

VOLUME 1



Activity report 2012



**COMPAGNIE DE
FINANCEMENT
FONCIER**

CREDIT FONCIER GROUP



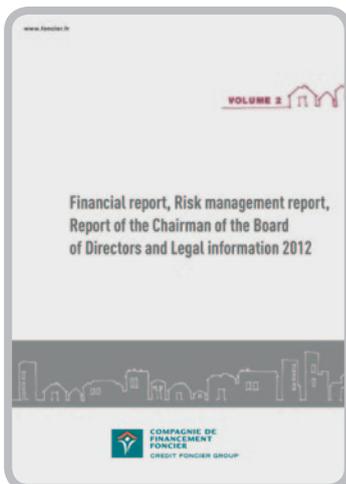
Volume 1

Activity report

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The original document was filed with the Autorité des marchés financiers (French Financial Market's Authority) on 5 April 2013, in accordance with Article 212-13 of its general regulation and registered under the number D.13-0299 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.

This is a free translation into English of Compagnie de Financement Foncier 2012 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.

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Overview



Profile

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

A fully-owned subsidiary of Crédit Foncier (A-/A2/A+) and an affiliate of BPCE (A/A2/A+), the company's sole purpose is to finance the mortgage and public-sector lending activities of both its parent company and the Group as a whole, issuing *obligations foncières*, in different formats and currencies.

The *obligations foncières* of Compagnie de Financement Foncier are French legal covered bonds that comply with European Directives UCITS 52-4 and CRD. They benefit from the AAA/Aaa/AAA rating.

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 actor in its market in 2012.

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

The covered bond market has shown that, particularly in times of crisis, it still provides banks with a diverse and resilient source of funding. It is one of its unique features and it explains why this market has already been well-established for several years.

This funding model has consistently proven its strength and ability to underpin sustainable lending to the real economy. As such, covered bonds are becoming increasingly vital in providing a stable funding base for banks, not only across Europe but throughout the world, as Canada and Australia have implemented national covered bond legal frameworks.

The European Covered Bond Council (ECBC), which represents more than 95% of the covered bond industry players, is committed to “promoting the covered bond asset class as a key instrument enabling mortgage lenders to grant mortgage loans*.”

In recent years, a market-wide request for improved standards and labelling covered bonds has arisen and, in 2012 the ECBC in conjunction with the European Mortgage Federation, its parent company, responded by establishing the Covered Bond Label Foundation.

* ECBC website (<http://ecbc.hypo.org>).

“Once again in 2012, the covered bond funding model has demonstrated its strength and ability to underpin sustainable lending to the real economy.”

Thierry DUFOUR, Chairman and Chief Executive Officer

“The European Covered Bond Label developed by the European Covered Bond Council is another step towards increased transparency for investors.”

Sandrine GUÉRIN, Deputy Chief Executive Officer

This label has one main goal: to facilitate access for investors to relevant, consistent and transparent disclosures. Indeed, these new standards will provide solutions to the new challenges that lay ahead of us, with all covered bond market players willing to demonstrate their ability to adapt. At stake is the enhancement of transparency, the preservation of high-quality underlying assets and the stimulation of the secondary market.

Compagnie de Financement Foncier has been playing an important part in developing the framework and guidelines of the Covered bond label: alongside ten other major covered bond issuers, it is a member of the ECBC's Steering Committee.

Compagnie de Financement Foncier's position in the market is extremely important, as it is among the twelve covered bond issuers rated AAA/Aaa/AAA stable outlook in the world at the filing date. These ratings reflect the strength of the French legal framework, the quality of Compagnie de Financement Foncier assets, the safety of its management rules and its overcollateralisation level.

History

1860s

Crédit Foncier becomes the first lender to local authorities in France.

1984

Banking Act of 24 January: Crédit Foncier acquires the status of Specialised Financial Institution with a public-interest assignment.

2004

Leading French private issuer and leading issuer in France of *obligations foncières*.

1852

Creation by decree of the first French mortgage bank, Crédit Foncier. First issues of *obligations foncières*.

