the additional commitments taken by Compagnie de Financement Foncier in financial management and risk management.

At the end of December 2013, the Compagnie de Financement Foncier's balance sheet was €90 billion, €11 billion down year-on-year; the annual net income, affected by the disposal of international assets, is equal to €33 million against €133 million the previous year.

1. Operations in 2013

Compagnie de Financement Foncier experienced important balance sheet movements during the financial year in order to comply with the medium term plan of Crédit Foncier, the implementation of the prudential and regulatory framework specific to credit companies and the compliance with rating agencies methodologies. Its activity mainly consist of:

- the acquisition of loans granted by Crédit Foncier and to a lesser extent by the Groupe BPCE;
- the reduction of international exposure;
- the disposal of all securitisation parts;
- the restructuring of its derivatives portfolio.

ACQUISITIONS

Over the year, Compagnie de Financement Foncier has acquired from its parent company mortgage loans granted to physical persons and loans to French local authorities, for an aggregate amount of €7 billion.

Investments in mortgage-backed securities, for a net amount of €5 billion, divided between:

- €6 billion of direct purchases, split as follows: €4.2 billion with a French State guarantee *via* the FGAS, €1.2 billion of other loans facilitating access to home ownership and €0.5 billion in rental loans;
- €1 billion *via* the buyback of mortgage notes issued by Crédit Foncier and guaranteed by securities with the same characteristics as those held directly.

Facilities to territorial authorities granted by Crédit Foncier have been mobilised *via* Compagnie de Financement Foncier in application of Article L. 211-38 of the French Monetary and Financial Code for an amount of €2 billion.

At the end of the year, Compagnie de Financement Foncier proceeded to the first refinancing operations of a part of Groupe BPCE's outstanding loans to local authorities for which a growing business volume is expected in 2014; three Caisses d'Épargne and one Banque Populaire ceased or mobilized receivables to it for €0.2 billion.

DISPOSALS

In accordance with the decisions of Crédit Foncier group to reduce its balance sheet so in order to comply with forthcoming Basel III requirements and to limit international exposure, Compagnie de Financement Foncier has continued and accelerated its assets disposal operations started in 2011.

On the one hand, Compagnie de Financement Foncier has sold its entire securitisation portfolio which represented approximately €12 billion at the start of the financial year that enabled it to maintain the eligibility of its *obligations foncières* issuances to the Eurosystem refinancing operations. On 28 November 2012, the ECB has changed the covered bonds eligibility rules, by excluding issuers holding any kind of external securitisation (RMBS or Public sector ABS) in their balance sheet, within a grandfathering until 28 November 2014.

The liquidation of the portfolio was carried out via market sales throughout the year for an amount of €3.6 billion and transfers to Crédit Foncier amounting to €7.7 billion through a guarantee agreement entered between both companies. At the beginning in 2008, the buyback commitment taken on by Crédit Foncier only related to RMBS with a strong risk of rating downgrade; it was then extended to all securitisations targeted by the ECB decision. Accordingly, on 20 December 2013, all remaining securitisations for an outstanding amount of €7.3 billion were transferred at carrying amount to Crédit Foncier.

On the other hand, Compagnie de Financement Foncier continued and intensified the sale of international securities started in 2011, by €0.9 billion:

- essentially securities issued by American territorial authorities (€0.7 billion) and,
- Slovak and Czech sovereign debts (€0.2 billion).

Crédit Foncier group achieved in 2013 the goals outlined in its strategic plan 2012-2016 on international assets disposals; regarding the residual portfolio structure of international assets, the run-off is mainly effected by amortisation.



Compagnie de Financement Foncier also sold a number of assets which did not comply with the criteria set out in EU regulation No. 575/2013 of 26 June 2013 which, in Article 129, defines the feature of authorized investments for covered bonds issuers in order to enable its issuances to receive favorable prudential treatment provided in this article. After an exhaustive review of Compagnie de Financement Foncier's assets regarding this new text, only few outstandings were non-compliant and have been sold on the market or to Crédit Foncier; for a total of €0.2 billion.

In line with these assets disposals and in order to, on the one hand, preserve the balance between assets and liabilities and, on the other hand, limit the impact on the income statement, Compagnie de Financement Foncier bought back €1.3 billion of *obligations foncières* it had previously issued and cancelled them.

RESTRUCTURING OF THE DERIVATIVES PORTFOLIO

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

During the year, four transactions for a notional amount of €30.4 billion were realised, *i.e.* 639 swaps cancelled with 11 counterparties, leading to a net balance of €340 million. These transactions are neutral with respect to Compagnie de Financement Foncier's net income; the termination balances are spread in accounting terms over the remaining life of the balance sheet items that were covered by these derivatives.

FUNDING OF ACQUISITIONS AND CASH MANAGEMENT

Taking into account the importance of the disposals, the market funding needs were lower in 2013 than during previous financial years.

Compagnie de Financement Foncier issued €3.5 billion of *obligations foncières* in 2013:

- €1.25 billion of public issuances with an average maturity of 9 years, by increasing existing lines. During January, Compagnie de Financement Foncier tapped for €0.75 billion its bond issue maturing in 2022, a transaction authorized by the Specific Controller, who controls the compliance with prudential regulations for all transactions exceeding €0.5 billion;
- €2.25 billion of private placements with an average maturity of 17 years (or 15 years if all call/put options are exercised from their next contractual exercise date).

Except of a small issuance in Norwegian Krone, all 2013 issuances were denominated in euros; the geographical issuance breakdown shows a strong demand from French (41%) and German (36%) investors, with the remainder distributed over other European countries, including Scandinavia (7%) and Asia (2%).

Compagnie de Financement Foncier's cash resources are either invested in replacement values, essentially in two-month loans to the Groupe BPCE guaranteed by an asset cover pool in application of Article L. 211-38, or placed or deposited with the *Banque de France*.

At the end of 2013, cash and cash equivalents amounted to €18.4 billion, of which €11.4 billion with the *Banque de France* and €6.6 billion with BPCE guaranteed by a portfolio of €7.3 billion, basically mortgages loans and loans to French authorities which amounted to €17.0 billion at the end of 2012. This significant cash position was established to anticipate important repayments of *obligations foncières* at the beginning of 2014 amounting to €5.7 billion for the 1st quarter, of which €4.4 billion in January.

2. Changes in assets

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

- secured loans, as defined under Articles L. 513-3, L. 513-5 and L. 513-6 of the French Monetary and Financial Code, backed by a first-rank mortgage (or equivalent real estate security or, to a lesser extent, a guarantee);
- exposure to public authorities, as defined under Articles L. 513-4 and L. 513-5; and
- replacement values as defined in Article L. 513-7, limited to 15% of the nominal value of the privileged liabilities.

■ Breakdown of assets by guarantee rank

	31 December 2013		31 December 2012	
	€M	% balance sheet	€M	% balance sheet
Secured loans				
Articles L. 513-3, L. 513-5 and L. 513-6	38,527	42.9%	43,265	42.9%
State-subsidised mortgage loans	261	0.3%	369	0.4%
Mortgage loans secured by the FGAS	13,810	15.4%	11,214	11.1%
Other mortgage loans	16,021	17.9%	16,967	16.8%
Mortgage notes	8,226	9.2%	9,275	9.2%
Senior mortgage-backed securitisation tranches	-	-	5,248	5.2%
Guaranteed loans	209	0.2%	191	0.2%
Exposures to public authorities				
articles L. 513-4 and L. 513-5	39,630	44.2%	40,157	39.8%
State-subsidised public loans	150	0.2%	172	0.2%
Other public loans *	29,530	32.9%	21,115	21.0%
Public entity securities	9,950	11.1%	12,326	12.2%
Securitisation units of public receivables	-	-	6,544	6.5%
Other assets (interests on IFAT, adjustment accounts, etc.)	4,552	5.1%	4,071	4.0%
Replacement values Article L. 513-7	7,010	7.8%	13,290	13.2%
TOTAL ASSETS	89,720	100.0%	100,782	100.0%

* including deposits and short term loans at Banque de France of €11.4 billion in 2013 compared to €3.7 billion in 2012.

Overall, as of 31 December 2013, the operations during the course of the year have led to a total balance sheet fell of €11 billion and have significantly changed its composition while maintaining the balance between mortgages and Public sector assets.

The main changes included:

- cancellation of securitisation investments;
- an increase in mortgage loan outstandings guaranteed by the French State through the FGAS, as a result of Crédit Foncier's very high market share on this product which favours low-income housing;
- decrease in public entity securities following international disposals;
- maintaining loans to French local authorities; restated for outstandings deposited with the *Banque de France*, the "Other public loans" item remains unchanged at €18 billion;
- maintaining a significant liquidity position comprising replacement values and outstandings at the Banque de France;
- a slight increase in "Other assets" corresponding to the increase in balances paid when swaps were cancelled during the year and which, according to accounting rules, must be spread over the period.

Disposals during the financial year have also had an impact on the geographical assets diversification: at the end of 2013, 87% of the assets are invested in France against 74% a year earlier.

Internationally, major outstandings decrease are located in:

- the Netherlands (€-4.3 billion) after the disposal of public ABS guaranteed by NHG;
- the USA (€-3.5 billion) after the disposal of public ABS guaranteed by the US government and receivables to local authorities;
- Italy (€-2.8 billion) after the disposal of RMBS and public entity securities;
- Spain (€-1.2 billion) after the disposal of RMBS.

At the end of 2013, international assets amounted to €11.5 billion and can be divided into three categories of:

- four countries which still have a significant position over €1 billion, namely Italy with €3.1 billion, USA with €1.7 billion, Japan with €1.4 billion and Switzerland with €1.2 billion;
- three countries of lesser significance: Germany with €1.0 billion, Spain with €0.9 billion and Canada with €0.6 billion;
- other countries not exceeding 0.5% of the relevant balance sheet, corresponding mainly to european government bond exposures for a total amount of €1.6 billion.



3. Changes in liabilities

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

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

■ Breakdown of liabilities by guarantee rank

	31 December 2013		31 December 2012	
	€M	% balance sheet	€M	% balance sheet
Privileged liabilities	75,081	83.7%	85,185	84.5%
<i>Obligations foncières</i> on the reporting date	75,104	83.7%	84,441	83.8%
Foreign exchange difference on <i>obligations foncières</i>	-523	-0.6%	-1,241	-1.2%
Other privileged resources	500	0.6%	1,985	2.0%
Foreign exchange difference relating to hedging of balance sheet items*	533	0.6%	56	0.1%
Non-privileged resources	14,106	15.7%	15,541	15.4%
Unsecured debt	8,563	9.5%	9,861	9.8%
Subordinated debt and similar debt	3,756	4.2%	3,800	3.8%
- of which redeemable subordinated notes (RSN)	2,100	2.3%	2,100	2.1%
- of which super-subordinated notes	1,350	1.5%	1,350	1.3%
Shareholders' equity, provisions and FRBG	1,787	2.0%	1,880	1.9%
TOTAL LIABILITIES	89,720	100.0%	100,782	100.0%
Regulatory capital	4,430	4.9%	4,426	4.4%
- of which core capital (Tier-1)	2,679	3.0%	2,674	2.7%
- of which supplementary capital (Tier-2)	1,752	2.0%	1,751	1.7%

* During 2013, Compagnie de Financement Foncier reviewed the treatment of foreign exchange differences with reference to balance sheet items to determine the hedging ratio. Assets and liabilities items are now recognised at historical cost for this calculation, i.e. after taking into account their initial currency hedging; previously, foreign exchange differences were subject to netting, whatever the nature of the underlying hedge. These modifications, which only cover the capital adequacy ratios, have required adjustment when presenting the liabilities above and explain the variations in the items "Foreign exchange difference relating to hedging of balance sheet items" and "Other privileged liabilities". The data at end-December 2012 have not been recalculated according to this new method.

The outstanding of privileged debts fell by more than €10 billion during the year. The amount of *obligations foncières*, after taking into account currency swaps, amounted to €74.6 billion at the end of 2013 against €83.2 billion a year earlier; this change is explained by:

- issuances of *obligations foncières* for €3.5 billion;
- contractual amortisations registered on the portfolio for €10.9 billion;
- debt cancellations by Compagnie de Financement Foncier for €1.3 billion.

At the same time, non-privileged resources fell by €1.4 billion due mainly to, on the one hand, the change in deposits received from swap counterparties, which have decreased by €1.7 billion and, on the other hand, the non-renewal of the ECB's refinancing operations which amounted to €1 billion.

Very long term subordinated debt remained stable at €3.8 billion, while shareholder's equity fell slightly in line with the lower net income for the year; these items whose relative weighting increased to 6.2% of the balance sheet during the financial year, constitute an important last recourse security for holders of *obligations foncières* throughout the whole term of their investment.

4. Prudential ratios

The standards applicable to *sociétés de crédit foncier* require the monitoring of specific prudential ratios that must be respected at all times.

First of all, Compagnie de Financement Foncier measures the regulatory coverage ratio, which corresponds to the ratio of risk-weighted assets to privileged debt. This ratio must always remain above 102%.

A weighting limits the amount to which certain assets, which do not have the highest level of security, are taken into account. The numerator of this ratio corresponds to the total amount of assets directly held or pledged by mortgage notes or by Article L. 211-38 in the case of loans to the Public sector, after deduction of mainly:

- the portion of loans whose loan-to-value ratio exceeds the regulatory limit, making them ineligible for refinancing by privileged debt;
- securities or loans pledged with the ECB or placed under repurchase agreements with other credit institutions;
- parts of securitisation whose weighting was reduced to 0% or 50% according to their rating and the capital link existing with the seller; and
- loans guaranteed by an entity with an insufficient rating.

In the case of Compagnie de Financement Foncier, at the end of 2013, these reductions were limited to €0.5 billion in LTV overruns; at the end of 2012, these deductions were higher and affected: the securitisation portfolio for €1.8 billion, assets under repurchase agreements or mobilised with the ECB for €1.7 billion and loan overruns in the amount of €0.3 billion.

The change in treatment of currency variations which took place in 2013, has modified the numerator and denominator of the ratio for €0.5 billion.

The regulatory overcollateralisation ratio at 31 December 2013 amounted therefore to 118.1% compared to 113.7% at 31 December 2012.

In addition to this legal minimum requirement, Compagnie de Financement Foncier has undertaken to maintain a volume of non-privileged liabilities that is always equal to at least 5% of the privileged liabilities, thereby constituting a safety reserve to guarantee full and timely repayment of its *obligations foncières* at maturity. Non-privileged liabilities are here restated for any assets under repurchase agreements and balance sheets items relating to newly recognised currency differences for the calculation of the ratio.

As at 31 December 2013, this ratio was 18.8%, significantly exceeding the minimum ratio imposed by the Company; similarly, at the end of 2012 it was 16.4%.

Any *société de crédit foncier*, is also required to ensure that the amount not eligible for refinancing by privileged liabilities remains below that of non-privileged liabilities.

At the end of 2013, for Compagnie de Financement Foncier these outstanding loans corresponded only to that part of outstanding loans whose loan-to-value ratio exceeded the regulatory limit, *i.e.* 100% for loans with FGAS guarantee, 80% for mortgages for housing given to physical persons and 60% for all other types of mortgage loans. These amount to €544 million for 2013, compared to €348 million for 2012. This increase reflects the impact of the

annual revaluation of the collateral, which in 2013 had the effect of lowering property values of housing by an average of 1.8%.

Every year, Compagnie de Financement Foncier, like every *société de crédit foncier*, re-examines the value of the property constituting its guarantee on the loans that are held or pledged by the Company in its balance sheet. The evaluation and re-evaluation methods as well as the results of these for 2013 are presented in the risk management report, and are verified for compliance by the Specific Controller.

With regard to directly-held mortgage loans, the average loan-to-value ratio, which is equal to the present value of the collateral securing the assets as a ratio of the principal still outstanding, stood at 68.1% at the end of December 2013 out of a total outstanding value of €30 billion. The ratio recorded a 2.5 point increase over the year, mainly as a result of the revaluation of the collateral at the end of 2013.

Taking into account all outstanding mortgage loans, both directly-held and used to guarantee mortgage notes, the average LTV at the end of 2013 came to 72.6% for a total outstanding amount of €38 billion.

Compagnie de Financement Foncier also checks compliance with the holding limits for certain assets. At 31 December 2013:

- guaranteed loans amounted to 2.5% of total assets, still well below the legal ceiling of 35%; this calculation includes directly-held guaranteed loans (0.2%) as well as loans used to guarantee mortgage notes (2.3%);
- mortgage notes, which must not exceed 10% of total assets, amounted to 9.2% of assets;
- replacement values, after deducting liquidities received as collateral for derivatives amounting to €2.8 billion have an outstanding balance equal to 5.8% of the nominal amount of the privileged resources, which is below the limit of 15%;
- the hedging of cash requirements, taking into account cash flow forecasts, is secured over a period of 180 days.

Moreover, as a credit institution, Compagnie de Financement Foncier monitors liquidity ratios, which remain well above the minimum requirements set by banking regulations, largely as a result of its commitment to maintain enough liquid assets to cover a one year's equivalent of debt liabilities. Furthermore, Compagnie de Financement Foncier has approximately €39 billion of eligible assets in the Eurosystem, which it could use up to an amount estimated at €19 billion after haircut and on the basis of the current ECB's rules, while maintaining its regulatory overcollateralisation ratio above the legal minimum of 102%.

The other prudential ratios applicable to credit institutions are monitored by Crédit Foncier at the consolidated level. Nevertheless, Compagnie de Financement Foncier determines the solvency ratios on its sole scope of consolidation and advises the Autorité de contrôle prudentiel et de résolution (ACPR – French Prudential and Resolutive Authority).

According to the standard method, the solvency ratio and Tier 1 ratio are 30.3% and 18.3% at 31 December 2013, up from the levels reached at end-December 2012 of 23.8% and 14.4% respectively. This change is mainly due to lower capital requirements following the sale of securitisations during the financial year.



5. Analysis of net income

NET BANKING INCOME

Net banking income came to €356 million in 2013, down from €475 million in 2012.

The 2012 net banking income was impacted by substantial capital gains realised on buybacks of *obligations foncières*, debts which are then cancelled by Compagnie de Financement Foncier. The profit made on these transactions, including the capital gains on securities and the termination balances in the case of hedging by swaps, is much less higher in 2013 to only €30 million, against €157 million recorded the previous year.

These buybacks were carried out using part of the cash related to disposals of securities registered in the investment portfolio, and the result was recognised as fixed assets in profit or loss (cf. see paragraph «Net income» hereafter).

Excluding this exceptional income, the net interest margin was only slightly down by €20 million, changing from €293 million to €272 million, linked to changes in the balance sheet.

Significant changes in other components of net banking income were:

- the costs of early repayment which are higher than the previous year; the average rate of early repayment of loans to Individuals was 8.3% in 2013 against 4.6% in 2012, leading to an increase in fees and commissions received of €31 million;
- income on transactions in the investment portfolio did not lead to any recognition in 2013 while a profit of €1 million was posted for 2012.

GROSS OPERATING INCOME

Operating expenses remained stable at €104 million.

They comprise mainly fees and commissions paid to Crédit Foncier in its capacity as services provider to Compagnie de Financement Foncier, particularly in respect of asset and liability management and the Company's administrative, legal, accounting and financial management. These expenses were slightly down in 2013, totaling €63 million in 2013, versus €67 million in 2012.

Other expenses experienced offsetting trends, being mainly:

- total chargebacks of early repayment penalties on loans to Individuals for Crédit Foncier increased by €9 million, in line with the increase in early repayments;
- the taxes and duties decreased by €4 million, half of which was due to the lowering of the VAT base and half to a reduction of the contribution to the systematic tax, for which Groupe BPCE is liable.

Thus, gross operating income recorded €252 million at 31 December 2013, compared to €371 million at 31 December 2012.

COST OF RISK

Cost of risk, which came to €15.2 million in 2013, remains limited with regard to the volume of loans held, *i.e.* a balance sheet total of €90 billion. It nevertheless rose with regard to the €10.7 million in the 2012 accounts.

The distribution of risk shows:

- an increase in provisions on doubtful loans to private Individuals in France, from €23.9 million to €37.0 million, as a result of the increase in doubtful loans, the downward trend of collateral values and the registration acceleration of provisioning loans concerning litigation cases, now recorded at the transfer date to litigation division;
- maintenance of the level of collective provisions, at €14.1 million at the end of 2013, after adjusting to the BPCE standards, which affected the results for the 2012 financial year.

The overall risk charge includes both the the share in capital entered as cost of risk and the share of interests entered as net banking income. The overall risk charge therefore came to €16.0 million for 2013 compared with €10.6 million for 2012. These risk factors are analysed by asset type in the management report, in the section dealing with credit risk.

NET INCOME

Losses posted upon sales of assets included in the strategic plan of Crédit Foncier over the period 2012 - 2016 should be deducted from operating income, all of which were made at the end of 2013. The sale of international Public sector securities, including the complete securitisation portfolio, reduced the net income in financial year 2013 by €135 million, an amount partially offset by gains from the repurchase and cancelling of *obligations foncières* in the amount of €30 million.

After deducting of corporate tax, which now takes into account the choice made in 2010 of recognising deferred taxes, Compagnie de Financement Foncier's net income was €33 million over the 2013 financial year; it amounted to €133 million in 2012, a year during which the repurchase and cancellation of *obligations foncières* offset the cost of sales of international assets.

SUPPLIER PAYMENT TERMS

Furthermore, it should be noted that Compagnie de Financement Foncier complies with the regulation related to supplier payment terms, in accordance with the Law on the modernisation of the economy (LME) No. 2008-776 dated the 4th August 2008 which stated that invoices shall be paid within 45 days end of the month or 60 days from the issuance of the invoice.

Most of the Compagnie de Financement Foncier's management is subcontracted and invoiced by Crédit Foncier. The other trade payables at 31 December 2013 do not represent significant amounts and are usually all due within 30 days.

6. Credit risk analysis

The balance sheet consists of two broad categories: the assets financed by the privileged debts in the form of loans or securities and replacement values corresponding to a part treasury. These assets meet differentiated approaches as to the measuring and monitoring of their credit risk:

- loans granted to individuals and loans to professional customers who are mainly in the public sector. The vast majority of these assets are located in France.

These loans are acquired either directly by Compagnie de Financement Foncier or via Crédit Foncier or any other company of the Groupe BPCE, in the form of mortgage notes if they are mortgage loans or loans guaranteed under Article L. 211-38 if they are public sector loans.

Subsidised loans which benefit from the guarantee of the French State were transferred to Compagnie de Financement Foncier when it was created in 1999; with no new loans of this type being granted, their value at the end of 2013 was low at €0.4 billion;

For this category, the assessment of credit risk is realized through notes Baloise and indicators are the amount of doubtful loans and provisions;

- public sector securities, which mainly comprise Compagnie de Financement Foncier's international exposure.

At 31 December 2012, international exposures also included the securitisation portfolio comprising in part first-ranking senior

residential mortgage-backed securities (RMBS) and tranches guaranteed by public institutions or sovereigns, a portfolio that was sold or transferred during the financial year 2013;

These securities do not record cost of risk are qualified by external rating obtained from authorized credit reporting agencies primarily Standard & Poor's, Moody's and Fitch Ratings;

- replacement securities made up of investments with credit institutions that have the highest external rating. For Compagnie de Financement Foncier, this compartment is composed of loans with maturities of less than two months to Groupe BPCE entities, 80% of which are secured by a portfolio of assets provided as collateral. On 31 December 2013, the percentage of coverage is above 100%.

Credit risk analysis is described in greater detail in this document's risk management report, with segmentation of clientèle and a breakdown by Basel-type rating.

OVERALL ANALYSIS

The main credit risk indicators for Compagnie de Financement Foncier's core business portfolio, comprising loans to the competitive sector (excluding the subsidised sector) and the portfolio of securities (and securitisation tranches at end-2012), showed a certain amount of deterioration in 2013, while still remaining at relatively low levels.

Analysis of the competitive sector

	31 December 2013				31 December 2012			
	Outstanding loans (€M)	Doubtful loans (€M)	Rate of doubtful loans	Cost of risk basis points	Outstanding loans (€M)	Doubtful loans (€M)	Rate of doubtful loans	Risk charge basis points
Loans to Individuals and related	37,620	910	2.4%	4.2	41,976	711	1.7%	2.5
- of which securitisation tranches and mortgage notes*	8,266*				14,523			
Exposures on public entities	38,240	12	0.0%	0.0	38,824	1	0.0%	0.0
- of which securities and securitisation tranches*	9,950*				18,870			
Loans to social housing	1,916	4	0.2%	-0.4	2,098	4	0.2%	-0.4
Loans to commercial property (run-off)	8	3	37.0%	137.1	7	4	51.4%	138.1
TOTAL	77,784	929	1.2%	2.1	82,905	720	0.9%	1.3

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

* There is no securitisation as of 31 December 2013.

Doubtful loans and the risk charge are still concentrated in the portfolio of loans to Individuals, with the risks seen on other sectors remaining very marginal. Percentages posted on commercial property loans are insignificant because they simply reflect that the loan is small and being run off.

The cost of risk which included interest payments and capital follows the same trend: an amount limited to 2.1 basis points.

These results are broken down in each of the major business sectors according to their nature: portfolio of loans and similar items situated in France, international loan portfolio.



LOANS AND SIMILAR ITEMS

The full amount of loans originated essentially by Crédit Foncier now represents 75% of the balance sheet of Compagnie de Financement Foncier, their sharp increase in the share of global assets reflecting the refocusing of the Group's activities on exposure in France.

In absolute terms, restated for very short-term placements at the *Banque de France* (€11.4 billion at 31 December 2013 and €3.7 billion at 31 December 2012) recognised under "loans to public authorities", the outstanding amount of this portfolio increased over the year from €55.6 billion to €56.8 billion.

In the tables below, the observations made on the entire "core business" portfolio are detailed, and subsidised sector loans are added to the analysis.

Risk indicators on outstanding loans and similar items

31 December 2013	Outstanding loans (€M)	Percentage of total outstanding loans	Of which doubtful loans	Doubtful loans (%)	Of which compromised doubtful	Compromised doubtful (%)	Provisions (€M)
Subsidised sector (run-off)	411.0	0.6%	95.0	23.1%	0.0	0.0%	0.1
Private sector	67,834.4	99.4%	929.2	1.4%	176.5	0.3%	52.6
Loans to Individuals and mortgage notes	37,620.2	55.1%	909.9	2.4%	173.6	0.5%	51.0
- of which mortgage notes	8,226.1	12.1%	0.0	0.0%	0.0	0.0%	0.0
- of which loans guaranteed by FGAS	13,810.1	20.2%	420.8	3.0%	0.0	0.0%	0.0
- of which other mortgage loans	15,584.0	22.8%	489.1	3.1%	173.6	1.1%	51.0
Loans to public authorities	28,290.3	41.5%	12.0	0.0%	0.0	0.0%	0.1
Loans to social housing	1,916.1	2.8%	4.5	0.2%	0.8	0.0%	0.4
Loans to commercial property (run-off)	7.7	0.0%	2.8	37.0%	2.1	27.9%	1.0
TOTAL	68,245.3	100.0%	1,024.3	1.5%	176.5	0.3%	52.7

31 December 2012	Outstanding loans (€M)	Percentage of total outstanding loans	Of which doubtful loans	Doubtful loans (%)	Of which compromised doubtful	Compromised doubtful (%)	Provisions (€M)
Subsidised sector (run-off)	540.9	0.9%	113.8	21.0%	0.0	0.0%	0.1
Private sector	58,787.2	99.1%	720.1	1.2%	118.1	0.2%	39.2
Loans to Individuals and mortgage notes	36,727.6	61.9%	711.4	1.9%	115.4	0.3%	37.8
- of which mortgage notes	9,275.5	15.6%	0.0	0.0%	0.0	0.0%	0.0
- of which loans guaranteed by FGAS	11,214.4	18.9%	327.9	2.9%	0.0	0.0%	0.0
- of which other mortgage loans	16,237.8	27.4%	383.5	2.4%	115.4	0.7%	37.8
Loans to public authorities	19,954.8	33.6%	1.2	0.0%	0.0	0.0%	0.0
Loans to social housing	2,097.5	3.5%	3.8	0.2%	0.8	0.0%	0.4
Loans to commercial property (run-off)	7.3	0.0%	3.8	51.4%	1.9	26.7%	1.0
TOTAL	59,328.1	100.0%	834.0	1.4%	118.1	0.2%	39.3

The sectors that may appear riskiest because they have a high level of doubtful loans, *i.e.* the subsidised sector and the commercial real estate sector, are insignificant. First, these are run-off sectors, which has the mechanical effect of increasing their proportion of non-performing debts over time. The risk of final loss in the subsidised sector is taken over by the State and outstandings in the commercial real estate sector have become marginal.

The amount of provisions was adjusted as a result, and represents 10.4% of the doubtful outstandings in this category at end-December 2013, a level close to that observed at 31 December 2012.

■ Analysis of the cost of risk

	2013			2012		
	Outstanding loans (€M)	Cost of risk (€M)	Cost of risk (basis points)	Outstanding loans (€M)	Cost of risk (€M)	Cost of risk (basis points)
Subsidised sector (run-off)	411.0	0.04	1.0	540.9	-0.05	-1.0
Private sector	67,834.4	15.95	2.4	58,787.2	10.67	1.8
Loans to Individuals and mortgage notes	37,620.2	15.82	4.2	36,727.6	10.67	2.9
Loans to public authorities	28,290.3	0.09	0.0	19,954.8	-0.02	0.0
Loans to social housing	1,916.1	-0.07	-0.4	2,097.5	-0.08	-0.4
Loans to commercial property (run-off)	7.7	0.11	137.1	7.3	0.10	138.1
TOTAL	68,245.3	15.99	2.3	59,328.1	10.62	1.8

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

Overall, the cost of risk remains very low: €16 million at 31 December 2013 or 2.3 basis points compared to total outstandings; it was 1.8 basis points in 2012. The cost of risk is deducted from outstanding loans to private Individuals, for whom the credit risk has deteriorated during 2013.

The cost of risk over the financial year mainly comprised the net charge to provisions and provisions for impairment (€15.6 million); losses not covered (€2.8 million) have been largely offset by recoveries on amortised loans (€2.4 million).

■ OUTSTANDING LOANS – INTERNATIONAL

At 31 December 2013, this category consisted of:

- securities issued or guaranteed by foreign public entities, with outstandings of €9.6 billion;
- loans granted to foreign public entities for €1.8 billion.

At 31 December 2012, the securitisation portfolio comprising residential mortgage-backed securities (RMBS), for a total outstanding of €5.2 billion, and Public sector receivables or receivables with public guarantees, for an amount of €6.5 billion, were added to these assets.

International outstandings following disposals on the market and transfers to Crédit Foncier therefore evolved from €26.0 billion to €11.4 billion over the year.

On 31 December 2013, as at previous accounts closing, no assets of this category were recorded as doubtful and this investment portfolio had no provisions.

The average rating of this compartment has been lowered during 2013, mainly on account of the deterioration in the ratings of

certain European countries which have affected their sovereign debt rating and that of public entities of the country.

The international portfolio can be divided as follows on 31 December 2013:

- €5.0 billion benefiting from a step one rating as accorded by the rating agencies (rating superior to AA-) of which €1.6 billion rated AAA. Assets are mainly distributed on the American continent (USA and Canada) for an amount of €1.6 billion, Japan for an amount of €1.3 billion and Germany and Switzerland for €1 billion each;
- €1.8 billion benefiting from a step two rating (ratings between A+ and A-) including American exposure for €0.7 billion and in various European countries;
- €3.5 billion benefiting from a step three rating (ratings between BBB+ and BBB-) covering positions in Italy for €2.6 billion and in Spain for €0.6 billion;
- €0.8 billion benefiting from a step four rating (ratings between BB+ and BB-) chiefly for positions in Italy and Spain;
- €0.1 billion of lower ratings comprising three lines in Portugal and Cyprus;
- €0.2 billion unrated mainly in Switzerland.

A portion of this portfolio is counter-guaranteed by monoline insurers. However, the strong deterioration of these companies means that their guarantee is often ineffective as the transaction's intrinsic credit rating is higher than that of the credit enhancer; only Assured Guaranty Municipal Corp. (ex FSA) noted AA- by S&P and A2 by Moody's continues to provide effective protection against credit risk on a total outstanding of €1.1 billion.



7. Financial risk analysis

ANALYSIS OF INTEREST RATE AND FOREIGN EXCHANGE RISKS

Compagnie de Financement Foncier has no open currency positions except for the very small ones inherent in any hedging transaction. Transactions initiated in foreign currencies are converted into euro upon execution.

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

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

All of the counterparties to these currency or interest rate swaps have concluded collateralisation agreements with Compagnie de Financement Foncier that require them to provide a security deposit depending on their debt position and rating. These requests for funds are made on a daily basis if the rating of the counterparty falls below F1+ or AA- at Fitchratings, P1 or Aa3 at Moody's, A1+ or AA- at Standard & Poor's. If the opposite situation occurs, these agreements stipulate that Compagnie de Financement Foncier shall not deposit any collateral. As of 31 December 2013, the amount of deposits received amounted to €2.8 billion.

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

Taking into account management rules followed by Compagnie de Financement Foncier, changes in the interest rate position are a result of events not known when the transaction was entered into and which occurred during the term of the contract (mainly early redemptions) on loans not covered by guarantees equivalent to the risk. The assets subject to these unknowns consist of fixed-rate loans to Individuals in the competitive sector, due to the regulatory ceiling set on the indemnity due in the event of early repayment, which is limited to six months' interest with a maximum of 3% of the outstanding principal.

These loans amounted to €20.7 billion at 31 December 2013, up significantly during the year, as Crédit Foncier's recent mortgage loan production is mainly at fixed rate. Moreover, the nominal rate of these loans constitutes an additional protection against the risk of early repayment and renegotiation. 85% of the loans carry an interest rate of less than 5% and 12% are at zero rate.

In 2013, the total amount of loans to private Individuals at fixed or variable rate has seen a higher level of early repayment than historically, at 8.3% compared to 4.6% during 2012.

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

In 2013, Compagnie de Financement Foncier continued to enter into such financial instruments along with its acquisition, issuance and ALM activities. However, important optimization transactions in the swaps portfolio since 2011 have allowed the Company to significantly reduce the notional amounts. Furthermore, the sale of certain international assets and the buyback of *obligations foncières* have, to a lesser extent, assisted this reduction in outstandings.

Finally, at end-December 2013, interest rate swaps amounted to €56 billion against €89 billion end-December 2012 and € 107 billion at 31 December 2011; total foreign currency transactions fell during the same period from €49 billion end of 2011 to €41 billion in late 2012 and reached € 32 billion in late 2013. Reducing the portfolio of derivatives therefore amounts to €41 billion a year and €67 billion over two years without changing the very conservative policy risk management and exchange rates.

LIQUIDITY RISK

The very prudent liquidity management policy continued through in 2013, with Compagnie de Financement Foncier still committed to maintaining sufficient available cash flow to meet the contractual maturities on all of its privileged debt, for one year, without recourse to new resources.

As of 31 December 2013, Compagnie de Financement Foncier has a significant liquidity position:

- €7.0 billion in replacement values, invested mainly (€6.6 billion) in loans with a maturity of less than two months with BPCE and guaranteed by an asset portfolio of €7.3 billion (determined without regard to outstanding potential loan amounts not yet released);
- €11.4 billion deposited or placed at short term with the *Banque de France*.

This cash situation will be partially used to ensure the contractual buyback of *obligations foncières* which are due to mature in early 2014 (€5.7 billion during the first quarter).

Compagnie de Financement Foncier also has a very high asset volume which by nature are eligible to ECB's refinancing operations. As at 31 December 2013, the outstandings that can be raised in this way amounted to €39 billion in nominal value, divided into:

- €6 billion in loans to French local authorities;
- €5 billion in securities; and
- €28 billion in mortgage loans to private Individuals, meeting the criteria set out by *Banque de France* after the ECB's decision of 9 February 2012 to expand, on a temporary and national basis, the conditions under which a receivable may be accepted as a guarantee of financing operations in the Eurosystem.

Taking into account the volume of possible assets and after cautious estimates on haircuts, the additional financing which could be provided by the ECB may be estimated at €19 billion, maintaining regulatory overcollateralisation ratio above the limit of 102%.

Compagnie de Financement Foncier ensures that its balance sheet is properly backed by liquidity at all times, as measured by the difference between the duration of the assets and that of its liabilities. At 31 December 2013 the assets had a maturity of 5.7 years, below that of the liabilities which was 6.9 years; assets presented lower maturity than at end-December 2012 because of the high volume of sales in the year, whilst the maturity of liabilities remained stable.

COUNTERPARTY RISKS

Compagnie de Financement Foncier's exposures on credit institutions are recorded:

- in the balance sheet under "replacement values": it is mainly loans BPCE group predominantly guaranteed by a portfolio of assets whose characteristics make them eligible for financing by *obligations foncières*. The outstanding loans guaranteed BPCE increased during 2013 from €13.0 billion to €6.6 billion;
- off-balance sheet: the notional amounts of derivatives whose contracts, asymmetric nature, provide for the payment only collateral by the counterparty to the benefit of the Compagnie de Financement Foncier. Similarly, these exposures were greatly reduced in 2013 because of the significant restructuring of the swap portfolio which continued on the exercise without harming the quality of the balance sheet rate and exchange backing.

8. Societal, social and environmental information

Compagnie de Financement Foncier has neither employees, premises nor in-house resources, given that all of its management activities have been contractually entrusted to its parent, Crédit Foncier. Accordingly, with respect to the Grenelle II law of 12 July 2010, the information on the societal, social and environmental issues facing Compagnie de Financement Foncier

is structurally indistinguishable from that presented in the Crédit Foncier management report.

For the Crédit Foncier Group, said information can be found in the Corporate Social Responsibility (CSR) section of its 2013 Registration document.

9. Outlook

In 2014, Compagnie de Financement Foncier intends to continue its development, while respecting the strategic directions of the medium-term plan of Crédit Foncier and Groupe BPCE:

- preserving the quality of its assets by a selective purchasing policy and rigorous and effective risk management;
- continuing its activity, both in terms of mortgage-backed securities and exposures on public entities;
- funding of Crédit Foncier by purchases and mobilisations of loan portfolio;
- funding of other entities of the Groupe BPCE by purchases and mobilisations in the loan portfolio;
- optimisation of financial risk hedging;
- diversification of funding sources.



Notes to the management report

NOTE 1. INFORMATION ON CORPORATE OFFICERS

For the year ending 31 December 2013, pursuant to Article L. 225-102-1 of the French commercial code, the list below shows the total compensation as well as all benefits paid by the company to each of the corporate officers during the year.

Information regarding compensation received is in euros and is limited to the following scope: Crédit Foncier, the subsidiaries of Crédit Foncier, and BPCE as the controlling company. The compensation paid in 2013 by Compagnie de Financement Foncier to executives and corporate officers amounted to € 120,000 excluding social security charges.

SUMMARY OF REMUNERATION, SHARES AND OPTIONS OF EACH EXECUTIVE CORPORATE OFFICER

(in euros)

Thierry DUFOUR, Chief Executive Officer, Director

	2012	2013
Annual remuneration due during the year (outlined in table below)	508,392	528,787
Value of options attributed over the course of the year	-	-
Value of performance shares attributed over the course of the year	-	-
TOTAL	508,392	528,787

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

Sandrine GUÉRIN, Deputy Chief Executive, Director

	2012	2013
Annual remuneration due during the year (outlined in table below)	511,973	318,738*
Value of options attributed over the course of the year	-	-
Value of performance shares attributed over the course of the year	-	-
TOTAL	511,973	318,738*

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

* The variable pay due for fiscal year 2013 is not yet known when the document is printed. The amount will be indicated at the time of updating the document on 30 June 2014.

SUMMARIES OF REMUNERATION OF EACH EXECUTIVE CORPORATE OFFICER

(in euros)

Thierry DUFOUR, Chief Executive Officer, Director

	2012		2013	
	Total due	Total paid	Total due	Total paid
Base Salary	348,441	348,441	354,720	354,720
Variable pay	122,130	-	135,000	79,021 ^(a)
Banco Primus remuneration	20,000	20,000	20,000	20,000
Exceptional remuneration	58	-	-	58
Supplemental retirement plan	12,183	12,183	13,787	13,787
Director's fees	-	-	-	-
Benefits in kind	5,580	5,580	5,280	5,280
TOTAL	508,392	386,204	528,787	472,866

(a) Amount paid in 2013 to 50% of the variable portion for the year 2012, €61,065 and the deferred 50% over 3 years of the variable portion fraction for the financial year 2010, €23,020 which after applying indexation coefficient amounted to €17,956.

■ Sandrine GUÉRIN, Deputy Chief Executive Officer, Director

	2012		2013	
	Total due	Total paid	Total due	Total paid
Base Salary	296,064	296,064	297,344	297,344
Variable pay	201,324	-	*	100,662 ^(a)
Exceptional remuneration	138	-	4,000	4,138
Supplemental retirement plan	10,249	10,249	13,194	13,194
Director's fees	-	-	-	-
Benefits in kind	4,200	4,200	4,200	4,200
TOTAL	511,973	310,513	318,738*	419,538

(a) Amount paid in 2013 to 50% of the variable portion for the year 2012 is € 100,662. There is no deferred for prior years fraction.

* The variable pay due for the year 2013 is not yet defined at the time of printing. The amount will be indicated at the time of the update of the Registration document as of 30 June 2014.

BASE SALARY

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

HOW VARIABLE PAY IS DETERMINED

There is no variable pay at the Company level. The variable pay of the CEO is set by the Crédit Foncier Board of Directors as proposed by the Remuneration Committee and can equal as much as 50% of his fixed pay. The criteria for the variable portion are based on qualitative and quantitative indicators of the Crédit Foncier Group (Financial performance for 12.5%, operational performance for 12.5% and commercial performance for 16%) as well as on an indicator from the Groupe BPCE (group results for 9%). Those criteria are valid in 2012 and 2013.

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

The variable pay of the Deputy CEO is entirely paid by Crédit Foncier and may reach 100% of his fixed pay. For 2012 it is based on qualitative and quantitative indicators of Crédit Foncier (financial performance with Net Banking Income, Net Income and cost / income ratio; commercial performance with Operational Net Banking Income and operational performance with the liquidity management, Basel II project management, the quality of management and the evaluation of the Audit Committee and Board of Directors) and of Groupe BPCE (group results).

For 2013, the variable pay is based on four criteria which are: the activity with the Operational Net Banking Income, the data quality, the Risk control and compliance and the team management.

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

EXCEPTIONAL REMUNERATION

For 2013, an extraordinary payment, depending on salary and capped at €4,000 was made to all employees of Crédit Foncier.

The amount represented incentives and profit sharing, the amounts of which paid during year N represent the amounts earned in the year N-1.

DIRECTORS' FEES

Since 01 January 2012, the director's fees due to Crédit Foncier's employees are credited to that legal person rather than to the natural person.

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

In light of an instruction given by BPCE dated 17 December 2010, the directors' fees due to the BPCE representatives are paid to BPCE and not to the individual person. The same holds for the representatives of Crédit Foncier; directors' fees are paid to Crédit Foncier and not to the individual person.



DIRECTOR'S FEES

<i>(in euros)</i>	For 2012	For 2013
Mr Thierry DUFOUR	6,000 ⁽¹⁾	7,500 ⁽¹⁾
Mr Nicolas DARBO	750 ⁽¹⁾	-
Crédit Foncier (represented by Mr Bruno DELETRÉ until 12/18/2013 and by Mr Éric FILLIAT from 12/18/2013)	6,750 ⁽¹⁾	6,750 ⁽¹⁾
Mr Bruno DELETRÉ as from 12/18/2013	-	-
Mr Éric FILLIAT until 12/18/2013	4,500 ⁽¹⁾	5,750 ⁽¹⁾
Ms Sandrine GUÉRIN	3,750 ⁽¹⁾	1,500 ⁽¹⁾
Ms Christine JACGLIN	5,750	5,750
Ms Pascale PARQUET	5,750 ⁽²⁾	5,000 ⁽²⁾
Mr Didier PATAULT until 05/31/2013	-	-
Mr Christophe PINAULT until 07/01/2013	1,500 ⁽¹⁾	500 ⁽¹⁾
BPCE (represented by Mr Roland CHARBONNEL)	5,000 ⁽³⁾	5,750 ⁽³⁾

(1) Directors' fees paid to Crédit Foncier.

(2) Directors' fees paid to Caisse d'Épargne Île-de-France.

(3) Directors' fees paid to BPCE.

BENEFITS IN KIND

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

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

IMPLEMENTATION OF THE «TEPA» LAW

Law No. 2007-1223 of August 21, 2007 «to support work, employment and purchasing power», known by its French acronym, «TEPA», now governs remuneration, benefits and payments due when executives give up their corporate offices (Chairman and members of the Management Board, the Chief Executive Officer and Deputy Chief Executive Officer) of companies whose shares are traded on a regulated exchange. In particular, this law subjects the offering of such compensation to its recipients' performance.

The Crédit Foncier Board of Directors at its meeting of 31 July 2012, upon a proposal by the Remuneration Committee approved

the compensation package of Thierry Dufour, Chief Executive Officer of Compagnie de Financement Foncier and Deputy Chief Executive Officer of Crédit Foncier.

Should his term of office not be renewed when it expires, or be revoked or disapproved (unrelated to misconduct) and entail his leaving of the Groupe BPCE definitively, and provided that the Company shows a positive net income for the last year preceding the termination of the corporate office, then Mr Dufour will receive, if he has been granted an average of at least 50% of the variable portion of his pay during the term of office served, the entire amount of the compensation indicated below. If he has earned at least 40% of the variable portion, Mr Dufour will receive 75% of the compensation indicated below; if he has earned at least 30% of the variable portion, he will receive 50% of this compensation. The gross amount of the compensation will equal the sum of the last two years' gross fixed and variable pay awarded to him by the Company.