1950s

After the end of World War II, Crédit Foncier becomes the main actor for social housing by granting of state subsidised mortgage loans and plays a major role in post-war reconstruction in France.

1999

Crédit Foncier is bought by Groupe Caisse d'Épargne (GCE) on 25 June. The French Savings and Financial Security Act of 25 June 1999 introduces a new legal framework for *obligations foncières*. Compagnie de Financement Foncier is created as a "société de crédit foncier" and a wholly-owned subsidiary of Crédit Foncier. Inaugural issue of €1.5 billion with an 11-year maturity on 15 November.

2005

Access to the Australian domestic market via setup of the AMTN programme for the issue of *obligations foncières* in AUD.

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

2006

Launch of the first 50-year *obligations foncières*: the first non-sovereign issuer to issue with such a long maturity.

2008

Compagnie de Financement Foncier receives the 2008 IFR Award in the "Covered Bond of the Year" category for its €2.5 billion 10-year issue.

2010

Inaugural issue of USD 2 billion with a 3-year maturity in 144A/RegS format. Compagnie de Financement Foncier receives the 2010 "Best Issuer of the Year" award from The Cover - Euroweek.

2007

Issue of first "MAPLE", *obligations foncières* in Canadian dollars in domestic format.
First issue on the German domestic market.
A record year in terms of issuances of *obligations foncières* with €23.5 billion.

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.

2012

Three *obligations foncières* benchmark issues:

- €1 billion 10 year issue launched in January;
- €2 billion 3,5 year issue in February;
- €1 billion 10 year issue launched in November.

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/A2/A+)⁽¹⁾⁽²⁾

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

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

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

Simplified economic balance sheet at 31 December 2012 and 31 December 2011

(from the regulatory report on the calculation components of the coverage ratio, certified by the Specific Controller)

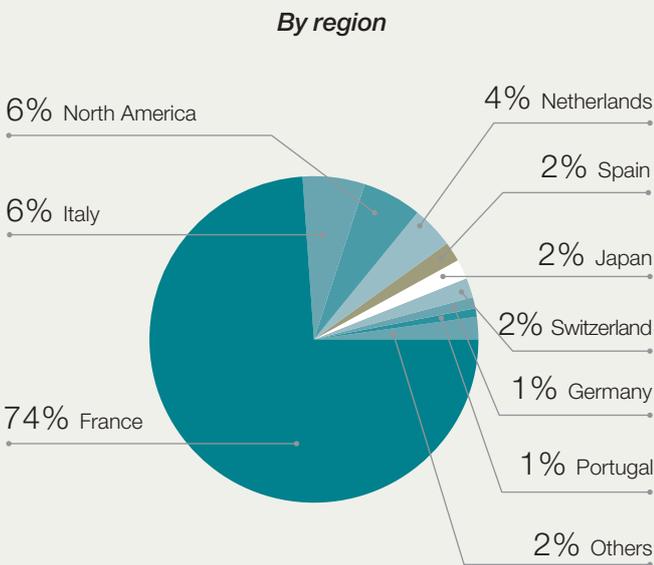
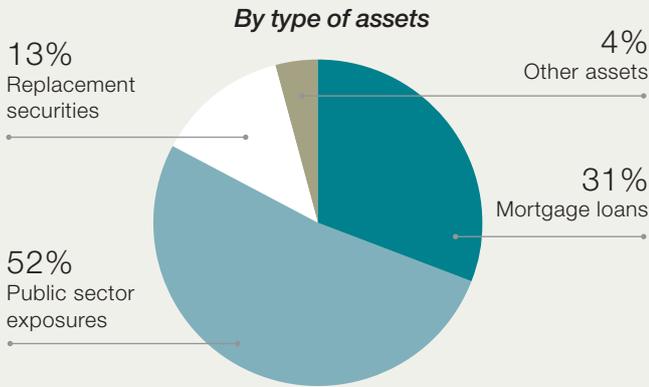
Including the direct and indirect public guarantees on certain outstanding loans also backed by real estate collateral, in particular loans secured by the FGAS⁽¹⁾, the assets secured by a public guarantee represented €51.7 billion at 31 December 2012, and 51% of total assets.