SUMMARY OF REMUNERATION OF EACH CORPORATE OFFICER

(in euros)

■ Bruno DELETRÉ, Chairman of the Board of Directors

	2012		2013	
	Total due	Total paid	Total due	Total paid
Base Salary	464,720	464,720	464,720	464,720
Variable pay	253,212	-	282,000	126,606
Exceptional remuneration	-	-	-	-
Supplemental retirement plan	15,659	15,659	19,875	19,875
Director's fees	8 572	-	-	8 572
Benefits in kind	5,520	5,520	5,520	5,520
TOTAL	747,683	485,899	722,115	625,293

■ Roland CHARBONNEL, permanent Representative of BPCE

	2012		2013	
	Total due	Total paid	Total due	Total paid
Base Salary	n/a	n/a	186,603	186,603
Variable pay	59,339	n/a	n/a	59,339
Exceptional remuneration	n/a	n/a	n/a	-
Director's fees	n/a	n/a	n/a	-
Benefits in kind	n/a	n/a	n/a	4,160
TOTAL	59,339	N/A	186,603	250,102

n/a: information unavailable at the printing date or this person is non affected by this type of remuneration.

■ Eric FILLIAT, permanent Representative of Crédit Foncier de France

	2012 (since the 1 st may 2012)		2013	
	Total due	Total paid	Total due	Total paid
Base Salary	124,519	124,519	185,925	185,925
Variable pay	55,500	-	*	55,500
Exceptional remuneration	81	-	7,344	7,425
Supplemental retirement plan	4,350	4,350	8,414	8,414
Director's fees	-	-	-	-
Benefits in kind	1,950	1,950	3,900	3,900
TOTAL	186,400	130,819	205,583	261,164

* The remuneration due for the year 2013 is not yet defined at the time of printing. The amount will be indicated at the time of the update of the Registration document as of 30 June 2014.

■ Christine JACGLIN

	2012		2013	
	Total due	Total paid	Total due	Total paid
Base Salary	n/a	n/a	n/a	n/a
Variable pay	n/a	n/a	n/a	n/a
Exceptional remuneration	n/a	n/a	n/a	n/a
Director's fees	5,750	1,250	5,750	5,750
Benefits in kind	n/a	n/a	n/a	n/a
TOTAL	5,750	1,250	5,750	5,750

■ Pascale PARQUET

	2012		2013	
	Total due	Total paid	Total due	Total paid
Base Salary	n/a	n/a	232,845	232,845
Variable pay	n/a	n/a	n/a	69,238
Exceptional remuneration	n/a	n/a	n/a	-
Director's fees	n/a	n/a	n/a	-
Benefits in kind	n/a	n/a	5,035	5,035
TOTAL	N/A	N/A	237,880	307,118



■ Didier PATAULT (until 31 May 2013)

	2012		2013	
	Total due	Total paid	Total due	Total paid
Base Salary	n/a	n/a	n/a	n/a
Variable pay	n/a	n/a	n/a	n/a
Exceptional remuneration	n/a	n/a	n/a	n/a
Director's fees	-	-	-	-
Benefits in kind	n/a	n/a	n/a	n/a
TOTAL	N/A	N/A	N/A	N/A

Executive corporate officers	Job contract		Supplemental retirement plan		Indemnities or advantages due or likely to be due resulting from a termination or change in position		Indemnity relative to a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Mr Thierry DUFOUR Chief Executive Officer Start of term: 14/12/2007 Start of term: 18/12/1998		X		X	X			X
Ms Sandrine GUÉRIN Deputy Chief Executive Officer Start of term: 17/05/2002 Director Start of term: 25/03/2002		X		X		X		X

OTHER INFORMATION ON COMPENSATION AND STOCK OPTION AND STOCK PURCHASE PLANS

At 31 December 2013, Compagnie de Financement Foncier did not have its own employees, with the exception of its corporate

officers. As such, there was no incentive scheme or profit-sharing plan in the Company. In addition, there were no stock option or stock purchase plans as of 31 December 2013.

LIST OF CORPORATE OFFICERS AND DIRECTORS' TERMS OF OFFICE AT 31 DECEMBER 2013

■ Mr Thierry DUFOUR, Chief Executive Officer

Company	Position
Crédit Foncier de France - SA	Deputy Chief Executive Officer
Compagnie de Financement Foncier - SA	Chief Executive Officer, Director (<i>resigned as Chairman on 18 December 2013</i>)
Banco Primus (Portugal)	Chairman of the Board of Directors
Crédit Foncier Immobilier - SA	Director (<i>until 13 September 2013</i>)
Financière desvieux - SA	Director
Foncier project solutions (Saudi Arabia)	Director
Vauban mobilisations garanties (VMG) - SACS	Permanent representative of Crédit Foncier, member of the Supervisory Board

■ Ms Sandrine GUÉRIN, Deputy Chief Executive Officer

Company	Position
Compagnie de Financement Foncier - SA	Deputy Chief Executive Officer - Director
Crédit Foncier de France - SA	Chief Executive Officer in charge of the Financial Transactions
Financière desvieux - SA	Chairman of the Board of Directors
Swiss public finance solutions - SA (Switzerland)	Director
VMG - SACS	Chairman of the Management Board

■ Mr Bruno DELETRÉ, Chairman of the Board of Directors

Company	Position
Crédit Foncier de France - SA	Chief Executive Officer
Coface - SA	Director
Compagnie de Financement Foncier - SA	Permanent representative of Crédit Foncier, Director (until 18 December 2013), then Chairman of the Board of Directors – Chairman of the Audit Committee (until 18 December 2013)
Crédit foncier immobilier - SA	Chairman of the Board of Directors Chairman of the Compensation and Nomination Committee (since 22 November 2013)
ENFI - SAS	Chairman
IT-CE - GIE	Permanent representative of Crédit Foncier, member of the Supervisory Board
La mondiale partenaire - SA	Permanent representative of Crédit Foncier, Director
SOCFIM - SACS	Chairman of the Supervisory Board

■ Crédit Foncier De France

Company	Position
Arthur Communication - SA	Director
BTP Capital Investissement - SA	Director
CFCO - SAS	Chairman
CFG - Comptoir Financier de Garantie	Director
Cofimab - SAS	Chairman
Compagnie de Financement Foncier - SA	Director and Chairman of the Audit committee
Crédit Financier Lillois - SA	Director
Crédit Logement - SA	Director
Écolocale - GIE	Director
Écufoncier - SCA	Managing partner - Sponsor
Euro-Marne participations - SAS	Chairman
Foncier Foreign 2008 - SAS	Chairman
Foncier Participations - SAS	Chairman
Foncier Titrisation - SA	Director
Foncière d'Évreux - SAS	Chairman
IT-CE (ex GCE Business Services - GIE)	Member of the Supervisory Board
Gramat-Balard - SAS	Chairman
H&T Conseil - SA	Director
La Mondiale Partenaire - SA	Director



Company	Position
Locindus - SA	Director
SAF Environnement - SA	Director
SCAFR - Terres d'Europe - SACS	Member of the Supervisory Board
Selectinvest 1 - SACS	Member of the Supervisory Board
Sem Yvelines Aménagement - SEM	Director
SGFGAS - SA	Director
SIA Habitat - SACS	Member of the Supervisory Board
Sipari - SAS	Chairman
SOCFIM - SACS	Member of the Supervisory Board
Sofipar Logement - SNC	Managing Partner
Sofoneg - SNC	Managing Partner
Vendôme Investissements - SAS	Chairman
VMG - SACS	Member of the Supervisory Board

■ Mr Roland CHARBONNEL

Company	Position
GCE Covered Bonds - SA	Chairman of the Board of Directors (<i>since 15 October 2013</i>)
Société de financement de l'économie française (sfef) - SA	Director, Member of the Audit committee
Eurotitrisation - SA	Permanent representative of BPCE, Director
Banques Populaires Covered Bonds - SACS	Chairman of the Board of Directors (<i>since 22 November 2013</i>)
BPCE SFH - SACS	Chief Executive Officer
Compagnie de Financement Foncier - SA	Permanent representative of BPCE, Director, member of the Audit Committee
CRH - SA	Permanent representative of BPCE, Director
BPCE - SACS	Director, Group Funding and Investor Relations

■ BPCE

Company	Position
Actif Immo Exploitation - SA	Director
Albiant-it - SA	Director
Alliance Entreprendre - SA	Member of the Management Board
Alpha Demeter - SA	Director
Alyse Participations - SA	Member of the Board
Anubis - SNC	Manager
Arses - SNC	Manager
Axeltis Ex Ngamp 4 - Natixis Global AM	Director
Banque des Antilles Françaises BDAF - SA	Director
Banque Palatine - SACS	Member of the Supervisory Board
Banque Populaire Image 7 - BPI 7 - SA	Director
Banque Populaire Images 8 - BPI 8 - SA	Director
Banque Populaire Images 9 - BPI 9 - SA	Director
Banque Populaire Images 10 - BPI 10 - SA	Director
Banque Populaire Images 11 - BPI 11 - SA	Director
Banque Privée 1818 Ex La Compagnie 1818 - SA	Director

Company	Position
Banques Populaires Covered Bonds - SACS	Member of the Supervisory Board
Basak 1 - SASU	Chairman
Bci-Banque Commerciale Internationale - SA	Director
Bicec - SA	Director
BPCE Assurances - SA	Director
BPCE Domaines - SA	Director
BPCE Services - SA	Director
BPCE SFH - SA	Director
BPCE Trade - SA	Director
CAPE 1158 GIE	Director
CAPE 1159 GIE	Director
CE Holding Promotion - SA	Director
CE Syndication Risque - SACS	Chairman of the Supervisory Board
Ciloger - SACS	Member of the Supervisory Board
Ciloger Habitat - SACS	Member of the Supervisory Board
Ciloger Habitat 2 - SACS	Member of the Supervisory Board
Ciloger Habitat 3 - SACS	Member of the Supervisory Board
Cinergie - SA	Director
CIRRA - SA	Director
Click and Trust - SA	Director
Coface - SA	Director
Cofimage 16 - SA	Director
Cofimage 17 - SA	Director
Cofimage 18 - SA	Director
Cofimage 22 - SA	Director
Cofimage 23 - SA	Director
Cofimage 24 - SA	Director
Compagnie de Financement Foncier - SA	Director
Compagnie des Alpes - SA	Director
Crédit Foncier de France - SA	Director
Crédit Logement - SA	Director
CRH - Caisse de Refinancement de l'Habitat - SA	Director
Drennec - GIE	Director
DV Holding - SACS	Member of the Supervisory Board
Écolocale - SA	Director
Écureuil Crédit - SA	Director
Écureuil Immo+ - SA	Director
Écureuil Vie Développement - SA	Director
Eurotitrisation - SA	Director
FAG - France Active Garantie - SA	Director
Fongepar - SA	Director
GCE Covered Bonds - SA	Director
GCE Mobiliz - SA	Director
GCE ODE 007 - SA	Director
GCE Participations - SA	Chairman
Habitat en Régions Services - SA	Director



Company	Position
HORUS - SASU	Chairman
HOUNI - SASU	Chairman
IDES Investissements - SA	Director
Informatique Banques Populaires - SA	Director
INGEPAR - SA	Director
ISIS - SASU	Chairman
ISSORIA - SA	Chairman
ISSORIA International Trading - SA	Chairman
IT-CE - SAS	Member of the Supervisory Board
LBPAM OBLI Revenus Sicav - SA	Director
Le livret Bourse Investissement Sicav	Director
Le livret Portefeuille Sicav	Director
Les Editions de l'Épargne - SA	Director
Lotus 1 - SA	Chairman
MAEA GIE - SA	Director
Masseran Gestion - SA	Member of the Supervisory Board
MENES - SNC	Manager
MIHOS - SASU	Chairman
MUGE 2 - SA	Chairman
MUGE 3 - SA	Chairman
Muracef - SA	Director
NAMI AEW Europe - SA	Director
Natixis - SA	Director
Natixis Altair It Shared Services - SA	Director
Natixis Assurances - SA	Director
Natixis Consumer Finance - SA	Director
Natixis Euro Aggregate Sicav - SA	Director
Natixis Financement - SA	Director
Natixis Global Asset Management - SA	Director
Natixis Impact Nord Sud Développement Sicav	Director
Natixis Interépargne - SA	Director
Natixis Lease - SA	Director
Natixis Paiements - SA	Director
NEFER - SASU	Chairman
OSIRIS - SASU	Chairman
OUNAS - SASU	Chairman
PANDA 1 - SASU	Chairman
PANDA 2 - SASU	Chairman
PANDA 3 - SASU	Chairman
PANDA 4 - SASU	Chairman
PANDA 5 - SASU	Chairman
PANDA 6 - SASU	Chairman
PANDA 7 - SASU	Chairman
PANDA 8 - SASU	Chairman
PANDA 9 - SASU	Chairman
PANDA 10 - SASU	Chairman

Company	Position
PERLE 1 - SA	Chairman
PERLE 2 - SA	Chairman
PERLE 3 - SA	Chairman
PERLE 4 - SA	Chairman
PETREL 1 - SNC	Manager
PETREL 2 - SNC	Manager
PONANT Plus SCI	Managing Partner
RAMSES - SASU	Chairman
SALITIS - SASU	Chairman
SATIS - SASU	Chairman
SE MAP (ex - ma banque) - SACS	Member of the Supervisory Board
SEA 1 GIE	Director
SETH - SASU	Chairman
SGFGAS - SA	Director
SIAMON - SASU	Chairman
SIBP - SA	Chairman
SIFA - SA	Director
SOCFIM - SACS	Member of the Supervisory Board
SOCRAM Banque - SA	Director
STET - SACS	Member of the Supervisory Board
SURASSUR - SA	Director
T2S Africa - SA	Director
Tadorne Aviation GIE	Director
TEOS - SASU	Chairman
TEVEA International - SA	Director
TREVIGNON Gie	Director
T2S Outre Mer - SA	Director
TS2 MED - SA	Director
TS2 Pacifique - SA	Director
TURBO SA - SA	Director
VICTOIRE GIE	Director
VIGEO - SA	Director
VISA Europe Ltd - SA	Director

■ Mr Éric FILLIAT

Company	Position
Crédit Foncier de France - SA	Deputy Chief Executive Officer, Finance, member of the General Management Committee, member of the Executive Board
BPCE Achats - GIE	Director
Financière Desvieux	Director
VMG - SACS	Vice-Chairman of the Supervisory Board
Crédit Foncier Immobilier - SA	Director
Compagnie de Financement Foncier	Director then Permanent representative of Crédit Foncier, Director (since 18 December 2013) - Member of the Audit Committee then Permanent representative of Crédit Foncier, Chairman of the Audit committee (since 18 December 2013)



Banco Primus (Portugal)	Director, Member of the Audit committee (<i>since 28 June 2013</i>)
Locindus - SA	Director and member of the Audit Committee (<i>until 17 December 2013</i>)
Foncier Participation - SAS	Permanent representative of Crédit Foncier, Chairman
Foncier Titrisation - SA	Permanent representative of Foncier Participation, Director
MFCG - SAS	Permanent representative of CFCO, Chairman
SOCFIM - SACS	Member of the Supervisory Board
Sci Studiantes les deux gares	Permanent representative of MFCG, Liquidator (<i>until 10 October 2013</i>)

■ Ms Christine JACGLIN

Company	Position
Banque Populaire d'Alsace	Chief Executive Officer
SICAV Alsace Court Terme	Director
Compagnie de Financement Foncier	Director and member of the Audit committee
Informatique Banque Populaire (i-BP)	Director
Albiant-IT	Director
Strasbourg Place Financière	Director
Comité des Banques d'Alsace	Chairwoman
Fédération Nationale des Banques Populaires	Treasurer
BPCE Services Financiers	Director

■ Ms Pascale PARQUET

Company	Position
BPCE	Director, Group Compliance and Security
Compagnie de Financement Foncier	Director and member of the Audit committee
SnC Diderot Financement 2 SNC	Permanent representative of CEIDF, Manager (<i>until 30 September 2013</i>)
BPCE SFH - SA	Director
Caisse d'Épargne Île-de-France (CEIDF) - SACS	Member of the Management Board (<i>until 30 September 2013</i>)
Caisse Générale de Prévoyance des Caisses d'Épargne - association 1901	Director
CSF GCE	Member of the Supervisory Board
Écureuil Protection Sociale - Association	Director
GCE Covered Bonds - SA	Director
GIE Caisse d'Épargne Syndication Risques	Permanent representative of CEIDF, member of the Supervisory Board (<i>until 30 September 2013</i>)
OGIM - SA	Director

■ Mr Didier PATAULT (until 31 May 2013)

Company	Position
Caisse d'Épargne et de Prévoyance Ile de France (CEIDF) - SA	Chairman of the Management Board since 25 April 2013
Caisse d'Épargne et de Prévoyance Bretagne Pays de Loire (CEBPL) - SA	Chairman of the Management Board until 25 April 2013
Batiroc Bretagne - Pays de Loire - SA	Chairman of the Supervisory Board until 26 April 2013
BPCE - SA	Member of the Supervisory Board
CE Holding Promotion - SAS	Member of the Board of Directors
Compagnie de Financement Foncier - SA	Member of the Board of Directors until 31 May 2013
FNCE - Fédération	Member of the Board of Directors as Chairman of the Executive Board of CEBPL until 25 April 2013
GCE Capital - SAS	Member of the Supervisory Board
IT-CE GIE	Permanent representative of CEBPL, member of the Supervisory Board until 26 April 2013
La Mancelle d'Habitation - SA HLM	Director until 26 April 2013
Nantes Atlantique Place Financière (NAPF)- Association	Permanent representative of CEBPL, Member of the Board of Directors until 26 April 2013
Natixis - SA	Member of the Board of Directors
Natixis Coficiné - SA	Member of the Board of Directors
Pays de la Loire Développement - SAS	Permanent representative of CEBPL, Member of the Board of Directors until 26 April 2013
S.A. des marchés de l'ouest (SAMO) SA HLM	Chairman of the Board of Directors until 26 April 2013
SDR Ouest – Sodero - SA	Chairman and Chief Executive Officer until 26 April 2013
Sem des transports en commun de l'agglomération nantaise (Semitan) SEM	Permanent representative of CEBPL, Member of the Board of Directors until 26 April 2013
Sodero Gestion - SAS	Chairman of the Supervisory Board until 26 April 2013
Sodero Participations - SAS	Chairman of the Board of Directors until 26 April 2013
Banque BCP - SAS	Chairman of the Supervisory Board since 17 June 2013
IT-CE -GIE	Permanent representative of CEIDF, Member of the Supervisory Board since 24 May 2013
Habitat en région association	Permanent representative of CEIDF, Member of the Board of Directors since 25 April 2013
Paris Habitat - OPHOPH	Director as qualified person since 17 October 2013
FNCE Fédération	Member of the Board of Directors as Chairman of the Executive Board of CEIDF until 25 April 2013
Immobilière 3FSA d'HLM	Permanent representative of CEIDF, Member of the Board of Directors since 24 May 2013



Report of one of the Statutory Auditors, a designated independent third party, on the corporate social responsibility information contained in the management report

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

Year ended 31 December, 2013

To the Shareholders,

As Statutory Auditor of Compagnie de Financement Foncier, a designated independent third party, whose eligibility for accreditation has been recognised by COFRAC, we hereby report to you on the corporate social responsibility information for the year ended 31 December 2013, as set forth in the management report (the "CSR Information"), in accordance with the provisions of Article L. 225-102-1 of the French Commercial Code.

RESPONSIBILITY OF THE COMPANY

The Board of Directors is responsible for preparing a management report containing the CSR Information required under Article R. 225-105-1 of the French Commercial Code, in accordance with the company's procedures (the "Terms of Reference").

INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by law, by our professional code of conduct and by the provisions set forth in Article L. 822-11 of the French Commercial Code. We have also introduced a quality control system that includes documented policies and procedures to ensure compliance with the ethical rules, professional standards and applicable laws and regulations.

RESPONSIBILITY OF THE STATUTORY AUDITOR

It is our responsibility, based on our audit:

- to certify that the required CSR Information is disclosed in the management report or, if omitted, an explanation is provided in accordance with the third paragraph of Article R. 225-105 of the French Commercial Code (certification of disclosure of the CSR Information);
- to express a limited assurance on the fact that, taken as a whole, the CSR Information is, in all material respects, presented fairly in accordance with the Terms of Reference (Reasoned opinion on the fairness of the CSR Information).

CERTIFICATION OF DISCLOSURE OF THE CSR INFORMATION AND REASONED OPINION ON THE FAIRNESS OF THE CSR INFORMATION

As mentioned in the management report, given the specific nature of the company's organisation, Compagnie de Financement Foncier does not prepare the CSR Information required under Article R. 225-105-1 of the French Commercial Code.

CONCLUSION

Accordingly, in the absence of the CSR Information for the reasons given above, we are unable to certify the disclosure in the management report of the required CSR Information or to comment on its fairness.

Neuilly-sur-Seine, 27 March 2014

Statutory Auditor

PricewaterhouseCoopers Audit

Jean-Baptiste Deschryver
Partner

Sylvain Lambert
Partner in the Sustainable Development Department

Financial statements

BALANCE SHEET *(in thousands of euros)*

ASSETS

	Notes	12/31/13	12/31/12	12/31/11
Due from central banks and post office accounts		7,399,719	3,705,503	14,697
Treasury notes and similar securities*	3	3,468,599		
Loans and receivables due from banks	1	17,694,558	18,244,086	20,609,849
- On demand		410,223	216,953	1,409,394
- At maturity		17,284,335	18,027,133	19,200,455
Customers loans	2	41,897,635	41,343,429	40,660,039
- Other customer loans		41,897,635	41,343,429	40,660,039
Bonds and other fixed income securities	3	14,707,398	33,418,447	41,228,820
Tangible and intangible fixed assets				
Other assets	4	19,128	5,603	72,965
Accrued income	5	4,533,088	4,065,221	3,191,907
TOTAL ASSETS		89,720,126	100,782,289	105,778,277

* Financial statements from 12/31/2011 to 12/31/2012 have not been restated by the impact of the reclassification of the eligible securities from public entities in treasury bills for refinancing with central banks. This impact is further explained in Note 3.

LIABILITIES

	Notes	12/31/13	12/31/12	12/31/11
Central banks				
Due to banks	6	3,139,452	3,853,303	4,903,513
- On demand		321	22,141	3,931
- At maturity		3,139,131	3,831,162	4,899,582
Customers loans	7	14,755	19,805	7,008
- On demand		14,755	19,805	7,008
Debt securities	8	75,256,376	84,594,979	89,923,945
- Interbank market securities and negotiable debt securities		152,836	153,932	155,313
- Bonds (obligations foncières)		75,103,541	84,441,047	89,768,632
Other liabilities	9	2,963,253	4,641,898	3,184,632
Accrued expenses	10	3,109,133	2,342,426	2,466,759
Provisions	11	15,328	15,384	7,775
Subordinated debt	12	3,450,305	3,450,137	3,450,452
Fund for general banking risks		20,000	20,000	20,000
Equity other than fund for general banking risks	13	1,751,524	1,844,356	1,814,193
- Subscribed capital stock		1,187,460	1,187,460	1,187,460
- Share premiums		343,002	343,002	343,002
- Reserves		101,997	95,367	89,963
- Regulated provisions and investment subsidies				
- Retained earnings		86,472	85,946	85,704
- Income to be allocated				
- Net income for the period		32,593	132,581	108,064
TOTAL LIABILITIES AND EQUITY		89,720,126	100,782,289	105,778,277



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

	Notes	12/31/13	12/31/12	12/31/11
COMMITMENTS GIVEN	14			
Financing commitments				
- Commitments in favour of banks				
- Commitments in favour of customers		1,791,991	1,808,158	2,459,785
- Other securities used as collateral		1,668,153	1,585,009	5,325,312
Guarantee commitments				
- Commitments in favour of banks				
- Commitments in favour of customers				
Commitments on securities				
- Other commitments given				25,000
COMMITMENTS RECEIVED	15			
Financing commitments				
- Commitments received from banks		4,464,512	4,106,460	3,958,140
- Other securities received as collateral from the Group		20,977,883	23,126,518	14,754,439
Guarantee commitments				
- Commitments received from banks		5,044,145	7,216,584	7,484,911
- Commitments received from customers		35,199,643	34,322,018	39,756,337
Commitments on securities				
RECIPROCAL COMMITMENTS				
- Sale and purchase of foreign currencies	16	32,455,405	40,678,758	48,629,166
- Other financial instruments	17	58,721,884	92,252,489	110,351,059

INCOME STATEMENT *(in thousands of euros)*

	Notes	12/31/13	12/31/12	12/31/11
Interest and similar income	18	3,893,673	5,099,457	4,516,761
Interest and similar expense	18	-3,591,466	-4,649,350	-4,189,665
Net interest margin		302,207	450,107	327,096
Commission and fee income	19	60,447	29,581	56,410
Commission and fee expense	19	-4,043	-5,124	-4,455
Gains or losses on trading book transactions	20	-2,283	-577	712
Gains or losses on investment portfolio transactions	21		1,087	-41,921
Other income from banking operations	22	122	399	2,798
Other expenses on banking operations	22	-137	-350	-1,815
Net banking income		356,313	475,123	338,825
Personnel expenses	23	-187	-191	-191
Taxes	23	-15,824	-19,928	-14,172
External services and other expenses	23	-87,990	-84,145	-89,830
Amortisation				
Total operating expenses		-104,001	-104,263	-104,193
Gross operating income		252,313	370,860	234,632
Cost of risk	24	-15,153	-10,699	-4,869
Operating income		237,160	360,161	229,763
Gains or losses on fixed assets	25	-135,366	-140,371	-58,599
Ordinary income before tax		101,794	219,790	171,164
Extraordinary income				
Income tax	26	-69,200	-87,209	-63,100
NET INCOME		32,593	132,581	108,064
Earnings per share * (in EUR)		0.44	1.79	1.57
Diluted earnings per share (in EUR)		0.44	1.79	1.57

* Earnings per share is calculated by dividing net income by the average number of shares during the fiscal year 2013.
The notes on the following pages form part of the separate financial statements.



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

1. GENERAL FRAMEWORK

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

It is a credit institution accredited as a financial company by decision of the Credit Institutions and Investment Firms Committee (*Comité des établissements de crédit et des entreprises d'investissement* or CECEI) on 23 July 1999. As such, it must comply with the following regulation: regulation No. 99-10 of the French Banking and Financial Regulation Committee (*Comité de la réglementation bancaire et financière* or CRBF) as amended, which specifically concerns *sociétés de crédit foncier* and notably:

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

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

2. SIGNIFICANT EVENTS – 2013

2.1. COMMERCIAL ACTIVITY

During 2013, Compagnie de Financement Foncier acquired €5,408.2 million in receivables from Crédit Foncier, including accrued interest, plus €524.6 million in unreleased loans recognised as “Financing commitments given”. It also purchased a €48.6 million claim against the State (€951.4 million in unreleased funds).

Pursuant to Article L. 211-38 of the French Monetary and Financial Code, which allows one financial institution to grant a loan that is secured by a pool of loans to another financial institution, Compagnie de Financement Foncier established several lines of credit with its parent company, Crédit Foncier, for a total of €5,290 million at 31 December 2013, excluding related receivables, and with certain Caisses d'Épargne or Banques Populaires for a total of €160.7 million, excluding related receivables. Cash collateral receivables consist of loans to French public sector (SPT). Similar exposures, of short duration, called BCTG and classified in the replacement values are also made to BPCE SA for a total amount of € 6,600 million at 31 December 2013, excluding accrued interest. Receivables as collateral consist of French public sector and mortgage loans. All of these exposures are collateralised to a total of € 12,757.9 million at 31 December 2013 (€ 7.3 billion under BCTG and € 5.5 billion under L211-38 SPT).

The replacement values for Compagnie de Financement Foncier, defined according to Decree 2007-745 of 9 May 2007 on the solvency of credit institutions, investment firms and *sociétés de crédit foncier* and amending the French Monetary and Financial Code, amounted to €7,010.3 million. These replacement values include BCTG.

As regards funding, Compagnie de Financement Foncier issued €3,495.1 million in *obligations foncières* in 2013 within the limit of the annual issuance programme. It also subscribed for lines of funding from the Banque de France under the comprehensive guarantee management mechanism or Gestion Globale des Garanties (3G pool). Fully repaid at 31 December 2013, these lines of funding stood at €1 billion at 31 December 2012 and €1.5 billion at 31 December 2011.

2.2. LOCAL AUTHORITIES

Compagnie de Financement Foncier has acquired structured loans in the course of previous financial years granted to local authorities that they are trying to renegotiate.

As a servicer, Crédit Foncier conducted the negotiations in the best interest of Crédit Foncier group and BPCE in order to maintain the business relationships with this clientele. In that context, Crédit Foncier carried out entirely the financial costs incurred by Compagnie de Financement Foncier when securing the loans. A profit amounted to €26.6 million has been recorded in “Interest and similar expenses”.

2.3. DISPOSALS ON THE MARKET

In accordance with its new strategic plan, launched in 2011, as a result of the strengthening of prudential rules, both in connection with the implementation of the CRD3 European directive, as well as looking forward to the coming into force of the so-called Basel III regulations (CRD4 directive and the Capital Requirements regulation), the Crédit Foncier group continued with efforts to reduce its international exposure by curtailing additional loan origination in this sector and by disposing of a number of lines of securities combined, as relevant, with the buyback and cancellation of issued *obligations foncières*, asset and liability items found mainly on the balance sheet of Compagnie de Financement Foncier.

The disposal of securities concerned loans totalling €4,683.9 million, exchange value at initial fixing, and related to International Public Sector securities for €1,050.9 million as well as residential mortgage backed securities (RMBS) for €3,633 million.

These disposals together with the cancellation of associated swaps generated net losses before tax of €135.4 million, recognised in the income statement as “Gains or losses on fixed assets”.

Also in connection with these asset reduction transactions, Compagnie de Financement Foncier forged ahead with buying back a portion of its own bonds issued in the market. These notes, repurchased on the secondary market in the amount of €1,292.2 million, the exchange value on the date of repurchase, were cancelled, reducing the bond issue accordingly. All premiums or discounts arising from these buybacks were booked directly to income as “Interest and similar income” or “Interest and similar expenses” in compliance with regulations. Gains or losses arising out of the cancellation of hedges associated with the cancelled issues were directly booked to profit or loss under the same headings, “Interest and similar income” or “Interest and similar expenses”.

The net impact before taxes arising out of these buybacks in 2013 was a gain of €29.5 million.

2.4. TRANSFERT OF RMBS AND ABS

Compagnie de Financement Foncier signed an agreement with its parent company in 2008 aiming at offsetting, within the meaning of Article 9 of CRBF regulation 99-10 governing *sociétés de crédit foncier*, the impact of the reduced weighting of a portfolio of RMBS and other ABS units in the event of a downgrade of their rating below a specified threshold.

In light of the new eligibility criteria for covered bonds within the Eurosystem collateral framework and in order to show the markets that Compagnie de Financement Foncier had come into line with Eurosystem requirements, after a grand-fathering period stopping at the end of November 2014, without delay, a rider to this agreement was signed in November 2013, broadening its scope with the creation of an additional mechanism to dispose of securitisation units to its parent company, Crédit Foncier.

Under this agreement, Compagnie de Financement Foncier, on 20 December 2013, disposed of several lines of RMBS originally categorised as “investment securities held to maturity” to its parent company at the carrying amount. These disposals totalled €7,700.2 million.

As of 31 December 2013, Compagnie de Financement Foncier no longer holds securitizations in its balance sheet and meets the new Eurosystem’s requirements.

2.5. OFF BALANCE SHEET RESTRUCTURING TRANSACTIONS

In order to meet the twin aims of reducing the size of off-balance sheet items to minimise the level of equity allocated to derivatives and of limiting exposure to counterparties, Compagnie de Financement Foncier conducted several interest rate derivative restructuring transactions with Crédit Foncier and external counterparties.

Thus, a number of rate hedging swap transactions conducted either with Crédit Foncier or with external counterparties or Groupe BPCE counterparties were cancelled or assigned for a total of €31,697.4 million, all operations combined. Compagnie de Financement Foncier received a net balance of €388.7 million.

All such termination balances as well as the unamortised balance as at the cancellation date of the original cash payments were amortised and booked to income based on the life of the underlying instruments under the headings, “Interest and similar income” or “Interest and similar expenses”.

These operations explain for most of the decline in outstanding swaps from € 89,029 million at 31 December 2012 to 55,782 M € at 31 December 2013.

3. POST BALANCE SHEET EVENTS

No other event likely to have a significant impact on the financial statements at 31 December 2013 occurred between the balance sheet date and 25 March 2014, on which date the Board of Directors approved the financial statements.

4. ACCOUNTING PRINCIPLES AND METHODS

4.1. ACCOUNTING AND VALUATION METHODS

The financial statements of Compagnie de Financement Foncier are prepared and presented in accordance with the rules defined by BPCE, which comply with the guidelines of the French Accounting Standards Authority (ANC). In accordance with regulation No. 91-01 of the French Banking and Financial Regulation Committee (CRBF), the presentation of the financial statements complies with the provisions of regulations 2000-03 and 2005-04 of the French Accounting Regulations Committee (CRC) relating to the individual discussion papers.

4.2. CHANGES IN ACCOUNTING METHODS

No changes were made to the accounting methods used to prepare the 2013 annual financial statements.

The texts adopted by the ANC that became compulsory as of 2013 had no significant impact on the Group’s financial statements.

The Group does not opt for early application of texts adopted by the ANC, where such application is optional, unless specifically mentioned.

4.3. ACCOUNTING PRINCIPLES AND VALUATION METHODS

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

- going concern basis;
- consistency of accounting methods over time;
- independence of fiscal years;
- and in compliance with the general rules for establishing and presenting annual financial statements.

The historical cost method is used to value accounting items and all balance sheet items are shown net of amortisation, provisions and allowances.

The main methods used are the following:

4.3.1. Foreign exchange transactions

Income and capital gains or losses on foreign exchange transactions are calculated in accordance with CRBF regulation No. 89-01, amended by regulations No. 90-01 and No. 95-04.

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

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

Premiums and discounts on foreign exchange futures contracts used for hedging purposes are recognised in income on a *pro rata* basis. Other foreign exchange contracts and futures instruments denominated in foreign currencies are valued at market price. Outright foreign exchange futures contracts, and those hedged



by futures instruments, are revalued over the remaining term. Foreign exchange swaps are recognised as coupled buy/sell forward transactions. Foreign exchange swaps are subject to CRBF regulation 90-15 as amended.

4.3.2. Transactions with credit institutions and customers

Loans to credit institutions comprise all loans and advances arising out of banking transactions, with the exception of debt securities. It includes repo securities, regardless of the support, and receivables related to repurchase agreements. Loans and advances are broken down into the sub-categories “on demand” and “at maturity”. Loans and advances to credit institutions appear on the balance sheet at their nominal value or acquisition cost and include accrued interest that is not yet due but are net of any impairment for credit risk.

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

Customer loans are recorded as an asset on the balance sheet in proportion to the amount released, including accrued interest and net of any impairment charges recognised for credit risk. The commissions and marginal transaction costs that are staggered are integrated into the outstanding loan in question. Amounts not yet paid are recognised as off-balance sheet items under “Financing commitments given”.

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

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

Past due payments are recorded as assets in each receivables category, unless they are deemed doubtful, in which case they are included in doubtful loans. The commissions and marginal transaction costs that are staggered are integrated into the outstanding loan in question.

Prepayment penalties and renegotiation fees or commissions are recognised in full in the income statement for the year in which the transaction was booked.

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

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

RESTRUCTURED LOANS

Restructured loans are those whose initial characteristics (term and interest rate) are modified to facilitate repayment by the counterparty, which is encountering financial difficulty.

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

A doubtful restructured loan may be reclassified as performing when the terms of the loan are complied with. These reclassified loans are specifically identified. When a loan that has been reclassified becomes overdue, regardless of the restructuring terms agreed, the loan is downgraded to doubtful.

DOUBTFUL LOANS AND RECEIVABLES

Doubtful loans and receivables consist of all outstanding amounts, whether due or not and guaranteed or otherwise, where at least one commitment made by the debtors has involved a known credit risk, classified as such on an individual basis. A risk is considered to be “known” when the Group is not likely to collect the entire amount owed under the terms of the commitments made by the counterparty, notwithstanding any guarantees provided.

Doubtful loans are identified in compliance with CRC regulation No. 2002-03, which deals with the accounting treatment of credit risk, as amended by CRC regulation No. 2005-03 of 25 November 2005 to include loans past due for over three months, over six months for property loans, and over nine months for loans to local authorities.

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

Accrued interest on doubtful loans is recognised under income from banking operations and impaired accordingly.

More generally, doubtful loans and receivables are reclassified as performing once the debtor resumes regular payments in accordance with the original repayment schedule, provided that the counterparty is no longer considered to be at risk of default.

IMPAIRMENT

When the collection of loans or other receivables is considered to be uncertain, impairment is deducted from the asset to account for the risk of loss. Impairment charges are calculated separately for each loan, while taking into account the present value of the guarantees received. They are determined at least quarterly, on the basis of the estimated credit risk and the guarantees provided. Impairment on doubtful loans must at least cover the accrued interest.

Impairment for probable losses includes all impairment charges, calculated on the basis of the present value as the difference between the capital remaining due and the forecast cash flows.

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

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

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

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

A statistical estimate is used for receivables in low unit amounts, with similar characteristics.

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

The principal component of loan impairment provisions and reversals, and the corresponding impairment charges, are taken to income under "Cost of risk", while the interest component is recorded as "Interest and similar income".

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

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

The loans are placed into homogenous sets in terms of sensitivity to changes in the risk on the basis of the Group's internal rating system. The portfolios that are tested for impairment are those involving counterparties that have been significantly downgraded since origination and that are accordingly deemed to be at risk. These loans are impaired, even though the credit risk cannot be individually allocated to the various counterparties within these

portfolios and to the extent that the loans in question collectively show indication of impairment.

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

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

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

4.3.3. Securities

"Securities" include interbank market securities, treasury bills, other negotiable debt securities, bonds and other fixed-income securities, equities and other variable-income securities.

Securities transactions are subject to the accounting regulations set forth in:

- CRC regulation No. 2008-17, amending CRBF regulation No. 90-01 of 23 February 1990, supplemented by Instruction No. 94-07 issued by the French Banking Commission, defining general rules governing the accounting and valuation of securities;
- CRBF regulation No. 89-07, supplemented by Instruction No. 94-06 issued by the French Banking Commission, defining rules concerning certain specific transactions such as repurchase agreements.

Securities are classified into the following categories: equity interests and investments in affiliated undertakings, investment securities held to maturity, equity securities available for sale in the medium term, investment securities available for sale, and trading account securities.

For trading account securities, investment securities available for sale, investment securities held to maturity and equity securities available for sale in the medium term, any known counterparty default risk whose impact can be separately identified results in the recognition of an impairment loss. Depreciation movements are recorded under cost of risk.

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

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

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

INVESTMENT SECURITIES AVAILABLE FOR SALE

Investment securities available for sale are all securities that do not fall into any of the other categories.

They are recorded on acquisition at cost excluding associated expenses.



Accrued interest on fixed-income securities is taken to income under “Interest and similar income”.

Any difference between the acquisition cost and the redemption price (premium or discount) of fixed-income securities is taken to the income statement over the remaining life of the relevant securities using the yield-to-maturity method.

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

In accordance with Article 4 of CRBF regulation No. 88-02, gains and losses from hedging instruments are taken into account when calculating impairment. Provisions are made to cover unrealised losses. Unrealised gains are not recognised.

Gains and losses on sales of investment securities available for sale, impairments and impairment reversals appear under the item “Gains or losses on investment securities available for sale and similar instruments”.

INVESTMENT SECURITIES HELD TO MATURITY

Investment securities held to maturity are fixed-income securities with a fixed redemption date, acquired or reclassified from the category “trading account securities” or “investment securities available for sale”, with the clear intention of holding them until maturity and the capacity to do so. These securities must not be subject to any existing legal or other constraint that could compromise the capacity to hold them until maturity. Classification as investment securities held to maturity does not prevent them from being considered items hedged against interest rate risk.

Investment securities held to maturity are recorded at cost excluding associated expenses, on their acquisition date. Securities transferred from the investment securities available for sale portfolio are booked at cost and previous impairments are reversed over the residual life of the securities.

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

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

Investment securities held to maturity cannot be sold or transferred into another category except as set out in Article 7 *bis* of CRC 90-01.

Trading account securities or investment available for sale fixed-income securities, reclassified in the investment securities held to maturity category, in the context of market illiquidity, per CRC regulation No. 2008-17, may still be disposed of when the market on which they are traded becomes active again.

RECLASSIFICATION OF FINANCIAL ASSETS

In order to harmonise accounting practices and achieve compliance with IFRS, the French national accounting council

published regulation No. 2008-17 on 10 December 2008 amending regulation 90-01 issued by the CRBF concerning the recognition of securities transactions. This regulation incorporates the provisions of notice 2008-19 of 8 December governing the reclassification of securities from the “trading account securities” and the “investment securities available for sale” categories.

Reclassification from “trading account securities” to “investment securities held to maturity” or to “investment securities available for sale” is now allowed under either of the following conditions:

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

Transfers from “investment securities available for sale” to “investment securities held to maturity” are applicable on the transfer date under either of the following conditions:

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

Compagnie de Financement Foncier did not reclassify any “investment securities available for sale” as “investment securities held to maturity” in 2013, or in previous financial years.

REPURCHASE AGREEMENTS

Repurchase agreements are recorded pursuant to CRBF regulation No. 89-07, supplemented by French Banking Commission directive No. 94-06.

Assets under repurchase agreements remain on the vendor's balance sheet. The vendor records the amount received, and consequently owed to the purchaser, as a liability. The purchaser records the amount paid, representing its claim against the vendor, as an asset. At the balance sheet date, the repo securities, the amount owed the purchaser and the claim against the vendor are valued according to the rules that apply to each.

4.3.4. Debt securities

Debt securities appear according to their form: retail certificates of deposit, interbank market securities and negotiable debt securities, bonds and similar, with the exception of subordinated notes, which are recorded in a separate line under liabilities.

Interest accrued but not due relating to these securities is recorded in a related liabilities account with a corresponding entry in the income statement.

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

4.3.5. Subordinated debt

This item includes funds arising from the issue of dated or perpetual subordinated securities or loans. In the event of liquidation of the borrower, the debt shall only be repaid after all other creditors have been paid.

Interest payable on subordinated debt is recorded in an accrued interest account with a corresponding entry in the income statement.

4.3.6. Provisions

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

In particular, this line item includes the provisions for counterparty risk on sound loans detailed in Section 4.3.2.

4.3.7. Fund for general banking risks

This fund is intended to cover risks inherent to the entity's business activities, pursuant to the requirements of Article 3 of CRBF regulation No. 90-02 and French Banking Commission Instruction No. 86-05, as amended.

4.3.8. Financial futures

Trading and hedging transactions in interest rate, currency or equity futures are recognised in accordance with the provisions of CRBF regulations 88-02 and 90-15, as amended and French Banking Commission Instruction No. 94-04, as amended by Instruction No. 2003-03.

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

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

FUTURES

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

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

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

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

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

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

- For over-the-counter options, unrealised mark-to-market losses are provided for at year-end. Unrealised capital gains are not recognised.
- Instruments traded on organised markets or other markets considered as organised are continuously quoted and liquid enough to justify being marked to market. Unrealised capital gains are not recognised.

Compagnie de Financement Foncier does not have any trading book or isolated open position management contracts.

Termination balances are amortised over the life of the hedged item.

For micro-hedging and macro-hedging transactions, the termination or allocation balances are amortised over the remaining term of the previously hedged item when the underlying is maintained or reported immediately on the income statement.

OPTIONS

The notional amount of the underlying instrument on which the option or forward contract is based is recorded by distinguishing between hedging contracts and contracts traded on the markets.

For transactions involving interest rate, currency, or equity options, the premiums paid or received are recognised in a temporary account. At the balance sheet date, these options are valued through profit or loss in the case of products quoted on organised markets or other markets considered as organised. For over-the-counter (OTC) options, provisions are recognised for capital losses but unrealised capital gains are not recognised. When an option is sold, repurchased, or exercised, or when an option expires, the corresponding premium is recognised immediately in income.

Income and expenses for hedging instruments are recognised symmetrically with those from the hedged item. Seller options are not eligible for classification as macro-hedging instruments.

Over-the-counter markets may be treated as organised markets when market makers ensure continuous quotations with spreads that reflect market practice or when the underlying financial instrument is itself quoted on an organised market. Changes in the value of unlisted options are determined by means of a mathematical formula.

At 31 December 2013, Compagnie de Financement Foncier recognised no forward rate agreements on an isolated open position.



4.3.9. Interest and similar income – Commissions

Interest and similar fee and commission income is recognised in the income statement on a *pro rata* basis.

Fees and costs for granting or acquiring a loan are similar to additional interest and spread over the actual life of the loan, prorated to the outstanding principal amount.

Other fee income is recognised according to the type of service provided as follows:

- fees and commissions received for an *ad hoc* service are recognised upon completion of the service;
- fees and commissions received for an on-going or discontinued service paid for in instalments are recognised over the period that the service is provided.

4.3.10. Income taxes

The tax charge recorded in the income statement corresponds to corporate tax payable for the fiscal year, deferred tax liabilities and tax reserves.

Compagnie de Financement Foncier is included in BPCE's tax consolidation group, in the Crédit Foncier subgroup. Pursuant to the tax consolidation agreement, the tax charge payable is calculated and accounted as if there were no consolidation.

Compagnie de Financement Foncier has opted for accounting of deferred taxes on an unconsolidated basis. According to the principle of universality, this option applies to all deferred taxes resulting from temporary differences in the corporate financial statements.