⁽¹⁾ FGAS: Fonds de garantie de l'accès sociale à la propriété (Government fund promoting access to home ownership)

ASSETS (by type of exposure)	At 31 Dec. 2012		At 31 Dec. 2011	
	€bn	%	€bn	%
Mortgage loans	31.7	31.4%	36.2	34.2%
Mortgage loans and related items	26.4	26.2%	26.0	24.6%
European senior residential mortgage-backed securities	5.3	5.2%	10.2	9.6%
Public sector exposures	51.7	51.4%	51.7	48.9%
Mortgage loans guaranteed by the French state or a European public institution	11.6	11.5%	10.0	9.4%
French public sector loans	19.4	19.2%	18.1	17.1%
International public sector values	20.8	20.7%	23.7	22.4%
Other assets and replacement values	17.4	17.2%	17.9	16.9%
Replacement values	13.3	13.2%	14.6	13.8%
Other assets	4.1	4.0%	3.3	3.1%
TOTAL ASSETS	100.8	100.0%	105.8	100.0%

LIABILITIES	At 31 Dec. 2012		At 31 Dec. 2011	
	€bn	%	€bn	%
Privileged resources	85.2	84.5%	91.1	86.1%
Obligations foncières	84.4	83.8%	89.8	84.9%
Other privileged resources	0.8	0.7%	1.3	1.2%
Non-privileged resources	15.6	15.5%	14.7	13.9%
Unsecured debt	9.9	9.8%	8.8	8.4%
Subordinated debt and similar debt	3.8	3.8%	4.0	3.8%
- of which redeemable subordinated notes (RSN)	2.1	2.1%	2.1	2.0%
- of which super-subordinated notes	1.4	1.3%	1.4	1.3%
Shareholders' equity, provisions and FRBG	1.9	1.9%	1.8	1.7%
Regulatory capital	3.2	3.2%	3.2	3.0%
TOTAL LIABILITIES	100.8	100.0%	105.8	100.0%

Breakdown of assets: €100.8 billion



Performance indicators

€8.1 billion

Obligations foncières issued in 2012

€132.6 million

Net income

113.7%

Regulatory overcollateralisation ratio

16.4%

Non-privileged resources/privileged resources ratio (excluding BCE refinancing and repurchase agreements).

65.7%

Average LTV of mortgage loans

14.4%

Tier one ratio

Outstanding privileged liabilities at 31 December 2012

€85 billion, including €84 billion in obligations foncières

Positioning

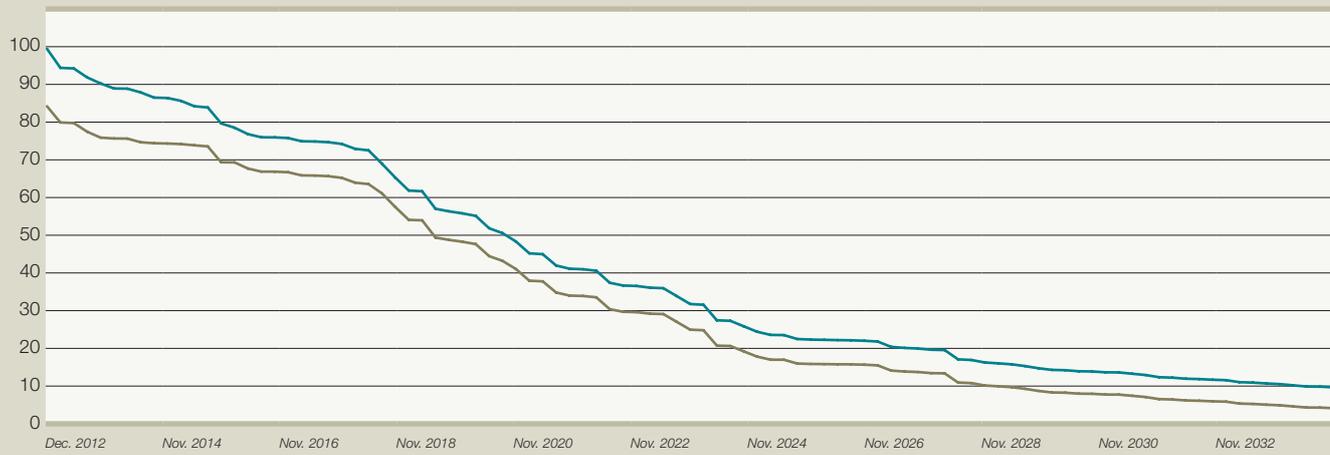
One of the leaders in the European covered bond market.

Highlights 2012

Three obligations foncières benchmark issues:

- €1bn 10 year launched on 9 January;
- €2bn 3,5 year launched on 10 February;
- €1bn 10 year launched on 9 November.

Amortization of assets and privileged liabilities



— Amortization of the assets taking into account the hypothesis of early redemptions — Amortization of the privileged liabilities

Covered bonds: legal and regulatory framework



Covered bonds

Covered bonds are bonds backed by first-ranking mortgage loans or public sector exposures.

Article 52-4 of the amended UCITS European Directive gives a legal definition of covered bonds. They must fulfil the following criteria:

- the issuer must be a credit institution having its registered office in a European Union Member State;
- it is subject to specific legal supervision protecting holders of those bonds;
- the bondholder must be protected by cash flows deriving from assets that allow the reimbursement of the bonds. He has priority recourse in case the issuer defaults (preferential claim);
- the bondholder may hold up to 25% of their assets in the securities of a single issuer when said securities are covered bonds.

UCITS Directive¹ – Article 52-4

Directive 2009/65/EC of the European Parliament and of 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 second European text that provides a definition of covered bonds is the Capital Requirements Directive (CRD). It provides the holders of covered bonds, particularly European banks, with a favourable regulatory framework. Under the CRD/EU CAD (Capital Adequacy Directive) scheme, banks and insurers have an attractive risk weighting on covered bonds complying with this Directive and with the best rating.

CRDs²: 2006/48/EC (business of credit institutions) and 2006/49/EC (capital adequacy)

Regulation of the European Parliament and of the Council (prudential requirements for credit institutions and investment firms).

Article 124 - Exposures in covered bond form

1. To receive preferential treatment, detailed in paragraph 3, the "covered bonds" must be bonds within the meaning of Article 52-4, of Directive 2009/65/EC of the European Parliament and the Council of 13 July 2009 on coordination of legislative, regulatory and administrative provisions concerning certain undertakings for collective investment in transferable securities (UCITS), and their safety must be created by one of the following eligible assets:

- exposures to, or guaranteed by, central administrations, central governments, public sector entities, or regional or local administrations of the Union;
- exposures to, or guaranteed by, central administrations or central banks of third-party countries, multilateral development banks or international organisations [per certain terms];

¹ UCITS: Undertakings for collective investment in transferable securities.

² CRD: Capital Requirements Directive.

Article 124 (continued)

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

(d) loans secured by 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 cover exposures on residential properties [per certain terms]

[...]

3. Covered bonds for which there is a credit evaluation by a designated ECAI³ are assigned a risk weighting in keeping with Table 6a, which corresponds to the credit evaluation prepared by the eligible ECAI per Article 131.

[Standard method]

Table 6a

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

[...]

[IRBF method]

In IRBF method, covered bonds are affected to a loss given default (LGD) of 11.25%.

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. This is the preferential claim granted to bondholders. 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. This has resulted notably in a 40% increase in outstanding bonds, a growing number of issuers and the implementation of national legislation on covered bonds in many countries.

The European Covered Bond Council, an association representing more than 95% of players created in 2012 a label for covered bonds: the European Covered Bond Label. For investors, regulators and key market players, the label will promote access to relevant and transparent disclosures. For issuers, the label will enhance transparency and in particular the quality of the underlying assets. In an ever-changing environment, the main goals of the European Covered Bond Label will be to stimulate the secondary market and bolster its liquidity, while at the same time improving regulation.

³ ECAI: External Credit Assessment Institutions.