5. OTHER DISCLOSURES

5.1. CONSOLIDATION

Compagnie de Financement Foncier's individual financial statements are integrated into Groupe BPCE's consolidated financial statements.

5.2. REMUNERATION, ADVANCES

Remuneration paid in 2013 to management offices amounted to €120,000, excluding social security charges.

5.3. OPERATIONS IN NON-COOPERATIVE COUNTRIES

Article L. 511-45 of the French Monetary and Financial Code and the French Minister for the Economy's Decree of 6 October 2009 require credit institutions to include as an appendix to their annual financial statements information on their offices and activities in States and territories that have not signed an agreement with France containing a mutual assistance clause to fight against tax evasion and fraud, allowing access to banking information.

These requirements are part of global endeavours arising from OECD work and summits to combat non-cooperative jurisdictions as well as forming part of the fight against money laundering and terrorist financing.

At 31 December 2013, Compagnie de Financement Foncier had no activities or offices in non-cooperative countries.

NOTE 1. LOANS AND RECEIVABLES DUE FROM BANKS

<i>(in thousands of euros)</i>	12/31/13	12/31/12	12/31/11
On demand loans to banks	410,223	216,953	1,409,394
Customer accounts	239,527	216,950	239,378
OTC accounts and loans			1,170,000
Non-allocated securities on demand	170,697	3	
Related receivables			16
At maturity loans to banks	17,284,335	18,027,133	19,200,455
Accounts and loans at maturity ⁽⁴⁾	5,198,396	1,675,749	4,421,343
Loans guaranteed ⁽²⁾	12,050,740	16,323,118	14,748,769
Securities subject to repurchase agreements			
Subordinated loans and participating loans			
Related receivables	35,199	28,266	30,343
Doubtful loans and receivables			
GROSS AMOUNT OF LOANS AND RECEIVABLES	17,694,558	18,244,086	20,609,849
Depreciations on doubtful loans			
Depreciations on doubtful loans			
NET AMOUNT OF LOANS AND RECEIVABLES DUE FROM BANKS ^{(1) (3)}	17,694,558	18,244,086	20,609,849
<i>(1) Of which subsidised sector:</i>	154	284	472
BREAKDOWN OF GROUP AND NON-GROUP LOANS AT MATURITY			
Accounts and loans at maturity			
- of which Group transactions	377	48,413	2,754,938
- of which non-Group transactions ⁽⁴⁾	5,198,018	1,627,336	1,666,405
Loans guaranteed by securities received under repurchase agreements			
- of which Group transactions ⁽²⁾	12,050,740	16,323,118	14,748,769
- of which non-Group transactions			
Related receivables			
- of which Group transactions	9,270		1,595
- of which non-Group transactions	25,929	28,266	28,748
Group loans	12,060,387	16,371,531	17,505,302
Non-Group loans	5,223,947	1,655,602	1,695,153
TOTAL	17,284,335	18,027,133	19,200,455
BREAKDOWN OF GROUP AND NON-GROUP LOANS ON DEMAND			
Accounts and loans on demand			
- of which Group transactions	238,113	213,253	232,019
- of which non-Group transactions	1,414	3,697	1,177,359
Related receivables			
- of which Group transactions			
- of which non-Group transactions			16
Non-allocated securities			
- of which Group transactions (at Crédit Foncier's scope)	170,697		
- of which non-Group transactions		3	
Group loans	408,810	213,253	232,019
Non-Group loans	1,414	3,700	1,177,376
TOTAL	410,223	216,953	1,409,395

(2) BCTG (short-term guaranteed notes) issued by Groupe BPCE entities, part of replacement values, and receivables on French public sector (SPT) pledged as collateral under L. 211-38 (see note 1A).

(3) There are no receivables on credit institutions eligible to ECB's refinancing operations as of 31 December 2013.

(4) Of which term loans at Banque de France as of 31 December 2013: €4 billion.



NOTE 1A. BREAKDOWN OF LOANS AT MATURITY TO BANKS

	12/31/13			12/31/12	12/31/11
	Gross amount	Write-downs	Net amount	Net amount	Net amount
<i>(in thousands of euros)</i>					
TERM LOANS					
Refinancing of subsidised residential property	154		154	284	472
Refinancing of unsubsidised residential property	480		480	730	984
Public authorities	5,223,313		5,223,313	1,654,588	1,693,697
Structured financing					
Other loans to banks *	12,060,387		12,060,387	16,371,531	17,505,302
Doubtful term loans					
NET AMOUNT OF LOANS AND RECEIVABLES DUE FROM BANKS	17,284,335		17,284,335	18,027,133	19,200,455
* <i>Of which:</i>					
<i>Crédit Foncier and Caisses d'Épargne term loans</i>					2,700,165
<i>Short-term guaranteed notes pursuant to L. 211-38, in respect of replacement values, with Crédit Foncier</i>					11,500,000
<i>Short-term guaranteed notes pursuant to L. 211-38, in respect of replacement values, with BPCE</i>	6,600,000		6,600,000	13,000,000	
<i>Loans guaranteed by local authority receivables pursuant to L. 211-38, with Crédit Foncier</i>	5,290,000		5,290,000	3,210,000	3,100,000
<i>Loans guaranteed by local authority receivables pursuant to L. 211-38, with Caisses d'Épargne and Banques Populaires</i>	160,740		160,740	107,800	114,400
<i>Dedicated funds</i>				48,131	54,773
<i>Related and other receivables</i>	9,647		9,647	5,600	35,964
	12,060,387		12,060,387	16,371,531	17,505,302

NOTE 2. LOANS AND RECEIVABLES DUE FROM CUSTOMERS

(in thousands of euros)	Performing loans			Doubtful loans and receivables			Write-downs			Net amounts		
	12/31/13	12/31/12	12/31/11	12/31/13	12/31/12	12/31/11	12/31/13	12/31/12	12/31/11	12/31/13	12/31/12	12/31/11
Customer accounts												
Customer loans ⁽¹⁾	40,911,894	40,534,546	40,104,789	1,024,279	833,988	579,251	38,538	25,105	24,001	41,897,635	41,343,429	40,660,039
Loans to financial customers												
Export credits												
Short-term credit facilities ⁽²⁾	1,871,546	2,067,140	2,676,687							1,871,546	2,067,140	2,676,687
Equipment loans ⁽³⁾	7,595,597	8,351,579	8,754,660	12,045	751	1,035	393	280	210	7,607,249	8,352,050	8,755,485
Residential property loans	31,273,163	29,890,953	28,430,432	1,009,208	829,429	574,696	38,099	23,700	22,698	32,244,272	30,696,681	28,982,430
Other customer loans	5,771	41,998	48,535	226	1,489	1,548	46	1,125	1,093	5,950	42,362	48,990
Non-allocated securities			404									404
Subordinated loans												
Related receivables	165,816	182,876	194,071	2,800	2,319	1,972				168,617	185,195	196,043
GRAND TOTAL ^{(1) (4)}	40,911,894	40,534,546	40,104,789	1,024,279	833,988	579,251	38,538	25,105	24,001	41,897,635	41,343,429	40,660,039
(1) - Of which subsidised sector:	315,766	426,776	653,841	95,035	113,840	52,118	99	80	81	410,702	540,535	705,878
- Of which private sector:	40,596,128	40,107,770	39,450,948	929,245	720,148	527,133	38,439	25,025	23,920	41,486,933	40,802,893	39,954,161

Restructured loans amounted to €423.5 million at 31 December 2013, of which €182.6 million classified as sound loans.

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

(2) In 2007, the Company purchased the local authority loans of Ixis CIB, now Natixis, which include revolving credit lines of €1,708 million at 31 December 2013, versus €2,021 million at 31 December 2012 and €2,677 million at 31 December 2011.

(3) Equipment loans are loans to local authorities.

(4) Customer loans eligible for refinancing with the Central Bank totalled €6.4 billion at 31 December 2013 in outstanding capital. This amount is estimated to €4.5 billion after haircut.



NOTE 2A1. WRITE-DOWNS AND PROVISIONS FOR COUNTERPARTY RISKS

<i>(in thousands of euros)</i>	12/31/11	Increases	Reversals	12/31/11	Increases	Reversals	Misc. transactions	12/31/13
WRITE-DOWNS RECORDED AS A DEDUCTION FROM ASSETS								
Customer loans and due from banks *	24,001	11,766	-10,662	25,105	26,712	-13,279		38,538
PROVISIONS RECORDED IN LIABILITIES								
Customer loans and due from banks and from securities	6,572	7,662	-53	14,181	1,797	-1,853		14,125
TOTAL	30,573	19,428	-10,715	39,286	28,509	-15,132		52,663

* Write-downs of loans are booked at their present value, as per Committee on Accounting regulation (CRC) 2002-03.

NOTE 2A2. PREMIUMS/DISCOUNTS ON ACQUIRED LOANS

<i>(in thousands of euros)</i>	12/31/11	Additions	Amortisation	12/31/12	Reclassification	Additions	Amortisation	12/31/13
DUE FROM BANKS								
Premiums	89,434		-10,359	79,075			-10,422	68,653
Discounts								
Net	89,434		-10,359	79,075			-10,422	68,653
CUSTOMER LOANS								
Performing loans								
Premiums	486,253	192,018	-79,228	599,043	-18,844	253,987	-119,911	714,275
Discounts	-888,864	-99,592	145,623	-842,833	22,414	-336,251	79,139	-1,077,531
Doubtful loans and receivables								
Premiums					18,844		-1,387	17,457
Discounts					-22,414		1,174	-21,240
Net	-402,611	92,426	66,395	-243,790		-82,264	-40,985	-367,039
TOTAL	-313,177	92,426	56,036	-164,715		-82,264	-51,407	-298,386

NOTE 2B. BREAKDOWN OF OUTSTANDING CUSTOMER LOANS

<i>(in thousands of euros)</i>	12/31/13			12/31/12	12/31/11
	Gross	Write-downs	Net		
Private Individuals	27,189,484		27,189,484	25,542,632	23,576,699
- Subsidised sector	104,814		104,814	181,519	286,801
- Unsubsidised residential property	27,084,280		27,084,280	25,360,688	23,289,589
- Other	390		390	425	309
Individual entrepreneurs	1,406,292		1,406,292	1,390,443	1,560,889
- Subsidised sector	6,767		6,767	10,788	14,309
- Unsubsidised residential property	1,399,525		1,399,525	1,379,655	1,546,418
- Other					162
Regional Public Sector and sovereigns	9,284,003		9,284,003	10,306,014	11,351,941
- Subsidised sector	58,093		58,093	68,154	80,646
- Unsubsidised residential property	300,324		300,324	322,712	344,578
- Other	8,925,586		8,925,586	9,915,148	10,926,717
Social organisations	2,351,389		2,351,389	2,599,866	2,804,880
- Subsidised sector	135,814		135,814	157,162	179,670
- Unsubsidised residential property	2,149,750		2,149,750	2,373,428	2,551,067
- Other	65,825		65,825	69,276	74,143
Real estate investors	6,279		6,279	5,536	103,247
- Subsidised sector	1,459		1,459	1,980	84,813
- Unsubsidised residential property	4,820		4,820	3,432	10,145
- Other				124	8,289
Structured financing	674,228		674,228	689,013	702,381
- Subsidised sector	8,813		8,813	6,888	7,120
- Transportation					182
- Large projects	656,671		656,671	663,923	676,376
- Other	8,744		8,744	18,202	18,703
Other	219		219	1,042	4,752
- Subsidised sector	5		5	285	482
- Unsubsidised residential property	214		214	27	3,288
- Other				730	982
Subtotal customer loans	40,911,894		40,911,894	40,534,546	40,104,789
DOUBTFUL LOANS	1,024,279	38,538	985,741	808,883	555,250
of which subsidised sector	95,035	99	94,936	113,760	52,037
of which private sector	929,245	38,439	890,806	695,123	503,213
TOTAL CUSTOMER LOANS *	41,936,173	38,538	41,897,635	41,343,429	40,660,039
* Of which subsidised sector:	410,800	99	410,701	540,536	705,878
Of which private sector:	41,525,374	38,439	41,486,935	40,802,893	39,954,161



NOTE 2C. BREAKDOWN OF OUTSTANDING DOUBTFUL LOANS

At 12/31/13 <i>(in thousands of euros)</i>	Total doubtful loans			Of which compromised doubtful loans		
	Gross	Write-downs	Net	Gross	Write-downs	Net
Private Individuals	882,234	34,337	847,897	162,583	24,064	138,519
- Subsidised residential property	11,227	42	11,185			
- Unsubsidised residential property	870,662	34,129	836,533	162,257	23,898	138,359
- Other	345	166	179	326	166	160
Individual entrepreneurs	43,485	2,762	40,723	11,051	2,326	8,725
- Subsidised residential property	4,571	17	4,554			
- Unsubsidised residential property	38,888	2,739	36,149	11,043	2,324	8,719
- Other	26	6	20	8	2	6
Regional Public Sector and sovereigns	12,306	105	12,201			
- Subsidised residential property	289		289			
- Unsubsidised residential property						
- Other	12,017	105	11,912			
Social organisations	3,002	148	2,854	90	49	41
- Subsidised residential property						
- Unsubsidised residential property	2,684	146	2,538	90	49	41
- Other	318	2	316			
Real estate investors	80,170	927	79,243	2,135	838	1,297
- Subsidised residential property	77,334	40	77,294			
- Unsubsidised residential property	2,334	765	1,569	1,633	716	917
- Other	502	122	380	502	122	380
Structured financing	3,083	259	2,824	671	227	444
- Subsidised residential property	1,614		1,614			
- Unsubsidised residential property						
- Other	1,469	259	1,210	671	227	444
Other						
TOTAL ⁽¹⁾	1,024,280	38,538	985,742	176,530	27,504	149,026
(1) <i>Of which subsidised sector:</i>	95,035	99	94,936			
<i>Of which private sector ⁽²⁾:</i>	929,245	38,439	890,806	176,530	27,504	149,026

(2) *The amount of doubtful loans in the private sector includes €420.8 million of SGFGAS-secured loans.*

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.

At 12/31/12 <i>(in thousands of euros)</i>	Total doubtful loans			Of which compromised doubtful loans		
	Gross	Write-downs	Net	Gross	Write-downs	Net
Private 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		1,242	366	1,584	1,242	342
Individual entrepreneurs	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
Regional Public Sector and sovereigns	1,583	16	1,567			
- Subsidised residential property	385		385			
- Unsubsidised residential property						
- Other	1,198	16	1,182			
Social organisations	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			
Real estate 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 financing	3,121	283	2,838	751	251	500
- Subsidised residential property	1,541		1,541			
- Unsubsidised residential property						
- Other	1580	283	1,297	751	251	500
Other						
TOTAL ⁽¹⁾	833,988	25,105	808,883	118,141	23,137	95,004
(1) Of which subsidised sector:	113,840	80	113,760			
Of which private sector ⁽²⁾ :	720,148	25,025	695,123	118,141	23,137	95,004

(2) The amount of doubtful loans in the private sector includes €327.9 million of SGFGAS-secured loans.

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.



At 12/31/11 <i>(in thousands of euros)</i>	Total doubtful loans			Of which compromised doubtful loans		
	Gross	Write-downs	Net	Gross	Write-downs	Net
Private Individuals	517,766	17,598	500,168	72,983	11,687	61,296
- Subsidised residential property	35,572	42	35,530			
- Unsubsidised residential property	480,662	16,455	464,207	71,593	10,638	60,955
- Other	1,532	1,101	431	1,390	1,049	341
Individual entrepreneurs	44,825	4,571	40,254	12,571	3,990	8,581
- Subsidised residential property	8,631		8,631			
- Unsubsidised residential property	36,027	4,527	31,500	12,504	3,988	8,516
- Other	167	44	123	67	2	65
Regional Public Sector and sovereigns	1,629	35	1,594			
- Subsidised residential property	535		535			
- Unsubsidised residential property						
- Other	1,094	35	1,059			
Social organisations	4,879	95	4,784	81	45	36
- Subsidised residential property	679		679			
- Unsubsidised residential property	3,914	92	3,822	81	45	36
- Other	286	3	283			
Real estate investors	5,704	837	4,867	1,968	693	1,275
- Subsidised residential property	3,653	39	3,614			
- Unsubsidised residential property	1,547	676	871	1,464	571	893
- Other	504	122	382	504	122	382
Structured financing	4,448	865	3,583	1,222	764	458
- Subsidised residential property	3,048		3,048			
- Unsubsidised residential property						
- Other	1,400	865	535	1,222	764	458
Other						
TOTAL ⁽¹⁾	579,251	24,001	555,250	88,825	17,179	71,646
(1) Of which subsidised sector:	52,118	81	52,037			
Of which private sector ⁽²⁾ :	527,133	23,920	503,213	88,825	17,179	71,646

(2) Doubtful loans outstanding in the private sector includes €241.1 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. INVESTMENT SECURITIES AVAILABLE FOR SALE AND HELD TO MATURITY

(in thousands of euros)	12/31/13			12/31/12			12/31/11		
	Investment securities available for sale	Investment securities held to maturity	Total	Investment securities available for sale	Investment securities held to maturity	Total	Investment securities available for sale	Investment securities held to maturity	Total
Treasury notes and similar securities ^{(1) (4)}	250	3,407,813	3,408,063	462	3,711,270	3,711,732	905	3,791,301	3,792,206
Related receivables	5	60,531	60,536	9	65,020	65,029	16	64,369	64,385
Subtotal	255	3,468,344	3,468,599	471	3,776,290	3,776,761	921	3,855,670	3,856,591
Bonds ⁽⁴⁾		6,400,031	6,400,031	25,000	8,445,865	8,470,865	75,000	10,377,232	10,452,232
Interbank market securities (mortgage notes) ⁽⁴⁾	8,217,000		8,217,000	9,263,000		9,263,000	9,238,000		9,238,000
Negotiable debt securities									
Securitisation units ⁽⁴⁾					11,721,258	11,721,258		17,497,702	17,497,702
Related receivables	9,127	81,240	90,367	12,686	173,977	186,563	27,456	176,601	204,057
Subtotal	8,226,127	6,481,271	14,707,398	9,300,686	20,341,000	29,614,686	9,340,456	28,051,535	37,391,991
GROSS AMOUNTS	8,226,382	9,949,615	18,175,997	9,301,157	24,117,290	33,418,447	9,341,377	31,907,205	41,248,582
Write-downs on fixed-income securities ⁽²⁾							-19,762		-19,762
NET AMOUNTS⁽³⁾	8,226,382	9,949,615	18,175,997	9,301,157	24,117,290	33,418,447	9,321,615	31,907,205	41,228,820

(1) At 31 December 2013, the market value of short-term investment securities amounted to €256K including €6K of unrealised capital gains before swaps. Interbank market securities, issued at variable rates and subscribed by the parent company, are valued at their carrying amount. There is no unrealized loss.

(2) No impairment has been recognised at 31 December 2013 for Held-to-maturity securities.

(3) There are no doubtful loans in the securities portfolio.

(4) Of which: :

	12/31/13	12/31/12	12/31/11
Listed securities	9,201,552	19,629,728	25,660,708
Unlisted securities	8,823,542	13,602,147	15,319,433
TOTAL	18,025,094	33,231,875	40,980,141

Under instruction CB 94-07, the aggregate fair value of the investment portfolio amounts to €10,388.4 million, excluding related receivables.

Unrealised capital gains on Held-to-maturity securities amounted to €727.3 million at 31 December 2013. At 31 December 2012, unrealised capital gains on Held-to-maturity securities amounted to €1,376 million.

Unrealised capital losses on Held-to-maturity securities amounted to €146.7 million at 31 December 2013. At 31 December 2012, unrealised capital losses on Held-to-maturity securities amounted to €1,598.1 million.

The Company did not reclassify any securities to the «Held-to-maturity securities» portfolio either during the 2013 financial year or in previous years.



NOTE 3A. SOVEREIGN RISK

Several countries in the eurozone faced economic difficulties and a crisis of confidence in their debt. In this context, in collaboration with the International Monetary Fund, the European Union has developed systems of support for Greece,

Ireland, Portugal and Cyprus. In addition, other states, such as Spain, Hungary, Italy, Slovenia, Egypt and the Ukraine, have experienced a significant increase in risk premium since 2011.

At 31 December 2013, the net exposures of the Compagnie de financement Foncier sovereign risk in these countries are:

Investment securities (in millions of euros)	At 31 December 2013			At 31 December 2012		
	Book value	Nominal value	Market value	Book value	Nominal value	Market value
Cyprus	50.0	50.0	41.6	50.0	50.0	31.1
Hungary	35.0	35.0	36.6	35.0	35.0	34.1
Ireland	135.0	135.0	152.9	135.0	135.0	138.5
Italy	1,622.2	1,618.7	1 703.5	1,627.7	1,624.0	1,653.3
Slovenia	198.6	197.0	197.7	232.7	229.9	221.8
TOTAL	2,040.8	2,035.7	2,132.3	2,080.4	2,073.9	2,078.8

The values given above are excluding accrued interest.

The maturity dates of the the net exposures in nominal value to 31 December 2013 are presented below:

	Residual maturity					
	1 year	2 years	4 years	5 years	> 5 years and < 10 years	>10 years
Cyprus					50.0	
Hungary			35.0			
Ireland						135.0
Italy	51.2			61.1		1,506.4
Slovenia					147.0	50.0
TOTAL	51.2	0.0	35.0	61.1	197.0	1,691.4

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

NOTE 3B. PREMIUMS – DISCOUNTS

Balance at 12/31/13

(in thousands of euros)

	Gross amount	Redemption value	Difference +/-
INVESTMENT SECURITIES AVAILABLE FOR SALE			
Bonds	250	250	
Other fixed income securities	8,217,000	8 217,000	
INVESTMENT SECURITIES HELD TO MATURITY			
Bonds	9,807,844	9,789,597	-18,247
Other fixed income securities			

NOTE 3C. FINANCIAL FIXED ASSETS

(in thousands of euros)	Gross 12/31/11	Acquisitions	Disposal/Repayments*	Reclassification	Change in premiums/discounts	Currency differences	Gross 12/31/12	Acquisitions	Disposal/Repayments*	Reclassification	Change in premiums/discounts	Currency differences	Gross 12/31/13
Investment securities held to maturity	31,666,236	31,061	-7,412,026		10,951	-352,809	23,943,413		-13,523 019		-9,143	-603,407	9,807,844
TOTAL	31,666,236	31,061	-7,412,026		10,951	-352,809	23,943,413		-13 523 019		-9,143	603,407	9,807,844
Related receivables	240,970						173,877				-32,147	41	141,771
GRAND TOTAL	31,907,206	31,061	-7,412,026		10,951	-352,809	24,117,290		-13 523 019		-41,290	603,366	9,949,615

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

NOTE 4. OTHER ASSETS

(in thousands of euros)	12/31/13	12/31/12	12/31/11
Conditional instruments purchased	648	1,518	2,852
Settlement accounts related to securities transactions			440
Miscellaneous receivables	18,480	4,085	2,167
Deposits on collateralisation transactions			
Other deposits and guarantees	22	22	22
Group relief receivables			
Other miscellaneous receivables	18,458	4,063	2,144
Special bonus account			67,506
TOTAL	19,128	5,603	72,965



NOTE 5. PREPAYMENTS, DEFERRED CHARGES AND ACCRUED INCOME

<i>(in thousands of euros)</i>	12/31/13	12/31/12	12/31/11
Collection accounts			
Deferred charges	312,310	387,728	427,176
Issue and redemption premiums of fixed income securities	312,310	387,728	427,176
Other deferred charges			
Prepayments	1,932,787	1,125,682	223,249
Termination balances of paid swaps to be amortised	1,932,051	1,125,594	222,532
Other prepaid expenses	736	88	717
Accrued income	1,064,829	1,582,496	1,900,876
Interest accrued but not yet due on swaps	1,061,505	1,578,842	1,896,372
Other accrued income	3,324	3,654	4,504
Asset adjusting accounts	1,223,162	969,314	640,606
Cash in domiciliation	239,195	211,308	141,605
Deferred tax assets ⁽¹⁾	729,013	322,006	68,701
Currency adjustment accounts ⁽²⁾	82,382	56,037	
Other adjusting accounts ⁽³⁾	172,572	379,964	430,300
TOTAL	4,533,088	4,065,221	3,191,907

(1) *Deferred tax assets mainly consist of temporary differences and does not suggest uncertainty about their use.*

The main types of deferred tax are as follows:

Swaps termination balance	719,389	315,368	67,220
Provisions including customer credit risk provisions	9,310	7,400	5,266
Other temporary differences	314	- 762	- 3,785

(2) *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.*

(3) *Of which borrowers (payments to be applied to loan accounts) and release of loan funds on behalf of Crédit Foncier: €14,039K at 31 December 2013 compared to €96,063K at 31 December 2012 and €96,058K at 31 December 2011.*

NOTE 5A. DEFERRED CHARGES

<i>(in thousands of euros)</i>	12/31/13	12/31/12	12/31/11
ISSUE OR REDEMPTION PREMIUMS			
Debt securities			
<i>Obligations foncières</i>			
Subsidised sector	370	957	1,545
Private sector	311,940	386,771	425,631
Negotiable debt securities (BMTN)			
Total issue or redemption premiums	312,310	387,728	427,176
TOTAL DEFERRED EXPENSES	312,310	387,728	427,176

The unamortized balance is the difference between the initial amount and the repayment price of debts represented by securities.

NOTE 6. DUE TO BANKS

<i>(in thousands of euros)</i>	12/31/13	12/31/12	12/31/11
Due to banks – on demand	321	22,141	3,931
Current accounts of banks		125	
On demand loans to banks			
Other amounts due to banks	321	22,016	3,931
Related payables			
Due to banks – at maturity	3,139,131	3,831,162	4,899,582
Term loans and accounts *	3,121,811	3,201,507	4,272,668
Securities subject to repurchase agreements			
Securities subject to repurchase agreements		597,829	597,829
Related payables	17,320	31,827	29,085
TOTAL	3,139,452	3,853,303	4,903,513
Detail of due to banks – on demand (Group/non-Group)	321	22,141	3,931
Of which Group		882	1,024
- Other amounts due to banks		882	1,024
- On demand loans to banks			
- Related payables			
Of which non-Group	321	21,259	2,907
- Other amounts due to banks	321	21,259	2,907
Detail of due to banks – at maturity (Group/non-Group)	3,139,131	3,831,162	4,899,582
Of which Group	3,107,002	2,763,524	3,315,990
- Due and accounts at maturity	3,107,002	2,164,938	2,715,544
- Securities subject to repurchase agreements		598,587	600,446
Of which non-Group	32,129	1,067,638	1,583,592
- Banque de France refinancing (Overall collateral management pool – 3G pool)		1,000,000	1,500,000
- Other term loans	31,371	56,730	78,584
- Securities subject to repurchase agreements			
- Related payables	758	10,908	5,008
Due to Group banks	3,107,002	2,764,406	3,317,014
Due to non-Group banks	32,450	1,088,897	1,586,499
TOTAL	3,139,452	3,853,303	4,903,513
* Of which subsidised sector	25,009	22,128	20,887



NOTE 7. CUSTOMER DEPOSITS

<i>(in thousands of euros)</i>	12/31/13	12/31/12	12/31/11
Current accounts			
Other on demand and term accounts	14,755	19,805	7,008
Other amounts due	14,755	19,805	7,008
Other term loans to customers			
Term accounts			
Related payables			
TOTAL	14,755	19,805	7,008

NOTE 8. DEBT SECURITIES

<i>(in thousands of euros)</i>	12/31/13	12/31/12	12/31/11
Negotiable debt securities	150,000	150,000	150,000
Related payables	2,836	3,932	5,313
Negotiable debt securities and related payables	152,836	153,932	155,313
<i>Obligations foncières</i> *	73,238,414	82,456,423	87,765,796
Related payables	1,865,126	1,984,624	2,002,836
Obligations foncières and related payables	75,103,541	84,441,047	89,768,632
TOTAL	75,256,376	84,594,979	89,923,945
* <i>Of which subsidised sector</i>	29,987	61,267	89,788

Including a total of £25 million explicitly guaranteed by the French State.

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

NOTE 9. OTHER LIABILITIES

<i>(in thousands of euros)</i>	12/31/13	12/31/12	12/31/11
Conditional instruments sold			
Other creditors	2,877,760	4,545,512	2,947,362
Deposits on collateralisation transactions	2,777,058	4,450,353	2,884,180
Margin calls on repurchase agreements			
Trade accounts payable			
Group relief payable ⁽¹⁾	50,896	59,220	14,180
Other fiscal and social debts	15	18	22
Other miscellaneous creditors	49,791	29,564	48,980
Special bonus account SBA		6,357	
Allocated public funds ⁽²⁾	85,492	96,386	237,270
TOTAL	2,963,253	4,641,898	3,184,632
⁽¹⁾ <i>Corporate tax due to Crédit Foncier (Group relief)</i>	50,896	59,220	14,180
⁽²⁾ <i>Of which subsidised sector</i>	54,011	55,823	189,530

NOTE 10. ACCRUALS AND DEFERRED INCOME

<i>(in thousands of euros)</i>	12/31/13	12/31/12	12/31/11
Collection accounts	2,252	3,433	893
Deferred income	2,590,603	1,654,933	1,165,035
Subsidies for access to homeownership and former interest-free loans	141,449	181,737	281,227
Cash in payment of swaps received to be amortised	2,319,312	1,344,035	704,535
Other deferred income	129,842	129,161	179,273
Accrued charges	324,221	580,208	951,445
Interest accrued but not yet due on derivatives (swaps)	312,693	567,208	940,488
Other accrued charges	11,528	13,000	10,957
Liability adjustment accounts	192,057	103,852	349,387
Currency adjustment accounts *	10,486	19,678	127,905
Miscellaneous	181,571	84,174	221,482
TOTAL	3,109,133	2,342,426	2,466,760

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

NOTE 11. PROVISIONS

<i>(in thousands of euros)</i>	12/31/13	12/31/12	12/31/11
Provisions for counterparty risks	14,125	14,181	6,572
Provisions for potential risks on performing loans	14,125	14,181	6,572
Sectoral provisions			
Provisions for litigation	1,203	1,203	1,203
Tax litigation			
Other litigation	1,203	1,203	1,203
Other provisions			
Other provisions			
TOTAL *	15,328	15,384	7,775

* Including provisions for risks signature commitments

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Changes in the period (in thousands of euros)	12/31/12	Increases	Changes in 2013 Reversals		Other changes	12/31/13
			Used	Not used		
Provisions for counterparty risks	14,181	1,797		-1,853		14,125
Provisions for potential risks on non-doubtful loans *	14,181	1,797		-1,853		14,125
Sectoral provisions						
Provisions for litigation	1,203					1,203
Tax litigation						
Other litigation	1,203					1,203
Other provisions						
Other provisions						
TOTAL	15,384	1,797		- 1,853		15,328

* Cf. Part 4.3.2 of the Notes to the financial statements

NOTE 12. SUBORDINATED DEBT

(in thousands of euros)	12/31/13	12/31/12	12/31/11
Redeemable subordinated notes ⁽¹⁾	2,100,000	2,100,000	2,100,000
Perpetual super-subordinated notes ⁽²⁾	1,350,000	1,350,000	135,000
Related payables	305	137	452
TOTAL	3,450,305	3,450,137	3,450,452

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

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

a) Additional information

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

* Of which €2 billion issued on 28 December 2007, fungible with the issue of 30 December 2003.

b) Possibility and conditions for early repayment

ON REDEEMABLE SUBORDINATED NOTES "RSN"

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

ON PERPETUAL SUPER-SUBORDINATED NOTES

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

c) Conditions relating to interest rate payable

ON REDEEMABLE SUBORDINATED NOTES "RSN"

Any interest not paid is carried over as unsecured debt.

ON PERPETUAL SUPER-SUBORDINATED NOTES

In order to ensure balanced Company income and respect prudential ratios, interest will only be due when net income for the year in which interest is due, after payment of said interest, is at least €10 million. As a consequence, if net income before payment

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

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



NOTE 13. CHANGES IN EQUITY

(in thousands of euros)	Opening balance at 01/01/12	Changes in capital and reserves				Balance at 12/31/12	Changes in capital and reserves				Balance at 12/31/13
		Allocations	Dividends paid in shares	Other	Allocations		Dividends paid in shares	Other			
Capital stock *	1,187,460				1,187,460					1,187,460	
Share premiums *	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	526				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				32,593	
Equity after net income for the year	1,814,193				1,844,356					1,751,524	
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 12/31/13
			Additions	Reversals			Additions	Reversals	
Special revaluation provision									
Other regulated provisions									
Regulated provisions									
Equity before dividend payout	1,814,193				1,844,356				1,751,524

	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 12/31/13
			Additions	Reversals			Additions	Reversals	
Reserve for general banking risks	20,000				20,000				20,000
TOTAL	1,834,193				1,864,356				1,771,524

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

NOTE 13A. PROPOSED ALLOCATION OF INCOME

<i>(in thousands of euros)</i>	12/31/13	
SOURCES	86,472	
Retained earnings	32,593	
Net income for the year		
Deposit on dividends		
Drawing from reserves		
ALLOCATION		
Allocation to reserves		
• Legal reserve	1,630	
• Special long-term capital gains reserves		
• Other reserves		
Dividends	30,429	
Other distributions	87,006	
Retained earnings		
TOTAL	119,065	119,065



NOTE 14. COMMITMENTS GIVEN

<i>(in thousands of euros)</i>	12/31/13		12/31/12		12/31/11	
	Net Authorisations	Amounts not drawn down	Net Authorisations	Amounts not drawn down	Net Authorisations	Amounts not drawn down
Financing commitments	244,597	1,547,394	155,329	1,652,829	147,789	2,311,996
Subsidised sector						
Non-Group commitments						
- Credit institutions						
- Customers						
Unsubsidised sector	244,597	1,547,394	155,329	1,652,829	147,789	2,311,996
Non-Group commitments	244,597	1,547,394	155,329	1,652,829	147,789	2,311,996
- Customers ⁽²⁾	244,597	1,547,394	155,329	1,652,829	147,789	2,311,996
Group commitments						
- Credit institutions						
Guarantee commitments	1,668,153		1,585,009		5,325,312	
Non-Group commitments	1,668,153		1,585,009		5,325,312	
- Other values used as collateral ⁽¹⁾	1,668,153		1,585,009		5,325,312	
Commitments on securities					25,000	
- Other commitments given					25,000	
TOTAL ⁽³⁾	3,460,145		3,393,167		7,810,097	

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.

(1) 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:

<i>(in millions of euros)</i>	12/31/13	12/31/12	12/31/11
Securities		1,022	1,675
Receivables	1,668	563	3,650

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

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

<i>(in millions of euros)</i>	12/31/13	12/31/12	12/31/11
Revolving credit lines (outstanding taken from Ixis CIB)	547	698	1,311
State housing savings accounts ("primes d'épargne logement")	1,000	954	1,000
(3) Of which doubtful commitments:	1	1	1

NOTE 15. COMMITMENTS RECEIVED

<i>(in thousands of euros)</i>	12/31/13	12/31/12	12/31/11
Financing commitments			
Non-Group commitments			
Credit institutions ⁽¹⁾	1,464,512	1,106,460	3,907,641
Subtotal	1,464,512	1,106,460	3,907,641
Group commitments			
Purchase guarantees			50,499
Credit institutions ⁽²⁾	3,000,000	3,000,000	
Other assets received as collateral from the Group ⁽³⁾	20,977,883	23,126,518	14,754,439
Subtotal	23,977,883	26,126,518	14,804,938
TOTAL	25,442,395	27,232,978	18,712,579
Guarantee commitments			
Non-Group commitments			
Credit institutions and similar institutions ⁽⁴⁾	2,075,676	2,732,217	3,337,955
Customers ⁽⁵⁾	35,199,643	34,322,018	39,756,337
Subtotal	37,275,319	37,054,235	43,094,292
Group commitments ⁽⁶⁾	2,968,468	4,484,366	4,146,956
TOTAL	40,243,787	41,538,601	47,241,248
Commitments on securities			
Other securities to be received			
TOTAL			
TOTAL COMMITMENTS RECEIVED	65,686,182	68,771,580	65,953,827

(1) Non-Group financing commitments refer to the commitment received from the Banque de France in relation to the collateral management mechanism, including an amount of €1,464.5 million at 31 December 2013, compared with €412.1 million at 31 December 2012. At 31 December 2012, this item also included a commitment to purchase units in French securitisation funds (FCTs) for €694.4 million, these securities were sold in April 2013.

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

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

<i>(in thousands of euros)</i>	12/31/13	12/31/12	12/31/11
• Guarantees received from Crédit Foncier for loans to French local authorities (L. 211-38):	5,300,385	3,235,946	14,640,825
• Guarantees received from BPCE SA as replacement values (L. 211-38 Short-term guaranteed notes):	7,297,400	10,515,859	
• Guarantees received from Caisses d'Épargne and Banques Populaires for loans to French local authorities (L. 211-38):	162,344	109,898	113,614
• Guarantees received from Crédit Foncier for mortgage notes:	8,217,754	9,264,814	8,857,476
(4) Mainly includes guarantees received from Crédit Logement rated AA3/A+:	211,973	191,717	325,804
• Guarantees received from Créserfi:	354,233	361,946	340,167
• Security enhancement guarantees received from insurance companies:	1,509,470	2,178,554	2,671,984

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

<i>(in thousands of euros)</i>	12/31/13	12/31/12	12/31/11
• Government guarantees on loans, mainly to the subsidised sector:	506,709	727,074	883,179
• Guarantees from the SFGAS on FGAS-eligible loans and covered by the government:	13,989,344	11,300,637	9,558,980
• Mortgage guarantees for mortgage loans that are only covered by this guarantee:	15,950,029	16,599,502	15,581,447
• Guarantees given by local authorities and other organisations:	2,247,868	2,319,053	2,417,943
• Security enhancement guarantees given by governments	2,505,693	3,375,752	11,314,788

(6) At 31 December 2013, guarantee commitments received from the Group include a guarantee received from BPCE in connection with French local authority loans purchased from Ixis CIB for €2,425 million, compared to €2,794 million at 31 December 2012, as well as a guarantee received from Crédit Foncier on securities and loans amounted to €70.5 million. It is clarified that the guarantee received from crédit Foncier which amounted to €1,170 million at 31 December 2012, on a portion of the portfolio of RMBS tranches recorded in the assets of Compagnie de Financement Foncier, was cancelled following the transfer of these securities in the 2013 financial year.



NOTE 16. FOREIGN EXCHANGE TRANSACTIONS

	12/31/13		12/31/12		12/31/11	
	Currencies receivable	Currencies for delivery	Currencies receivable	Currencies for delivery	Currencies receivable	Currencies for delivery
<i>(in thousands of euros)</i>						
Forward transactions (nominal amount) ⁽¹⁾	16,263,651	16,191,754	20,357,558	20,321,200	24,250,631	24,378,535
Over-the-counter markets						
Hedging transactions	16,263,651	16,191,754	20,357,558	20,321,200	24,250,631	24,378,535
Financial swaps						
Micro-hedging transactions						
Subsidised sector	29,987	40,473	61,267	80,945	89,788	121,418
Unsubsidised sector	16,233,664	16,151,282	20,296,291	20,240,254	24,160,843	24,257,117
Macro-hedging transactions						
Subsidised sector						
Unsubsidised sector						
Other forward transactions						
Forward transactions (fair value) ⁽²⁾	-254,701		-618,410		-846,204	
Spot transactions						
Total foreign currency transactions	16,263,651	16,191,754	20,357,558	20,321,200	24,250,631	24,378,535
TOTAL	32,455,405		40,678,758		48,629,166	

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

(2) 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

<i>(in thousands of euros)</i>	12/31/13		12/31/12		12/31/11	
	Euros ⁽¹⁾	Other currencies ⁽²⁾	Euros ⁽¹⁾	Other currencies ⁽²⁾	Euros ⁽¹⁾	Other currencies ⁽²⁾
OVER-THE-COUNTER MARKETS						
Conditional transactions (nominal amounts)	2,617,841		2,895,460		3,059,936	
Micro-hedging transactions						
Purchases						
Sales						
Macro-hedging transactions						
Purchases	2,617,841		2,895,460		3,059,936	
Sales						
Other options						
Purchases						
Sales						
Conditional transactions (fair value)	41,857		21,338		37,666	
Forward transactions (nominal amounts)	55,782,689	321,354	89,029,125	327,904	106,969,424	321,699
Micro-hedging transactions	43,257,750	321,354	68,491,965	327,904	80,015,754	321,699
Interest rate instruments	43,257,750	321,354	68,491,965	327,904	80,015,754	321,699
Currency instruments						
Other instruments						
Macro-hedging transactions	12,524,939		20,537,160		24,039,213	
Interest rate instruments	12,524,939		20,537,160		24,039,213	
Currency instruments						
Other instruments						
Other transactions					2,914,457	
Interest rate instruments						
Currency instruments						
Other instruments					2,914,457	
Firm transactions (fair value) ⁽³⁾	1,949,683	55,831	4,420,065	103,509	3,345,533	86,497
Firm and conditional transactions	58,400,530	321,354	91,924,584	327,904	110,029,360	321,699
TOTAL ⁽⁴⁾ (NOMINAL AMOUNTS)	58,721,884		92,252,489		110,351,059	
TOTAL (FAIR VALUE)	2,047,371		4,544,912		3,469,696	

(1) Value in euros of IN currencies.

(2) Value in euros of OUT currencies.

(3) Data disclosed in accordance with CRC Regulation 2004-16 of 23 November 2004 related to the information to be provided in connection with the transposition of the European "Fair value" and "Modernisation" directives.

(4) There are no doubtful amounts outstanding on futures and options transactions.



NOTE 18. INTEREST AND SIMILAR INCOME AND EXPENSES

<i>(in thousands of euros)</i>	12/31/13			12/31/12	12/31/11
	Income	Expenses	Net	Net	Net
Interbank transactions	91,333	-88,837	2,496	41,066	142,481
Interest on ordinary accounts	48	-1	47	266	1,660
Interest on forward transactions	36,974	-65,920	-28,946	-55,248	-28,371
Interest on subordinated loans					
Interest on repo securities (BCTG - Short-term guaranteed notes)	54,311		54,311	151,333	224,232
Interest on securities received/sold under repurchase agreements		-2,193	-2,193	-7,384	-10,215
Financing and guarantee commitments				5,597	
Other interest income and expense					
Hedging transactions		-20,723	-20,723	-53,499	-44,824
Hedged losses on receivables					
Non-hedged losses on receivables					
Net changes in provisions					
Customers transactions	1,387,136	-23,042	1,364,095	1,028,456	1,025,404
Interest on demand deposits, term deposits and regulated savings accounts					
Interest on loans to customers	1,354,837		1,354,837	1,502,541	1,395,297
Interest on subordinated loans					
Interest on non-performing loans	36,562		36,562	30,983	26,706
Amortisation of ancillary loans (CRC Regulation 2009-03)	-650		-650	-629	-586
Interest on ABS cash collateral					
Other interest income and expense	-2,845	-7,329	-10,175	-16,642	-24,865
Income on financing and guarantee commitments	70		70	564	464
Hedging transactions		-15,712	-15,712	-488,301	-370,276
Hedged losses on receivables	-1,228		-1,228	-952	-83
Non-hedged losses on receivables					
Net changes in provisions ⁽¹⁾	390		390	891	-1,252
Finance lease transactions					
Securitisation transactions	2,371,130	-3,009,581	-638,451	-191,969	-466,883
Interest on available-for-sale securities	103,017		103,017	175,807	191,567
Spreading of discounts/premiums on available-for-sale securities	-4		-4	-2	-15
Interest on held-to-maturity securities	469,461		469,461	695,402	917,996
Amortisation of discounts/premiums on held-to-maturity securities	-1,194		-1,194	4,838	10,815
Interest on medium-term notes (BMTN) issued		-3,711	-3,711	-5,111	-7,035
Interest on certificates of deposits issued					
Interest on mortgage notes issued				-650	
Interest and expenses on bonds		-3,005,870	-3,005,870	-3,493,999	-3,208,808
Interest on doubtful securities					
Hedging transactions	1,799,851		1,799,851	2,431,747	1,628,598
Subordinated debt		-50,121	-50,121	-63,603	-84,419
Payables on subordinated term securities		-50,121	-50,121	-63,603	-39,150
Payables on subordinated debt - credit institutions					-45,268
Payables on subordinated debt - customers					
Other interest and similar income and expenses	44,073	-419,885	-375,812	-363,843	-289,488
Income on debt securities	40,525		40,525	52,294	52,959
Fees on credit derivatives					
Commitments received/given on securities		-6,171	-6,171	-7,738	-1,586
Other interest income and expense	3,548		3,548	7,919	177
Macro-hedging transactions		-413,714	-413,714	-416,317	-341,038
Net changes of provisions ⁽¹⁾					
TOTAL INTEREST AND SIMILAR INCOME AND EXPENSE ⁽²⁾	3,893,673	-3,591,466	302,207	450,107	327,095
<i>(1) Total cost of risk in the net interest margin - customers</i>		390	390	891	-1,252
<i>(2) including subsidised sector</i>		24,199	-16,175	8,024	7,547

NOTE 19. NET COMMISSIONS

<i>(in thousands of euros)</i>	12/31/13	12/31/12	12/31/11
Commissions on interbank and cash transactions (net)	-11	-17	-73
Income	309		
Expenses	-320	-17	-73
Commissions on transactions with customers (net)*	60,110	29,417	55,930
Income	60,110	29,565	55,930
Expenses		-148	
Commissions on securities transactions (net)	-2,827	-3,940	-4,117
Income			
Expenses	-2,827	-3,940	-4,117
Other commissions and commission income (net)	-868	-1,003	215
Income	28	16	480
Expenses	-896	-1,019	-265
TOTAL INCOME	60,447	29,581	56,410
TOTAL EXPENSES	-4,043	-5,124	-4,455
TOTAL NET COMMISSIONS AND COMMISSION INCOME	56,404	24,457	51,955

* The level of net commissions on transactions with customers reported at 31 December 2013 relates to an increase in early redemptions and the commissions received as a result.

NOTE 20. NET GAINS/LOSSES ON TRADING BOOK TRANSACTIONS

<i>(in thousands of euros)</i>	12/31/13	12/31/12	12/31/11
Gains on currency and arbitrage transactions	-2,283	-577	712
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 Financial forward instruments trading			
Reversals on provisions for risks on Financial forward instruments trading			
TOTAL NET GAINS/LOSSES ON TRADING BOOK TRANSACTIONS AT FAIR VALUE THROUGH PROFIT AND LOSS	-2,283	-577	712



NOTE 21. GAINS OR LOSSES ON INVESTMENT SECURITIES TRANSACTIONS

<i>(in thousands of euros)</i>	12/31/13	12/31/12	12/31/11
Capital gains on disposals			
Capital losses on disposals *		-18,675	-36,101
Allowances on ABS and investment securities			-5,820
Reversals on ABS and investment securities *		19,762	
TOTAL NET GAINS/LOSSES ON TRANSACTIONS ON INVESTMENT PORTFOLIO		1,087	-41,921

* Losses in 2012 represent the loss on AYT CEDULAS bond sales; losses offset by the reversals of previous provisions.

NOTE 22. OTHER BANKING OPERATING INCOME AND EXPENSES

<i>(in thousands of euros)</i>	12/31/13			12/31/12	12/31/11
	Income	Expenses	Net	Net	Net
Rebilled expenses, income paid over and reallocated expenses		-14	-14	-156	-619
Rebilled expenses					
- <i>Rebilled expenses</i>					
- <i>Other amounts rebilled or paid over</i>					
Income paid over		-14	-14	-156	-619
Reallocated expenses					
Total other income and expense from banking operations	122	-123	-1	205	1,602
Other operating income and expenses (see details)	122	-123	-1	205	1,602
Movements in provisions on other operating income and expense (see details)					
TOTAL	122	-137	-14	50	982

DETAILS

	122	-123	-1	205	1,602
Other operating income and expense					
- <i>Exceptional payments of FGAS (government fund promoting access to home ownership)/flat contributions</i>					2,127
- <i>Transfers to exceptional gains</i>				200	
- <i>Other operating income</i>	122		122	200	670
- <i>Amortisation of flat contributions</i>					
- <i>Losses on deferred interests and variable rate loans</i>		53	53	-9	-60
- <i>Transfers to exceptional losses</i>		-4	-4		-200
- <i>Other losses covered by the provision for litigation</i>					
- <i>Losses not covered by the provision for litigation</i>					
- <i>Other operating expenses</i>		-172	-172	-185	-936

NOTE 23. GENERAL OPERATING EXPENSES

<i>(in thousands of euros)</i>	12/31/13	12/31/12	12/31/11
Total personnel expenses	-187	-191	-191
Wages and salaries	-120	-120	-120
Defined-contribution and defined-benefit plan expense	-11	-14	-11
Other tax and social security charges	-55	-56	-60
Additions to/reversals of provisions for litigation			
Total other administrative costs	-103,814	-104,072	-104,002
Taxes other than income tax	-15,824	-19,928	-14,172
CET (local business tax) and CVAE (tax on company value added)	-3,255	-4,811	-3,406
Corporate social solidarity contribution	-5,703	-6,296	-5,789
Contribution to the supervision expenses of the French Prudential Supervision and Resolution Authority (ACPR)	-759	-940	-878
Systemic banking risk tax	-5,751	-7,464	-3,659
Other taxes	-357	-416	-439
Additions to/reversals of provisions for tax disputes			
External services	-87,990	-84,181	-89,830
Leasing			
External services provided by the Group	-83,835	-79,109	-85,777
Fees for sub-contracting and services	-3,536	-4,318	-3,084
Advertising	-241	-360	-536
Remuneration of intermediaries			
Transport and travel costs	-20	-26	-20
Maintenance and repairs	-4	-4	-4
Insurance premiums			
Other external services	-354	-363	-409
Additions to/reversals of provisions for disputes relating to external services			
Additions to/reversals of provisions for external services costs			
Other expenses			
Rebilled expenses		36	
TOTAL OPERATING EXPENSES	-104,001	-104,263	-104,193

Note: the total amount of remuneration received by management entities at 31 December 2013 amounted to €120,000.



NOTE 24. COST OF RISK

<i>(in thousands of euros)</i>	12/31/13			12/31/12	12/31/11
	Expenses	Income	Net	Net	Net
Net additions to/reversals of provisions relating to customer transactions	-23,881	9,128	-14,753	-10,581	-4,062
Impairment of customer transactions	-22,084	7,275	-14,809	-2,972	-5,004
Provisions for counterparty risks on sound loans	-1,797	1,853	56	-7,609	942
Sectoral provisions					
Amounts lost/recovered on customer transactions	-3,801	3,401	-400	-118	-807
Losses on non-recoverable loans and receivables covered by provisions	-986	986			
Losses on non-recoverable loans and receivables not covered by provisions	-2,815		-2,815	-3,783	-2,368
Recoveries of customer loans written off		2,415	2,415	3,665	1,561
TOTAL COST OF RISK	-27,682	12,529	-15,153	-10,699	-4,869

NOTE 24A. INCREASES IN PROVISIONS FOR DOUBTFUL LOANS

<i>(in thousands of euros)</i>	12/31/13	12/31/12	12/31/11
Provisions for doubtful loans	-22,084	-9,091	-9,421
Impairment of customer transactions	-22,084	-9,091	-9,421
Provisions - cost of risk	-1,797	-7,662	-2,239
Provision for losses and charges on commitments			
Provisions for counterparty risks *	-1,797	-7,662	-2,239
TOTAL	-23,881	-16,753	-11,660
* Sectoral provision			-289
Overall client provision	-1,797	-7,662	-1,950

NOTE 24B. REVERSALS IN PROVISIONS FOR DOUBTFUL LOANS

<i>(in thousands of euros)</i>	12/31/13	12/31/12	12/31/11
Provisions for doubtful loans	8,261	7,095	4,560
Impairment of customer transactions	8,261	7,095	4,560
Provisions - cost of risk	1,853	53	3,181
Provision for losses and charges on commitments			
Provisions for counterparty risks *	1,853	53	3,181
TOTAL	10,114	7,148	7,741
* Sectoral provision			14
Overall client provision «Neiertz»			3,167
Overall client provision	1,853	53	

NOTE 25. GAINS/LOSSES ON FIXED ASSETS

<i>(in thousands of euros)</i>	12/31/13	12/31/12	12/31/11
Capital gains or losses on disposals of held-to-maturity securities	-135,366	-140,371	-58,599
Additions to provisions for impairment on held-to-maturity securities			
Reversals of provisions for impairment on held-to-maturity securities			
TOTAL GAINS OR LOSSES ON OTHER ASSETS	-135,366	-140,371	-58,599

NOTE 26. INCOME TAX

<i>(in thousands of euros)</i>	12/31/13	12/31/12	12/31/11
TAX EXPENSE COMPONENTS			
Current tax expense (income) *	-476,207	-340,513	-100,592
Deferred tax liabilities (income) *	407,007	253,305	37,901
Provisions for deferred taxes			
Provisions for risks or for tax litigations			401
TOTAL	-69,200	-87,209	-63,100

* In 2012 and in 2013, 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.

<i>(in thousands of euros)</i>	12/31/13	12/31/12	12/31/11
BREAKDOWN OF DEFERRED TAXES FOR THE PERIOD			
Termination swap balance	404,021	248,148	38,222
Client provisions including credit risk provisions	1,909	2,134	497
Other temporary differences	1,077	3,023	-1,628
TOTAL	407,007	253,305	37,091



NOTE 27. TRANSACTIONS WITH RELATED PARTIES AND OTHER ASSOCIATES

31 December 2013 (in thousands of euros)	12/31/13			12/31/12	12/31/11
	Related companies			Total	Total
	Credit institutions ⁽¹⁾	Other companies	Total		
RECEIVABLES FROM CREDIT INSTITUTIONS					
Demand	408,810		408,810	213,253	232,019
Term	377		377	48,413	2,756,533
Term deposits guaranteed by repo securities ⁽³⁾	12,060,010		12,060,010	16,323,118	14,748,769
PAYABLES TO CREDIT INSTITUTIONS					
Demand				882	1,024
Term	3,107,002		3,107,002	2,164,938	2,715,544
Securities sold under repurchase agreements				598,587	600,466
COMMITMENTS GIVEN					
Financing commitments					
Guarantee commitments					
COMMITMENTS RECEIVED					
Financing commitments	3,000,000		3,000,000	3,000,000	50,499
Guarantee commitments	2,618,468		2,618,468	4,134,366	4,146,956
Other values received as collateral ⁽⁴⁾	20,977,883		20,977,883	23,126,518	14,754,439
SECURITIES TRANSACTIONS					
Bonds and other fixed income securities ⁽²⁾	8,294,053		8,294,053	9,345,414	9,332,628
Debt securities					
Subordinated debt	3,450,305		3,450,305	3,450,137	3,450,452

In accordance with the Regulation No 2010-04 of 7 October 2010, significant transactions which are not concluded under normal market conditions between related parties are stated in paragraph 2.4 of the notes to the financial statements.

(1) The definition of Group refers to the consolidated group to which Compagnie de Financement Foncier belongs. The Company is fully consolidated within the consolidated financial statements of Crédit Foncier de France, itself a part of the Groupe BPCE. As a result, the Group represents all of the fully and proportionally consolidated entities of the Groupe BPCE.

(2) Of which €8,217 million in mortgage notes, excluding related receivables.

(3) Includes short-term guaranteed notes (BCTG) issued by Groupe BPCE entities for €6,600 million, excluding related receivables, certain replacement values and loans guaranteed by local authority loans (SPT) under L. 211-38 in the amount of €5,450.7 million.

(4) Receivables received as collateral for mortgage notes issued by Crédit Foncier for €8,217.7 million or loans granted to Group BPCE by L. 211-38 either for the financing of a local authority loan (SPT) for €5,462.7 million, or in relation to short-term guaranteed notes (BCTG) for €7,297.4 million.

NOTE 28. STATEMENT OF FOREIGN EXCHANGE POSITIONS

COB Recommendation 89.01

■ At 12/31/2013

Heading (in thousands of euros)	Australian \$	Canadian \$	US \$	£ Sterling	Swiss Franc	Yen	Hungarian Forint	New Zealand \$	Norwegian Krone	Danish Krone	Total
BALANCE SHEET											
Financial assets	14,772	74,781	2,559,790	153,068	1,360,108	1,723,936	11	34	8,133	7	5,894,640
Financial liabilities	663,084	365,822	3,313,878	1,069,283	4,663,007	356,362			504,366		10,935,802
Balance sheet differential (I)	-648,312	-291,041	-754,088	-916,215	-3,302,899	1,367,574	11	34	-496,233	7	-5,041,162
OFF-BALANCE SHEET											
Commitments received	648,382	411,696	4,323,094	1,419,740	5,397,691	934,982			496,233		13,631,818
Commitments given		120,646	3,569,010	503,584	2,093,814	2,302,524					8,589,578
Off-balance sheet differential (II)	648,382	291,050	754,084	916,156	3,303,877	-1,367,542			496,233		5,042,240
TOTAL DIFFERENTIAL (I)+(II)	70	9	-4	-59	978	32	11	34		7	1,078

Financial assets are comprised of amounts due from banks and customers.

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

Foreign exchange position: only transactions carried out by Compagnie de Financement Foncier on its own account have been included in the table above, excluding transactions carried out on behalf of the State for the subsidised sector.



NOTE 29. STATEMENT OF LIQUIDITY POSITIONS

COB Recommendation 89.01

■ At 12/31/2013

Heading (in thousands of euros)	Remaining term to maturity					Total ⁽²⁾
	<3 months	3M<T<6M	6M<T<1Y	1Y<T<5Y	>5 years	
BALANCE SHEET						
Financial assets ⁽¹⁾	11,881,946	815,622	1,707,127	20,248,352	41,350,598	76,003,645
Receivables from credit institutions	10,601,391	11,775	22,095	3,200,440	3,413,432	17,249,133
Receivables from customers	984,863	783,822	1,286,903	8,437,172	29,236,908	40,729,668
Bonds and other fixed-income securities	295,692	20,025	398,129	8,610,740	8,700,258	18,024,844
Subordinated term loans						
Financial liabilities	7,234,295	1,000,856	3,119,903	29,068,637	38,186,534	78,610,225
Due to credit institutions	1,555,492	65,729	40,321	248,395	1,211,874	3,121,811
Due to customers						
Debt securities:	5,678,803	935,127	3,079,582	28,820,242	34,874,660	73,388,414
- Retail certificates of deposit						
- Interbank market securities						
- Negotiable debt securities					150,000	150,000
- Bonds	5,678,803	935,127	3,079,582	28,820,242	34,724,660	73,238,414
- Other debt securities						
Subordinated term debt					2,100,000	2,100,000
Balance sheet differential (I)	4,647,651	-185,234	-1,412,776	-8,820,285	3,164,064	-2,606,580
OFF-BALANCE SHEET						
Commitments given			1,730,024	61,412		1,791,436
Commitments received	1,464,512			3,000,000		4,464,512
Off-balance sheet differential (II)	1,464,512		-1,730,024	2,938,588		2,673,076
TOTAL DIFFERENTIAL (I)+(II)	6,112,163	-185,234	-3,142,800	-5,881,697	3,164,064	66,496
Conditional positions	4,500	40,000		54,400	2,518,941	2,617,841

(1) The financial assets of the Compagnie de Financement Foncier include €11.1 billion of securities that conform to the refinancing criteria of the European Central Bank to which are added loans amounting to €27.9 billion meeting the criteria defined by Banque de France, as planned by the temporary process approved by the ECB on 09 February 2012. The amounts which could be redeemed at the Central Bank are estimated of €19.1 billion after haircut and overcollateralisation constraints.

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

NOTE 30. FINANCIAL RESULTS OF THE COMPANY OVER THE LAST FIVE YEARS

Description (in euros)	2009	2010	2011	2012	2013
I) FINANCIAL SITUATION AT THE END OF THE FINANCIAL YEAR					
a) Share Capital	1,008,000,000	1,008,000,000	1,187,459,936	1,187,459,936	1,187,459,936
b) Number of shares in issue	63,000,000	63,000,000	74,216,246	74,216,246	74,216,246
c) Number of bonds convertible into shares	None	None	None	None	None
II) OVERALL EARNINGS FROM OPERATIONS					
a) Revenue excluding taxes	4,496,251,634	4,753,535,071	4,534,760,577	5,223,327,050	3,951,959,039
b) Profit for the financial year before tax, employee profit sharing and net increase/reversal in amortisation and provisions	262,947,662	257,386,324	219,755,553	462,156,111	522,287,700
c) Income taxes	87,771,828	101,825,013	100,591,419	340,513,414	476,207,470
d) Employee profit sharing for the financial year	None	None	None	None	None
e) Profit for the financial year after tax, employee profit sharing and net increase/reversal in amortisation and provisions	175,469,326	143,210,812	108,063,919	132,581,093	35,593,283
f) Amount of profits distributed	None	220,500,000	102,418,419	125,425,456	30,428,661
III) EARNINGS FROM OPERATIONS PER SHARE *					
a) Profit for the financial year after tax and employee profit sharing but before net increase/ reversal in amortisation and provisions	2.77	2.47	1.72	1.64	0.62
b) Profit for the financial year after tax and employee profit sharing and net increase/reversal in amortisation and provisions	2.79	2.27	1.57	1.79	0.44
c) Dividend paid per share	None	3.50	1.38	1.69	0.41
IV) STAFF					
a) Number of employees	Negligible	Negligible	Negligible	Negligible	Negligible
- Management category	Negligible	Negligible	Negligible	Negligible	Negligible
- Employee and Technician category	None	None	None	None	None
b) Total employee salaries	Negligible	Negligible	Negligible	Negligible	Negligible
c) Amount paid for social contributions and benefits (social security, other staff benefits, etc.)	Negligible	Negligible	Negligible	Negligible	Negligible

* From fiscal year 2011, earnings per share is determined by the average number of shares for the year concerned.



NOTE 31. SUMMARY BALANCE SHEETS FOR THE LAST FIVE YEARS

<i>(in thousands of euros)</i>	12/31/13	12/31/12	12/31/11	12/31/10	12/31/09
ASSETS					
Cash due from central banks and post office accounts	7,399,719	3,705,503	14,697	5,413	4,421
Treasury notes and similar securities	3,468,600				
Due from banks	17,694,558	18,244,086	20,609,849	16,493,215	12,745,566
Due from customers	41,897,635	41,343,429	40,660,039	39,709,142	37,183,708
Bonds and other fixed-income securities	14,707,398	33,418,447	41,228,820	44,489,773	45,106,631
Fixed assets					
Other assets	19,128	5,603	72,965	93,517	108,248
Accrued income	4,533,088	4,065,221	3,191,907	3,035,765	3,095,950
TOTAL ASSETS	89,720,126	100,782,289	105,778,277	103,826,825	98,244,524
LIABILITIES					
Central banks, post office accounts					
Due to banks	3,139,452	3,853,303	4,903,513	5,553,791	6,687,428
Due from customers	14,755	19,805	7,008	14,867	5,297
Debt securities	75,256,376	84,594,979	89,923,945	88,372,278	82,198,672
Other liabilities	2,963,253	4,641,898	3,184,632	2,157,642	1,552,849
Accrued expenses	3,109,133	2,342,426	2,466,759	2,636,729	2,764,267
Provisions	15,328	15,384	7,775	9,119	5,339
Subordinated debt	3,450,305	3,450,137	3,450,452	3,450,270	3,450,250
Fund for general banking risks	20,000	20,000	20,000	20,000	20,000
Regulated provisions and investment subsidies					
Capital, reserves and retained earnings	1,718,931	1,711,775	1,706,129	1,468,918	1,384,953
Net income for the year	32,593	132,581	108,064	143,211	175,469
TOTAL LIABILITIES AND EQUITY	89,720,126	100,782,289	105,778,277	103,826,825	98,244,524
OFF-BALANCE SHEET					
Commitments given					
- Financing	1,791,991	1,808,158	2,459,785	2,299,029	2,174,598
- Other securities used as collateral	1,668,153	1,585,009	5,325,312	5,581,713	7,020,087
TOTAL COMMITMENTS GIVEN	3,460,145	3,393,167	7,785,097	7,880,742	9,194,685
Commitments received	65,686,182	68,771,580	65,953,827	62,190,462	56,677,707
Reciprocal commitments					
- Sale and purchase of foreign currencies	32,455,405	40,678,758	48,629,166	46,663,767	39,326,106
- Loans to be made or received in foreign currencies					
- Non-unwound futures	58,721,884	92,252,489	110,351,059	109,707,924	118,929,668
TOTAL RECIPROCAL COMMITMENTS	91,177,289	132,931,247	158,980,225	156,371,691	158,255,774

NOTE 32. TOTALS FOR THE SUBSIDISED SECTOR

■ BALANCE SHEET

<i>(in thousands of euros)</i>	2013	2012	2011
ASSETS			
Loans	410,702	540,535	705,878
Other assets			67,506
<i>Special bonus account *</i>			67,506
Accrued income	35,888	13,785	87,768
<i>SBA - Foreign exchange and rate differences</i>			
<i>Asset adjusting accounts</i>	35,888	13,785	87,768
Cash			
TOTAL	446,589	554,321	861,152

* In 2012, the State withdrew €60 million from the special bonus account.

<i>(in thousands of euros)</i>	2013	2012	2011
LIABILITIES			
Interbank loans			
Customer deposits	141	126	284
Debt securities	31,122	63,587	93,188
Other liabilities	34,115	19,854	16,065
<i>Of which special bonus account</i>	23,103	6,357	
Accrued expenses	12,554	23,694	60,711
<i>SBA - State guaranteed foreign exchange and rate differences</i>	70	70	70
<i>Liability adjustment accounts</i>	12,484	23,624	60,641
Allocated public funds	54,011	55,823	189,530
<i>Subsidies</i>	22,918	28,033	35,405
<i>Guarantee fund</i>	31,093	27,790	154,125
Cash	314,647	391,237	501,374
TOTAL	446,589	554,321	861,152

■ OFF-BALANCE SHEET

<i>(in thousands of euros)</i>	2013	2012	2011
COMMITMENTS RECEIVED			
State guarantees	425,577	548,026	883,179

<i>(in thousands of euros)</i>	2013	2012	2011
COMMITMENTS GIVEN			
Loan amounts not drawn down			



■ RECIPROCAL COMMITMENTS

(in thousands of euros)	2013	2012	2011
COMMITMENTS ON FORWARD FINANCIAL INSTRUMENTS			
Rate hedging instruments			
- Micro-hedging			
- Macro-hedging	100,000	100,000	800,000
Currency hedging instruments			
- Micro-hedging			
Foreign exchange receivable	29,987	61,267	89,788
Foreign exchange payable	-40,473	-80,945	-121,418

NOTE 33. STATEMENT OF CASH FLOWS

1. Principles

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

The Compagnie de Financement Foncier Cash Flow Statement is presented according to Recommendation 2004-R-03 of the French National Accounting Board (CNC), concerning the format of corporate summary documents subject to the supervision of the French Banking and Financial Regulatory Committee (BFRC).

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

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

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

Operating activities include:

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

Financing activities include:

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

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

2. Cash flow statement

<i>(in thousands of euros)</i>	12/31/13	12/31/12	12/31/11
OPERATING ACTIVITIES			
Net income for the year	32,593	132,581	108,064
Restatement of earnings, related to operating activities			
Tangible and intangible fixed assets, excluding goodwill			
Net provisions/customers and banks	13,433	1,104	6,113
Net provisions/short-term investment securities		-19,762	5,820
Net provisions for risks/loans	-56	7,609	-1,343
Net gain on sale of fixed assets			
Other transactions without cash payments	683,087	-397,909	947,360
Cash flow on loans to banks and customers	-10,498	446,850	-4,081,022
Cash flow on short-term investment securities	1,071,208	25,443	-2,277,746
Cash flow on long-term investment securities	13,824,481	7,693,011	4,503,245
Cash flow on other assets	-267,373	-261,788	-189,229
Cash flow on debts/banks and customers	-704,393	-1,040,155	-664,737
Net borrowing	-9,218,009	-5,309,374	1,579,762
Cash flow on other liabilities	-1,582,255	1,323,186	1,164,659
Net cash flow used for operating activities	3,842,218	2,600,796	1,100,946
INVESTING ACTIVITIES			
Cash flow related to the sale of:			
Financial Assets			
Tangible and intangible fixed assets			
Disbursements for the acquisition of:			
Financial Assets			
Tangible and intangible fixed assets			
Net cash flow from other investment activities			
Net cash flow used for investment activities			
FINANCING ACTIVITIES			
Cash flow from share issues			
Dividends paid			
Net issue of subordinated debt			
Other			
Net cash flow from financing activities			
NET CHANGE IN CASH POSITION	3,842,218	2,600,796	1,100,946
Cash position at start of year	3,922,453	1,424,075	323,129
Cash position at end of year	7,639,246	3,922,453	1,424,075
Net	3,716,793	2,498,378	1,100,946
Cash: deposits at Banque de France	7,399,719	3,705,503	14,697
Due to banks on demand *	239,527	216,950	1,409,378
TOTAL	7,639,246	3,922,453	1,424,075
* of which:			
BPCE	235,109	213,248	232,013
Banque de France overnight lending			1,170,000



NOTE 34. FEES OF STATUTORY AUDITORS AND MEMBERS OF THEIR NETWORKS

	K.P.M.G.				PricewaterhouseCoopers			
	Amount (incl. tax)		%		Amount (incl. tax)		%	
<i>(in thousands of euros)</i>	2013	2012	2013	2012	2013	2012	2013	2012
Audit and other services	271	285	100%	100%	271	289	100%	100%
Audit	271	285	100%	100%	271	289	100%	100%
Statutory Auditors, certification, review of individual and consolidated financial statements	199	195	73%	68%	199	195	73%	67%
Other duties and services directly related to the Statutory Auditor's mission	72	90	27%	32%	72	94	27%	33%
Other								

These amounts are included in the income statement.

Other services directly related to the mission of the Auditors are fees for the issuance of letters of comfort.

Statutory auditor's report on the financial statements

This is a free translation into English of the statutory auditor's report on the financial statements issued in French and it is provided solely for the convenience of English-speaking users. The statutory auditor's report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditor's assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.

This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Compagnie de Financement Foncier S.A.

Registered office: 19, rue des Capucines - 75001 Paris

Share capital: €1,187,459,936

Year ended 31 December 2013

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended 31 December 2013, on:

- the audit of the accompanying financial statements of Compagnie de Financement Foncier S.A.;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2013 and of the results of its operations for the year then ended in accordance with French accounting principles.

JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of article L.823-9 of the French Commercial Code (*Code de commerce*), we bring to your attention the following matters:

Provisions for credit risks and for securities risks

As indicated in Notes 4.3.2 and 4.3.3 to the financial statements, your Company records impairments and provisions to cover the credit risks inherent in its business. We examined the control procedures put in place by management in relation to the monitoring of credit and counterparty risks, the assessment of the risks of non-recovery as well as the coverage of these risks through impairments and provisions on an individual and collective basis.

Valuation of securities and financial instruments

Your Company holds positions on securities and financial instruments. Notes 4.3.3 and 4.3.8 to the financial statements describe the accounting rules and principles applicable to securities and financial instruments. We examined the control procedures applicable to the related accounting classification and the determination of the criteria used for valuing these positions. As part of our assessment of the accounting rules and principles applied by your Company, we verified that the above-mentioned accounting methods and the related information provided in the notes to the financial statements were appropriate, and ensured that these methods were properly applied.



Deferred tax assets

Your Company recognized deferred tax assets, particularly in respect of tax loss carryforwards (Notes 4.3.10 to the financial statements). We reviewed the main estimates and assumptions that led to the recognition of these deferred tax assets.

These assessments were made as part of our audit of the financial statements, taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

SPECIFIC VERIFICATIONS AND INFORMATION

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L. 225-102-1 of the French Commercial Code (*Code de commerce*) relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

Paris La Défense, on the 27 March 2014

Neuilly-sur-Seine, on the 27 March 2014

The statutory auditor

French original signed by

KPMG Audit

Département de KPMG S.A.

Jean-François Dandé

Partner

PricewaterhouseCoopers Audit

Jean-Baptiste Deschryver

Partner

■ Details of the calculation of the overcollateralisation ratio and control of limits

		Net book values or amounts eligible for refinancing	Weighting (in %)	Weighted amounts
Assets used to cover privileged resources				
1.	Mortgage-backed loans - prime mortgages or equivalent collateral	29,882,010	100%	29,882,010
2.	Promissory notes (articles L. 313-42 To L. 313-49 Of the french monetary and financial code.	8,139,971		8,139,971
	Of which:			
2.1.	Mortgage-backed loans - prime mortgages or equivalent collateral	6,506,968	100%	6,506,968
2.2.	Guaranteed loans	1,633,003		1,633,003
	- Satisfying the conditions of 1-a) in the appendix to regulation No. 99-10: The guarantee company outside the consolidation scope of the <i>société de crédit foncier</i> or housing finance company has a minimum of the second-highest grade of credit quality.	1,633,003	100%	1,633,003
	- Satisfying the conditions of 1-a) in the appendix to regulation No. 99-10: The guarantee company outside the consolidation scope of the <i>société de crédit foncier</i> or housing finance company has the third-highest grade of credit quality.		80%	
	- Satisfying the conditions of 1-b) in the appendix to regulation No. 99-10: The guarantee company within the consolidation scope of the housing finance company has a minimum of the second-highest grade of credit quality.		80%	
	- Satisfying the conditions of 1-b) in the appendix to regulation No. 99-10: The guarantee company within the consolidation scope of the <i>société de crédit foncier</i> or housing finance company has the third-highest grade of credit quality.		60%	
3.	Exposures on public entities	32,120,756	100%	32,120,756
	Of which:			
	- Exposures set out in paragraph 5 of article L. 515-15 I of the french monetary & financial code			
	- Exposures set out in paragraph 5 of article L. 515-15 I of the french monetary & financial code entered in the balance sheet prior to 31 december 2007			
4.	Fixed assets resulting from the acquisition of property under the application of a guarantee		50%	
5.	Safe securities and deposits, and liquidities coming under article R. 515-7	7,010,279	100%	7,010,279
	Receivables and securities from credit institutions and investment firms corresponding to subparagraph 1 of article R. 515-7	4,233,569	100%	4,233,569
	Receivables and securities from the management of forward financial instruments corresponding to subparagraph 2 of article R. 515-7	2,776,710	100%	2,776,710
	Receivables and securities from credit institutions and investment firms corresponding to subparagraph 3 of article R. 515-7		100%	
6.	Guaranteed loans	206,614		206,614
	Satisfying the conditions of 1-a) in the appendix to regulation No. 99-10: The guarantee company outside the consolidation scope of the <i>société de crédit foncier</i> or housing finance company has a minimum of the second-highest grade of credit quality.	206,614	100%	206,614



	Net book values or amounts eligible for refinancing	Weighting (in %)	Weighted amounts
Assets used to cover privileged resources			
6.2.	Satisfying the conditions of 1-a) in the appendix to regulation No. 99-10: The guarantee company outside the consolidation scope of the <i>société de crédit foncier</i> or housing finance company has the third-highest grade of credit quality.	80%	
6.3.	Satisfying the conditions of 1-b) in the appendix to regulation No. 99-10: The guarantee company that is within the consolidation scope of the housing finance company has a minimum of the second-highest grade of credit quality.	80%	
6.4.	Satisfying the conditions of 1-b) in the appendix to regulation No. 99-10: The guarantee company that is within the consolidation scope of the housing finance company has the third-highest grade of credit quality.	60%	
7. Shares, equities and debt securities issued by a securitisation entity			
7.1.	Shares, equities and debt securities issued by a securitisation or similar entity whose assets have been disposed of exclusively by entities belonging to the same consolidation scope as the <i>société de crédit foncier</i> or housing finance company and satisfying the conditions of 2-a) of the appendix to regulation 99-10: shares, equities and debt securities acquired or financed by the <i>société de crédit foncier</i> or housing finance company before 31 december 2011 that have the highest grade of credit quality (until 31 december 2014).	100%	
	Of which:		
7.1.1.	- Assets are at least 90% composed of loans to natural persons to finance housing		
7.1.2.	- Assets are 90% composed of loans mentioned in article L. 515-14 that do not fall within the scope of R. 515-4 li		
7.1.3.	- Assets are 90% composed of exposures defined in article L. 515-15		
7.2.	Shares, equities and debt securities issued by a securitisation or similar entity whose assets have been disposed of exclusively by entities belonging to the same consolidation scope as the <i>société de crédit foncier</i> or housing finance company and satisfying the conditions of 2-a) of the appendix to regulation 99-10: shares, equities and debt securities acquired or financed by the <i>société de crédit foncier</i> or housing finance company before 31 december 2011 that have the second-highest grade of credit quality (until 31 december 2014).	80%	
	Of which:		
7.2.1.	- Assets are at least 90% composed of loans to natural persons to finance housing		
7.2.2.	- Assets are 90% composed of loans mentioned in article L. 515-14 that do not fall within the scope of R. 515-4 li		
7.2.3.	- Assets composed 90% of exposures defined in article L. 515-15		
7.3.	Shares, equities and debt securities issued by a securitisation or similar entity whose assets have been disposed of exclusively by entities belonging to the same consolidation scope as the <i>société de crédit foncier</i> or housing finance company and satisfying the conditions of 2-b) of the appendix to regulation 99-10: shares, equities and debt securities acquired or financed by the <i>société de crédit foncier</i> or housing finance company after 31 december 2011 and shares, equities and debt securities acquired or financed prior to that date that have the highest grade of credit quality from 1 january 2015.	100%	

	Net book values or amounts eligible for refinancing	Weighting (in %)	Weighted amounts
Assets used to cover privileged resources			
Of which:			
7.3.1.	- Assets composed at least 90% of loans to natural persons to finance housing		
7.3.2.	- Assets composed 90% of loans mentioned in article L. 515-14 that do not fall within the scope of R. 515-4 li		
7.3.3.	- Assets composed 90% of exposures defined in article L. 515-15		
7.4.	Shares, equities and debt securities issued by a securitisation or similar entity whose assets have been disposed of exclusively by entities belonging to the same consolidation scope as the <i>société de crédit foncier</i> or housing finance company and satisfying the conditions of 2-b) of the appendix to regulation 99-10: shares, equities and debt securities acquired or financed by the <i>société de crédit foncier</i> or housing finance company after 31 december 2011 and shares, equities and debt securities acquired or financed prior to that date that have the second-highest grade of credit quality from 1 january 2015.	50%	
Of which:			
7.4.1.	- Assets composed at least 90% of loans to natural persons to finance housing		
7.4.2.	- Assets composed 90% of loans mentioned in article L. 515-14 that do not fall within the scope of R. 515-4 li		
7.4.3.	- Assets composed 90% of exposures defined in article L. 515-15		
7.5.	Shares, equities and debt securities issued by a securitisation or similar entity some of whose assets have been disposed of by an entity not belonging to the same consolidation scope as the <i>société de crédit foncier</i> or housing finance company and satisfying the conditions of 3-a) of the appendix to regulation 99-10: shares, equities and debt securities acquired or financed by the <i>société de crédit foncier</i> or housing finance company before 31 december 2011 that have the highest grade of credit quality (until 31 december 2014).	100%	
Of which:			
7.5.1.	- Assets composed at least 90% of loans to natural persons to finance housing		
7.5.2.	- Assets composed 90% of loans mentioned in article L. 515-14 that do not fall within the scope of R. 515-4 li		
7.5.3.	- Assets composed 90% of exposures defined in article L. 515-15		
7.6.	Shares, equities and debt securities issued by a securitisation or similar entity some of whose assets have been disposed of by an entity not belonging to the same consolidation scope as the <i>société de crédit foncier</i> or housing finance company and satisfying the conditions of 3-a) of the appendix to regulation 99-10: shares, equities and debt securities acquired or financed by the <i>société de crédit foncier</i> or housing finance company before 31 december 2011 that have the second-highest grade of credit quality (until 31 december 2014).	50%	
Of which:			
7.6.1.	- Assets composed at least 90% of loans to natural persons to finance housing		
7.6.2.	- Assets composed 90% of loans mentioned in article L. 515-14 that do not fall within the scope of R. 515-4 li		
7.6.3.	- Assets composed 90% of exposures defined in article L. 515-15		



	Net book values or amounts eligible for refinancing	Weighting (in %)	Weighted amounts
Assets used to cover privileged resources			
7.7.	Shares, equities and debt securities issued by a securitisation or similar entity some of whose assets have been disposed of by an entity not belonging to the same consolidation scope as the <i>société de crédit foncier</i> or housing finance company and satisfying the conditions of 3-b) of the appendix to regulation 99-10: shares, equities and debt securities acquired or financed by the <i>société de crédit foncier</i> or housing finance company after 31 december 2011 and shares, equities and debt securities acquired or financed prior to that date that have the highest grade of credit quality from 1 january 2015.	100%	
	Of which:		
7.7.1.	- Assets composed at least 90% of loans to natural persons to finance housing		
7.7.2.	- Assets composed 90% of loans mentioned in article L. 515-14 that do not fall within the scope of R. 515-4 li		
7.7.3.	- Assets composed 90% of exposures defined in article L. 515-15		
8.	Other assets	100%	11,290,508
8.1.	Other class 1 items	100%	7,400,683
8.2.	Other class 2 items	100%	-138,188
8.3.	Other class 3 items	100%	4,028,012
8.4.	Other class 4 items	100%	0
9.	Transactions deducted from assets	100%	14,755
9.1.	Funds received from clients awaiting charging, recorded under liabilities on the balance sheet	100%	14,755
9.2.	Security repurchase agreements: securities sold	100%	0
9.3.	Receivables funded in the conditions set by articles L. 313-23 to L. 313-34 of the french monetary & financial code	100%	0
10.	TOTAL WEIGHTED AMOUNTS OF ASSETS (1+2+3+4+5+6+7+8-9)	A	88,635,383
	Coverage ratio (with 2 decimals) (a/l x 100)		118.05

Resources having the privilege defined in Article L. 515-19 of the French Monetary & Financial Code: liabilities		Amounts
1.	Privileged resources from credit institutions	32,129
1.1.	of which nominal amount	31,371
2.	Privileged resources from clients	
2.1.	Financial clients	
2.2.	Non-financial clients	
2.3.	of which nominal amount	
3.	Securities with privilege	75,256,376
3.1.	<i>Obligations foncières or housing finance bonds</i>	73,238,414
3.2.	Negotiable debt securities	150,000
3.3.	Other securities with privilege	
3.4.	Debts related to these securities	1,867,962
3.5.	To be deducted: <i>obligations foncières</i> or housing finance bonds issued and subscribed for by the credit institution when they are not used as collateral for credit transactions by banque de france	
3.6.	Subtotal	75,256,376
3.7.	of which nominal amount	73,388,414
4.	Amounts due in respect of the contract provided for by article I. 515-22 Of the french monetary and financial code	2,006
5.	Amounts due in respect of the forward financial instruments having the privilege defined under article I. 515-19 Of the french monetary and financial code	-210,152
5.1.	of which impact of variations in exchange rate on the nominal amount of privileged resources	-522,845
6.	Liabilities resulting from the incidental expenses set out in the last paragraph of article I. 515-19 Of the french monetary and financial code	407
7.	Privileged resources (1+2+3+4+5+6)	75,080,766
8.	NOMINAL AMOUNT OF PRIVILEGED RESOURCES (“1.1”+“2.3”+“3.7”+“5.1”)	72,896,941

Audit of the limits applicable to asset classes (ratio with 2 decimals)		Ratios/Amounts
1.	Total assets	89,720,126
2.1.	Loans guaranteed held directly	209,136
2.2.	Guaranteed loans included as assets of securitisation or similar entities, or assigned by promissory notes	2,010,904
2.3.	Total guaranteed loans (2.1 + 2.2) / asset (1) ($\leq 35\%$ except for housing finance companies)	2.47%
3.1.	Promissory notes held directly	8,226,127
3.2.	Promissory notes included as assets of securitisation or similar entities	
3.3.	Total promissory notes (3.1 + 3.2) / asset ($\leq 10\%$)	9.17%
4.	Total shares, equities and debt securities of securitisation or similar entities satisfying the conditions of Section II of Article R. 515-4 of the French Monetary & Financial Code () and not satisfying section IV of Article R. 515-4/nominal amount of privileged resources (141) ($\leq 10\%$)	0.00%
4.1.	Total shares, equities and debt securities of securitisation or similar entities held satisfying the conditions of Section II of Article R. 515-4 of the French Monetary & Financial Code () and not satisfying Section IV of Article R. 515-4/nominal amount of privileged resources () that cannot be refinanced by privileged resources ($\leq 10\%$)	0.00%
5.	Total shares, equities and debt securities of securitisation or similar entities satisfying the conditions of Section III of Article R. 515-4 of the French Monetary & Financial Code () and not satisfying Section IV of Article R. 515-4/nominal amount of privileged resources (141) ($\leq 10\%$)	0.00%
5.1.	Total shares, equities and debt securities of securitisation or similar entities held satisfying the conditions of Section III of Article R. 515-4 of the French Monetary & Financial Code () and not satisfying Section IV of Article R. 515-4/nominal amount of privileged resources () that cannot be refinanced by privileged resources ($\leq 10\%$)	
6.	Total exposures covered under paragraph 5 of Section I in Article L. 515-15 of the French Monetary & Financial Code () + ()/nominal amount of privileged resources () ($\leq 20\%$)	
7.	Safe and liquid assets ()/nominal amount of privileged resources ($\leq 15\%$)	5.81 %



Risk management report

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1. Foreword

With a view to transparent financial disclosure, and above and beyond its regulatory obligations, Compagnie de Financement Foncier includes in its shelf registration document a detailed risk management report based on IFRS (which do not apply to Compagnie de Financement Foncier) and Basel II rules. This report is based on the data input into the risk management tool; the consistency of this data is ensured by the Risk Division of Crédit Foncier.

2. Organisational overview: risk management information

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

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

- credit risks;
- financial risks (ALM).

Operational risks are mainly borne by Crédit Foncier (see Section 9).

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

2.1. Transposition of the prudential regulations 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 carries out special transactions with a single purpose: the granting or purchasing of assets guaranteed by first-rank mortgages, loans to state or local authorities or loans guaranteed by these authorities. Beyond the safeguards provided by law, Compagnie de Financement Foncier has adopted stringent management rules to optimise the quality of its asset and to further improve its risk profile (AAA/Aaa/AA+).

On 12 July 2013, France's long-term sovereign debt rating was downgraded from AAA to AA+ by Fitch Ratings. Following this downgrade, Compagnie de Financement Foncier was put on negative watch by Fitch Ratings on 18 July 2013. On 4 December 2013, Fitch Ratings revised the rating of Compagnie de Financement Foncier's issuance programme from AAA to AA+ with stable outlook. This revision was due to the agency's strict implementation of its new methodology concerning the link between the Sovereign rating and covered bond issues. Fitch Ratings' revised rating does not call into question the security or

robustness of Compagnie de Financement Foncier's economic model, nor the quality of its asset cover pool. The ratings of Standard & Poor's and Moody's were respectively maintained at AAA, and Aaa, stable outlook. In this new rating environment of financial players, Compagnie de Financement Foncier remains one of the best-rated issuers of covered bonds.

Moreover, on 8 November 2013, Standard & Poor's downgraded France's long-term sovereign credit rating from AA+ to AA.

The security of the legal framework relies on the provisions of the French Monetary and Financial Code defining:

- an exclusive purpose as well as asset eligibility criteria (Articles L. 513-2 to L. 513-7) limiting the origination or the purchase of loans to highly secure assets;
- loan transfer requirements together with the binding character of transfer to the balance sheet (Article L. 513-13);
- the overcollateralisation rule (Article L. 513-12) requiring the total amount of assets, after weighting if necessary, to exceed 102%;



- the protection that *sociétés de crédit foncier* enjoy against the consequences arising out of the bankruptcy of their shareholders and the continuity of contracts concluded with the company in charge of servicing or recovering loans (Articles L. 513-20 and L. 513-21);
 - the existence of additional auditing and management control measures, in particular the audit performed by the specific external auditor, whose appointment is subject to approval by the supervisory authorities (Articles L. 513-22 to L. 513-24);
 - a preferential claim granted to investors on the cash flows arising out of assets for the payment of interest and the redemption of covered bonds (*obligations foncières*) (Article L. 513-11).
- Above and beyond strict compliance with this regulatory framework, Compagnie de Financement Foncier enforces additional rules that enhance the security of its business model and are based on stringent principles:
- additional criteria on asset selection and acquisition in every line of business (loans to private Individuals and exposure to state or local authorities);
 - prudential standards that are continuously superior to the threshold dictated by codes and regulations and which provide an additional safeguard. This prudential approach covers specific ratios and those inherent to its status as a credit institution;
 - an organisational framework for relations between Compagnie de Financement Foncier and Crédit Foncier, Compagnie de Financement Foncier's sole servicer, in strict compliance with the provisions set forth in CRBF regulation No. 97-02, as amended. These relations are governed by a set of agreements that provide Compagnie de Financement Foncier with the means to fulfil its responsibilities and to perform controls.

2.2. Organisation of the risk, compliance and permanent control coordination divisions

The Risk and Compliance Division of Crédit Foncier, which ensures the service provisions in terms of internal control and compliance for Compagnie de Financement Foncier, is composed of the Risk Division (DRI), the Compliance Division, the Permanent Controls Coordination, the Information System Security (ISS) Division and Business Continuity Planning (BCP) Division. The division reports to the single Chief Risk Officer of Crédit Foncier. The Director of Compliance is the head of investment services compliance, as declared to the French Financial Market Authority (AMF).

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

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

2.2.1. ORGANISATION OF CRÉDIT FONCIER GROUP RISK DIVISION

Crédit Foncier Risk Division, reporting functionally to Groupe BPCE Risk Division, covers all subsidiaries controlled by Crédit Foncier, including Compagnie de Financement Foncier. The institution's risk policy has been formally set out in a document describing its various responsibilities and its organisation, which serves as a framework for the development of its activities, including activities

carried out on behalf of Compagnie de Financement Foncier and the management of the capital of Crédit Foncier Group entities.

In the specific case of Compagnie de Financement Foncier, the Risk Division conducts its activities within the framework of the agreements entered into between Crédit Foncier and its *société de crédit foncier*. The Risk Division reports on its activities to Compagnie de Financement Foncier's Risk Committee, its Audit Committee and its Executive Management.