French covered bonds: *obligations foncières*

The basics of *obligations foncières*

French law and compliance with European regulations

In 1999, the French government decided to open up the possibility for French banks to issue *obligations foncières*. Until then, the texts of 1852 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* business activities have been governed by the French Monetary and Financial Code. French law is the transposition of the European regulations. Thus, *sociétés de crédit foncier* are:

- credit institutions having their registered office in a European Union Member State, France;
- legally subject to specific oversight protecting the holders of those bonds: the Specific Controller, whose appointment is subject to the approval of the *Autorité de contrôle prudentiel* (ACP – French Prudential Supervisory Authority, which supervises the activity of financial institutions)⁴.

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

The French legal framework has transposed the CRD since 2007 and Article 52 (4) of the UCITS Directive since 2011. It was strengthened in October 2010 by legislation imposing 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. 515-13 of the French Monetary and Financial Code: granting or acquiring secured loans i.e. loans that are backed by first-ranking mortgages or real property collateral conferring at least an equivalent guarantee, or exposures on public authorities, 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:

- assets: secured loans, i.e. loans that are backed by first-ranking mortgages or real property collateral conferring at least an equivalent guarantee, exposures on public authorities and replacement values;
- liabilities: privileged resources among which *obligations foncières*, and non-privileged resources (unsecured debts, subordinated and assimilated debts), shareholders' equity (own capital) and reserves.

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.

Article L. 515-13

Amended by Law No. 2010-1249 of 22 October 2010 – Art. 71

I. - Sociétés de crédit foncier are credit institutions approved as financial companies by the French Prudential Supervisory Authority, whose exclusive purpose is:

1° to grant or acquire secured loans, or exposures to public authorities and securities as defined in Articles L. 515-14 to L. 515-17;

2° for the financing of these categories of loans, exposures, or securities, to issue bonds known as *obligations foncières* benefiting from the preferential claim defined in Article L. 515-19 and by raising other resources whose contract or document is intended for public information pursuant to Article L. 412-1 or any equivalent document required for admission on the foreign regulated markets that mentions this preferential claim.

[...]

⁴ For more information, please refer to the section on the Specific Controller in "Regulatory bodies" page 19.

The eligibility criteria for *sociétés de crédit foncier*'s assets are defined in Articles L. 515-14 to L. 515-17 of the French Monetary and Financial Code. The following assets are eligible:

- loans secured by a first-ranking mortgage or equivalent guarantee, when the underlying property is located in the European Economic Area or in a country with the highest credit rating;
- exposures to or guaranteed by public authorities (public entities, local authorities, etc.) in the European Economic Area, or located in Switzerland, the United States of America, Canada, Japan, Australia and New Zealand, and when they directly or indirectly have a step one credit rating;
- replacement values (limited to 15% of the nominal amount of *obligations foncières* and other resources benefiting from the preferential claim): securities and deposits that are sufficiently safe and liquid.

All eligible assets are carried by the *société de crédit foncier* in a dedicated balance sheet separate from the parent company's. The Specific controller ensures compliance with the legislative and regulatory provisions.

Investor protection

Preferential claim of holders of *obligations foncières*

Article L. 515-19 of the French Monetary Financial Code specifies the terms of the preferential claim and the guarantee that it provides. Asset cash flows shall first be allocated to the payment of *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 enters receivership. It thus affords investors with the maximum protection.

Article L. 515-19

Amended by Ordinance No. 2007-571 of 19 April 2007 – Art. 2 official Journal of 20 April 2007

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

1. Sums deriving from the loans or similar debts, securities and instruments referred to in Articles L. 515-14 to L. 515-17, financial instruments referred to in Article L. 515-18, after netting, if applicable, as well as claims made in respect of deposits by the *société de crédit foncier* with credit institutions, shall first be allocated to the payment of *obligations foncières* and the other privileged resources mentioned at I.2 of Article L. 515-13.
2. When a *société de crédit foncier* is subject to a preservation procedure, recovery procedure, insolvency or conciliatory proceedings, the debts duly deriving from the transactions referred to in item 2 of I of Article L. 515-13 shall be paid on their contractual due date and in priority over all other claims, regardless of whether the latter benefit from the preferential claim or security interests, including interest resulting 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 insolvency does not accelerate the repayment of its bonds or the other preferential claims referred to in part 1 of this article.