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

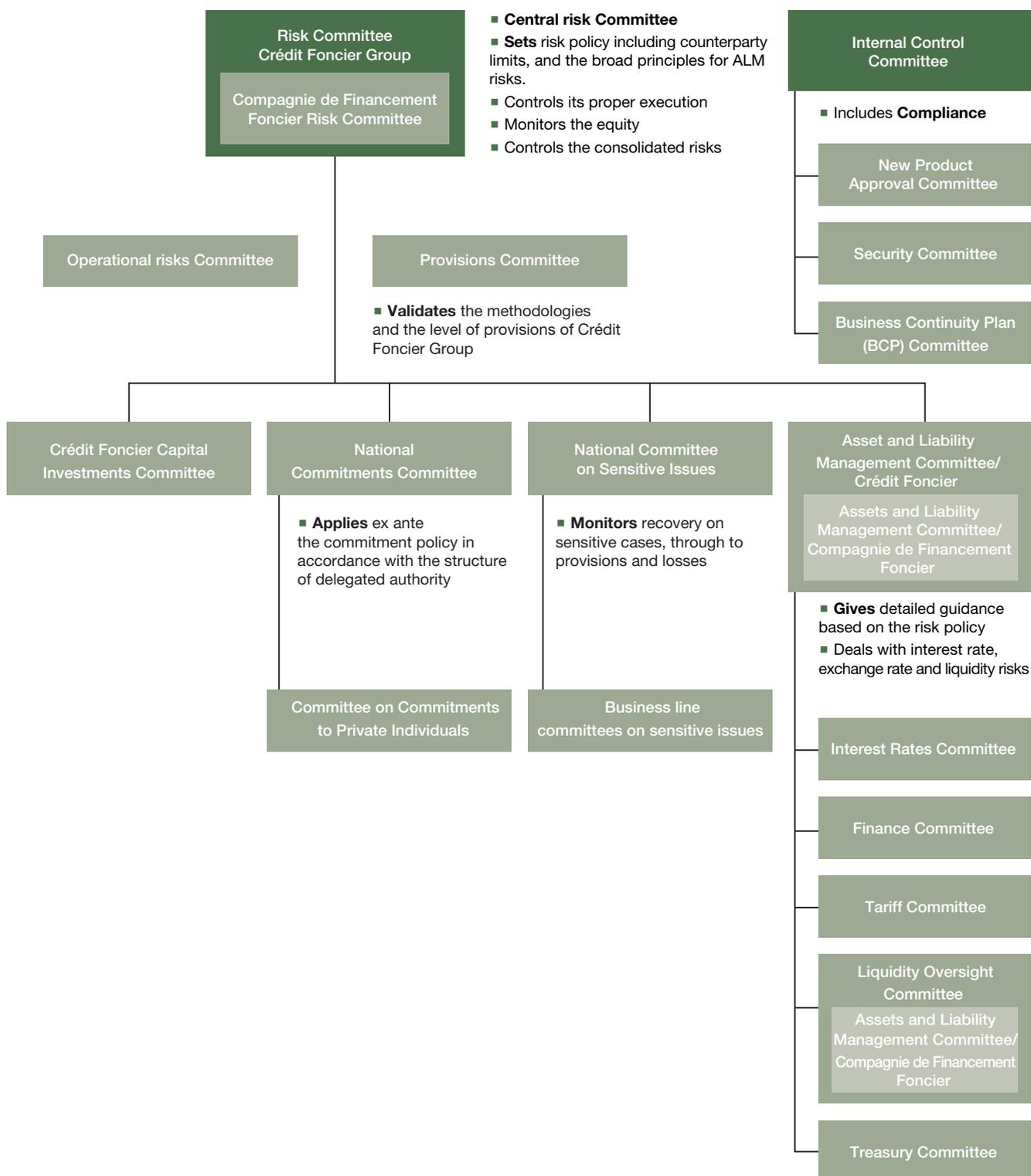
As of 31 December 2013, the Risk Division had a workforce of 89 full-time equivalent employees (FTEs).

MAIN RESPONSIBILITIES OF THE COMMITTEES DEALING WITH RISK

Compagnie de Financement Foncier is an integral part of Crédit Foncier's overall organisation: the Compagnie de Financement Foncier Risk Committee and the Crédit Foncier Internal Control Committee are the umbrella committees of this organisation.

Risk is dealt with specifically and to the extent necessary in the other Crédit Foncier committees represented in the diagram below.

■ Risk Division – Committee structure





Furthermore, it has its own Risk Committee, ALM Committee and Liquidity Management Committee.

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

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

The Asset and Liability Management Committee dedicated to Compagnie de Financement Foncier, is the ALM decision-making body: it is responsible for financial risk management in line with the risk policy and limits established by the Executive Management of Compagnie de Financement Foncier acting on proposals from the Risk Committee in accordance with Crédit Foncier Group rules. It meets on a quarterly basis and is chaired by Compagnie de Financement Foncier's CEO. Membership notably includes Crédit Foncier's Chief Risk Officer and representatives from the main managerial functions.

2.2.2. ORGANISATION OF THE CRÉDIT FONCIER GROUP COMPLIANCE DIVISION

The Compliance Division of Crédit Foncier, which is a unit of the Risk and Compliance Division, reports functionally to the Compliance and Security Division (DCSG) of Groupe BPCE.

The Compliance Division is independent of all the other functions of the institution as required by banking regulations. In the framework of the Compliance Charter and the area coordinated by the DCSG, the department is responsible for the implementation of procedures and permanent controls relating to compliance and to banking and finance ethics as well as the prevention of money laundering and the financing of terrorism. It also ensures fraud prevention and fraud processing.

As of 31 December 2013, the division had a workforce of 10 FTEs. It is also supported by the permanent control unit, led by the Permanent Control Coordination Division and reports to Compagnie de Financement Foncier.

2.2.3. ORGANISATION OF THE CRÉDIT FONCIER PERMANENT CONTROL COORDINATION DIVISION

The Permanent Control Coordination Division, which ensures and vouches for the existence and effectiveness of internal control mechanisms, works in close cooperation with first level internal auditors that report hierarchically to the Deputy Chief Executive Officers and with the General Secretariat of Compagnie de Financement Foncier.

At 31 December 2013, the division had a workforce of 3 FTEs.

2.2.4. ORGANISATION OF THE BUSINESS CONTINUITY PLANNING DEPARTMENT (BCP)

Crédit Foncier Group's Business Continuity Plan, which includes Compagnie de Financement Foncier in its scope, has been operative since 2008 and is tested once a year to ensure that it can be relied upon to address the major risks of employee unavailability, office unavailability and information systems outages or a combination of all three (as in the case of local disruptions such as the River Seine overflowing its banks or pandemic influenza).

Deploying the plan relies essentially on a network of sixteen BCP representatives ("BCPR"), who are responsible for coordinating preserved critical operations. The BCPR repair all degraded processes and deploy the human and technological resources necessary to resume operations within the specified timeframe at three back-up sites.

Compagnie de Financement Foncier is incorporated into the Crédit Foncier BCP *via* its BCP Manager, a privileged interlocutor of the Crédit Foncier Group BCP Manager regarding all its activities.

2.2.5. ORGANISATION OF THE INFORMATION SYSTEMS SECURITY DEPARTMENT

Crédit Foncier Group and, by extension, Compagnie de Financement Foncier, has its own Head of Information Systems Security reporting to the Deputy Chief Executive Officer in charge of Risks and Compliance. As of 31 December 2013, this manager has a departmental budget and a dedicated team composed of 7 FTEs, who respond to all problems related to Information Systems Security.

In November 2013, the Head of Information Systems Security was put in charge of the Business Continuity Plan. Since 2011, these two functions are under the responsibility of the Deputy Chief Executive Officer in charge of Risks and Compliance.

Governance in matters of Information Systems Security at Crédit Foncier is organised around:

- an Information Systems Security Policy (ISSP), unique to Crédit Foncier, and its specific provisions;
- bodies such as the Internal Information Systems Security Committee (ISSIC), chaired by a member of senior management, and biannual plenary meetings on Information Systems Security;
- a permanent control mechanism for Information Systems Security, combined with a security report (security indicators).

2.3. Information systems and data consistency

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

All Groupe BPCE institutions must ensure that all data relayed to Group regulatory production systems are processed for accounting consistency at least once every quarter. A new mechanism was deployed for all commercial and financial transactions in 2012.

2.4. Risk identification, measurement and monitoring procedure

Compagnie de Financement Foncier's debt selection process takes place in two successive steps:

- selection by Crédit Foncier during its loan origination process;
- an acquisition process during which Compagnie de Financement Foncier uses Crédit Foncier's loan filter to screen loans.

2.4.1. CRÉDIT FONCIER'S DEBT SELECTION SYSTEM

2.4.1.1. COMMITMENT SELECTION AND MONITORING SYSTEM AT CRÉDIT FONCIER

Commitment selection and monitoring relies on a number of components:

- the definition of delegations and the implementation of a risk policy, including the establishment of fixed limits, by Crédit Foncier and BPCE applicable to common counterparties;
- a system for assessing borrowers' creditworthiness and the quality of transactions, in particular by means of analyses carried out by the Risk Division. Ratings play an important role as a risk assessment tool;
- risk control based on the overall consolidation of the relevant indicators and controls;
- risk management geared to the measurement and the prospective management of risks.

2.4.1.2. CREDIT RISK ANALYSIS

Loan assessment tools are organised around two systems:

- the counteranalysis system;
- the ratings-based creditworthiness assessment system during loan origination and regular monitoring based on the type of loan.

2.4.1.2.1. Counteranalysis system

The counteranalysis system is related to a delegation chain that provides for three levels of review:

- at the distribution channel level with an integrated scoring up to a certain level for the portfolio, with the Risk division attending committees, which have the right to appeal;

- the level of the National Committee on Commitments where a representative of the Risk division expresses an opinion supported by his/her own counteranalysis. He/she has no say in the decision;
- for amounts above a specified limit, the Group Risk Division is asked to approve the execution of the transaction.

Loans are subject to a first analysis by the business lines (commercial and exposure to private Individuals), followed by a counteranalysis performed by a special independent unit.

This counteranalysis falls within the exclusive competence of Risk Division and is performed for all requests for financing submitted to the national exposure assessment committees.

2.4.1.2.2. Rating approach

Each counterparty is rated based on an internal or external ratings approach specific to the asset class in which it takes part.

2.4.1.2.2.1. PRIVATE INDIVIDUALS

The system for rating the creditworthiness of Individuals is specific to Crédit Foncier as it has no deposit accounts.

During the origination process, this system relies on a score based on both an expert system and a predictive statistical model.

Loan portfolio risk monitoring is carried out *via* a monthly rating using the features of the property transaction and of the borrower at the time of origination, as well as information on any potential defaults.

The rating scales are specific to the type of transaction: home ownership or loans for rental housing.

2.4.1.2.2.2. PUBLIC AND INTERNATIONAL OPERATORS

For legal entities (private or public) and not assimilated to private Individuals, each counterparty is rated based on a unique set of internal rating approaches employed group-wide at Groupe BPCE.

The rating of this portfolio relies on internal rating applications developed by Groupe BPCE. For counterparties of legal public entities, the rating approach is based on quantitative and qualitative creditworthiness assessments.



The ratings are reviewed each year and occasionally semi-annually for certain clients.

The internal rating method used by Crédit Foncier for the International Public Sector (IPS) has been validated by the Groupe BPCE forums in charge of standards and methodology. In the IPS Sector, Crédit Foncier's rating approach is very closely modelled on the rating criteria used by external rating agencies for their public sector ratings; hence the results of this approach are very closely correlated with the rating scales of the rating agencies.

2.4.2. ELIGIBILITY CRITERIA FOR THE SOCIÉTÉ DE CRÉDIT FONCIER AND PURCHASING FILTER

The asset acquisition process implemented by Compagnie de Financement Foncier is very cautious, and rounds out a loan granting system that was already ensuring quality assets.

2.4.2.1. PRIVATE INDIVIDUALS

Compagnie de Financement Foncier acquires loans:

- that finance home ownership and, to a lesser extent, rental housing; Compagnie de Financement Foncier does not finance commercial property;
- that are secured by a first-ranking mortgage or equivalent.

Loan origination is carried out almost exclusively by Crédit Foncier. Compagnie de Financement Foncier can, however, acquire loans from other credit institutions. The *modus operandi* for selecting the Crédit Foncier loans described hereunder is then adjusted accordingly.

After loan origination by Crédit Foncier in accordance with existing policies and eligibility criteria, Compagnie de Financement Foncier acquires loans presenting a risk of default below a certain threshold, based on a selection process (which may involve a period of observation).

The rules are set out in the following tables:

For all Crédit Foncier entities except the Belgian branch

Monthly rating of outstandings

3 to 7				9, 10, default rating	Non-rated
Origination score				Non-transferable/ Non-assignable	Non-transferable/ Non-assignable
0 to 5	6 to 9				
Transferable/ Assignable	Age of the loans				
	Rating of outstandings	≤ 4 years	> 4 years		
	03, 04, 05	Transferable	Transferable/ Assignable		
	other than 03, 04, 05	Non-transferable/ Non-assignable			

Belgian branch

Monthly rating of outstandings

0 to 8				9, 10, past due loans	Non-rated
Age of the loans				Non-assignable	Non-assignable
≤ 1 year		> 1 year			
Origination score					
0 to 2	3 to 9				
Assignable	Non-assignable			Assignable	

In addition to the rating filter, eligible guarantees are:

- first-ranking mortgages or equivalent;
- a State guarantee provided by the Guarantee Fund for Home Ownership for Low-Income Households or SGFGAS;
- on a more marginal scale, a guarantee from Crédit Logement, a financial company rated A+ by the rating agencies.

The LTVs applied to the mortgage value allow the determination of the outstanding amount of the loan that can be financed by privileged liabilities:

- 100% for SGFGAS guarantees;
- 80% for home loans granted to private Individuals and secured by a first-rank mortgage or the equivalent;
- 60% for the others (relating mainly to low-income housing).

2.4.2.2. FRENCH PUBLIC SECTOR

Compagnie de Financement Foncier's criteria for accepting loans to French Local Authorities (FLA) are based on BPCE's internal rating system (E-Local).

This rating covers the borrower's inherent characteristics (budget, degree of indebtedness, creditworthiness, etc.).

The lowest ratings (8 and 9) are systematically excluded from consideration.

2.4.2.3. INTERNATIONAL PUBLIC FINANCING

Compagnie de Financement Foncier is exposed to international counterparties meeting the eligibility requirements of the French Monetary and Financial Code. Since the beginning of 2011, no further investment has been made in this segment, as the portfolio has been in run off management. Before the phase-out, the loans selected for grant were concentrated on counterparties with the highest ratings, most of them Step 1 (\geq AA-).

2.4.3. ASSIGNING CREDIT LIMITS

Compagnie de Financement Foncier's credit limit system incorporates the same limits as those used by Groupe BPCE and adopted by Crédit Foncier, notably with regard to country limits and individual limits.

Groupe BPCE entities must, at their respective levels, adhere to the limitations placed on their operations determining the rules for risk diversification among the portfolios and to the regulatory limits applicable to managing major risks.

Validated by the Risk Committee, these individual limits, prepared and proposed by the Risk Division, are subject to update, control, monitoring and a range of reporting requirements at the initiative of the Risk Division. These limits are monitored at Crédit Foncier Group level. Furthermore, Compagnie de Financement Foncier's exposure to its parent company, Crédit Foncier, is limited to 20% of its balance sheet. This limit is calculated based on direct exposure to Crédit Foncier with no additional guarantees (such as the pledging of receivables portfolios).

2.4.4. MANAGING OVERRUNS AND ALERT PROCEDURES

GENERAL PRINCIPLES

Compliance with limits is checked during regular counteranalysis prior to the review of loans by the Commitment Committees. A statement of overruns is submitted to the Risk Committee.

BANK COUNTERPARTIES

In accordance with the arrangements set out in the management agreements between the two institutions, adherence to limits on the counterparties to the financial transactions of Compagnie de Financement Foncier is monitored by the Permanent Control Unit of the Financial Transactions Department and secondarily by the Risk Division.

These limits are established for Compagnie de Financement Foncier's banking counterparties and are regularly reviewed in *ad*

hoc committees (primarily for hedging and treasury management requirements).

Monitoring of adherence to authorised limits is carried out on a daily basis by next-day observation. Related usage is updated in real time by the Front Office. It should be noted that the framework contracts with bank counterparties include a systematic margin call for the value of the transactions, based on the counterparty's rating, to be paid only by the counterparties, not by Compagnie de Financement Foncier.

All overruns are reported in real time to the executive management of Compagnie de Financement Foncier and Crédit Foncier.

2.4.5. RISK MONITORING

Risk monitoring relies upon two main components:

- the quarterly review of portfolios with a view to ensuring the overall quality of exposures and controlling the recognition of provisions for credit losses;
- at a *minimum*, monthly monitoring of sensitive operations involving legal persons and quarterly monitoring for individual clients.

Special rules apply to the securitisations and structured products of the French Public Sector.

PORTFOLIO REVIEWS

Regular reviews are conducted to evaluate the quality of the exposures. This implies stringent analysis of the quality of exposure performed by the business lines and the Risk Division. This analysis extends to all of Crédit Foncier's large exposures as well as of Compagnie de Financement Foncier's.

MONITORING OF SENSITIVE OPERATIONS

This kind of monitoring concerns loans deemed by the institution to be troubled or likely to encounter trouble in the future. Such monitoring involves ruling on the classification of the concerned loans or their servicing status (performing/doubtful/in litigation).

Private Individuals

This type of monitoring is carried out by the National Committee on Sensitive Issues (CNAS), which meet at least quarterly to review troubled loans and to recommend the potential recognition of a provision for credit loss.

Legal persons

This type of monitoring is carried out *via* the Crédit Foncier Group's Watch List. The Watch List is reviewed quarterly. It lists all the counterparties requiring special attention due to the potentially high risk they represent. The Watch List concerns performing or doubtful loans but not loans already in the process of litigation by the Litigation Department. Being placed on the Watch List does not trigger the automatic suspension of credit lines or a downgrade of the counterparty to doubtful.

Additionally, troubled loans are reviewed more frequently in the sensitive cases committees.

Lastly, loans in litigation are also examined on a quarterly basis as part of a special review.



French Public Sector

In the framework of monitoring the structured products of public sector operators, and in coordination with Groupe BPCE, a signatory to the GISSLER Charter, the Crédit Foncier Group closely monitors these transactions, enabling it to alert customers in advance to market developments likely to affect them.

Several financial reorganisations were submitted to the National Exposure Review Committee in 2013.

Securitisation

RMBS tranches are monitored in real time. The Risk Division conducts a thorough review of the portfolio every quarter. Furthermore, a Migration List and a Watch List specific to securitisations identify sensitive cases: sound transactions with no risk of loss at completion but whose credit rating is falling relative to the original rating or transactions with seriously downgraded performance (doubtful transactions for which a provision for credit loss has been recognised or sound transactions with a high risk of increasing capital exposure), which may result from factors that do not relate to the quality of the very receivables: for instance, a link with the Sovereign downgrade.

At 31 December 2013, this monitoring was no longer needed following the sale of the securitisation portfolio.

2.4.6. RISK MANAGEMENT

Risk management operates on four levels:

- consolidated monitoring of exposures, which are used to draw up internal and external reports. Such monitoring is based on a clear segregation of the outstanding loans of Compagnie de Financement Foncier is carried out as the transactions are entered into the relevant systems. It is formalised by the Compagnie de Financement Foncier Risk Committee;
- risk mapping and forward-looking analyses of loan portfolios (stress tests, etc.). The results of this analysis are reported in presentations to the Risk Committee;
- establishment of provisioning for the year and verifying the adequacy of risk hedging based on the institution's risk profile. The provisions are then approved by the Provisions Committee. Meeting at least quarterly, the committee is chaired by the executive management of Crédit Foncier and approves both individual and collective provisions. It also approves the methods used to calculate individual and collective provisions. The committee's scope extends to subsidiaries, and therefore Compagnie de Financement Foncier, and to equity investments;
- monitoring of capital and ratios (see Section 4) by the Risk Committee of Compagnie de Financement Foncier and a quarterly presentation to the Executive Management Committee of Crédit Foncier.

3. Risk factors

ANY DEFAULT BY INTERNATIONAL PUBLIC COUNTERPARTIES TO WHICH COMPAGNIE DE FINANCEMENT FONCIER IS EXPOSED COULD POTENTIALLY AFFECT ITS PROFITABILITY

Compagnie de Financement Foncier is exposed to public international counterparties meeting the eligibility requirements of the French Monetary and Financial Code: sovereigns, public authorities (municipalities, regions, provinces, cantons, etc.) and public entities. This exposure is distributed among Member States of the European Union, Switzerland, the United States, Canada and Japan. A default by these counterparties would be likely to affect *Compagnie de Financement Foncier*.

Despite an upturn in the economic and budgetary climate of the world's leading economies, the international environment remains fragile and uncertain in the short- and medium-term. Significant risks still weigh on some European banks, which in the event of default and without proper management could impact on the refinancing conditions of the entire banking sector and lead to a sovereign downgrade. Going forward, creditors could also be affected by the bailout procedures of the banking sector in the context of increasing oversight by the ECB.

In addition, the solvency of public authorities as a whole remains dependent on the success of structural reforms (improvements in the current-account balance, privatisations, better governance, etc.), and renewed economic growth to ensure a lasting recovery of the public finances; these factors could have an impact on the refinancing conditions of public authorities. In terms of the exposure of *Compagnie de Financement Foncier*, all of these issues seem particularly relevant for countries that benefited from an international bailout programme or had to bail out their own banking sector: Cyprus (sovereign), Spain (local authorities), Portugal (sovereign and local authorities), Ireland (sovereign) and Slovenia (sovereign) (for more details, see section 5.1.3.3).

When it comes to Italy, *Compagnie de Financement Foncier* seems particularly vulnerable to changes in the public deficit and refinancing capacity of the sovereign. Creditors could potentially be affected by political instability and a slowdown in reforms, which could once again significantly increase the refinancing costs of the Italian public authorities (as in 2011-2012).

4. Internal capital adequacy and equity requirements

4.1. Management of capital and regulatory ratios

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

The capital adequacy ratio is calculated at the consolidated Compagnie de Financement Foncier level. Since June 2011, it has been reported to the French Prudential Supervisory and Resolutive Authority on an informational basis.

COMPOSITION OF CAPITAL

Capital is determined in accordance with CRBF regulation No. 90-02, as amended, and consists of three broad categories:

- Tier-1 capital: core capital is calculated based on consolidated equity;
- Tier-2 capital: a distinction should be drawn between upper Tier-2 capital and lower Tier-2 capital. Upper Tier-2 capital includes the percentage of capped capital components exceeding regulatory limits. Lower Tier-2 capital consists of redeemable subordinated debt meeting the requirements of Article 4d of regulation CRBF 90-02. Lower Tier-2 capital can only be accepted up to a limit of 50% of Tier-1 capital;
- deductions: since Compagnie de Financement Foncier is not legally allowed to hold equity interests ⁽¹⁾, it is not subject to capital deductions.

At 31 December 2013, Compagnie de Financement Foncier's capital stood at €4.4 billion of which €2.7 billion is Tier-1 capital.

This includes deeply subordinated notes representing capital (whose agreement was authorised by the French Prudential Supervisory and Resolutive Authority) limited to 35% of Tier-1 capital. The surplus portion of the deeply subordinated notes that cannot be accepted as Tier-1 capital is included in upper Tier-2 capital.

CAPITAL REQUIREMENTS

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

Loans to Groupe BPCE associates were weighted at 0%.

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

⁽¹⁾ Compagnie de Financement Foncier holds only one share in SGFGAS which requires specific authorisation from the regulator.



(in millions of euros)

	12/31/13	12/31/12
Capital requirements	1,172	1,488
STANDARD CREDIT RISK APPROACH	1,120	1,439
Exposure categories	1,120	1,189
National governments and central banks	12	12
Institutions	255	302
Corporations	54	34
Retail clients	795	816
Equities	0	7
Other assets that are not credit obligations	4	19
Securitisation positions under the standardised approach	0	249
Standard market risk approach		
STANDARD OPERATIONAL RISK APPROACH	52	50

CAPITAL ADEQUACY RATIOS

Compagnie de Financement Foncier's capital adequacy ratio at 31 December 2013 was determined using the standard approach.

	12/31/13	12/31/12
Capital adequacy ratio	30.3%	23.8%
Tier-1 ratio	18.3%	14.4%

Source: COREP 31 December 2013.

At 31 December 2013, the capital adequacy ratio stood at 30.3%, up 650 basis points relative to 31 December 2012. The Tier-1 ratio stood at 18.3%, i.e. an improvement of 390 basis points over 31 December 2012.

4.2. Management of specific ratios

In addition to their obligations as credit institutions, *sociétés de crédit foncier* are required to comply with specific ratios and limits described in Articles L. 513-2 *et seq.* of the French Monetary and Financial Code. ACPR Order 2008-05 sets out the rules for calculating specific ratios.

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

The Crédit Foncier Risk Division performs a second-level check of these different specific ratios every six months.

REGULATORY OVERCOLLATERALISATION RATIO

French law (Article L. 513-12) requires all *sociétés de crédit foncier* to maintain a volume of weighted assets in excess of 102% of the privileged liabilities.

At 31 December 2013, the overcollateralisation ratio of Compagnie de Financement Foncier stood at 118.1%, a level which remains well above the new regulatory requirement of 102%. At the end of 2012, this ratio stood at 113.7%.

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

ASSET COMPOSITION RATIO

Asset composition	Limit	12/31/13	12/31/12
Replacement securities (R. 515-7)	15.0% ⁽¹⁾	5.81%	10.85%
Promissory notes (L. 513-6)	10.0% ⁽²⁾	9.17%	9.21%
Guaranteed loans (R. 515-6)	35.0% ⁽³⁾	2.47%	1.88%

(1) Of the nominal privileged resources, after taking into account hedging currency.

(2) Of the société de crédit foncier's total assets.

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

The replacement securities ratio is determined by comparing replacement securities (net of cash received as derivatives' collateral) with the nominal value of privileged liabilities. These replacement securities are defined by law (within the meaning of Article L. 513-7 of the French Monetary and Financial Code) as being "sufficiently secure and liquid instruments" and represent a part of the Compagnie de Financement Foncier cash position. This cash position also includes deposits at the Banque de France.

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

OVERRUN LOAN TO VALUE (LTV) RATIO

By calculating the amounts eligible for refinancing by privileged liabilities and comparing them to asset valuations on the balance sheet date, overruns in respect of non-privileged liabilities can be determined and calculated.

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

transfer, and on the loans held on the asset side of the balance sheet of securitisation vehicles.

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

At 31 December 2013, total LTV overruns on purchased and refinanced loans stood at €517 million (split between €446 million in assigned loans and €71 million in refinanced loans), versus €338 million (of which €11 million in overruns on units and debt instruments issued by securitisation vehicles) at 31 December 2012.

Total overruns remain considerably below the amount of non-privileged liabilities, standing at €14,106 million on the same date.

An LTV overrun stress test run using the assumption of a 10% sudden fall in the collateral value of all property posted as collateral, based on the volume of all loans purchased and refinanced (€37,459 million at 31 December 2013), leads to an LTV overrun of €2,046 million. The LTV overrun rises to €3,109 million if an assumption of a 15% fall in collateral value is used. These levels are still far below the non-privileged liabilities threshold. These tests attest to the excellent quality and the strength of Compagnie de Financement Foncier's portfolio of assets.

5. Management of credit risk and counterparty risk

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

Compagnie de Financement Foncier's exceptionally low credit risk exposure is due to several factors:

- the intrinsic quality of the counterparties concerned: the French or International Public Sectors and retail banks (for private Individuals) for first-rank mortgage loans;

- the reliability of the loan origination process, which relies on expert procedures and loan rating and selection systems;
- the nature of the financing granted and the extent and variety of guarantee arrangements, supplemented by a selection process upon asset purchase (see Section 6).

Compagnie de Financement Foncier also finances mortgage loans granted by Crédit Foncier to individual customers by purchasing its mortgage notes. These promissory notes have been deemed equivalent to collateralised loans since April 2007. The eligibility criteria for such refinancing strictly meet the criteria applicable to loans directly held by a société de crédit foncier.



5.1. Breakdown of Compagnie de Financement Foncier's commitments

5.1.1. EXPOSURE TO CREDIT RISK

The following tables break down the assets, excluding off-balance-sheet exposures and financial guarantees given (representing a balance sheet total of €39.7 billion as of the end of December 2013), and the observed rate of doubtful loans, which is 1.1% (1.0% excluding subsidised loans).

Compagnie de Financement Foncier's risk hedging – Summary

<i>(in millions of euros)</i>	31 December 2013			31 December 2012		
	Balance sheet	Doubtful loans	Rate of doubtful loans (excluding loans subsidised sector)	Balance sheet	Doubtful loans	Rate of doubtful loans (excluding loans subsidised sector)
Risk exposures ⁽¹⁾						
French mortgage loans ⁽²⁾	29,525	3.1%	3.1%	27,711	2.7%	2.6%
French and Belgian mortgage notes ⁽³⁾	8,226	-	-	9,275	-	-
Mortgage total	37,771	2.5%	2.4%	36,986	2.0%	2.0%
Securitised mortgage notes France (internal securitisation)	-	-	-	-	-	-
European residential mortgage-backed securities (RMBS)	-	nm	-	5,248	-	-
Securitised mortgages total	-	-	-	5,248	-	-
Public Sector	38,164	< 0.5%	< 0.5%	38,443	< 0.5%	0%
Low-income housing	2,332	< 0.5%	< 0.5%	2,567	< 0.5%	< 0.5%
French Local Authorities (FLA)	8,417	< 0.5%	< 0.5%	9,409	< 0.5%	-
FLA L. 211-38 ⁽⁴⁾	5,459	-	-	3,323	-	-
Sovereign France	11,949	nm	-	4,355	-	-
French Public Sector	28,157	< 0.5%	< 0.5%	19,655	< 0.5%	-
Public Private Partnership (PPP)	657	-	-	664	-	-
International Public Financing	6,438	-	-	8,381	-	-
International Sovereign	2,528	-	-	2,798	-	-
Securitisations backed by loans benefiting from State safeguards	-	-	-	6,119	-	-
Large companies of the Public Sector	384	-	-	827	-	-
International Public Sector	9,351	-	-	18,124	-	-
Commercial mortgages disappearing (resulting from the legal transfer in October 1999)	116	71.2%	13.9%	124	70.0%	12.0%
Banking sector exposures	9,143	-	-	16,109	-	-
of which banks with sovereign guarantees or similar	2,068	-	-	2,673	-	-
of which other banks	474	-	-	436	-	-
of which BCTG (Short-term guaranteed notes) ⁽⁵⁾	6,601	-	-	13,000	-	-
Total risk exposure	85,194	1.2%	1.1%	96,911	0.9%	0.8%
Miscellaneous adjustments and other assets ⁽⁶⁾	4,526	-	-	3,872	-	-
TOTAL	89,720	1.1%	1.0%	100,782	0.8%	0.7%

(1) Balance sheet commitments (excluding endorsements and financial guarantees given) representing overall exposure to credit risk, contribution on an unconsolidated basis (performing + doubtful) according to French accounting standards from management data.

(2) The "French mortgage loans" line item includes a limited amount of outstanding Dutch loans (€75 million at 31 December 2012 and €72 million at 31 December 2013).

(3) Of which loans to private individuals living in Belgium for €284 million.

(4) Of which €161 million of L.211-38 with Caisses d'Épargne and BP des Alpes

(5) Short-term notes issued by Groupe BPCE entities, guaranteed by collateralized assets amounting to at least 80% and included in the replacement values of Compagnie de Financement Foncier's assets.

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

Within the scope of the Crédit Foncier Group's medium-term project which includes the Compagnie de Financement Foncier subsidiary, the stoppage of international activities and downsizing of the balance sheet are part of the strategic policy shift. Exposures thus dropped significantly (down 11% in 2013) to €89.7 billion following the sale of the entire securitisation portfolio (RMBS and International Public Sector securitisations) which amounted to €11.4 billion at 31 December 2012.

Moreover, outstanding loans progressed in an uneven way in 2013:

- in the International Public Sector, ongoing disposals as part of the management in run-off led to a 23% drop;
- exposures increased in the French Public Sector. This is mainly due to the increase in exposures on the Banque de France (included in the Sovereign France line) to €11.4 billion at 31 December 2013 versus €3.7 billion at end-2012;
- a drop in bank exposures, especially on the BCTG line from €13 billion to €6.6 billion.

■ Breakdown of exposures by geographical area*

Geographical breakdown of exposures	12/31/13		12/31/12
	Balance sheet (€M)	%	%
France	77,944	87%	74%
Other countries in the European Economic Area	6,807	8%	17%
• of which Italy	3,059	4%	6%
• of which Germany	962	1%	1%
• of which Spain	894	1%	2%
• of which Cyprus	52	-	-
• of which Ireland	141	-	-
• of which Portugal	133	-	-
• of which Slovenia	206	-	-
• of which other countries < 1%	1,360	2%	6%
Switzerland	1,214	1%	1%
North America (USA & Canada)	2,311	2%	6%
Japan	1,444	2%	2%
TOTAL	89,720	100%	100%
			100,782

* Accounting management data: Balance sheet commitments (excluding endorsements and financial guarantees given) representing overall exposure to credit risk, contribution on an unconsolidated basis (performing + doubtful) according to French accounting standards.

5.1.2.2. BREAKDOWN OF EXPOSURES BY PRODUCT FAMILY

As Compagnie de Financement Foncier cannot legally hold equity interests or trading books, the breakdown by product family of

The delinquency rate of the French Local Authorities portfolio is virtually zero.

The unpaid 90-day rate amounts to 0.87% of the total exposures of the Compagnie de Financement Foncier. On French mortgage loans, this rate is 2.34%.

5.1.2. ANALYSIS OF CREDIT RISK EXPOSURE

5.1.2.1. GEOGRAPHICAL BREAKDOWN OF EXPOSURES

As of the end of December 2013, the portfolio was still concentrated on the European Union (95%), with France representing an increasing proportion (87%, up from 74% at end-2012).

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

exposures reported on the balance sheet (loans, securities and financial operations) at 31 December 2013 show a *de facto* concentration on loans (89%, including short-term credit facilities).



■ Breakdown of exposure by product family

Product families ⁽¹⁾ – Breakdown (%)	12/31/13	12/31/12
Shares/Funds		
Other balance-sheet products		
Short-term credit facilities ⁽²⁾	13	4
Loans ⁽³⁾	76	72
Bonds (“Banking” ⁽⁴⁾)	11	13
Bonds (“Trading” ⁽⁵⁾)		
External securitisation (loans non originated within Groupe BPCE)	-	11
BALANCE SHEET TOTAL	100	100
Balance sheet assets (€M)	89,720	100,782

(1) Accounting management data: Balance sheet commitments (excluding endorsements and financial guarantees given) representing overall exposure to credit risk, contribution on an unconsolidated basis (performing + doubtful) according to French accounting standards.

(2) “Short-term credit facilities” mainly include accrual and deferred income and forward financial instruments.

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

(4) The bonds it holds are held in the context of lending transactions with a view to being held until maturity.

(5) Compagnie de Financement Foncier cannot legally hold securities for trading purposes.

■ 5.1.3. QUALITY OF THE PORTFOLIO EXPOSED TO CREDIT RISK

Financed assets are analysed by transparency: the following thus examines the underlying assets guaranteeing (i) mortgage notes and (ii) public sector exposures pursuant to Article L. 211-38.

Replacement values are analysed by counterparty: loans granted to BPCE (€6.6 billion), essentially in the form of short-term guaranteed notes, collateralised, are considered as an exposure to BPCE.

5.1.3.1. PORTFOLIO OF LOANS TO INDIVIDUALS

Outstanding of direct mortgage loans and underlyings of individual customer mortgage notes grew by 2.2% in 2013.

5.1.3.1.1. Portfolio of loans to Individuals excluding securitisations

5.1.3.1.1.1. ACQUISITIONS AND DISPOSALS OF LOANS TO INDIVIDUALS BY COMPAGNIE DE FINANCEMENT FONCIER IN 2013

In 2013, the mortgage loans that Compagnie de Financement Foncier acquired from Crédit Foncier totalled €5.6 billion (versus €4.6 billion in 2012), including €1.2 billion in loans to first-time home buyers, €0.5 billion in loans to the rental sector and €4,2 billion in state-subsidised and interest-free loans. Acquisitions increased by 22%, mainly due to the acquisition of state-subsidised and interest-free loans, the demand for which is still boosted by government measures implemented since 2008 to encourage state subsidised first-time home buying (doubling of ceiling for interest-free loans, local interest-free loans and aid from Local Authorities), which also secure these transactions.

5.1.3.1.1.2. DELINQUENCIES

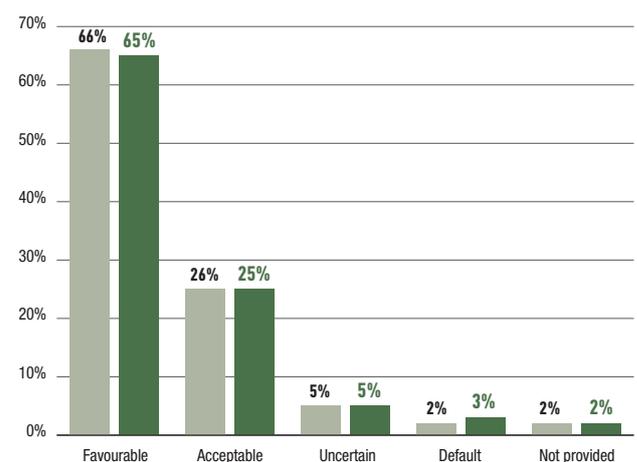
With regards to direct mortgage loans and underlyings of mortgage notes, the ratio of “doubtful loans to total outstanding loans” (excluding the subsidised sector) came out as 2.4% compared to 2.0% at the end of December 2012.

The entire portfolio of selected assets is, however, secured by first-ranking mortgages collateral supplemented by additional guarantees (46% of mortgage loans to Individuals are guaranteed by the SGFGAS and this percentage is up over last year), which limits the risk of terminal loss.

5.1.3.1.1.3. RATINGS

The ratings attest to the ongoing good quality of outstanding loans, with 65% favourable ratings (66% at year-end 2012); moreover 90% of all loans were given favourable or acceptable ratings (91% at year-end 2012).

■ Internal rating and quality of loans made to private individuals ⁽¹⁾



■ Pro forma December 2012 NIF V2 : €36,950 million

■ December 2013 : €37,751 million

(1) Excludes self-employed professionals and associations.

5.1.3.1.2. Securitised residential mortgage loans

Following the sale of the entire securitisation portfolio, Compagnie de Financement Foncier was no longer exposed to such mortgage-backed securitisations at 31 December 2013.

5.1.3.2. FRENCH PUBLIC SECTOR PORTFOLIO

Crédit Foncier is supporting the development of the French Local Authorities (FLA) market: regions, departments, local authorities and local institutions in France, including healthcare facilities and low-income housing organisations and institutions (*Offices publics de l'habitat and Entreprises sociales pour l'habitat*).

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

5.1.3.2.1. Change in loan outstandings

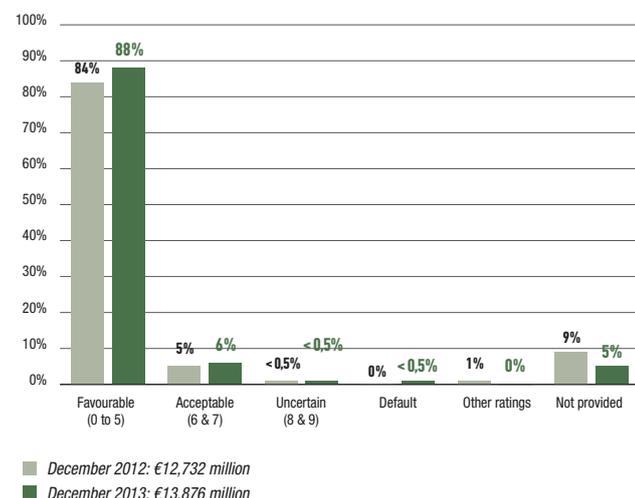
Social housing outstandings fell by 9% relative to year-end 2012. In contrast, FLA outstandings increased by 9%. Overall, outstanding loans to French local authorities rose 6% compared with year-end 2012.

5.1.3.2.2. Delinquencies

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

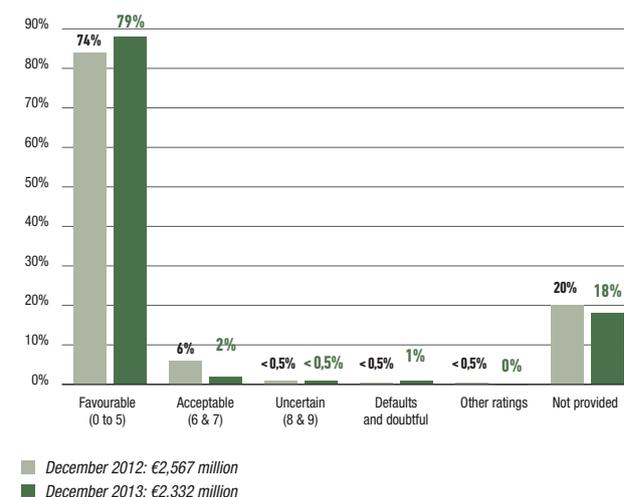
5.1.3.2.3. Rating

■ French Public Sector portfolio – Breakdown by Basel II rating



Of Compagnie de Financement Foncier's FLA loan outstandings, 88% of loans are rated "favourable" (0 to 5), up from year-end 2012 (84%).

■ Social housing portfolio – Breakdown by Basel II rating



NB: Non-rated outstandings (18%) consist largely of institutions that collect employers' contribution to building and construction work (PEEC⁽¹⁾) and their subsidiaries, which are not covered by BPCE's rating tools. Prior to any exposure decision, these counterparties undergo in-depth analysis on a case-by-case basis. Also, the PEEC sector is closely regulated and supervised by the French State.

Of Compagnie de Financement Foncier's total social housing outstandings, 79% of loans are rated "favourable" (0 to 5), a slight improvement on 2012 (74%).

The proportion of counterparties rated as "doubtful" and in default remains minimal.

5.1.3.3. INTERNATIONAL PUBLIC SECTOR PORTFOLIO

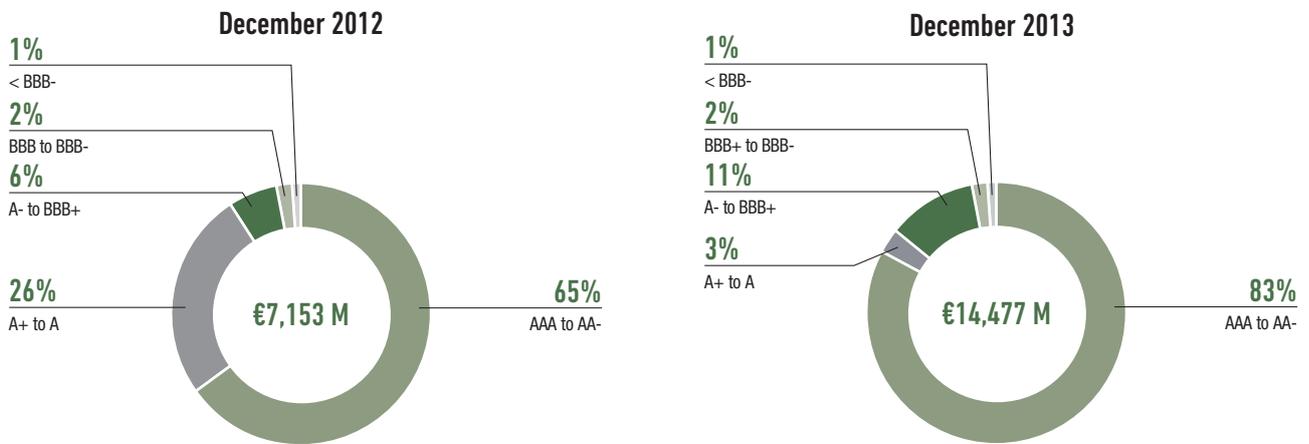
5.1.3.3.1. Sovereign

Compagnie de Financement Foncier's sovereign portfolio includes exposures to foreign sovereigns as well as French sovereign exposure. Outstanding loans to foreign sovereigns have been in run-off management since late 2011: as in 2012, positions were sold on the market in 2013 as opportunities arose.

(1) Employers' contribution to building and construction work (PEEC) is a system whereby non-agricultural private sector businesses with 20 or more employees (ten or more before 2006) contribute towards the construction of new housing. This system was set up by the State and implemented by law (11 July 1953) and was previously known as the "1% housing fund".



Breakdown of exposures by internal of Sovereigns



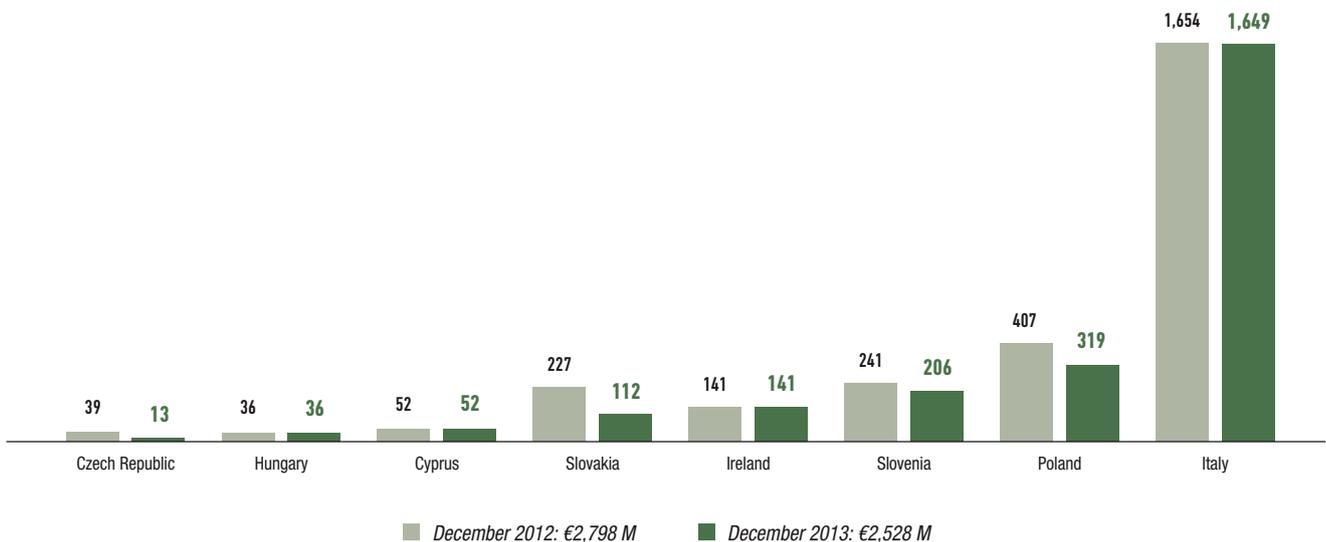
2012 Total: €7,153 million/2013 Total: €14,447 million

The internal ratings used are those of the Groupe BPCE.

2013 was marked by the general stabilisation of the situation for European sovereigns. After the downgrading of the ratings of several peripheral countries since 2010, the ratings of most of Compagnie de Financement Foncier's European exposures

remained stable in 2013, with the large majority of outstanding loans being rated Step 1. At year-end 2013, the change in Compagnie de Financement Foncier's sovereign portfolio (outstanding loans with AAA/AA- ratings now account for 83% of the portfolio outstandings, compared to 65% in 2012) mainly stems from the increase in cash deposits with the Banque de France.

Breakdown of direct exposures to Sovereigns outside France



Outside of Sovereign France, the portfolio's outstanding loans decreased in 2013 (10%), due to the following:

- ongoing sale of positions as part of the run-off management of the Sovereign portfolio excluding France. During the year, Compagnie de Financement Foncier significantly reduced its exposure to Slovakia, Slovenia and the Czech Republic;
- impact of exchange rate trends: the outstanding loans are countervalued in euros, taking into account exchange rates at

closing date without considering currency swaps concluded upon the origination of transactions.

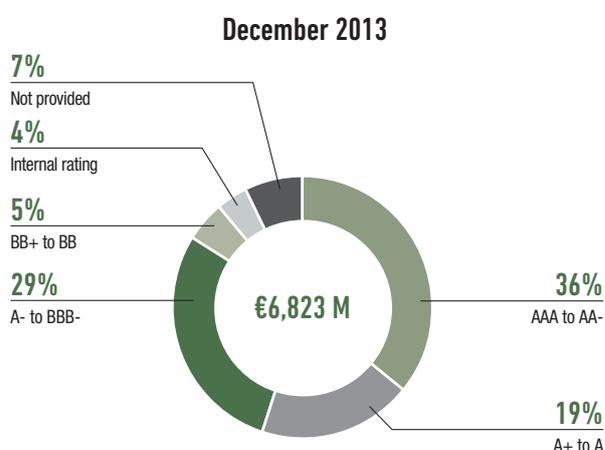
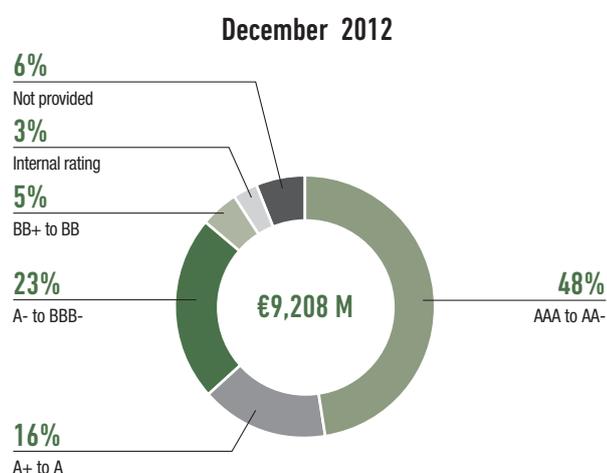
5.1.3.3.2. Local and international authorities

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

At 31 December 2013, IPS outstandings stood at €6.8 billion compared to €9.2 billion at year-end 2012, *i.e.* an annual decline of €2.4 billion (26%). Several factors account for this change:

- firstly, the ongoing disposal of exposures as part of the run-off management of the IPS portfolio. In 2013, US local government positions representing significant exposure (€679 million in par value) were sold, along with exposure to the Belgian Public Sector (€150 million);
- the amortisation of the portfolio, with the redemption of several significant positions in Spain, the Czech Republic, Belgium and the United States (€390 million in nominal value);
- as these were micro-hedged exposures valued in euros, the change in portfolio outstandings is also associated with the fluctuation of rates in the hedged component and with the fluctuation in exchange rates of the component denominated in foreign currency (mainly USD, CHF and JPY). This last case was what counted most for yen and US dollar denominated outstanding loans as the value of these two currencies significantly declined against the euro in 2013 while the nominal value of this portfolio slightly eroded during the period.

■ Breakdown of exposures by internal rating on International Public Sector



The IPS portfolio is primarily rated internally by the Crédit Foncier Risk Division. As in past years, an effort to re-rate IPS outstandings was led in the fourth quarter based on the most recent accounting and financial data available.

2013 was marked by the stabilisation of the crisis affecting peripheral European sovereigns; consequently, the ratings of the portfolio's Spanish counterparties also stabilised.

Moreover, the ratings of North American and Japanese counterparties remained generally stable or were occasionally downgraded in specific cases.

Most of the downgrades concern certain Italian counterparties (whose rating was affected by the downgrade of the sovereign state's internal rating). The migration of the ratings to [A-; BBB-] is due to the downgrade of several counterparties (American and Italian).

Concerning the rating model, internal ratings for the IPS are slightly more conservative than the agencies' published ratings, the difference being on average a quarter notch less.

5.1.3.3. International Public Sector securitisations

Following the sale of the entire securitisation portfolio, Compagnie de Financement Foncier was no longer exposed to International Public Sector backed securities at 31 December 2013.

5.1.3.4. RISK CHARGE

(in millions of euros)

	2013	2012
Individual cost of risk (A)	-15.21	-3.09
Collective provisions (B)	0.06	-7.61
Cost of risk (A + B)	-15.15	-10.70
Risk charge, net banking income (C)	-0.84	0.08
TOTAL (A + B + C)	-15.99	-10.62



At 31 December 2013, Compagnie de Financement Foncier's risk charge amounted to €15.99 million, up on 2012. On an individual basis, the risk charge stands at €15.21 million. This is due to the increase in doubtful loans combined with a drop in the value of

collateral. The net reversal on the collective provision amounts to €0.06 million. In 2012, this item had been affected by a change in the approach used for collective provisions to comply with Groupe BPCE standards.

5.2. Risk diversification and concentration risks

■ Summary of concentration on groups of counterparties for Compagnie de Financement Foncier

<i>(in millions of euros)</i>	Top 10	Top 20	Top 50	Top 100	Total
Specialised financing					n.m.
Large corporations					n.m.
Sovereign	15,463 [100%]	15,477 [100%]	15,477 [100%]	15,477 [100%]	15,477
French Local Authorities (FLA) and low-income housing	2,326 [20%]	3,243 [28%]	5,083 [45%]	6,616 [58%]	11,407
IPF (International Public Financing)	3,864 [57%]	5,211 [76%]	6,688 [98%]	6,823 [100%]	6,823

This table shows the weighting of the largest 10, 20, 50 and 100 counterparties in exposures to a given category, excluding intra-group BPCE. This classification is carried out on groups of counterparties and on- and off-balance sheet exposures. Direct exposure to Sovereign States is relatively concentrated (less than ten counterparties) as it involves only a few European countries.

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

Moreover, total exposures to Groupe BPCE, for all types of assets (replacement values, mortgage notes, L. 211-38) stand at €0.4 billion net of collateral received. The long-term ratings of BPCE are A (neg.)/A2 (stable)/A (stable).

6. Risk mitigation techniques

Compagnie de Financement Foncier's portfolio is very secure as it consists mainly of either risks secured by mortgages or risk exposure to the public sector. Both these risks are further reduced by additional guarantees. Thus, for example, 46% of outstanding loans to private Individuals are covered by an FGAS guarantee.

For Individuals, the main provider of guarantees belongs to the Sovereign segment: the *Société de gestion du fonds de garantie à l'accession sociale à la propriété* (SGFGAS) provides a French government guarantee to home ownership loans to low-income households governed by the law on contractual home loans and secured by a security interest pledge (mortgage or lender's lien). For this reason, it benefits from the external ratings assigned to the French state and allows a 0% weighting of loans for which FGAS coverage was signed prior to 31 December 2006. Due to a change in the FGAS coverage rules, the safeguards granted thereafter have a 15% credit-risk weighting under Basel II for the loans in question.

In addition, certain loans to private Individuals benefit from a guarantee equivalent to an Institutional risk: Crédit Logement is a financial institution and a partner of most major retail banks in France whose long-term rating are Aa3 (Moody's) and A+ (S&P). Loans covered by Crédit Logement are assigned a Basel II weighting of 20%. This weighting is the regulatory weighting applicable to French credit institutions at 31 December 2013.

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

6.1. Risks of non-compliance of the acquired receivables

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

6.2. Valuation and Periodic Review Methods for Real Estate Assets

SPECIFIC CONTROLLER'S CERTIFICATION ON THE VALUATION AND PERIODIC REVIEW METHODS AND RESULTS FOR REAL ESTATE AS OF 31 DECEMBER 2013

To the Board of Directors of Compagnie de Financement Foncier,

In our capacity as the Specific Controller of Compagnie de Financement Foncier, and pursuant to the Article 5 of regulation No. 99-10 of the CRBF, we proceeded to the assessment of the validity, in accordance with regulations in force, of the methods used to value the real estate assets underlying the loans and their results, and of the methods for periodically reviewing their value, as published together with the financial statements for the year ended 31 December 2013 and appended hereto.

The valuation methods and their results for real estate assets and the methods for periodically reviewing their value have been defined and implemented under the responsibility of your company's management.

Our responsibility is to assess the validity of this procedure in terms of its compliance with regulations in force as of 31 December 2013.

We implemented the diligences that we considered necessary in view of the professional standards of the Compagnie nationale des Commissaires aux comptes applicable to this assignment. Our work consisted in checking the compliance of:

- the procedures, the valuation and periodic review methods and their results, in their design and application, with regulations in force as of 31 December 2013;
- the information published together with the annual financial statements with, on one hand, the system for the valuation and periodic review implemented, and on the other hand, with the results arising from the implementation of the valuation system.

Based on our work, we have no observations to make as regards compliance with the provisions set out in Articles 2 to 4 of the regulation No. 99-10 of the CRBF, the valuation methods for the real estate assets and their results or the methods for periodically reviewing their value as published together with the financial statements for the year ended 31 December 2013.

Paris, 19 March 2014

Specific Controller
CAILLIAU DEDOUIT et Associés
Laurent BRUN
19, rue Clément Marot
75008 Paris

PROCEDURE FOR THE VALUATION AND PERIODIC REVIEW OF THE VALUE OF THE ASSETS UNDERLYING THE LOANS AS OF 31 DECEMBER 2013

I. VALUATION METHOD APPLIED TO ASSETS UNDERLYING LOANS

A – General asset valuation principles

The procedure described below has been determined pursuant to Articles 1 and 2 of CRBF regulation No. 99-10, as amended by regulation No. 2002-02 and the decrees of 7 May 2007 and 23 February 2011 transposing European directive 2006/48/EC into French law.

Real estate financed by eligible loans or posted as collateral for these loans is subject to cautious appraisal.

The valuation is performed taking into account the long-term sustainable aspects of the property, the normal and local market conditions, the current use and alternative appropriate uses of the property.

B – Derogation rule used by Compagnie de Financement Foncier

For loans originated between 1 January 2003 and 31 December 2006, in accordance with the provisions of CRBF regulation No. 99-10 and a decision by the Chairman of Crédit Foncier's Executive Board dated 28 July 2003, the cost of the transaction without discount is understood to be the estimated value of the asset for all transactions with Individuals involving residential property where the transaction cost is less than €350,000.

Following a series of amendments to CRBF regulation No. 99-10, this principle was broadened:

- for the period between 7 May 2007 and 23 February 2011, all residential property transactions with Individuals where the transaction cost is less than €450,000 or where the outstanding principal amount on the acquired loan or the total amount authorised is less than €360,000;
- beginning on 24 February 2011, all residential property transactions with Individuals where the transaction cost is less than €600,000 or where the outstanding principal amount on the acquired loan or the total amount authorised is less than €480,000.

Above these thresholds, the appraisal value is considered to be the value of the property.



C – Summary

The above-mentioned rules, applied since 24 February 2011, are summarised in the following table:

Property types	Cost of transaction is less than €600,000 or acquired loan less than €480,000	Cost of transaction is €600,000 or more, or acquired loan €480,000 or more
Residential Property for Private Individuals	Transaction cost	Appraisal
Residential Property for Professionals	Appraisal	Appraisal
Commercial property*	Appraisal	Appraisal

* Property for professional use means all properties other than residential and multiple-use properties where the value allocated to the residential part is less than 75% of the total value of the entire property.

An appraisal is made of all collateral underlying authorised loans (i.e. signed by the parties) during the year regardless of whether or not they are implemented.

Other collateral (underlying loans authorised before 2013 and already valued or re-valued) is mandatorily subject to a periodic review of its value as presented hereafter (see Sections II, III and IV).

II. PERIODIC REVIEW METHODS FOR COLLATERAL SECURING HOUSING LOANS TO INDIVIDUALS AND PROFESSIONALS

The rules detailed below apply to collateral securing loans implemented before 2013.

- Two periodic review methods are used to determine the value of collateral as differentiated below: statistical method S1:
 - for collateral securing housing loans to private Individuals,
 - for collateral securing housing loans to professionals where the amount is less than €600,000 or where the outstanding principal amount on the loan secured by the property is less than €480,000;
- method S2 for collateral securing housing loans to professional customers where the amount is €600,000 or more and where the outstanding principal amount on the loan secured by the property is €480,000 or more.

A – S1 periodic revaluation method

PRINCIPLES

This method, which aims to approximate market value as closely as possible, is based on establishing indices. The indices obtained are the changes observed from one year to the next in market values, clarifying that, in accordance with the relevant legislation, the appraisal is carried out on the basis of a prudent assessment (which is then revalued by applying the indices).

The indices reflect four distinct geographical categories:

- the 110 urban areas with more than 50,000 inhabitants as per the postal code groups established by the INSEE (French National Institute for Statistics and Economic Studies). The list of these metropolitan areas and their composition changes as the urban fabric evolve;
- outside these metropolitan areas, the “non-urban” real estate market is divided into administrative regions (20, excluding Corsica and Île-de-France);

iii) Île-de-France, excluding the city of Paris, is valued separately using specific indices for each of its seven departments;

iv) Paris is also valued separately using a specific index.

Indices for each of these four categories (urban, non-urban, Île-de-France and Paris), are grouped according to postal codes, and broken down as follows:

- metropolitan areas: 110 Apartment indices/110 House indices;
- non metropolitan area: 20 House indices;
- Île-de-France (excluding Paris): 7 Apartment indices/7 House indices;
- Paris: 1 Apartment index.

When the apartment/home distinction is not available for a particular item of collateral, the lower of the two indices for the corresponding postal code is used.

When the collateral is located in Corsica or in French overseas departments or territories, or if its location is unclear, the annual trend indices used for the corresponding type of housing are:

- for apartments: the average of the apartment indices for metropolitan areas;
- for homes: the lower of the averages for houses in metropolitan areas and for regions.

REVALUATION CYCLE MANAGEMENT

Real estate value indices are updated annually. New indices are established each November based on the period ending on 30 September.

The revaluation cycle is thus managed on a one year rolling period from 30 September of year “n-1” to 30 September of year “n”.

SOURCES

These indices are based on an *ad hoc* survey and expert estimates carried out each year by the Real Estate Research Department of the network of regional real estate appraisers, quarterly gross statistical real estate information available in its database and regional indicators from www.marche-immo.com.

B – S2 periodic review method

For 2013, the S2 revaluation method consisted in applying the annual change in the rental index for residential property to 2012 values, *i.e.* +1.7% (source: INSEE).

III. METHODS FOR PERIODIC REVIEW OF REAL ESTATE FOR PROFESSIONAL USE (NON-RESIDENTIAL)

In accordance with the provisions of CRBF regulation No. 99-10, the following three valuation methods are applied to real estate for professional use based on its aspects:

A – The “E1” method

This category covers real estate for professional use, the value of which is less than or equal to €600,000 or for which the outstanding principal amount on the loan secured by the property is more than €480,000.

Assets in this category are individually revalued by means of appraisal every three years, and statistically in the interim years using the S1 method.

B – The “E2” method

This category covers real estate for professional use, the value of which is more than €600,000 and for which the outstanding principal amount on the loan secured by the property is more than €480,000.

Each property in this category is individually revalued every year by means of appraisal. The appraiser determines a prudential mortgage value based on a thorough analysis of the type of asset and its specific aspects and on a prudent, forward-looking view of the market.

C – The “S1” statistical method

This category covers real estate for professional use where the outstanding principal amount on the loan secured by the property has fallen below 30% of the initial principal amount of the loan.

For real estate in this category, the S1 statistical revaluation method (see Section II.A above) is applied to the most recent appraisal value.

IV. SUMMARY TABLE OF METHODS

Type of asset	Transaction cost > €600K and total authorised amount ≤ €480K or Transaction cost ≤ €600K and total authorised amount > €480K		Transaction cost ≥ €600K and total authorised amount ≥ €480K		Disputed cases
	If private individual customer: S1 method		If Professional customer: S2 method		
Residential	If Professional customer: S1 method		If Professional customer: S2 method		Specific individual appraisal
Non residential	Outstanding principal/initial principal < 30% or total authorised amount ≤ €480K		Outstanding principal/initial principal > 30%		
			Transaction cost ≤ €600K and total authorised amount > €480K	Transaction cost > €600K and total authorised amount > €480K	
	S1 method		E1 method	E2 method	

V. THE SPECIAL FEATURES OF DUTCH GUARANTEES

Revaluation was made of a total of 835 guarantees associated with 835 loans representing a total outstanding value of €72 million.

Revaluation was conducted based on the PBK Index developed by the Netherlands land registry. In 2013, the index average fell -7.08%.

VI. THE SPECIAL FEATURES OF BELGIAN GUARANTEES

Crédit Foncier proceeded to a revaluation of the guarantees of its branch for 2013, through its servicer, Stater: 6,401 guarantees representing a global valuation amount of €1,329 million *i.e.* a rise in the value of the guarantees of 0.75% on average (after excluding guarantees that increased more than about 25%) associated with 5,789 loans in the amount of €725 million.

This valuation was based on the indices provided by Stadim for an annual change as of 30 September 2013.



APPENDIX 1 – CHANGES 2012/2013

■ Towns and cities with more than 200,000 inhabitants

Region	Dept No.	Department	Town/City	Apartment index 2012-2013	House Index 2012-2013
ALSACE	67	BAS-RHIN	Strasbourg	1.000	0.993
ALSACE	68	HAUT-RHIN	Mulhouse	0.986	0.969
AQUITAINE	33	GIRONDE	Bordeaux	0.992	0.991
AUVERGNE	63	PUY-DE-DÔME	Clermont-Ferrand	1.000	0.976
BOURGOGNE	21	CÔTE-D'OR	Dijon	0.980	1.000
BRETAGNE	29	FINISTÈRE	Brest	0.980	0.978
BRETAGNE	35	ILLE-ET-VILAINE	Rennes	1.008	1.002
CENTRE	45	LOIRET	Orléans	0.978	0.982
CENTRE	37	INDRE-ET-LOIRE	Tours	0.976	0.976
CHAMPAGNE	51	MARNE	Reims	0.998	0.984
HAUTE-NORMANDIE	76	SEINE-MARITIME	Le Havre	0.979	0.974
HAUTE-NORMANDIE	76	SEINE-MARITIME	Rouen	0.980	0.988
LANGUEDOC-ROUSSILLON	34	HÉRAULT	Montpellier	1.000	1.000
LORRAINE	54	MEURTHE-ET-MOSELLE	Nancy	0.987	0.964
LORRAINE	57	MOSELLE	Metz	0.988	0.965
MIDI-PYRÉNÉES	31	HAUTE-GARONNE	Toulouse	0.993	0.996
NORD	59	NORD	Valenciennes	0.977	0.973
NORD	59	NORD	Lille	0.991	0.990
NORD	62	PAS-DE-CALAIS	Douai-Lens	0.980	0.958
NORD	62	PAS-DE-CALAIS	Béthune	0.975	0.979
PACA	13	BOUCHES-DU-RHÔNE	Marseille-Aix-en-Provence	0.988	1.021
PACA	6	ALPES-MARITIMES	Nice	0.961	1.000
PACA	84	VAUCLUSE	Avignon	1.013	0.981
PACA	83	VAR	Toulon	0.998	0.959
PAYS DE LA LOIRE	44	LOIRE-ATLANTIQUE	Nantes	0.996	0.991
PAYS DE LA LOIRE	49	INDRE-ET-LOIRE	Angers	0.988	0.971
RHÔNE-ALPES	69	RHÔNE	Lyon	1.008	0.993
RHÔNE-ALPES	38	ISÈRE	Grenoble	0.983	0.987
RHÔNE-ALPES	42	LOIRE	Saint-Étienne	0.982	0.975
AVERAGE				0.988	0.983

■ Towns and cities with between 100,000 and 199,999 inhabitants

Region	Dept No.	Department	Town/City	Apartment index 2012-2013	House Index 2012-2013
AQUITAINE	64	PYRÉNÉES-ATLANTIQUES	Bayonne	0.982	0.973
AQUITAINE	64	PYRÉNÉES-ATLANTIQUES	Pau	0.943	0.933
BASSE-NORMANDIE	14	CALVADOS	Caen	0.975	0.981
BRETAGNE	56	MORBIHAN	Lorient	0.940	1.000

CHAMPAGNE	10	AUBE	Troyes	0.987	0.986
FRANCHE-COMTÉ	25	DOUBS	Besançon	0.989	1.000
FRANCHE-COMTÉ	25	DOUBS	Montbéliard	0.992	0.984
LANGUEDOC-ROUSSILLON	66	PYRÉNÉES-ORIENTALES	Perpignan	0.989	0.989
LANGUEDOC-ROUSSILLON	30	GARD	Nîmes	0.989	0.968
LIMOUSIN	87	HAUTE-VIENNE	Limoges	0.932	0.969
LORRAINE	57	MOSELLE	Thionville	1.000	0.988
NORD	59	NORD	Dunkerque	0.982	0.959
NORD	62	PAS-DE-CALAIS	Calais	0.975	0.972
PAYS DE LA LOIRE	44	LOIRE-ATLANTIQUE	Saint-Nazaire	0.971	0.981
PAYS DE LA LOIRE	72	SARTHE	Le Mans	0.986	0.989
PICARDIE	80	SOMME	Amiens	0.979	0.972
POITOU-CHARENTES	17	CHARENTE-MARITIME	Rochelle	0.992	0.983
POITOU-CHARENTES	86	VIENNE	Poitiers	0.990	0.994
POITOU-CHARENTES	16	CHARENTE	Angoulême	0.956	0.990
RHÔNE-ALPES	26	DROME	Valence	0.982	0.976
RHÔNE-ALPES	74	HAUTE-SAVOIE	Annecy	1.058	0.987
RHÔNE-ALPES	74	HAUTE-SAVOIE	Genève-Annemasse	1.014	1.012
RHÔNE-ALPES	73	SAVOIE	Chambéry	0.985	0.984
AVERAGE				0.982	0.981

■ Towns and cities with between 50,000 and 99,999 inhabitants

Region	Dept No.	Department	Town/City	Apartment index 2012-2013	House Index 2012-2013
ALSACE	67	BAS-RHIN	Haguenau	0.974	0.983
ALSACE	68	HAUT-RHIN	Colmar	1.001	0.986
AQUITAINE	33	GIRONDE	Arcachon	0.976	0.978
AQUITAINE	24	DORDOGNE	Périgueux	0.959	0.982
AQUITAINE	24	DORDOGNE	Bergerac	0.960	0.982
AQUITAINE	47	LOT-ET-GARONNE	Agen	0.949	0.968
AUVERGNE	3	ALLIER	Vichy	0.986	0.975
AUVERGNE	3	ALLIER	Montluçon	0.984	0.967
BASSE-NORMANDIE	50	MANCHE	Cherbourg	0.961	0.994
BOURGOGNE	71	INDRE-ET-LOIRE	Chalon-sur-Saône	0.986	1.000
BOURGOGNE	58	NIÈVRE	Nevers	0.985	0.974
BRETAGNE	35	ILLE-ET-VILAINE	Saint-Malo	0.984	0.992
BRETAGNE	22	CÔTES-D'ARMOR	Saint-Brieuc	0.975	0.970
BRETAGNE	29	FINISTÈRE	Quimper	0.986	0.994
BRETAGNE	56	MORBIHAN	Vannes	0.963	0.993
CENTRE	18	CHER	Bourges	0.982	0.969
CENTRE	41	LOIR-ET-CHER	Blois	0.979	0.972
CENTRE	45	LOIRET	Montargis	0.971	0.981
CENTRE	36	INDRE	Châteauroux	0.980	0.962
CENTRE	28	EURE-ET-LOIR	Chartres	1.011	0.995



CHAMPAGNE	51	MARNE	Châlons-en-Champagne	0.986	1.000
CHAMPAGNE	8	ARDENNES	Charleville-Mézières	0.975	0.973
FRANCHE-COMTÉ	90	TERRITOIRE DE BELFORT	Belfort	0.945	0.986
HAUTE-NORMANDIE	76	SEINE-MARITIME	Elbeuf	0.966	0.986
HAUTE-NORMANDIE	27	EURE	Évreux	0.971	0.972
LANGUEDOC-ROUSSILLON	30	GARD	Alès	0.985	0.973
LANGUEDOC-ROUSSILLON	34	HÉRAULT	Béziers	0.977	0.989
LANGUEDOC-ROUSSILLON	34	HÉRAULT	Sète	0.964	1.000
LIMOUSIN	19	CORRÈZE	Brive-la-Gaillarde	0.960	0.987
LORRAINE	88	VOSGES	Épinal	0.958	0.973
LORRAINE	57	MOSELLE	Forbach	0.970	0.983
MIDI-PYRÉNÉES	81	TARN	Albi	0.984	0.980
MIDI-PYRÉNÉES	81	TARN	Castres	1.009	0.993
MIDI-PYRÉNÉES	65	HAUTES-PYRÉNÉES	Tarbes	0.990	0.997
MIDI-PYRÉNÉES	82	TARN-ET-GARONNE	Montauban	0.984	0.988
NORD	62	PAS-DE-CALAIS	Arras	0.977	0.957
NORD	59	NORD	Armentières	0.976	0.970
NORD	59	NORD	Maubeuge	0.949	0.977
NORD	62	PAS-DE-CALAIS	Saint-Omer	0.975	0.966
NORD	62	PAS-DE-CALAIS	Boulogne-sur-Mer	0.977	0.972
PACA	83	VAR	Fréjus	0.998	0.976
PACA	6	ALPES-MARITIMES	Menton-Monaco	0.982	1.000
PACA	13	BOUCHES-DU-RHÔNE	Salon-de-Provence	0.970	1.017
PACA	13	BOUCHES-DU-RHÔNE	Arles	0.958	1.002
PAYS DE LA LOIRE	49	INDRE-ET-LOIRE	Cholet	0.993	1.000
PAYS DE LA LOIRE	53	MAYENNE	Laval	0.984	0.981
PICARDIE	2	AISNE	Saint-Quentin	0.973	0.967
PICARDIE	60	OISE	Creil	0.972	0.969
PICARDIE	60	OISE	Beauvais	0.979	0.973
PICARDIE	60	OISE	Compiègne	0.978	0.981
POITOU-CHARENTES	79	DEUX-SÈVRES	Niort	0.987	0.994
RHÔNE-ALPES	69	RHÔNE	Villefranche-sur-Saône	0.985	0.974
RHÔNE-ALPES	42	LOIRE	Roanne	0.977	0.977
RHÔNE-ALPES	1	AIN	Bourg-en-Bresse	0.981	0.976
RHÔNE-ALPES	26	DROME	Romans-sur-Isère	0.986	0.972
RHÔNE ALPES	42	LOIRE	Saint-Chamond	0.981	0.983
RHÔNE-ALPES	74	HAUTE-SAVOIE	Thonon-les-Bains	1.008	0.993
RHÔNE-ALPES	74	HAUTE-SAVOIE	Cluses	1.019	1.018
AVERAGE				0.978	0.983

■ Non-metropolitan areas

Region	Index Houses 2012-2013
ALSACE	0.950
AQUITAINE	0.993
AUVERGNE	0.925
BASSE-NORMANDIE	0.982
BOURGOGNE	0.966
BRETAGNE	0.985
CENTRE	0.980
CHAMPAGNE	0.931
FRANCHE-COMTÉ	0.964
HAUTE-NORMANDIE	0.983
LANGUEDOC-ROUSSILLON	0.969
LIMOUSIN	0.991
LORRAINE	0.955
MIDI-PYRÉNÉES	0.979
NORD	0.975
PACA	0.987
PAYS DE LA LOIRE	0.983
PICARDIE	0.964
POITOU-CHARENTES	0.962
RHÔNE-ALPES	0.939
AVERAGE	0.968

■ Paris and Île-de-France

Region	Dept No.	Department	Apartment index 2012-2013	House Index 2012-2013
ÎLE-DE-FRANCE	91	ESSONNE	0.999	0.990
	92	HAUTS-DE-SEINE	0.991	1.000
	75	PARIS	0.979	
	77	SEINE-ET-MARNE	1.001	0.993
	93	SEINE-SAINT-DENIS	0.996	0.989
	94	VAL-DE-MARNE	0.995	0.993
	95	VAL-D'OISE	1.001	0.995
	78	YVELINES	0.995	0.992
AVERAGE (EXCLUDING PARIS)			0.997	0.993



APPENDIX 2 – COMPAGNIE DE FINANCEMENT FONCIER SCOPE

■ Collateral items and valuations of collateral using the periodic review approach (in € billion)

		Total	S1	S2	E1	E2
Revaluation 31/12/13	Collateral valuation	62.182	59.646	2.529		0.007
	No. of guarantees	361,623	361,136	485		2
Valuation Year 2013	Collateral valuation	3.958	3.958			
	No. of guarantees	23,664	23,664			
Total 2013	Collateral valuation	66.140	63.604	2.529		0.007
	No. of guarantees	385,287	384,800	485		2

■ Breakdown of the collateral portfolio revalued using the S1 method (by region and for Paris)

Region	SCF Portfolio	
	Regional breakdown of collateral value (in € million)	Regional breakdown in %
Alsace	757.12	1.27%
Aquitaine	3,853.35	6.46%
Auvergne	640.32	1.07%
Basse-Normandie	959.61	1.61%
Bourgogne	1,166.85	1.96%
Bretagne	2,229.58	3.74%
Centre	1,740.37	2.92%
Champagne-Ardenne	575.08	0.96%
Corsica	143.86	0.24%
Overseas Departments and Territories	510.56	0.86%
Franche-Comté	749.21	1.26%
Haute-Normandie	2,123.68	3.56%
Île-de-France (excluding Paris)	14,619.19	24.51%
Languedoc-Roussillon	3,212.55	5.39%
Limousin	425.66	0.71%
Lorraine	1,295.80	2.17%
Midi-Pyrénées	3,336.61	5.59%
Nord-Pas-de-Calais	2,436.99	4.09%
PACA	6,613.29	11.09%
Paris*	1,236.44	2.07%
Pays de Loire	2,639.85	4.43%
Picardie	2,018.74	3.38%
Poitou-Charentes	1,102.56	1.85%
Rhône-Alpes	5,259.14	8.82%
GRAND TOTAL	59,646.39	100.00%

* Because of the unique nature of the Parisian market, the City of Paris is separate from the Ile-de-France region.

■ Breakdown of the belgian collateral portfolio revalued by region

Provinces	Collateral items	Total loans outstanding (€)	Distribution of total outstanding loans	Valuation of collateral (€)	1-year change
Antwerp	837	91,715,269	12.65%	186,012,403	1.98%
Brabant Wallon	272	33,653,825	4.64%	73,782,163	0.85%
Hainaut	1397	146,774,174	20.24%	220,939,897	-0.74%
Liège	703	79,777,630	11.00%	132,728,156	-0.01%
Limburg	319	40,591,422	5.60%	67,041,799	-1.56%
Luxembourg	193	24,628,499	3.40%	35,391,335	2.44%
Namur	364	43,535,815	6.00%	75,200,325	-0.71%
Oost-Vlaanderen	638	67,641,200	9.33%	144,988,829	1.33%
Brussels-Capital region	583	66,679,217	9.20%	138,314,528	1.77%
Vlaams-Brabant	541	66,379,676	9.16%	140,913,846	1.21%
West-Vlaanderen	554	63,668,402	8.78%	114,013,917	1.88%
GRAND TOTAL	6401	725,045,129	100%	1,329,327,197	0.75%

6.3. Effect of credit risk mitigation techniques

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

Of the €30.1 billion of directly held loan receivables from Individuals secured by prime mortgages or the equivalent (lender's liens ⁽¹⁾), €14.8 billion also carry a personal guarantee.

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



■ DETAILS ON THE INDIVIDUALS SEGMENT

The table below presents the breakdown of the various guarantees associated with the Individuals portfolio:

■ Hedges of outstanding loans directly with private Individuals

(in millions of euros)

Schemes		Private Individuals	
		12/31/13	12/31/13
Regulated schemes	FGAS (100% – State guarantee)	13,989	11,293
	Subsidised sector (State guarantee)	141	549
	Crédit Logement ⁽¹⁾	157	191
Mortgage insurance companies	CRESERFI ⁽²⁾	409	362
International financial organisations	Indirect European public guarantee ⁽³⁾	72	75
A – Guaranteed receivables in addition to the mortgage guarantee or equivalent		14,768	12,470
B – Receivables guaranteed by first-ranking mortgages or equivalent (lender's liens)		15,343	15,337
(A+B) collateral + prime mortgage		30,112	27,808
C – Outstanding French mortgage loans		30,112	27,808
PERCENTAGE OF OUTSTANDING LOANS WITH GUARANTEES (BASEL II-ELIGIBLE) COMPARED TO TOTAL OUTSTANDING LOANS [(A+B)/C]		100%	100%

Source: COREP – at 31 December 2013, exposure including off balance sheet commitments (excluding mortgage notes).

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

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

(3) European public guarantee: €72 million in NHG (Dutch State) guarantees on the GMAC portfolio, as at 31 December 2013.

6.4. Balance sheet and off-balance sheet netting

Regarding off-balance sheet derivatives, Crédit Foncier Group measures exposure by applying an add-on to current exposures for the purposes of COREP reporting. Compagnie de Financement Foncier has a policy of systematically signing asymmetrical master netting agreements with its banking counterparties, meaning that only the counterparties provide collateral when the derivative's value is positive towards Compagnie de Financement Foncier, depending on their rating. When the value of derivatives with a counterparty is positive towards the counterparty, Compagnie de Financement Foncier does not post collateral to this counterparty.

In terms of derivatives instruments, the relationships between Compagnie de Financement Foncier and the derivative

counterparty are regulated *via* a market agreement signed by both parties and which allows the credit risk to which it is exposed to be significantly limited. The framework agreement allows netting of exposures to a same group, which limits the equity consumed. Furthermore, the framework market agreement allows the option of reducing the exposure to the credit risk through the margin call mechanism.

The framework agreements signed by Compagnie de Financement Foncier are consistent with international standards. Any framework agreement is negotiated by the operators and the lawyers of the Front Office in coordination with the Risk Division.

7. G7 Reporting

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

Accordingly, Compagnie de Financement Foncier reports that as of 31 December 2013, it had no exposure to the following asset classes:

- CDOs (Collateralised Debt Obligation) or direct exposures to monoline insurers;
- exposures to CMBS (Commercial Mortgage-Backed Securities);
- subprime, Alt-A or, more broadly, any exposure to US mortgage securities;

- special purpose vehicles;
- leveraged buyouts.

Compagnie de Financement Foncier has no direct exposures to monoline insurers but does have credit enhancements acquired from them for certain assets in the portfolio. In all such cases Compagnie de Financement Foncier has a first claim on a counterparty other than the monoline. All of these enhancements concern underlying assets in the public sector (loans or securities) granted either directly to a sovereign state or to a local authority (including healthcare securitisations) or to a public institution. The overall breakdown by underlying rating as of 31 December 2013 of the enhanced portfolio is provided below (nominal in millions of euros):

■ Intrinsic rating before enhancement

12/31/13		Nominal (in millions of euros)						
Monoline	Monoline rating	AA	A	BBB	Non Investment Grade	Not available	Total	%
AMBAC	Not available		10				10	1%
CIFG	Not available			133			133	9%
FGIC	Not available					98	98	6%
AGMC ⁽¹⁾	A	195	732	145			1,072	71%
MBIA ⁽²⁾	BBB+		78			118	196	13%
TOTAL		195	820	278	-	216	1,509	
%		13%	54%	19%	-	14%		100%

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

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

These financing commitments are all backed by financial guarantees (and not CDS), which constitutes an additional safeguard for the asset held in the portfolio. These guarantees are not valued and are not recognised on Compagnie de Financement Foncier's balance sheet (only enhancement premiums are recognised as an expense). The monoline rating is the lower of the two best ratings from Standard & Poor's, Moody's and Fitch Ratings as of 31 December 2013. The intrinsic rating of the underlying asset is its Basel II rating before enhancement at the same date.

In light of restructuring impacting the monoline sector, the rating used for securities originally wrapped by FSA is now the Assured Guaranty Municipal Corp. rating. This monoline was rated A2 (Moody's) and AA- (Standard & Poor's) at 31 December 2013. Likewise, those wrapped by MBIA are now assigned the rating of the National Public Finance Guarantee Corporation (Baa1 rating by Moody's and A by S&P at 31 December 2013), the entity now guaranteeing North American local governments.

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



8. Market and asset & liability management risks

Compagnie de Financement Foncier does not engage in proprietary trading and does not have any positions in a trading book. Its activities in the markets are limited to asset/liability hedges of the banking book.

Crédit Foncier provides Compagnie de Financement Foncier with ALM structural risk monitoring services, pursuant to an agreement

to this effect. The management rules are set out in Compagnie de Financement Foncier's Financial Charter.

In addition, Crédit Foncier provides consolidated oversight of the structural risks for the entire Crédit Foncier Group.

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

8.1.1. ORGANISATION OF ALM RISK MONITORING

At the Compagnie de Financement Foncier level, financial risks are managed and monitored by specialised bodies, the ALM Committee and the Risk Committee.

- **Compagnie de Financement Foncier's Risk Committee**, chaired by the Chief Executive Officer of Compagnie de Financement Foncier, defines financial risk policies at the Company level. It tracks limits and indicators. It reports on the controls carried out by the Risk Division. It validates the locally determined methods for measuring risk as well as the specific agreements as to asset and liability flows, making sure that they are consistent with the Crédit Foncier Group's methods.
- **The Asset and Liability Management (ALM) Committee of Compagnie de Financement Foncier** is the decision-making body responsible for the financial management of the banking portfolio, within the limits established by the Company's executive management based on proposals by the Risk Committee and in accordance with Crédit Foncier Group rules. It meets at least quarterly and is chaired by the Company's Chief Executive Officer. Its members include the Chief Risk Officer and representatives of the principal management functions.

The translation into operations of strategic direction and management decisions is provided through the following Crédit Foncier committees:

- **the Treasury Committee**, meeting monthly and chaired by the Deputy Chief Executive Officer for Financial Operations of Crédit Foncier, who is also Deputy Chief Executive Officer of Compagnie de Financement Foncier, reviews the cash position and funding, makes one-year liquidity projections and manages the Compagnie de Financement Foncier's liquidity ratio. The committee takes decisions about short-term operations needed to implement the financing plan made by the ALM;
- **The liquidity Committee**, meeting quarterly and chaired by the Chief Executive Officer of Crédit Foncier, is responsible to monitor the funding policy of Crédit Foncier group and the realization of the budget. It ensures compliance with the limits and observation thresholds of liquidity indicators. If thresholds

were overrun, the Committee proposes the measures to implement.

- **the Interest Rate Committee**, meeting weekly and chaired by the Deputy Chief Executive Officer for Finance, acts by delegation and as guided by the ALM as part of the management of interest rate risk. This committee is coordinated by Crédit Foncier's Financial Management Department, an independent unit within Crédit Foncier's Financial Operations Department, and manages the hedging of risks on fixed rate loans, fixing risks on variable-rate loans, as well as interest rate risk on occasional transactions.

This forum ensures strict separation between the reporting function and the order execution function, which is under the sole responsibility of the trading desk of Crédit Foncier's Financial Operations Department;

- **lastly, the Financial Committee**, meeting monthly and chaired by the Deputy Chief Executive Officer for Financial Operations of Crédit Foncier who is also Deputy Chief Executive Officer of Compagnie de Financement Foncier, is charged with overseeing the Crédit Foncier Group's financial operations: financing, off-balance sheet transactions and purchases by Compagnie de Financement Foncier. It carries out the long-term operations required by the financing plan set by the ALM.

The risk unit provides second-tier controls on financial risks in accordance with the Compagnie de Financement Foncier risk charter.

8.1.2. METHODOLOGY USED FOR ASSESSING LIQUIDITY, INTEREST RATE, AND EXCHANGE RATE RISKS

Liquidity and interest rate risks are measured using different, complementary approaches depending on the time horizon of the analysis. There are two distinct approaches:

- a static approach, which covers on- and off-balance sheet transactions existing at a given date and up until their final maturity. Static processing factors in the stock of transactions and all flows from contracted commitments;

- a dynamic approach for liquidity risk (preparing the financing plan, evaluation of cash requirements) that includes business level forecasts over the current and following periods. Dynamic analyses consider likely events resulting from commitments that have been made or are under option and uncertain events resulting from future activity.

As regards interest rate risks, given a systematic hedging policy, new flows are assumed to be hedged for interest rate risk and therefore there is no dynamic modelling of interest rate risk that is different from the static flow concept.

In keeping with these two approaches, assumptions or agreements are made about flows of assets and liabilities:

- balance sheet items with contractual maturities: the main assumptions concern the propensity of customers to pay back the loan before maturity (prepayment) or to renegotiate the terms

of the loan, as well as how quickly loans known as deferred payments are disbursed.

Prepayment and renegotiation assumptions are applied to each type of loan according customer category (private Individuals or local governments) and the type of rate (fixed rate, adjustable rate or variable rate). Prepayment rate assumptions are compared on the balance sheet date with rates actually observed in order to assess their relevance.

- balance sheet items without a contractual due date, such as items in the equity portion of the balance sheet (capital, reserves), are subject to specific maturity rules proposed by the Financial Management Department in accordance with BPCE rules or by special agreements validated by approved by Compagnie de Financement Foncier's ALM Committee.

As regards information systems, the ALM uses a specific software package (Bancware) that is interfaced with the management systems.

8.2. Liquidity risk monitoring

8.2.1. ORGANISATION OF COMPAGNIE DE FINANCEMENT FONCIER'S FUNDING

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

In 2013, Compagnie de Financement Foncier issued *obligations foncières* in the amount of €3.5 billion.

Compagnie de Financement Foncier also has at its disposal an asset mobilisation option (Article L. 513-2 of the French Monetary and Financial Code.) This option is represented operationally by a set of assets eligible for CEB transactions of €19 billion after haircut, pursuant to the transitional measures of the Banque de France of 9 February 2012 and regulatory constraints.

In 2013 Compagnie de Financement Foncier did not make use of this option.

8.2.2. LIQUIDITY RISK MONITORING

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

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

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

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

Some of its assets, known as replacement securities, consist of safe and liquid investments as required by law for *sociétés de crédit foncier*. At 31 December 2013, Compagnie de Financement Foncier held €7 billion in replacement values consisted mainly of BCTG (short-term guaranteed notes) to BPCE for €6.6 billion. In addition, the cash balance of Compagnie de Financement Foncier mainly consists of deposits at the central bank for 11.4 Md€.

8.2.3. OBSERVANCE OF LIMITS

LIQUIDITY RATIO

As of 31 December 2013, Compagnie de Financement Foncier had a liquidity ratio of 845%.

CASH FORECASTING 180 DAYS AHEAD

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

LIMIT RELATED TO THE LIABILITIES TO ASSETS COVERAGE RATIO

In the first-half of 2013, to align with BPCE guidelines, a limit on the liabilities to assets coverage ratio was introduced at Compagnie de Financement Foncier.

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



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

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

At 31 December 2013, Compagnie de Financement Foncier complied with this limit and benchmark.

ASSET AND LIABILITY DURATION

Compagnie de Financement Foncier also determines the durations of its assets and liabilities to ensure that their maturities are properly

matched and is committed to a maximum spread of two years. Probable early redemption rates are applied to assets. Liabilities take into account equity share with a maturity equal to the longest one of issued liabilities.

During the 2013 fiscal year, this rule was still complied with, as the average duration was 5.68 years for assets and 6.92 years for liabilities, the assets including:

- financed assets;
- replacement values, retained for their contractual maturity;
- mortgage notes and public sector loans extended under L. 211-38 treated in transparency.

8.3. Monitoring of overall interest rate risk

8.3.1. MANAGEMENT METHODS

Overall interest rate risk constitutes a potential risk of instability to Compagnie de Financement Foncier's earnings or asset values caused by overall unfavourable balance sheet and off-balance sheet exposures to interest rate fluctuations.

Compagnie de Financement Foncier is protected against foreign exchange and interest rate risk: all fixed rate and/or non-euro denominated asset acquisitions or debt issues are systematically hedged with variable rates and/or swapped into euros.

Given the various hedging mechanisms implemented by Compagnie de Financement Foncier when transactions are entered into, exposure to interest rate risk is limited to the possible distortion of the hedging transaction arising from events not known when the transaction was entered into and which occurred during the term of the contract (mainly early redemptions). Macro-hedging strategies are determined by Compagnie de Financement Foncier's ALM Committee; they are set out operationally by the Interest Rate Committee and then implemented by the Cash Management Unit of Crédit Foncier, which is the only point of entry to the market available to Compagnie de Financement Foncier.

The transactions in 2013 to reduce the derivatives in the portfolio were executed in compliance with the limits set by internal regulations as well as with the constraints imposed by the rating agencies. In addition, a review was made of framework agreements in 2013 to meet the new requirements of the rating agencies with regard to counterparty risk.