[...]

In order to protect *obligations foncières* bondholders, law sets out management rules so as to ensure that the *société de crédit foncier* is able to reimburse its *obligations foncières*.

- Overcollateralisation

Article 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. 515-19. 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%.

- 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. This matching is subject to review by the Specific Controller, who refers points needing attention to the executive officers, and to the ACP if necessary.

- 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

Created by Decree no. 2011-205 of 23 February 2011 - Art.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. 515-18. 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. 515-27

"Preservation, 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* subsidiary 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*, cash flows derived from assets are in priority allocated to repayment of privileged debts and the following rules apply:

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 the event of *société de crédit foncier* insolvency

Article L. 613-18 of the French Monetary and Financial Code provides that, depending on the situation, a provisional administrator may oversee or advise management, or be given full managerial authority. 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 rules applicable to a *société de crédit foncier* continue to be followed, regardless of the situation.

Thus, the *société de crédit foncier* does business as usual, because the provisional administrator has the same duties as managers did 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. 613-18

The banking commission may appoint a temporary administrator to a credit institution, payment institution or any one of the persons mentioned in paragraph one of Article L. 613-2, 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. 515-31 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 Authority (ACP), just as he or she must do when the *société de crédit foncier* is operating normally.

Affiliation to a central body

Mutualist banking groups have a central body: some subsidiaries may use a securing specific mechanism: the affiliation. In Compagnie de Financement Foncier's case, it is affiliated with BPCE SA which is the central body of Groupe BPCE. Crédit Foncier is part of Groupe BPCE.

Article L. 511-31

The central bodies represent the credit institutions with which they are affiliated near Banque de France and ACP. They are responsible for the solidity of their network and for ensuring that the institutions affiliated with them function properly. To this end, they take any necessary steps to guarantee the liquidity and the solvency of each of those institutions and of the entire network (...).

Regulatory bodies

The *Autorité de contrôle prudentiel* (ACP - French Prudential Supervisory Authority)

As authorised credit institutions, *sociétés de crédit foncier* are placed under the French Prudential Supervisory Authority (ACP). The ACP 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 ratio and observation ratios.

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

- the quality of its 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.

This report on these points is published on the Compagnie de Financement Foncier's website and submitted to the ACP four times a year, within 45 days after 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.

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

These audits performed by the ACP are an additional guarantee for the holders of *obligations foncières*. *Sociétés de crédit foncier* determine the solvency ratio and the regulatory overcollateralisation ratio to the French Prudential Supervisory Authority, on an individual basis.

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 means of payment [...] 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 modifications 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 that are capable of ensuring effective management of their risk, including for loan approval (limits, approval delegations and analytical methods), and also tools and procedures for regularly monitoring and assessing risk levels.

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 responsibilities of control staff;
- their systems security procedures;
- risk assessment systems and their operational characteristics (limits, approval rules, 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 and the Specific Controller);
- regulatory authorities (ACP, 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.

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 situation 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 interim financial statements:

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

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

Pursuant to the law, at any time of 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:

- civilly liable, per Article L. 515-30 of the French Monetary and Financial Code regarding the Specific Controller and Article L. 822-17 of the Commercial Code regarding any statutory auditors, stating that they are liable, toward both the company and third parties, for any harmful consequences of any torts or negligences of which they are guilty in the exercise of their duties.
- disciplinarily liable, per Article R. 822-32 of the French Commercial Code, because the Specific Controller is a registered statutory auditor;
- criminally liable, under Articles L. 820-6 and L. 820-7 of the Commercial Code.

Specific Controller

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

His responsibilities, as defined by law under Articles L. 515-30 and 31, and for which he has extensive investigative rights, are essentially to:

- ensure compliance with the legislative and regulatory provisions specific to *sociétés de crédit foncier*;
- verify that the repurchases made by a *société de crédit foncier* are in accordance with the purpose defined in Article L. 515-13 and meet the conditions provided for by Article L. 515-14 to L. 515-17;
- certify the documents sent to the ACP, in particular, regulatory ratios, limits and LTV at 30 June and 31 December of each year;
- prepare, for management and decision-making entities, an annual report on the achievement of its assignment, a copy of which is sent to the ACP.

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 ACP;
- issue certifications of quarterly bond issue programmes for issues 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, per CRBF 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. 515-30

Amended by Ordinance no. 2010-76 of 21 January 2010 - Art. 18 (V)

The 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 Specific Controller shall supervise compliance by the *société de crédit foncier* with Articles L. 515-13 to L. 515-20. He shall verify that the contributions made to a *société de crédit foncier* are in accordance with the purpose defined in Article L. 515-13 and meet the conditions provided for by Article L. 515-14 to L. 515-17.

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. 515-31

Amended by Ordinance no. 2010-76 of 21 January 2010 - Art. 5 and Art. 18 (V)

The Specific Controller

When a *société de crédit foncier* is the subject of preservation procedure, recovery procedure or insolvency proceeding, the Specific Controller makes the declaration as stipulated in the Commercial Code for and on behalf of the holders of the privileged debt referred to in Article L. 515-19.

[...]

By exception to Article L. 823-14 of the French Commercial Code, the Specific 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. 515-22, provided that those contracts and other documents are directly related to the tasks performed by that company on behalf of the *société de crédit foncier*.

The Autorité des Marchés financiers (AMF - French Financial Markets Authority)

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 Article L. 212-1 of the AMF's General Regulation and Articles L. 412-1 and L. 621-8 and seq. of the French Monetary and Financial Code.

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 General Regulation also stipulates that, as issuers, *sociétés de crédit foncier* must provide a Registration Document as well as the half-year update of the document.

In addition, 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 that investors must have on 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 a list of the information that the company 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

Amended by Ordinance no. 2009-80 of 22 January 2009 – Art. 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

Created by Law no. 2005-842 of 26 July 2005 – Art. 26 Official Journal of 27 July 2005

The French Financial Markets Authority

I. - The Financial Markets Authority verifies that the document is complete and comprehensible, and that the information it contains is correctly presented before delivering the visa referred to in Article L. 621-8. 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

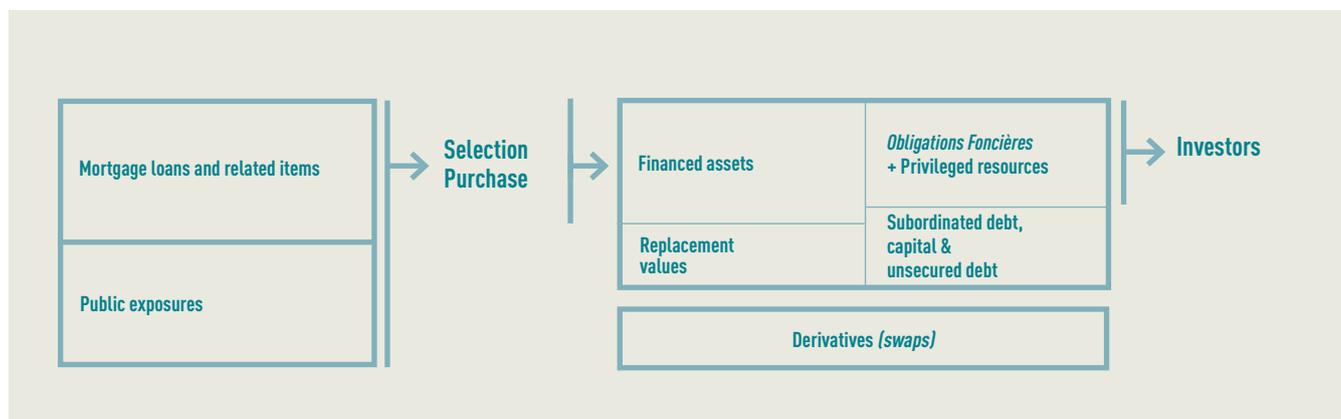


Compagnie de Financement Foncier is a credit institution licensed as a financial company and a *société de crédit foncier*. A wholly owned subsidiary of Crédit Foncier, affiliated with BPCE, it enjoys the support of France's second-largest banking group. Its AAA/Aaa/AAA credit rating allows it to benefit from favourable refinancing conditions and confirm the strength and profitability of its business 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 the issue of covered bonds benefiting from the legal preferential claim.