The current limits for interest rate gaps are:

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

At 12/31/2013, the calculation of the interest rate gap showed an overrun of € 244 million as of 12/31/2022 and € 68 million as of 03/31/2023 to. To comply with the limit, a hedge is implemented.

8.3.2. INTEREST RATE RISK MONITORING

Compagnie de Financement Foncier has adopted a static approach for measuring risk and the sensitivity of results. The two main indicators are the fixed interest-rate gap and the sensitivity of the net present value of equity (Basel II indicator). The position by allocation of adjustable rates was also observed.

The fixed interest-rate gap is calculated from total outstandings both on- and off-balance sheet on the balance sheet date, using predefined assumptions and rules for asset and liability flows. This interest rate gap is off-adjustable, for which the interest rate reference's periodicity is less than one year.

All of these indicators are monitored quarterly by the ALM Committee and Risk Committee.

8.3.3. OBSERVANCE OF LIMITS

LIMIT RELATED TO THE STATIC RATE GAP

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

LIMIT ON THE NPV OF EQUITY CAPITAL (BASEL II INDICATOR)

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

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

At 31 December 2013, Compagnie de Financement Foncier complied with this limit.

8.4. Monitoring foreign exchange risk

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

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

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

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

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

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

All these limits were complied with in 2013.

For more information on the schedule of foreign exchange positions, please refer to Note 28 of the individual accounts.

9. Operating risks

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

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

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

Compagnie de Financement Foncier's operational risk management relies on Crédit Foncier's system. Only the operational risks associated with the activity of Compagnie de Financement Foncier's General Secretariat are specifically mapped. We would point out that no incident related to Compagnie de Financement Foncier's risk mapping was detected in 2013. At 31 December 2013, the total operational supervision and management of Crédit Foncier's operational risk system included 165 people.



9.1. General Management

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

9.2. Governance

Operational risk management is part of the Crédit Foncier Group's Risk Division. It is managed by a specialised unit that is separate from operating activities and attached to the Risk Division. This unit reports to Compagnie de Financement Foncier's executive bodies and those responsible for controlling Compagnie de Financement Foncier.

9.3. Management environment

9.3.1. MANAGEMENT NETWORK

Operational risk oversight and management is delegated to the managers of the various departments. Each manager relies on a network of representatives coordinated by a risk manager, with a functional link to the Risk Division.

9.3.2. METHODS AND TOOLS

The risk approach is based on three key elements that are part of an iterative, interactive method: identification and assessment by each business line of its vulnerability to the main operational risks, frequency and evaluation, determination of existing or necessary preventive and corrective measures to manage or reduce the impact of risks. The mapping is updated whenever processes or the organisational structure changes, and in any case at least once a year.

In parallel with this, the following have been put in place:

- a system for recording incidents in a dedicated Group database (PARO): management and analysis of operational results: the management network inputs the incident database as and when such incidents occur and evolve; monitoring of corrective action plans; analysis of changes in risks exposures and resulting losses;
- indicators for the main risk areas warning when incidents are likely to enter a critical phase.

The Crédit Foncier Group also receives reports through the PARO system.

Lastly, for calculating capital adequacy requirements, the Crédit Foncier Group currently applies the Basel II standard approach (see Section 4).

9.4. Organisation of the Business Continuity Plan (BCP)

Under the service agreements between the Crédit Foncier Group and Compagnie de Financement Foncier, business continuity at Compagnie de Financement Foncier is covered by Crédit Foncier's business continuity plan (BCP). All aspects of this plan are maintained in working condition as required by the regulations.

Compagnie de Financement Foncier has a BCP manager, who acts on its behalf in matters of compliance and maintaining this the plan in deployment-ready condition in cooperation with Crédit Foncier.

9.5. Information technology risk

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

Since 1 January 2014 Crédit Foncier's information system has been placed under IT-CE, a subsidiary of Groupe BPCE responsible for the information technology of Caisses d'Epargne and other Groupe BPCE entities. As per the original plan, IT-CE took responsibility for day-to-day continuity of service and changes in Crédit Foncier's current applications platform.

9.6. Insurance

As Compagnie de Financement Foncier's servicer, Crédit Foncier takes out insurance for the risks relating to its activity. Under service agreements with Compagnie de Financement Foncier, it provides insurance-related services on behalf of Compagnie de Financement Foncier. As a result, Compagnie de Financement

Foncier benefits from insurance policies taken out by Crédit Foncier covering the following risks:

- losses arising out of banking operations;
- IT fraud and malicious acts;
- professional civil liability;
- civil liability of senior executives and corporate officers.

9.7. Legal risks

According to the service agreements that link Crédit Foncier to Compagnie de Financement Foncier, legal risks incurred by the latter are monitored by the General Secretariat of the Group.

The difficulties faced by a major operator in the French overseas departments led him to consider a withdrawal scheme through the sale of assets; it should be noted that the underlying receivable is guaranteed by both real estate collateral and a State guarantee provided in Article L. 312-1 of the French Construction and Housing Code.

Some French local authorities holding loans with interest rates, subsidised at first period, then result of the application of a structured calculation based on the evolution of the exchange rate of some currencies, got worried about the evolution of the exchange rates. Five of them took Crédit Foncier to court. Compagnie de Financement Foncier was only named directly in one case.

10. Settlement risk

Compagnie de Financement Foncier's treasury transactions are essentially carried out in connection with ALM activities. Processing is centralised in Crédit Foncier's treasury back office.

This unit provides:

- cash flow management (inflows and outflows);
- cash forecasting 24 hours ahead.

The handling and the accounting control of treasury accounts is the responsibility of a manager in charge of an independent unit, in keeping with the principle of segregation of duties. Compagnie de Financement Foncier has direct access to the market settlement systems of the Paris Stock Exchange for large transactions denominated in euros; it is a member of the European Target system. For transactions in foreign currencies and small transactions in euros, it has accounts with BPCE.

Daily procedures for monitoring settlement risk include:

- preparation of projected flow profiles;
- daily reconciliation of individual flows with forecasting.

In the event of the definitive default of a settlement counterparty leading to Compagnie de Financement Foncier potentially being overdrawn with Banque de France, there are provisions for hedging mechanisms to be put in place (interbank borrowing or end-of-day borrowing facility provided by the European Central Bank).

Compagnie de Financement Foncier has a business continuity plan under an agreement with BPCE. Accordingly, as regards its financial activities, Compagnie de Financement Foncier is covered by BPCE's Business Continuity Plan.



11. Non-compliance risk

Compliance responsibilities for Compagnie de Financement Foncier are performed by Crédit Foncier in accordance with the terms of the relevant agreements (framework agreement and internal control and compliance service agreement) between

the two entities, and by the delegation of the relevant powers of Compagnie de Financement Foncier's Chief Executive Officer to the Chief Compliance Officer of Crédit Foncier.

11.1. Risk monitoring and measurement systems

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

In 2013 specific work was done on the application of the US tax regulation FATCA to Crédit Foncier's transactions and securities. The particular issues arising from the European EMIR regulation relating to transactions with derivative instruments were also studied.

11.2. Risk identification and monitoring

Non-compliance risks are identified using a dual approach:

- detection and factoring the specific aspects of Compagnie de Financement Foncier into the implementation of statutory instruments to avoid potential implementation difficulties and to guarantee accurate translation into operating procedures;
- analysis of the results of Level I controls carried out by the Crédit Foncier operating teams within the scope of Compagnie de

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

Operational risk reports entered into the PARO applications rely on risk mapping that integrates non-compliance. Risks are identified in this application based on their type and are subject to an exposure assessment of any risk event. In 2013, risk mapping was updated in cooperation with the Compliance Department.

11.3. Risk management

The control of non-compliance risks is divided between:

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

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

11.4. Monitoring of dysfunctions

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

of the corresponding action plans are monitored by the Internal Control Coordination Department, which reports on them to Crédit Foncier's Internal Control Committee and Compagnie de Financement Foncier's Audit Committee.

11.5. Approval of new products or services

Consideration of non-compliance risk is integrated into Crédit Foncier's approval process for new products and services. As part of the review and approval process for new products,

services or activities, matters specifically related to Compagnie de Financement Foncier, in particular the eligibility of future outstandings for its balance sheet, are systematically examined.

11.6. Ethics – Market abuse – Conflicts of interest

Financial ethics standards specifically incorporate regulatory measures arising out of the Market Abuse Directive.

Corporate officers, Directors and other personnel acting on behalf of Compagnie de Financement Foncier are governed by this procedure to the extent they are concerned.

11.7. Combating money laundering and the financing of terrorism

The Crédit Foncier Group combats money laundering and the financing of terrorism by means of a due diligence and monitoring system involving all Group stakeholders across the banking operations and lending chain. This system includes adequate procedures as well as training and awareness programmes for staff.

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

11.8. Outsourced services

Essential Outsourced Services within the meaning of Article 37 of CRBF regulation No. 97-02, as amended, are those covered by agreements between Crédit Foncier and Compagnie de Financement Foncier. Crédit Foncier monitors compliance with this regulation for services it outsources to third parties. This outsourced services monitoring have been incorporate into

Groupe BPCE's PILCOP application allowing thus the monitoring of ongoing services and the adequate implementation of new services.

The General Secretariat of Compagnie de Financement Foncier has specific responsibility for monitoring Crédit Foncier's outsourced services.



Report of the Chairman of the Board of Directors

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Report of the Chairman of the Board of Directors established pursuant to Article L. 225-37 of the French Commercial Code

Conditions for preparing and organising the work of the Board of Directors

1.1. MEMBERS OF THE BOARD

As of 31 December 2013, the Board of Directors of Compagnie de Financement Foncier was composed of seven members, including the Chief Executive Officer and the Deputy Chief Executive Officer. The members of the Board are listed in the attached table. The Company's two Statutory Auditors and its Specific Controller also attend the Board meetings.

1.2. BOARD MEETINGS

The legal secretary to the Board of Directors is provided by the General Secretariat of Crédit Foncier de France and it establishes, in consultation with the Chairman and Executive Officers, the agenda for the meetings as well as the information files distributed to the members. This department also drafts the minutes and keeps the legal registers. On 30 June 2010, the Board adopted internal regulations defining operational procedures for the Board.

Compagnie de Financement Foncier's Board of Directors meets at least once every three months to examine a prescheduled agenda. Specific items may be added depending on the period. Items discussed include:

- approval of the accounts for the previous year;
- management forecasts;
- quarterly report of bond issuance and analysis of the performance of *obligations foncières* (covered bonds) issued by Compagnie de Financement Foncier on the primary and secondary markets;
- determining, at the end of each quarter, for the following quarter, the programme for issuing covered bonds and other preferred debt which requires certification by the Specific Controller;
- delegation of the powers necessary to carry out these operations;
- examination of the half-year accounts;
- more generally, authorisation of any major transaction involving the Company or any significant event affecting the Company (governance, changes to bylaws, agreements with the parent company, update of EMTN programmes, debt issues that exceed limits of delegated powers, etc.);

- reports on internal control and risk measurement and assessment of monitoring pursuant to Articles 42 and 43 of CRBF Regulation No. 97-02 as amended and the annual report of the Specific Controller;
- presentation of the results from the ongoing and periodic controls.

The records and documents submitted to the Board provide it with clear, true and fair information about the Company and its evolution.

The Board of Directors has not limited the powers of the Chief Executive Officer in any way. The Chief Executive Officer is vested with the broadest powers to act in all circumstances on behalf of the company, within the limits of the corporate purpose, and subject to the powers expressly attributed by law to General Meetings and the special powers of the Board of Directors. He represents the Company in its relationships with third parties. The Deputy Chief Executive Officer is vested with the same powers as the Chief Executive Officer.

Compagnie de Financement Foncier's Board of Directors met six times in 2013.

Board members are entitled to directors' fees in accordance with the allocation rules recommended by BPCE, Compagnie de Financement Foncier's Central Institution. The amount of the directors' fees allocated to the Board members is set in advance for each meeting. It is paid only if the members actually attend the meetings. The amount is also subject to an annual cap.

1.3. COMMITTEES AND CONTROLS

The Company has an Audit Committee. It operates in accordance with a charter approved by the Board of Directors in its meeting of 29 June 2004 and updated by the Board in its meeting of 30 March 2010, 29 June 2011 and 18 December 2013.

The Audit Committee is responsible for advising the Board of Directors on:

- the clarity of the information provided and the relevance of the accounting methods used to prepare the company's financial statements;
- the quality of internal control, in particular the consistency of risk measurement, oversight and management, and is responsible for proposing, when appropriate, additional measures in this respect.



Its usual scope includes:

- budget procedures;
- closing of the accounts;
- choice of Statutory Auditors and Specific Controller;
- permanent controls (compliance, risk monitoring and financial management);
- periodic controls;
- appointments of corporate officers;
- examination of the annual report by the Specific Controller.

As of 31 December 2013, the Audit Committee is composed of four members:

- Crédit Foncier represented by Mr Eric FILLIAT, Chairman;
- BPCE represented by Mr Roland CHARBONNEL;
- Ms Christine JACGLIN;
- Ms Pascale PARQUET.

Mr Thierry DUFOUR, Chief Executive Officer, is in charge of permanent and periodic control and compliance for Compagnie de Financement Foncier.

This appointment meets the requirements of Article 7.1 of CRBF Regulation 97-02 as amended, and is in accordance with the principle applied by Crédit Foncier management under which the executive bodies of subsidiary credit institutions may draw on the parent company's structure to fulfil their obligations in terms of permanent and periodic control and compliance.

During the first quarter of 2014 changes have been made in the composition the Board of Directors. The Board increased from 7 members to 11 members.

As of 25 March 2014, the Audit Committee is composed of:

- Crédit Foncier represented by Mr Eric FILLIAT, Chairman;
- BPCE represented by Mr. Olivier IRISSON;
- Ms Christine FABRESSE;
- Mr Dominique GARNIER.

ATTENDANCE OF SHAREHOLDERS AT GENERAL MEETINGS

General Meetings of shareholders are convened in accordance with French legal and regulatory requirements.

An invitation to attend the meeting is sent to each shareholder individually. The shareholders are exclusively registered shareholders.

Any shareholder may attend the General Meeting per the conditions set out by law.

There is no provision assigning multiple voting rights.

PRINCIPLES AND RULES APPROVED BY THE BOARD OF DIRECTORS FOR DETERMINING COMPENSATION TO BE MADE TO CORPORATE OFFICERS

Compensation of the Chief Executive Officer and the Deputy Chief Executive Officer is composed of a fixed portion and a variable portion, equal to a percentage of the fixed portion. For the Chief Executive Officer, the amount of the variable portion that is actually allocated depends on the income of Groupe BPCE and, for the Deputy Chief Executive Officer, the degree of completion of the objectives that are assigned to him each year. This variable portion is fully paid by Crédit Foncier.

Internal control procedures established by the Company

REGULATORY ENVIRONMENT AND ITS APPLICABILITY TO THE ENTITIES OF THE CRÉDIT FONCIER GROUP

In its dual capacity as credit institution and *société de crédit foncier*, Compagnie de Financement Foncier operates within a very comprehensive legal and regulatory framework governing its activities and their control.

As a credit institution, this framework primarily stems from the French Monetary and Financial Code (CMF) and the regulations set forth by the Banking and Finance Regulatory Committee (CRBF), and in particular, with regards to internal controls, by CRBF Regulation No. 97-02 as amended.

As a *société de crédit foncier*, Compagnie de Financement Foncier is subject to specific provisions set forth in Articles L. 513-2 to L. 513-27 of the French Monetary and Financial Code and in various implementing decrees (Articles R. 515-2 to 14 of the French Monetary and Financial Code, CRBF Regulation No. 99-10 as amended, etc.). The legal and regulatory framework

applicable to *sociétés de crédit foncier* was revised and modernised in 2010, and the changes came into force in 2011.

This framework requires the Company to appoint a Specific Controller approved by the French Prudential Supervisory and Resolutive Authority. This person is in charge of monitoring compliance with legal requirements: asset eligibility, overcollateralisation, the congruence of rates and maturity and the valuation of assets or underlying securities.

The Controller drafts an annual report, which is then submitted to the French Prudential Supervisory and Resolutive Authority and executive officers.

In accordance with the regulations, Compagnie de Financement Foncier's executive management is responsible for establishing internal controls and implementing them. The internal controls encompass all procedures, systems and controls required to comply with laws, regulations and market rules, as well as Crédit Foncier Group rules, and ensure that all risks are properly managed.

In accordance with the legal framework that provides a privilege for holders of covered bonds, the law stipulates that *sociétés de crédit foncier* may not have their own resources.

The Company relies on the resources of its parent company to carry out its activities. Crédit Foncier provides the company with a number of services, under a series of agreements that were updated in 2006 and early 2007, particularly with regard to internal control and compliance services.

These services must be subjected to controls according to the amended Regulation 97-02 of Article 37-2, which requires that the service provider's internal control system be adequate. The executive management is responsible for ensuring that controls are adequate as stated in Regulation 97-02: "Outsourcing in no way entails the delegation of the executive body's responsibility."

The outsourced activities are performed in accordance with the ongoing and periodic control procedures implemented by Crédit Foncier. These procedures comply with the rules and standards set by BPCE, which as the central institution determines the obligations of group entities in the area of internal control, in terms of resources, organisation and guidelines.

BPCE's Internal Audit Department also performs periodic audits of Crédit Foncier's internal control system as part of its overall assessment of internal control.

ORGANISATION OF INTERNAL CONTROL AND ROLES OF THE VARIOUS PARTIES INVOLVED

The effectiveness of internal controls depends on a clear division of the roles and responsibilities of different governance structures and of ongoing operational control entities as well as on the arrangements made for periodic controls.

CORPORATE GOVERNANCE

In accordance with the CRD4 directive and the CRR regulation applicable as of 01 January 2014, it was decided to proceed with the dissociation of the functions of Chairman of the Board of Directors and Chief Executive Officer. This amendment impacting the Company bylaws has been endorsed during the Combined General Meeting on March 25, 2014.

Compagnie de Financement Foncier's executive management is responsible for managing the company. It is in charge of managing risks and internal controls including ongoing controls.

The Board of Directors exercises control over the company's management and orients its strategy. It is involved in the most important decisions and is kept regularly informed of the level of indicators. Its work is prepared by the Audit Committee, which carries out the essential tasks of ensuring that relevant and consistent accounting methods are used to prepare the company's financial statements and of assessing the quality of internal controls, including the consistency of measurement, monitoring and risk management systems, and, if necessary, propose an appropriate course of action.

INTERNAL CONTROL

The internal control system is based on several levels of permanent and periodic controls, and is deployed through various

organisational measures (involvement of line managers, delegation system, reporting structures, and separation of functions) which are detailed below.

THE DIFFERENT LEVELS OF PERMANENT CONTROL

Independent control units contributing to the permanent control within the business lines were strengthened and, for most of them positioned at business lines' level.

The Risk and Compliance divisions are grouped into a single division under the authority of a Deputy managing director of Crédit Foncier. Within this division, a Permanent Control Coordination division monitors the overall consistency of the Crédit Foncier permanent control system.

OPERATIONAL PERMANENT CONTROL

Operational permanent controls, called first level (OP1), are performed within the operating units by the employees or their management. The controls are specified in procedural and operating manuals, and unit heads are responsible for producing and updating these.

It should be noted that business units are subject to rapid structural and regulatory changes, in addition to substantial IT migrations constantly modifying the ways in which transactions are processed, leading to a frequent update of controls called first level (OP1).

PERMANENT CONTROLS PERFORMED BY UNITS THAT ARE INDEPENDENT FROM THE OPERATING STRUCTURES

These units which are involved in second level (OP2) verify that the procedures are properly applied and that risk is managed efficiently.

They may report directly to Executive Officers of Crédit Foncier:

- the head of permanent control for French front office sales activities to Individuals reports directly to the Deputy Chief Executive Officer in charge of the retail. He also reports functionally to the Chief Risk Officer;
- the head of permanent controls the Corporate activity and activities of middle and back office loans to individuals are attached to the Executive Officers in charge of these sectors;
- this is also the case of the "SCF and VMG Oversight and Control" unit, which supervises permanent control of all processes impacting the Compagnie de Financement Foncier (notably the quality of procedures), related to the Deputy Chief Executive Officer in charge of Financial Transactions Division.

The permanent control units may also take the form of dedicated central structures:

- Risk Department measures, controls and oversees credit and counterparty risks, as well as financial and operational risks;
- Compliance Department is responsible for controlling non-compliance and investment risks; it also covers ethics and prevention of money laundering and fraud;
- Permanent Control Coordination Department is responsible for cross-control functions within the Crédit Foncier group. It ensures the existence and efficiency of permanent control. This Department maintains a strong functional relationship with permanent control teams;



- the Head of Information Systems Security for Crédit Foncier Group reports to the Chief Risk Officer. His responsibilities are to define the information systems security policy, oversee a network of officers within the company's entities and to assist and advise the IT department on security issues. It also provides the function of the Head of Business Continuity Planning for Crédit Foncier Group and reports to the Chief Risk Officer. His duty is to ensure that Crédit Foncier's post disaster business continuity plan is updated and maintained in good operating conditions in order to keep Crédit Foncier's business in operation after the occurrence of a major risk. These entities are attached to the Deputy Director in charge of the Risk and Compliance Division;
- The "Accounting Audit" Department reports to the Accounting Department and is devoid of any operational activity; it supervises the accounting and regulatory data produced by Crédit Foncier and its subsidiaries.

The Crédit Foncier Group's permanent control system is structured around standardised and regularly updated risk management control procedures for each business unit.

The main duties of Crédit Foncier's Internal Control Committee are to:

- ensure that permanent controls for business activities are comprehensive and well-organised and that monitoring and risk management systems are effective (including oversight of the risk management system);
- coordinate actions to manage risks, ensure the compliance of internal procedures and transactions, and guarantee the quality and availability of information processed by the Information Systems, as well as the security of such systems;
- oversee the resolution of malfunctions identified by permanent control units.

It reports periodically on its work to the Audit Committee of Crédit Foncier and the Corporate Secretariat of Compagnie de Financement Foncier is a permanent member of this committee.

PERIODIC CONTROL

Periodic control is the responsibility of Crédit Foncier's Internal Audit Department.

BPCE's control units contribute to periodic control by performing audits within the scope of Crédit Foncier Group - which includes Compagnie de Financement Foncier - audits from which recommendations are communicated to Crédit Foncier's Internal Audit Department, which oversees their implementation.

LINE MANAGEMENT'S ROLE IN CONTROLLING EMPLOYEES' ACTIVITIES

A key element of operational permanent control is the control by line management which is usually ensured by:

- analysis of the incident reports, supervisory reports and financial reports that enable the managers to oversee the activities of their units;
- a system of delegations, to a large extent incorporated into the IT procedures (authorisation by type of transaction or threshold, transactions that require approval), or in the form of manual approvals.

SYSTEM OF DELEGATION

Crédit Foncier's delegation system is based on two series of measures:

- an internal system ensuring that decisions are made at an appropriate level within the Company, according to the magnitude of the risks they present (involvement of the competent decision-making committees, or the internal delegation systems);
- a system of mandates that allows Crédit Foncier representatives to demonstrate to third parties that they have the necessary authority to make certain commitments on behalf of the Company.

Moreover, all members of the Executive Committee have full power and authority, within the scope of the responsibilities assigned to them, to perform their duties.

Decisions that are not directly the responsibility of General Management of Crédit Foncier and which exceed the powers delegated to operational managers are taken by specialised committees. Some committees are specific to Compagnie de Financement Foncier. In the case of the other committees, Compagnie de Financement Foncier is represented. The main committees include:

- Crédit Foncier's National Commitment Committee: authorises commitments exceeding the powers delegated to the operating units;
- the Risk Committee specific to Compagnie de Financement Foncier: monitors overall trends in counterparty, financial and operational risk and takes the relevant decisions (scoring rules, delegations, limits);
- Crédit Foncier's Watch List Committee and National Committee on Sensitive Operations: manages strategy and decisions regarding bad debts of a substantial amount or debts exposed to risk;
- Crédit Foncier's New Products Committee: launches new types of loans, other products intended to be marketed and services;
- the Asset and Liability Management Committee dedicated to Compagnie de Financement Foncier: reviews ALM indicators and makes decisions and sets guidelines as a result; complies with the limits set with the rating agencies; a dedicated committee implements the guidelines set at the ALM Committee Meeting;
- the Agreement Oversight Committee for agreements between Crédit Foncier and Compagnie de Financement Foncier: oversees the correct interpretation and application of agreements, verifies that the outcome is fair and suggests any necessary changes;
- the Management Committee of Compagnie de Financement Foncier, an offshoot of the Agreements Monitoring Committee: provides operational oversight of Compagnie de Financement Foncier's management and proposes solutions to problems, if any, related to compliance with the agreements;
- the Resolution Committee reviews the eligibility of the receivables transferred by Crédit Foncier to Compagnie de Financement Foncier;
- committees related to run-off international portfolio management which determine the strategy and decide of asset sales notably on Compagnie de Financement Foncier.

RISK OVERSIGHT AND MEASUREMENT

Crédit Foncier implements processes and procedures aimed at measuring, supervising and managing its risks (mainly counterparty, interest rate, foreign exchange, liquidity and operational risks) appropriate to its activities, resources and structure, and which are incorporated into the internal control system.

The main risk factors are closely monitored. The Company has clearly defined the limits and procedures used to oversee, pre-select, measure, supervise and manage its risks. These limits are updated regularly.

Crédit Foncier's Risk Department measures Crédit Foncier's risks and thus risks of Compagnie de Financement Foncier, comprehensively and precisely, incorporating all categories of commitments and distinguishing different levels of risks.

The measurement methodologies are documented and supported. They are periodically reviewed in order to verify their relevance and suitability with respect to the risks incurred.

Risk supervision is conducted through the continuous monitoring and correction of limit overruns if necessary, and through a periodic review of the main risks and portfolios. Outstanding loans are also periodically reviewed to ensure their proper classification under the regulations in force (particularly doubtful loans). The adequacy of provisioning for the various risk levels is also checked on a regular basis.

Compagnie de Financement Foncier's risk information, made available to Executive Officers during Committee Meetings or by means of periodic activity reports, is communicated on a regular basis to the Audit Committee and to the Board of Directors of Compagnie de Financement Foncier.

REPORTING LINES

The information required by the General Management of Compagnie de Financement Foncier to oversee the activity is provided in the monthly operating reports produced by the Finance and Planning Department of Crédit Foncier. The various business lines draw up reports specific to their respective activities.

PRINCIPLE OF SEPARATION OF FUNCTIONS

Independence is on the whole ensured between the units in charge of carrying out transactions and those in charge of their accounting and settlement and the oversight and management of the related risks.

The independence of control units from operating units is ensured as follows:

- the Risk Department oversees counterparty, financial and operational risk;
- accounting control is performed by the Accounting Department of Crédit Foncier and its specific unit;
- compliance and ethics are the responsibility of the Compliance Department of Crédit Foncier;
- permanent control is carried out by control units that are separate from the operational units;
- periodic control is carried out by Crédit Foncier's Internal Audit Department.

ACCOUNTING SYSTEM AND PROCEDURES

Crédit Foncier's accounting system, as a service provider for Compagnie de Financement Foncier, relies mainly on the input of accounting data by the data processing management.

The terms and conditions of accounting-related internal control are described in the section on accounting and financial reporting control procedures.

THE WORK OF CRÉDIT FONCIER'S INTERNAL AUDIT DEPARTMENT

ORGANISATION AND RESOURCES OF CRÉDIT FONCIER'S INTERNAL AUDIT DEPARTMENT

Crédit Foncier's Internal Audit Department is responsible for assessing the permanent control measures.

It reports on its audits to the Chief Executive Officer and the Audit Committee of Crédit Foncier and Audit Committee of Compagnie de Financement Foncier.

At the end of 2013, the Internal Audit Department employed 19 people, excluding two recruitments which were in progress. All high-qualified and collectively spanning a broad range of skills (accounting, financial, legal and business).

Crédit Foncier's Internal Audit Department draws up an annual audit plan in collaboration with the General Management and in agreement with BPCE's Internal Audit Department. The plan is approved by Crédit Foncier's General Management and is submitted to the Audit Committee. It covers the Internal Audit Department's scope with a long-term plan based on an audit cycle of maximum three years; intrinsically risky activities are audited more frequently. Specific audits or reviews may be requested by the Chief Executive Officer or the Audit Committee during the year for Crédit Foncier as well as Compagnie de Financement Foncier.

Reports on the audits performed are presented to Crédit Foncier's General Management and Audit Committee and, if appropriate, to the executive body of the subsidiaries concerned. Information is also made available to the Executive Committee, which provides ultimate review of the recommendations before implementation. A summary report on the follow-up of recommendations is presented to the above-mentioned bodies as well as to the Executive Committee, which examines any recommendations which prove difficult to implement.

AUDITS PERFORMED IN 2013

Crédit Foncier's Internal Audit Department carried out its 2013 audit plan with a few alterations due to audits on similar topics from the Autorité de contrôle prudentiel et de résolution (ACPR – French Prudential Supervisory and Resolution Authority, which supervises the activity of financial institutions). The Audit Committee of Compagnie de Financement Foncier was kept informed of these substitutions.

The audits conducted were part of the annual audit plan approved by Crédit Foncier's Audit Committee at its meeting of 18 December 2012 and concerned the Crédit Foncier Group's various business sectors: loans to individuals, corporate loans, support activities, subsidiaries and outsourced services.

In addition, the Inspection of the French Prudential Supervisory and Resolution Authority has completed three missions and reports, two of which directly affect Compagnie de Financement Foncier. The relevant recommendations are being implemented according to schedule. The Audit Committee of Compagnie de Financement Foncier has been informed of the conclusions of these missions and the implementation of the recommendations.

FOLLOW-UP OF RECOMMENDATIONS

The implementation of audit recommendations is monitored on the basis of reports presented by the audited entity's management, stating the percentage of completion and including, if necessary, an action plan and a new deadline. The responses are input



by the audited entities using an intranet application provided to them. Moreover, these responses must be accompanied by supporting documents provided by the audited entity and containing all required evidence. The Internal Audit Department systematically checks whether the recommendations are being implemented by verifying documents and performing an on-site check when the completion rate reaches 100%.

A detailed statistical report is prepared each quarter to provide the General Management, Executive Committee and to the Audit Committee of the Compagnie de Financement Foncier with a clear summary report: it includes requests for extension or waiver with their motives. Any recommendations which have not been implemented by the initial deadline are then examined in detail in the Executive Committee of Crédit Foncier, which analyzes the recommendations late for appropriate measures. This device is also submitted to the Audit Committee of Compagnie de Financement Foncier.

When re-audited, the status of previous recommendations is systematically examined and the recommendations repeated if necessary.

CRÉDIT FONCIER ACCOUNTING AND FINANCIAL STATEMENT CONTROL PROCEDURES

ROLE OF BPCE

BPCE's Accounting Department is responsible for standardisation, supervision, appraisals, oversight, forecasting, regulatory monitoring and representation of the Group for prudential and accounting matters.

In this capacity, it defines and updates the Group's accounting indicators, comprised of the Group Accounting Plan and the accounting rules and methods applicable to all Group institutions. These rules and methods include standard accounting systems for operations and are summarised in a manual used by all the Group's institutions. This manual is updated systematically, when accounting regulations change. Furthermore, the rules for preparing half-year and annual financial statements are communicated in a specific announcement in order to harmonise accounting procedures and statements between the different entities.

COMPAGNIE DE FINANCEMENT FONCIER AUDIT COMMITTEE

Accounting and financial information (annual and half-year financial statements) is presented to the Audit Committee. This committee analyses the statements, receives the conclusions of the auditors and submits a report on its work to the Board of Directors.

STRUCTURE OF THE CRÉDIT FONCIER GROUP'S ACCOUNTING FUNCTION

The Crédit Foncier Group's accounting is handled by the General Accounting Department. The General Accounting Department is directly responsible for preparing the financial statements and statutory reports of all Group entities which don't have an accounting department on their own; it assumes those duties for Compagnie de Financement Foncier.

Crédit Foncier's General Accounting Department is organised as follows:

Functions	Main responsibilities in accounting system operations	Main responsibilities in compiling and summarising data
	Individual financial statements: <ul style="list-style-type: none"> • account-keeping for Crédit Foncier, Compagnie de Financement Foncier and Vauban Mobilisations Garanties, and preparation of the individual financial statements; • tax returns. 	<ul style="list-style-type: none"> • Balance sheets, income statements and notes for these entities. • Monthly summary results statements of the Group's two main credit institutions (Crédit Foncier and Compagnie de Financement Foncier).
Reporting and review	Consolidated financial statements: <ul style="list-style-type: none"> • centralisation of consolidation packages; • preparation of the consolidated financial statements; • implementation of consolidation procedures (use of BPCE's Magnitude software application); 	<ul style="list-style-type: none"> • Balance sheets, income statements and notes for Crédit Foncier Group. • Consolidated quarterly results for the Group. • Consolidated monthly results under French GAAP.
Regulatory and prudential reports	<ul style="list-style-type: none"> • regulatory disclosures at company level (SURFI, etc.); • calculation of regulatory ratios at company level (liquidity) and specific ratios of Compagnie de Financement Foncier; • prudential disclosures at consolidated level to the ACPR (via BPCE, the central body), in collaboration with the Risk Department and Cash Management Department; 	<ul style="list-style-type: none"> • Reporting to the ACPR (via BPCE, the central body).
Operational accounting	<ul style="list-style-type: none"> • oversight and control of interface operations between the loan management system, accounting software packages and reporting databases; • account-keeping for loan management chains and peripheral chains; 	<ul style="list-style-type: none"> • Reports on outstanding loans and loan flows.
Subsidiaries' accounting	<ul style="list-style-type: none"> • account-keeping for subsidiaries and preparation of individual financial statements; • tax returns; 	<ul style="list-style-type: none"> • Balance sheets, income statements and notes for these entities.
Accounting and Regulatory Audit Department	<ul style="list-style-type: none"> • permanent controls in accounting, regulatory and tax audits. 	<ul style="list-style-type: none"> • Controls summary reports.

Work of setting and documenting detailed accounting schemes is now the responsibility of the studies and projects Finances Division, created in early 2013.

ACCOUNTING AND REGULATORY AUDIT

The organisational principles governing accounting control, as part of the process of task decentralisation, are set out in the "Accounting and Regulatory Audit Charter" approved by BPCE's Executive Board on 10 May 2010.

The Accounting and Regulatory Audit area reports hierarchically to the Head of the Accounting Department and functionally to the Head of the Permanent Controls Coordination Department, who is the recipient of all the audit work carried out. Operational accounting controls are the responsibility of the departments directly involved in producing accounting data.

The audits performed are set out in an annual work schedule proposed by the accounting and regulatory audit, presented to the Permanent Controls Coordination Department and approved by the Internal Control Committee.

These audits include:

- in-depth controls at the quarterly account closing dates, in particular of the evidence supporting the accounts (banking reconciliation, consistency between accounting and management systems, suspense accounts, etc.);
- regular controls on the main regulatory and tax declarations as well as issues related to summary reports.

They result in the establishment of briefing notes, released to the Department of Accounting at the Department of Permanent Control Coordination and the Statutory Auditors and regarding Compagnie de Financement Foncier, to the Compagnie de Financement Foncier Monitoring and Control Department.

The consolidation packages, prepared by the subsidiaries and certified by their Statutory Auditors, are reviewed in detail and checked for consistency by the Consolidation Unit.

All of the regulatory and prudential reports are cleared by BPCE, which runs automated consistency controls before sending them to the French Prudential Supervisory Authority.



AUDIT OF FINANCIAL DATA

The financial data disclosed (regulatory restitutions intended specifically for the French Prudential Supervisory Authority and registration documents submitted to the French Financial Markets Authority) are carefully audited by the competent departments (Management Control, ALM, General Accounting).

For Compagnie de Financement Foncier more specifically, the "SCF and VMG Oversight and Control" unit is in charge of auditing documents sent to the Specific Controller and the rating agencies.

APPENDIX

COMPAGNIE DE FINANCEMENT FONCIER

MEMBERS OF THE BOARD OF DIRECTORS AT 31 DECEMBER 2013

Range of the number of members: 3 to 18

Actual number of members: 7

Number of Board meetings: 6

Average attendance rate: 76.7%

Director's fees: yes

Surname/First name Company name + Permanent Representative	Position on the Board/ in the Company	Appointment date	Term expires on	Comments
Mr Bruno DELETRÉ	Chairman of the Board of Directors	18 December 2013	OGM 2019	
Mr Thierry DUFOUR	Chief Executive Officer and Director	Director since 18 December 1998 Chairman from 31 July 2007 to 18 December 2013 Chief Executive Officer since 14 December 2007	OGM 2019	
Ms Sandrine GUÉRIN	Deputy Chief Executive Officer and Director	Director since 25 March 2002 Deputy Chief Executive Officer since 17 May 2002	OGM 2018	
Crédit Foncier de France, represented by Mr Éric FILLIAT	Director	28 December 1998	OGM 2017	
BPCE, represented by Mr Roland CHARBONNEL	Director	28 March 2011	OGM 2017	Permanent representative change on March 19, 2014
Ms Christine JACGLIN	Director	29 September 2011	OGM 2014	Director until March 25, 2014
Ms Pascale PARQUET	Director	29 September 2011	OGM 2014	Director until March 25, 2014

MEMBERS OF THE BOARD OF DIRECTORS AT 25 MARCH 2014

Number of members: 11

Surname/First name Company name + Permanent Representative	Position on the Board/ in the Company	Appointment date	Term expires on	Comments
Mr Bruno DELETRÉ	Chairman of the Board of Directors	18 December 2013	OGM 2019	
Mr Thierry DUFOUR	Chief Executive Officer and Director	Director since 18 December 1998 Chairman from 31 July 2007 to 18 December 2013 Chief Executive Officer since 14 December 2007	OGM 2019	
Ms Sandrine GUÉRIN	Deputy Chief Executive Officer and Director	Director since 25 March 2002 Deputy Chief Executive Officer since 17 May 2002	OGM 2018	
Crédit Foncier de France, represented by Mr Éric FILLIAT	Director	28 December 1998	OGM 2017	
BPCE, represented by Mr Olivier IRISSON	Director	28 March 2011	OGM 2017	
Ms Christine FABRESSE	Director	25 March 2014	OGM 2018	
Mr Cédric MIGNON	Director	25 March 2014	OGM 2020	
Mr Pascal CHABOT	Director	25 March 2014	OGM 2016	
Mr Dominique GARNIER	Director	25 March 2014	OGM 2018	
Mr Francis DELACRE	Director	25 March 2014	OGM 2016	
Mr Jean CHEVAL	Director	25 March 2014	OGM 2020	



Statutory Auditors' report

prepared in accordance with Article L. 225-235 of the French Commercial Code (*Code de commerce*), on the report prepared by the Chairman of the Board of Directors of Compagnie de Financement Foncier S.A.

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

To the shareholders,

In our capacity as Statutory Auditors of Compagnie de Financement Foncier S.A., and in accordance with Article L. 225-235 of the French Commercial Code (*Code de commerce*), we hereby report to you on the report prepared by the Chairman of your company in accordance with Article L. 225-37 of the French Commercial Code for the year ended 31 December 2013.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors [or Supervisory Board] for approval, a report on the internal control and risk management procedures implemented by the company and containing the other disclosures required by Article L. 225-37 particularly in terms of the corporate governance measures.

It is our responsibility:

- to report to you on the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information, and
- to attest that this report contains the other disclosures required by Article L. 225-37 of the French Commercial Code, it being specified that we are not responsible for verifying the fairness of these disclosures.

We conducted our work in accordance with professional standards applicable in France.

INFORMATION ON THE INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION

These standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consisted mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and existing documentation;
- determining if any significant weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the company's internal control and risk management procedures relating to the preparation and processing of accounting and financial information contained in the report prepared by the Chairman of the Board in accordance with Article L. 225-37 of the French Commercial Code.

OTHER DISCLOSURES

We hereby attest that the Chairman's report includes the other disclosures required by Article L. 225-37 of the French Commercial Code.

Paris La Défense, on the 27 March 2014

KPMG Audit

Département de KPMG S.A.

Jean-François Dandé

Partner

Neuilly-sur-Seine, on the 27 March 2014

PricewaterhouseCoopers Audit

Jean-Baptiste Deschryver

Partner



Legal information

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1. Corporate governance

Members of the Board of Directors in 2013 and their professional addresses at 31 December 2013.

Mr Bruno DELETRÉ

Replacement for Eric Filliat, who has stepped down, and Chairman of the Board of Directors since 18 December 2013

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

Mr Thierry DUFOUR

Director since 18 December 1998

Chairman from 18 December 1998 to 25 June 1999

Chief Executive Officer from 25 June 1999 to 16 May 2001

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

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

Resignation as Chief Executive Officer on 4 September 2006

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

Chief Executive Officer since 14 December 2007

Stepped down as Chairman on 18 December 2013 (in accordance with the CRD IV package)

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

Ms 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 (further to separation of the functions of Chairman and Chief Executive Officer)

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

Mr Didier PATAULT

Director until 31 May 2013

Caisse d'Épargne Bretagne Pays de Loire - 4 place Graslin -
44000 Nantes

Mr Éric FILLIAT

Director until 18 December 2013

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

Crédit Foncier de France

Director

Represented by Mr Bruno DELETRÉ until 18 December 2013

Represented by Mr Éric FILLIAT since 18 December 2013

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

BPCE

Director

Represented by Mr Roland CHARBONNEL

BPCE - 50, avenue Pierre Mendès France - 75013 Paris

Ms Christine JACGLIN

Director

Banque Populaire d'Alsace - Immeuble Le Concorde - 4, quai Kléber - 67000 Strasbourg

Ms Pascale PARQUET

Director

BPCE - 50, avenue Pierre Mendès France - 75013 Paris

Movements within the Board of Directors

The Board of Directors has expanded from 7 to 11 members during the first quarter of 2014.

As of 25 March 2014, the Board of Directors was informed of the resignation of Ms Christine JACGLIN from her term as director.

As of 25 March 2014, the Board of Directors was informed of the resignation of Ms Pascale PARQUET from her term as director.

As of 25 March 2014, M. Olivier IRISSON, Executive Chief Financial Officer of Groupe BPCE has been designated by BPCE (Director as a legal person) Legal Representative to the Board of Directors of Compagnie de Financement Foncier, replacing Mr. Rolland CHARBONNEL.

The Extraordinary General Meeting of 25 March 2014 amended the Bylaws of the Company Financing Land and appointed as Director:

- Ms Christine FABRESSE, Chairman of the Executive Board of the Caisse d'Épargne Languedoc-Roussillon, term ending 31 December 2017;
- Mr Dominique GARNIER, Chief Executive Officer of the Banque Populaire Aquitaine Centre Atlantique, term ending 31 December 2017;
- Mr Pascal CHABOT, Member of the Management Board of the Caisse d'Épargne Ile-de-France, term ending 31 December 2015;
- Mr Jean CHEVAL, Head of the Finance Division and risks of Natixis, member of the Executive Management Committee, term ending 31 December 2019;
- Mr Francis DELACRE, Chief Financial Officer of the Banques Populaires du Nord, term ending 31 December 2015;
- Mr Cédric MIGNON, Director of Development of the Caisses d'Épargne at BPCE, term ending 31 December 2019;

Following these nominations the Audit Committee consists of:

- Crédit Foncier de France, represented by Mr Eric FILLIAT, as Chairman of the Audit committee;
- BPCE, represented by Mr Olivier IRISSON, as Member of the Audit committee;
- Ms Christine FABRESSE as Member of the Audit committee;
- Mr Dominique GARNIER as Member of the Audit committee.



2. General information concerning the Company

a. Registered office

The registered office of Compagnie de Financement Foncier is located at 19, rue des Capucines, 75001 Paris.

b. Activity

Compagnie de Financement Foncier is the *société de crédit foncier* of the Crédit Foncier Group, specifically governed by the provisions of Section IV of the second part of France's Act. 99-532 of 25 June 1999 governing savings and financial security, which has been incorporated into Articles L. 513-2 to L. 513-27 of the French Monetary and Financial Code.

Pursuant to Article 110 of this law, Crédit Foncier transferred assets and liabilities covered by the specific legislative and regulatory

requirements that applied to it before its transfer to Compagnie de Financement Foncier, on 21 October 1999 .

The purpose of Compagnie de Financement Foncier is to grant or purchase secured loans and exposures to public authorities financed by the issuance of covered bonds, or by other resources which may or may not benefit from the preferred status, or "privilege," as defined by Article L. 513-11 of the French Monetary and Financial Code.

c. Structure of the relationship between Compagnie de Financement Foncier and Crédit Foncier

As stipulated by law, Compagnie de Financement Foncier draws on the technical and human resources of its parent company under agreements binding the two companies; these agreements, which are regulated as defined by Article L. 225-38 of the French Commercial Code, cover all of the Company's activities.

The general principles applied in preparing these agreements are described below.

The texts as drafted take into account the special nature of the relationship between Crédit Foncier and its subsidiary Compagnie de Financement Foncier.

Seventeen agreements have been entered into by Crédit Foncier and Compagnie de Financement Foncier, namely:

- a framework agreement, setting forth the general principles;
- an agreement for loan assignments;
- an agreement for loan servicing and recovery;
- an agreement governing financial services;
- an asset/liability management (ALM) agreement;
- an administrative and accounting management agreement;
- a service agreement on internal control and compliance;

- an agreement related to the implementation of information technology services;
- an agreement concerning human resources;
- an agreement concerning compensation for services;
- an agreement related to settlement bank services;
- a guarantee agreement for adjustable-rate loans;
- a guarantee and compensation agreement;
- an agreement regarding the disbursing agent;
- an agreement regarding deeply subordinated notes (transformation of participation loans);
- an agreement related to redeemable subordinated notes;
- an agreement relating to the assignment of mortgage ranking/priority;

and three agreements between Crédit Foncier, Compagnie de Financement Foncier and a third party:

- an agreement relating to management and collection of loans subsidised by the French State,
- the renewal of the business agreement (with BPCE, Caisses d'Épargne and Crédit Foncier),
- an agreement relating to the fiscal integration between Crédit Foncier, Compagnie de Financement Foncier and BPCE.

Apart from its corporate officers, Compagnie de Financement Foncier does not have any direct salaried employees.

d. Legal form and applicable legislation

Compagnie de Financement Foncier is a credit institution authorised as a financial company and a *société de crédit foncier* by a decision of the French Credit Institutions and Investment Companies Committee (CECEI - *Comité des établissements de crédit et des entreprises d'investissement*) on 23 July 1999. It is thus subject to all regulations and legislation applicable to credit institutions and, as a *société de crédit foncier*, it is also subject to Articles L. 513-2 to L. 513-27 of the French Monetary and Financial Code.

It was formed as a French *société anonyme* and, for this reason, is also subject, apart from certain exemptions, to the requirements applicable to commercial companies under the French Commercial Code.

A *société de crédit foncier* benefits from a certain number of exemptions from ordinary laws, specifically:

- Article L. 513-11 of the French Monetary and Financial Code instituting a “privilege” for holders of *obligations foncières*;
- Article L. 513-20 of the French Monetary and Financial Code, which stipulates that the safeguard procedure, legal receivership or liquidation of a company holding shares of a *société de crédit foncier* cannot be extended to the *société de crédit foncier*;
- in addition, Article L. 513-21 of the French Monetary and Financial Code provides that, notwithstanding any provisions to the contrary, including those of Book VI, Title II to IV of the French Commercial Code, contracts that make provision for the management or recovery of the loans of a *société de crédit foncier* may be terminated immediately in the event of the safeguard, compulsory liquidation or administration of the Company in charge of the management or collection of such loans.

e. Duration

The Company was incorporated on 22 December 1998 for a period of 99 years.

f. Corporate purpose (Article 2 of the bylaws)

As of 25 March 2014

Article 2 - Purpose

1° to conduct all transactions mentioned in Articles L. 513-2 *et seq.* of the French Monetary and Financial Code without other restrictions in terms of the countries in which it operates than those resulting from said articles.

These transactions include:

- granting or acquiring secured loans, exposures to public authorities and investments and securities as defined in Articles L. 513-3 to L. 513-5 and L. 513-7 of the French Monetary and Financial Code;
- financing these types of loans, exposures, investments and securities by issuing bonds known as *obligations foncières*, benefiting from the “privilege” defined in Article L. 513-11 of the French Monetary and Financial Code and by raising other resources whose issuance or subscription agreement mentions this “privilege”;

The Company may also finance the activities mentioned above by issuing bonds or resources that do not benefit from the “privilege.” It may issue the promissory notes referred to in Articles L. 313-42 to L. 313-49-1 of the French Monetary and Financial Code.

Notwithstanding any other provisions or stipulations to the contrary, the Company may carry out temporary transfers of its securities in accordance with Articles L. 211-22 to L. 211-34 of the French

Monetary and Financial Code, pledge securities accounts pursuant to Article L. 211-20 of said Code and assign all or some of the receivables that it holds in accordance with Articles L. 211-36 to L. 211-40 or in accordance with Articles L. 313-23 to L. 313-35, whether or not these receivables are professional. The receivables or securities thus assigned or transferred do not fall within the scope of the “privilege” defined in Article L. 513-11 of the French Monetary and Financial Code and are not booked pursuant to Article L. 513-12 of said Code.

As an exception to Articles 1300 of the French Civil Code, and L. 228-44 and L. 228-74 of the French Commercial Code, the Company may subscribe for its own *obligations foncières* solely for the purpose of using them as collateral for lending transactions with the Banque de France under the conditions set forth in Article L. 513-26 of the French Monetary and Financial Code.

The Company cannot hold equity investments;

2° contracting, with any credit institution or financial company, all agreements necessary for:

- servicing and recovering loans, exposures and securities;
- managing bonds and other financing;
- more generally, providing all services necessary to manage the assets, liabilities and the financial equilibrium of the Company;
- as well as all agreements concerning the distribution and refinancing of loans.



3° acquiring and owning all property and equipment necessary to fulfil its purpose or arising from the recovery of its loans:

- contracting with any authorised third party any agreement related to the acquisition, ownership, management, maintenance and disposal of such assets;

4° contracting, with any insurance company, any agreement that serves the corporate purpose, notably to hedge risks related to borrowers, risks in respect of both assets securing the loans and assets owned by the Company, and the liability risks of the Company or its corporate officers;

5° in connection with its own activity, or on behalf of other companies, providing customers with and managing payment processes, in particular:

- for the payment of funds or the receipt of all sums arising from loan activities;

- for managing any financial relationship or account with any other credit institution, financial company or public entity;
- for the management of technical accounts in respect of expenses and receipts.

6° participating in any system for interbank settlements, settlement-delivery of securities and all clearing system, as well as any transaction within the framework of the monetary policy of the European Central Bank, which contribute to the development of the Company's activities;

7° more generally:

- carrying out all operations contributing to the fulfilment of its corporate purpose, as long as such transactions comply with the purpose of *sociétés de crédit foncier* as defined in the legislation and regulations that regulate their activity;
- contracting any agreement that allows the Company to use essential outsourcing services and related controls.

g. Company registration number

Compagnie de Financement Foncier is registered in the Paris Trade and Companies Registry under number 421 263 047 RCS PARIS.

h. Location where legal documents concerning the Company can be consulted

Legal documents concerning Compagnie de Financement Foncier can be consulted at 4, quai de Bercy, 94220 Charenton-le-Pont.

i. Financial year

The financial year begins on 1 January and ends on 31 December.

j. Provisions of the bylaws governing appropriation of earnings

If the financial statements for a given financial year, as approved by the General Meeting, show distributable earnings as defined by law, shareholders shall decide either to attribute them to one or more reserve accounts, the allocation and use of which it determines, or to retained earnings, or to distribute them.

After ascertaining the existence of the reserves at its disposal, the General Meeting may decide to distribute amounts drawn from those reserves. In such a case, the decision shall specify the reserve accounts from which the distributed amounts are to be drawn.

However, dividends shall be withdrawn first from the distributable earnings for the financial year.

The General Meeting also have the right to grant each shareholder, for all or part of the dividend or interim dividend to be distributed, an option to receive payment either in the form of cash or in shares.

k. General Meetings

General Meetings shall be called and shall deliberate under the conditions stipulated by law. An Ordinary General Meeting must be held each financial year within five months of the closing date of the preceding financial year. Meetings shall be held at the registered office or at another location stated in the notice of meeting. Any shareholder may participate personally, or by proxy, in General Meetings subject to proof of identity and ownership of shares in the form of a record in his/her name on the Company's books five days before the date of the General Meeting.

He may also vote by mail under the conditions stipulated by law. Shareholders who participate in the General Meeting by videoconference or telecommunications that enable them to be identified shall be considered present for calculating the quorum and the majority. General Meetings are chaired by the Chairman of the Board of Directors or, in his absence, by a Director specially designated to do so by the Board. Otherwise, the General Meeting shall appoint a Chairman. An attendance sheet shall be kept under the conditions stipulated by law. Minutes of General Meetings shall be drawn up and copies shall be certified and issued pursuant to law.

3. General information concerning the capital stock

A. CAPITAL STOCK

As of 31 December 2013, the Company's subscribed capital amounted to €1,187,459,936. It is divided into 74,216,246 fully paid-up shares with a par value of €16 each.

B. CAPITAL STOCK AUTHORISED BUT NOT SUBSCRIBED

No authorisation to increase the capital stock has been issued which has not been used, nor is there any potential capital stock.

C. OWNERSHIP OF CAPITAL AND VOTING RIGHTS

Principal shareholders as of 31 December 2013	Number of shares	%
Crédit Foncier de France	74,216,240	100.00
Directors	6	-
TOTAL	74,216,246	100.00

D. CHANGES IN CAPITAL OVER THE LAST FIVE YEARS

The Board of Directors noted in its meeting on 30 June 2009 that, following the payment of the dividend in shares, the capital was increased by €84,000,000 due to the creation of 5,250,000 new shares with a par value €16, fully subscribed by Crédit Foncier de France.

No change was made to the capital stock in 2010.

The Board of Directors noted at its meeting on 29 June 2011 that, following the payment of the dividend in shares for the 2010 financial year, the capital stock was increased by €85,459,926 due to the creation of 5,341,246 new shares with a par value of €16, which was fully subscribed by Crédit Foncier. The same Board found that in response to the decision by the Extraordinary General Meeting of 27 June 2011 to carry out a capital increase, the capital was increased by €94,000,000, due to the creation of 5,875,000 new shares with a par value of €16, fully subscribed by Crédit Foncier.

No change was made to the capital stock in 2012.

No change was made to the capital stock in 2013.

E. INDIVIDUALS OR COMPANIES THAT EXERCISE CONTROL OVER THE COMPANY

Crédit Foncier de France - 19 rue des Capucines – 75001 Paris
– 542 029 848 RCS Paris

F. INFORMATION ON THE CRÉDIT FONCIER GROUP, TO WHICH COMPAGNIE DE FINANCEMENT FONCIER BELONGS

The principal business of Crédit Foncier is to grant mortgage loans to individuals and real estate professionals, grant loans to local authorities, provide structured financing and to issue bonds to finance these loans.



From its creation in 1852 and until 1999, Crédit Foncier held the special status as a *société de crédit foncier*.

A key player in the specialised real estate financing market and responsible for distributing French state subsidised loans, following the real estate crisis in the 1990s and the abolition of subsidised loans, in 1999 Crédit Foncier joined the private sector after its 90% acquisition by the Groupe Caisse d'Épargne.

In the legal context governing this acquisition, the parliament created a specific new status for *sociétés de crédit foncier*. The Compagnie de Financement Foncier was then formed and authorised as *société de crédit foncier* by the CECEI. The Crédit

Foncier transferred all its property commitments and pledged assets to the CECEI pursuant to Article 110 of law 99-532 from 25 June 1999.

After having been affiliated with the Groupe Caisse d'Épargne between 1999 and 2009, Crédit Foncier became affiliated in 2009 to Groupe BPCE, which resulted from the merger of Groupe Caisses d'Épargne and Groupe Banques Populaires. Since 5 August 2010, Crédit Foncier has been fully owned by the Central Institution BPCE.

The continuous expansion of its activities led it to become a major player in real estate and French local public sector.

4. Resolutions submitted to the General Meeting

Ordinary General Meeting of 28 May 2014.

Draft resolutions

ORDINARY

FIRST RESOLUTION

The General Meeting approves the accounts as presented after having heard the reports of the Board of Directors and the Auditors for the financial period ending 31 December 2013.

SECOND RESOLUTION

The General Meeting, after noting the existence of distributable earnings of €119,065,068.68 composed of net income for the period of €32,593,282.53 and retained earnings of €86,471,786.15 resolves to allocate said distributable earnings as follows:

Legal reserve: €1,629,700.00

Dividend: €30,428,660.86

Retained earnings: €87,006,707.82

The dividend per share for each of the 74,216,246 shares comprising the share capital is therefore fixed at €0.41.

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

The dividend payment date is set for 30 June 2014.

Pursuant to Article 24 of the bylaws, the General Meeting decides to grant each shareholder the possibility of choosing to receive payment of the dividend in shares. New shares will have the same features and the same rights as the shares that gave the entitlement to the dividend. Their vesting date is set for 1 January 2014.

The issue price of the new shares will be equal to the amount of shareholders' equity after allocation, as shown in the balance sheet as of 31 December 2013 approved by the General Meeting in the first resolution set forth above, divided by the number of existing shares.

It amounts to €23.19 per share.

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

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

Shareholders must make their choice between 1 June 2014 and 15 June 2014.

Any shareholder who has not exercised this option by 15 June 2014 at the latest will receive the dividends in cash on the dividend payment date of 30 June 2014.

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

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

Financial year	Number of shares	Overall remuneration per share	Dividend distributed*
2010	63,000,000	€3.50	€3.50
2011	74,216,246	€1.38	€1.38
2012	74,216,246	€1.69	€1.69

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

THIRD RESOLUTION

The General Meeting, pursuant to Article 24 of the bylaws and Articles L. 232-12, L. 232-18 and L. 232-20 of the French Commercial Code, authorises the Board to consider allowing shareholders to receive all or part of any interim dividends for the 2013 financial year in shares and to establish the terms thereof, pursuant to the regulations in force.

FOURTH RESOLUTION

The General Meeting, after hearing the special report of the auditors on the transactions described in Article L. 225-38 of the French Commercial Code, notes the terms of the report and approves the transactions entered into during the financial period.

FIFTH RESOLUTION

The General Meeting, having acknowledged the resignation of the term of office of Ms Christine JACGLIN on 25 March 2014 after the Board of Directors meeting, has decided not to replace her.

SIXTH RESOLUTION

The General Meeting, having acknowledged the resignation of the term of office of Ms Pascale PARQUET on 25 March 2014 after the Board of Directors meeting, has decided not to replace her.

SEVENTH RESOLUTION

The General Meeting, having acknowledged that the term of office for Pricewaterhousecoopers Audit, Principal Statutory Auditor, has expired, has decided to renew said office for a period of six years, which is due to end at the General Meeting called to approve the financial statements for 2019.

EIGHTH RESOLUTION

The General Meeting, having acknowledged that the term of office for Mr Étienne BORIS, Alternate Auditor, has expired, has decided to renew said office for a period of six years, which is due to end at the General Meeting called to approve the financial statements for 2019.

NINTH RESOLUTION

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



5. Bylaws

Bylaws modified at the Extraordinary General Meeting of 25 March 2014.

Section I: legal form - purpose - corporate name - registered office - term of the Company

ARTICLE 1 - LEGAL FORM

The Company is a French *société anonyme* (limited company).

It is governed by the terms of current legislation and regulations applicable to *sociétés anonymes*, credit institutions, and in particular *sociétés de crédit foncier*, and by these bylaws.

ARTICLE 2 - PURPOSE

The purpose of the Company, in the context of the laws and regulations applicable to *sociétés de crédit foncier*, is:

1° to perform all transactions mentioned in Articles L. 513-2 *et seq.* of the French Monetary and Financial Code without other restrictions in terms of the countries in which it operates than those resulting from said articles.

These transactions include:

- granting or acquiring secured loans, exposures to public authorities and investments and securities as defined in Articles L. 513-3 to L. 513-5 and L. 513-7 of the French Monetary and Financial Code;
- financing these types of loans, exposures, investments and securities by issuing bonds known as *obligations foncières*, benefiting from the “privilege” defined in Article L. 513-11 of the French Monetary and Financial Code and by raising other resources whose issuance or subscription agreement mentions this “privilege”.

The Company may also finance the activities mentioned above by issuing bonds or resources that do not benefit from the “privilege.” It may issue the promissory notes referred to in Articles L. 313-42 to L. 313-49-1 of the French Monetary and Financial Code.

Notwithstanding any other provisions or stipulations to the contrary, the Company may carry out temporary transfers of its securities in accordance with Articles L. 211-22 to L. 211-34 of the French Monetary and Financial Code, pledge securities accounts pursuant to Article L. 211-20 of said Code and assign all or some of the receivables that it holds in accordance with Articles L. 211-36 to L. 211-40 or in accordance with Articles L. 313-23 to L. 313-35, whether or not these receivables are professional. The receivables or securities thus assigned or transferred do not fall within the scope of the “privilege” defined in Article L. 513-11 of the French Monetary and Financial Code and are not booked pursuant to Article L. 515-12 of said Code.

As an exception to Articles 1300 of the French Civil Code and L. 228-44 and L. 228-74 of the French Commercial Code, the Company may subscribe for its own *obligations foncières* solely for the purpose of using them as collateral for lending transactions with the Banque de France under the conditions set forth in Article L. 513-26 of the French Monetary and Financial Code.

The Company cannot hold equity investments;

2° contracting, with any credit institution or financial institution, all agreements necessary for:

- servicing and recovering loans, exposures and securities;
- managing bonds and other financing;
- more generally, providing all services necessary to manage the assets, liabilities and the financial equilibrium of the Company;
- as well as all agreements concerning the distribution and refinancing of loans.

3° acquiring and owning all property and equipment necessary to fulfil its purpose or arising from the recovery of its loans:

- contracting with any authorised third party any agreement related to the acquisition, ownership, management, maintenance and disposal of such assets;

4° contracting, with any insurance company, any agreement that serves the corporate purpose, notably to hedge risks related to borrowers, risks in respect of both assets securing the loans and assets owned by the Company, and the liability risks of the Company or its corporate officers;

5° in connection with its own activity, or on behalf of other companies, providing customers with and managing payment processes, in particular:

- for the payment of funds or the receipt of all sums arising from loan activities;
- for managing any financial relationship or account with any other credit institution, financial institution or public entity;
- for the management of technical accounts in respect of expenses and receipts;

6° participating in any system for interbank settlements, settlement-delivery of securities and all clearing system, as well as in any transactions within the framework of the monetary policy of the European Central Bank, which contribute to the development of the Company's activities;

7° more generally:

- carrying out all operations contributing to the fulfilment of its corporate purpose, as long as such transaction complies with the purpose of *sociétés de crédit foncier* as defined in the legislation and regulations that regulate their activity;
- contracting any agreement that allows the Company to use essential outsourcing services and related controls.

ARTICLE 3 - CORPORATE NAME

The Company's name is: "Compagnie de Financement Foncier"

ARTICLE 4 - REGISTERED OFFICE

The registered office is located at 19, rue des Capucines, Paris (75001), France.

If the location of the head office is moved by the Board of Directors in accordance with the conditions set out in the applicable legislation, the new location shall be automatically substituted for the previous one in this Article, provided the move is ratified by an Ordinary General Meeting.

ARTICLE 5 - TERM

The duration of the Company is ninety-nine years, from December 22, 1998, unless the period is extended or the Company is liquidated, in accordance with the legislation in force or these bylaws.

Section II: capital stock - shares

ARTICLE 6 - CAPITAL STOCK

The capital stock is set at €1,187,459,936 (one billion one hundred and eighty-seven million four hundred and fifty-nine thousand nine hundred and thirty-six euros).

It is divided into 74,216,246 shares with a par value of €16 (sixteen euros) each, all of which belong to the same category and are fully paid up in cash.

ARTICLE 7 - FORM OF THE SHARES

The shares are in registered form.

They are registered in accordance with the terms and conditions set forth by law.

ARTICLE 8 - RIGHTS AND OBLIGATIONS ATTACHED TO SHARES

Each share confers a right to ownership of the Company's assets and a share in its profits proportional to the fraction of the Company's capital that it represents.

All shares which comprise or will comprise the Company's capital, as long as they are of the same type and the same par value, are strictly equivalent to each other so long as they have the same dividend-bearing date; both during the Company's existence and its liquidation, they provide payment of the same net amount on all allocations or redemptions, so that, if applicable, all shares are aggregated without distinction with respect to all tax savings or charges resulting from such allocations or redemptions.

The rights and obligations attached to shares are transferred with the title to the shares.

Ownership of a share automatically implies acceptance of the bylaws and the decisions of General Meetings.

The beneficiaries, creditors, successors or other representatives of a shareholder cannot cause legal seals to be placed on the assets and securities of the Company or request the distribution or division of such assets and securities or interfere in any manner in the Company's administration.

They must refer to the financial statements and to the decisions of General Meetings to exercise their rights.

Each time ownership of several shares is needed to exercise a given right, in cases of exchange, grouping or allotment of shares, or as a result of an increase or decrease in capital stocks, splits or reverse splits of shares, or any other operation on the Company's capital, the owners of single shares or of less than the required number of shares, may exercise their rights only if they undertake to combine, sell or purchase the necessary number of shares.

ARTICLE 9 - TRANSFER OF SHARES

Shares can be traded freely.

Shares can be transferred, with respect to third parties and the Company, by an order to transfer them from one account to another.

ARTICLE 10 - INDIVISIBILITY OF SHARES

Shares are indivisible vis-à-vis the Company, which only recognises one owner for each share. Joint owners of a share are required to be represented within the Company by one of the joint owners or by a single agent.

The beneficial owner shall represent the bare owner in Ordinary Meetings, however, the bare owner is the only one entitled to vote in Extraordinary Meetings.



Section III: corporate governance

ARTICLE 11 - BOARD OF DIRECTORS

The Company is administered by a Board of Directors comprised of at least three and at most eighteen members, selected from among the shareholders and appointed by the Ordinary Meeting.

Each Director must own at least one share during his or her term of office.

Directors can be individuals or legal entities. Legal entities shall, at the time of their appointment, appoint a Permanent representative who is subject to the same conditions and obligations and bears the same liability as if he/she were a Director in his/her own name. This without prejudice to the joint and several liability with the legal entity he/she represents.

When the Director of a legal person terminates the term of its Permanent representative, he/she must notify the Company without delay by registered mail of his/her decision as well as the identity of the new Permanent representative. The same applies in the event of the death or resignation of the permanent representative.

ARTICLE 12 - DIRECTORS' TERM OF OFFICE

The term of office of Directors is six years.

The renewal of the terms of office is carried out gradually, such that members of the Board are required to seek re-election on a regular basis in the most equal proportions possible.

Exceptionally, the Ordinary General Meeting may elect a Director to serve for a term of two or four years, in order to ensure adequate rotation of Board Members.

Directors can be removed at any time by the Ordinary General Meeting.

They may resign of their term of office without giving any reason.

Each Director reaching the end of his or her term of office may be re-elected.

The age limit for exercising the function of Director is set at 72 years. The number of Directors above the age of 68 may not be more than a third of the number of Directors in office. Once the age limit is reached, the oldest Director is deemed to have resigned from office following the next Ordinary General Meeting.

ARTICLE 13 - MEETINGS AND PROCEEDINGS OF THE BOARD - MINUTES

The Board of Directors is called to meetings by its Chairman, as often as the interest of the Company requires, either at the registered office, or at any other location indicated on the notice. Meetings may be called by all means, even verbally.

If no meeting has been held for more than two months, at least one third of the members of the Board can request that the Chairman call a Board meeting with a specific agenda.

The Chief Executive Officer can also request that the Chairman call a Board meeting with a specific agenda.

The Chairman must comply with requests that have been made to him in accordance with the two previous paragraphs.

Resolutions are adopted with the quorum and majority required by law. In the event of a tie vote, the Chairman shall cast the deciding vote.

For the purposes of calculating a quorum and majority, Directors participating in the meeting through videoconferencing or other means of telecommunications that allow them to identify themselves and effectively participate shall be considered present.

This rule is not applicable for the adoption of resolutions that require, in accordance with current legislation, the physical presence of Directors.

Sufficient proof of the number of Directors in office and of their presence at a meeting of the Board is provided by the production of a copy or an excerpt of the minutes of the Board meeting.

The minutes of the meeting are prepared, and the copies or excerpts are delivered and certified as required by law.

ARTICLE 14 - POWERS OF THE BOARD

The Board of Directors determines the strategic direction of the Company's activities and supervises the implementation of such strategies. Subject to the powers expressly attributed to General Meetings, and within the limits of the Company's purpose, the Board deals with any issue affecting the Company's operations and settles, through its decisions, all matters concerning the Company.

The Board shall carry out such controls and checks that it considers appropriate.

Each Director receives all the information necessary to perform his or her duties and can request all documents that he or she considers pertinent.

In its relations with third parties, the Company is responsible for the acts of the Board of Directors which are not in accordance with the Company's purpose, unless it can prove that the third party knew that the act in question was not in accordance with the Company's purpose or that the third party could not have been unaware of this fact given the circumstances, the sole fact that the Company's bylaws are published does not constitute sufficient evidence.

In addition, without any effect to third parties, unless the Company proves that the third party knew that the acts exceeded those objects or could not in view of the circumstances have been unaware, decisions are submitted to the prior approval of the Board of Directors:

- (i) - To establish the strategic guidelines of the Company;
- (ii) - To agree on an action plan;
- (iii) - To agree the annual budget of the Company;
- (iv) - Any expenditures decision exceeding €30 million;
- (v) - Granting any pledge, collaterals, or other guarantees on the Company's assets outside banking operations;

(vi) - Authorise all proposals on issuing securities (bonds, other debt and hybrid securities) other than those approved in the budget or the debt issuance programme of the Company.

The Board of Directors can grant any representative of its choice a delegation of powers within the limit of its powers under law or these bylaws.

ARTICLE 15 - COMPENSATION OF THE BOARD OF DIRECTORS

An Ordinary General Meeting may allocate to the Board of Directors fixed annual compensation in the form of directors' fees, the amount of which it shall determine. This compensation remains applicable until an Ordinary General Meeting decides otherwise.

The Board of Directors shall allocate this compensation in the proportions that it considers appropriate.

ARTICLE 16 - CHAIRMAN OF THE BOARD OF DIRECTORS

The Board of Directors elects, from among its non-corporate members, a Chairman and determines his or her compensation. It also decides on the Chairman's term of office, which may not exceed his or her term as Director. The individual can be re-elected.

The Chairman's term of office must expire no later than the end of the Ordinary General Meeting that follows the date on which the Chairman reaches the age of 68.

The Chairman represents the Board of Directors. He or she organises and directs the work of the Board, and reports to the General Meetings on such work. The Chairman verifies that the Company's decision-making bodies function properly and ensures, in particular, that the Directors are able to fulfil their responsibilities.

The Board may confer on one or more of its members or on third parties, whether or not they are shareholders, special mandates for one or more specific purposes.

It may also appoint one or more committees, the structure and roles of which it shall determine. These committees, which can include both Directors and third parties chosen for their expertise, study the questions that the Board or the Chairman submits for their review.

In these various cases, the Board may allocate special compensation to the appointed Directors.

ARTICLE 17 - MANAGEMENT

Management of the Company is directed, under his or her responsibility, by an individual appointed by the Board of Directors with the title of Chief Executive Officer. The positions of Chairman of the Board of Directors and Chief Executive Officer may no longer be held by the same person.

The Board of Directors shall appoint the Chief Executive Officer, determine the period for which the Chief Executive Officer is appointed and, if applicable, the limitation of his/her powers beyond the provisions laid down in Article 14 of these bylaws.

The Chief Executive Officer has the broadest powers to act in all circumstances in the name of the Company, within the limits of its purpose, and subject to the specific powers expressly attributed to General Meetings by law and to the specific powers of the Board of Directors.

The Chief Executive Officer represents the Company in its relationships with third parties. The Company is responsible for the acts of the Chief Executive Officer which are not in accordance with the Company's purpose, unless it can prove that the third party knew that the act in question was not in accordance with the Company's purpose, or that the third party could not have been unaware of this fact in light of the circumstances. The sole fact that the Company's bylaws are published does not constitute sufficient proof.

On the recommendation of the Chief Executive Officer, the Board of Directors can appoint one or more individuals, whether Directors or not, to assist the Chief Executive Officer, with the title of Deputy Chief Executive Officer. The number of Deputy Chief Executive Officers may not exceed five. The scope and duration of the powers of the Deputy Chief Executive Officers shall be determined by the Board of Directors with the consent of the Chief Executive Officer.

With respect to third parties, Deputy Chief Executive Officers have the same powers as the Chief Executive Officer.

The Board of Directors determines the compensation of the Chief Executive Officer and the Deputy Chief Executive Officers.

The Chief Executive Officer and, if they have been appointed, Deputy Chief Executive Officers, even if not members of the Board, are invited to the meetings of the Board of Directors.

The duties of the Chief Executive Officer and Deputy Chief Executive Officer must cease no later than the end of the General Meeting that follows the date at which the person reaches the age of sixty-eight.

The Chief Executive Officer may be removed at any time by the Board of Directors. The same applies, on the recommendation of the Chief Executive Officer, to the Deputy Chief Executive Officers. If the removal is decided without just cause, it may result in legal damages.

If the Chief Executive Officer resigns, or cannot carry out his or her duties, the Deputy Chief Executive Officers retain, unless the Board decides otherwise, their positions and the responsibilities assigned to them until a new Chief Executive Officer is appointed.

ARTICLE 18 - NON-VOTING DIRECTORS

The Ordinary General Meeting may, on the recommendation of the Board of Directors, appoint up to four non-voting Directors.

The term of office of a non-voting Director is six years. They may be re-appointed.

The renewal of the terms of office is carried out gradually, such that non-voting Directors are required to seek re-election on a regular basis in the most equal proportions possible.

Exceptionally, the Ordinary General Meeting may elect non-voting Directors to serve for a term of two or four years, in order to ensure adequate rotation.

The age limit for the exercising the function of non-voting Directors is set at 72 years. The number of non-voting Directors above the age of 68 may not be more than a third of the number of non-voting Directors in office. Once the age limit is reached, the oldest non-voting Director is deemed to have resigned from office following the next Ordinary General Meeting.

Non-voting Directors are responsible for ensuring that bylaws are strictly applied.

Non-voting Directors attend meetings of the Board of Directors and have an advisory role.

The Board of Directors determines their compensation in the context of the allocation of the directors' fees awarded by the General Meeting.



Section IV: company audits

ARTICLE 19 - STATUTORY AUDITORS

The General Meeting shall designate one or more Statutory Auditors and one or more Alternate Auditors, under the conditions stipulated by law.

ARTICLE 20 - SPECIFIC CONTROLLER

Under the conditions stipulated by law and by the regulations applicable to a *société de crédit foncier*, and after obtaining the opinion of the Board of Directors, the Chief Executive Officer shall appoint one Specific Controller and an alternate.

The Specific Controller and, if applicable, the alternate shall perform the duties assigned to them by the laws governing a *société de crédit foncier*.

Section V: General Meetings

ARTICLE 21 - GENERAL MEETINGS

General Meetings shall be called and shall deliberate under the conditions stipulated by law.

An Ordinary General Meeting must be held each financial year within five months of the closing date of the preceding financial year.

Meetings shall be held at the registered office or at another location stated in the notice of meeting.

Any shareholder may participate personally, or by proxy, in General Meetings with proof of identity and ownership of shares in the form of a record in his name on the Company's books five days before the date of the General Meeting.

He may also vote by mail under the conditions stipulated by law.

Shareholders who participate in the General Meeting by videoconference or telecommunications that enable them to be identified shall be considered present for calculating the quorum and the majority.

General Meetings shall be chaired by the Chairman of the Board of Directors or, in his or her absence, by a Director specially authorised for that purpose by the Board. Otherwise, the General Meeting shall appoint a Chairman.

An attendance sheet shall be kept under the conditions stipulated by law.

Minutes of General Meetings shall be drawn up and copies shall be certified and issued pursuant to law.

ARTICLE 22 - DELIBERATIONS OF THE GENERAL MEETING

Ordinary and Extraordinary General Meetings ruling with the quorum and majority set by law shall exercise the powers that are vested in them by law.

Section VI: annual financial statements - distribution of earnings

ARTICLE 23 - FINANCIAL YEAR

The Company's financial year begins on 1 January and ends on 31 December.

The Board of Directors may change the closing date of the financial year if it determines such a change to be in the Company's best interest.

As an exception, the first financial year began on 22 December 1998, date of registration to 31 December 1998.

ARTICLE 24 - DISTRIBUTION OF EARNINGS

If the financial statements for a given financial year, as approved by the General Meeting, show distributable earnings as defined by law, shareholders shall decide either to attribute them to one

or more reserve accounts, the allocation and use of which it determines, or to retained earnings, or to distribute them.

After ascertaining the existence of the reserves at its disposal, the General Meeting may decide to distribute amounts drawn from those reserves. In such a case, the decision shall specify the reserve accounts from which the distributed amounts are to be drawn.

However, dividends shall be withdrawn first from the distributable earnings for the financial year.

The above provisions shall apply if non-voting preferred shares are created.

General Meeting also have the right to grant each shareholder, for all or part of the dividend or interim dividend to be distributed, an option to receive payment either in the form of cash or in shares.

Section VII: dissolution – liquidation – disputes

ARTICLE 25 - DISSOLUTION AND LIQUIDATION

At the expiration of the Company or in the event of early dissolution, the General Meeting shall determine the method of liquidation and shall appoint one or more liquidators, whose powers it shall determine and who shall perform their duties pursuant to law.

ARTICLE 26 - DISPUTES

All disputes that might arise during the term of the Company or at the time of liquidation, either between the shareholders, regarding the interpretation or execution of these bylaws or the Company's

business, shall be adjudicated as required by law and shall be subject to the jurisdiction of the competent courts of the place of the registered office.

To this effect, in the case of a dispute, any shareholder is bound to designate an address for service of process within the area of jurisdiction of the court of the head office and any assignments or notifications will duly be issued to this elected domicile, without consideration of the actual address.

Failing an election of domicile, the assignments and notifications will be validly issued to the Public Prosecutor's office in the county court in the location of the head office.

6. General information

Outlook for Compagnie de Financement Foncier

RECENT EVENTS

The Company has recorded no recent events that may have a significant impact on the evaluation of its solvency.

At the 2013 financial statements approval date by the Board of Directors, dated 25 March 2014, a proposed regulatory amendment was in progress regarding certain provisions applying to *sociétés de crédit foncier* (SCF) and *sociétés de financement de l'habitat* (SFH).

Regarding *sociétés de crédit foncier*, this draft stipulates in essence:

- an increase of the regulatory cover ratio from 102% to 105%;
- the introduction of a maximum limit of 18 months for maturity mismatches between the privileged liabilities and the selected assets to achieve an overcollateralization of 105%;
- limitation to 25% of the non-privileged resources of the non collateralised exposures with the group to which it belongs.

It is worth noting that Compagnie de Financement Foncier is already compliant with all these criteria.

TRENDS

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

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

In November 2013, Groupe BPCE has presented its new strategic plan 2014-2017 "Another way to grow", which promotes a strengthened use of Compagnie de Financement Foncier by all Group companies to provide funding for their long-term loans. Thus, at least €5 billion euros will be made available to Banques Populaires, Caisses d'Epargne, and Natixis as of 2014.

CONTROL

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

MATERIAL EVENTS

No significant changes in the financial or commercial situation have occurred between 25 March 2014 - the date at which the Board of Directors closed the accounts - and the filing date of this registration document.



Additional information

- No potential conflicts of interest exist between the duties of Board members towards Compagnie de Financement Foncier and their private interests and/or other duties.
- At 31 December 2013, there were no exceptional events or legal disputes (government, legal or arbitration procedures) likely to have or to have had a material impact on Compagnie de Financement Foncier's financial position, operations, results or assets.
- Compagnie de Financement Foncier conducts itself and its corporate entities operate according to the corporate governance framework applicable in France.

Persons responsible for auditing the financial statements

PRINCIPAL

KPMG AUDIT - DEPARTMENT DE KPMG SA

Represented by Mr Jean-François DANDÉ

Address: 1 cours Valmy - 92923 La Défense cedex

775 726 417 RCS PARIS

Member of the Compagnie régionale des Commissaires aux comptes de Versailles (Regional Association of Statutory Auditors of Versailles)

Start of term: 25 May 2005.

Length of term: six financial years.

Expiration of term: at the end of the Ordinary General Meeting called to approve the financial statements for the 2016 financial year

PRICEWATERHOUSECOOPERS AUDIT

Represented by Mr Jean-Baptiste DESCHRYVER

Address: 63, rue de Villiers - 92200 Neuilly-sur-Seine

302 474 572 RCS PARIS

Member of the Compagnie régionale des Commissaires aux comptes de Versailles (Regional Association of Statutory Auditors of Versailles)

Start of term: 30 June 2003.

Length of term: six financial years.

Expiration of term: at the end of the General Meeting called to approve the financial statements for the 2013 financial year

ALTERNATES

KPMG AUDIT FS I

Address: 1 cours Valmy - 92923 La Défense cedex

Start of term: 23 May 2011.

Length of term: six financial years.

Expiration of term: at the end of the Ordinary General Meeting called to approve the financial statements for the year ending 31 December 2016

MR ÉTIENNE BORIS

Address: 63, rue de Villiers - 92200 Neuilly-sur-Seine

Start of term: 26 May 2008.

Length of term: six financial years.

Expiration of term: at the end of the General Meeting called to approve the financial statements for the 2013 financial year

Specific controllers

PRINCIPAL

CAILLIAU DEDOUT & ASSOCIÉS

Represented by Mr Laurent BRUN

Address: 19, rue Clément-Marot - 75008 Paris

Date of approval from the Banking Commission: 23 June 2004

Start of term: 29 June 2004.

Length of term: remainder of predecessor's term, then renewed for a term of 4 years.

Expiration of term: after submission of the report and certified statements for the year ending 31 December 2014

ALTERNATES

MR DIDIER CARDON

Address: 19, rue Clément-Marot - 75008 Paris

Date of approval from the Banking Commission: 23 June 2004

Start of term: 29 June 2004.

Length of term: remainder of predecessor's term, then renewed for a term of 4 years.

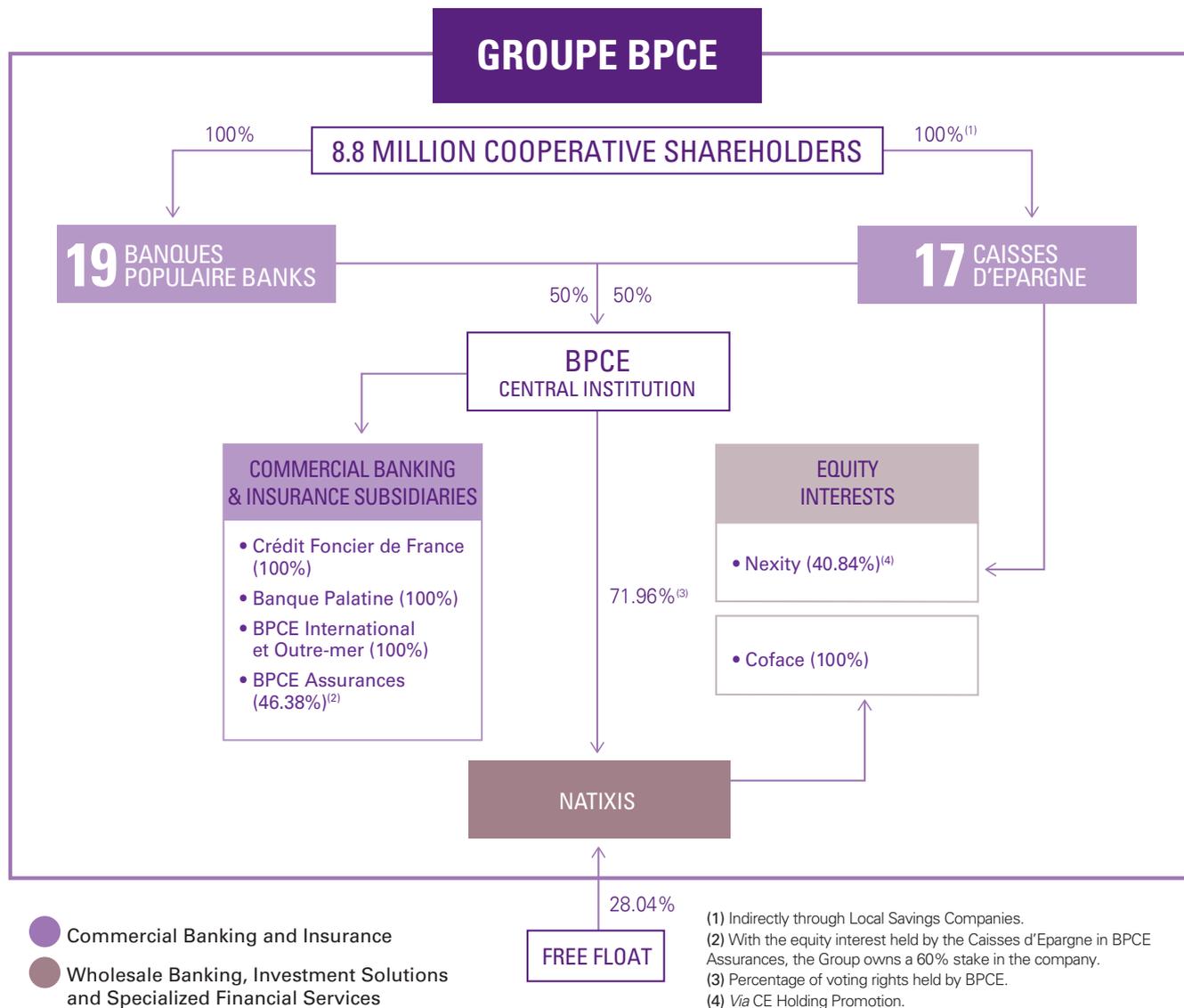
Expiration of term: after submission of the report and certified statements for the financial year ending 31 December 2014

Appendix

Positioning of Crédit Foncier, fully-owner of Compagnie de Financement Foncier, within Groupe BPCE

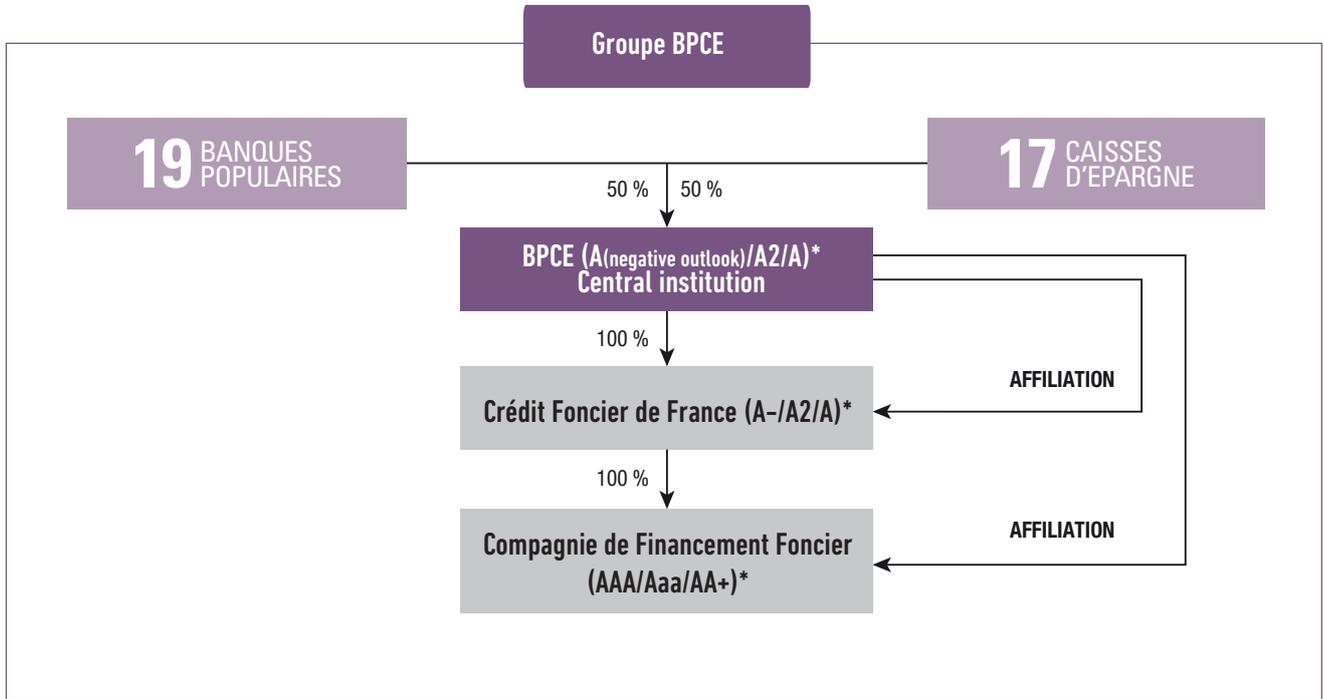
The merger of holding companies previously owned by the Banques Populaires (BP Participations) and the Caisses d'Épargne (CE Participations) on 5 August 2010 within the central institution (BPCE) led to Crédit Foncier's direct consolidation by Groupe BPCE, the second French banking Group.

Organisational structure of Groupe BPCE at 31 December 2013





■ Focus on the positioning of Compagnie de Financement Foncier



* Ratings of obligations foncières for Compagnie de Financement Foncier and senior debts for the other issuers, updated as of the registration document's filing date.

Statement from the person who assumes responsibility for the registration document

PERSON RESPONSIBLE FOR FINANCIAL INFORMATION

Mr Thierry DUFOUR

Chief Executive Officer

Compagnie de Financement Foncier

Address: 4, quai de Bercy - 94220 Charenton-le-Pont

Telephone: +33 (1) 57 44 92 12

Fax: +33 (1) 57 44 92 88

STATEMENT FROM THE PERSON WHO ASSUMES RESPONSIBILITY FOR THE REGISTRATION DOCUMENT

I certify, after having taken every reasonable measure to this purpose, that the information provided in this registration document is, to my knowledge, true to fact and that no information has been omitted that would change the interpretation of the information provided.

I further certify that, to the best of my knowledge, the financial statements have been prepared in compliance with the applicable accounting standards and give a true and fair view of the Company's assets, financial position and earnings, and that the information contained in the management report pages 38 to 62 gives an accurate representation of the business trends, earnings and financial position of the Company, as well as a description of the primary risks and uncertainties the Company faces.

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

Charenton-le-Pont, 27 March 2014

Chief Executive Officer of Compagnie de Financement Foncier

Thierry DUFOUR



AMF Cross-reference Table

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

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<i>(1) In application of article 28 of Regulation no. 809-2004 on prospectuses, the corporate financial statements for the accounting period ended 31 December 2012 and the Statutory Auditors' report on the corporate financial statements, included in the reference document no. D.13-0299 filed with the Autorité des marchés financiers (AMF – French Financial Markets Authority) on 5 April 2012, are incorporated by reference in this document. The sections of reference document no. D.13-0299 not referred to above are either of no consequence to investors or covered by another section of this reference document.</i>	

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Contacts

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Financial information:

Financial Communication Team

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ir@foncier.fr

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

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FONCIER**
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