The selection and purchase of assets is based on precise criteria. Indeed, only loans for housing backed by a first-ranking mortgage with a maximum loan to value (LTV) of 80% in the case of individuals and 60% for other cases, or guaranteed by FGAS⁵ (maximum LTV 100%) as well as public sector exposures may be included on Compagnie de Financement Foncier's balance sheet.

An exposures asset-selection process allows Compagnie de Financement Foncier to buy only quality loans, in line with its risk policy.



Asset selection, management rules and control

Market and context

The French mortgage market

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

Most housing, whether new or existing, is in the private sector. But there is also a system of social housing for low-income households, which receive grants from the French government⁶.

France has always sought to foster free choice regarding the status of occupation (home-ownership, social housing, 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 single-family houses led the French population to settle in the suburban areas since the 1970s.

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

⁵ FGAS : Fonds de 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.

⁶ State aid falls into two categories: "building grants" (via social housing bodies) and "personal assistance". 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.

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: surety taken on the property itself, which allows the lender, in the case of default by the borrower, to be repaid before other creditors, on the proceeds raised by the sale of the property. The lender has other legal remedies against the borrower in addition to the mortgage, such as wage garnishment.
- Privilege of the money lender: operates on the same principle as a mortgage. It therefore allows the lender to seize the property and sell it through legal channels if the borrower fails to repay the loan terms.
- Surety: a surety operates in a similar fashion to insurance. The borrower pays a contribution to the surety company so that it takes over in case of default.

Most mortgages are amortising loans: the outstanding principal therefore decreases with time. The financing plan for the purchase of a house often combines a down payment and one or more loans.

To promote purchases by individuals on low income, the government has established subsidies corresponding to different levels of income. They include, for instance, the low-income home loan (*prêt d'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).

The structural features of the French mortgage market

Change in the profile of home buyers

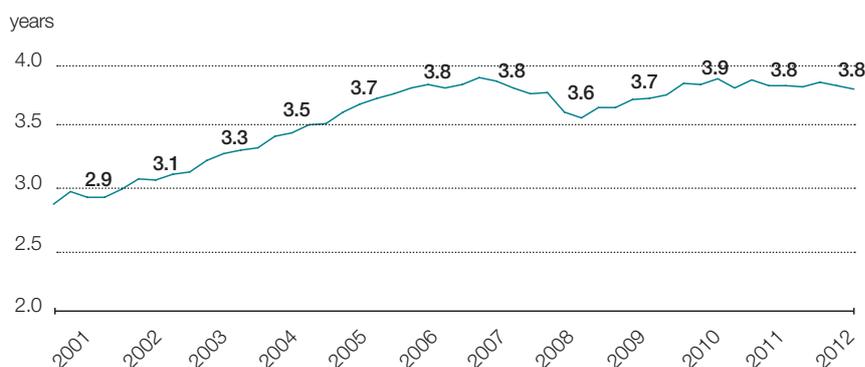
At the end of 2012, there were 33.2 million homes in France, 1% more than in 2011⁷.

Housing mainly comprises principal residences (83%). The weight of second residences has been stabilising around 10% for more than ten years. More than one in two French people (56%) live in single-family homes. Approximately 14% of households live in subsidised housing. Households renting in the private rental sector remain stable at 22%⁷.

Since 2007, in the new property sector, the average age of home buyers has fallen, with 52% of buyers now under 35 years old (compared to 50% in 2007). On the other hand, in the existing property sector, young buyers are less represented. Improved lending conditions were not offset by the economic crisis and the removal of interest-free loans in the existing property sector (see: mortgage interest rates for Individuals)⁸.

The average transaction amount has increased steadily since 2001, as a result of property prices, rising much more quickly than incomes. Households now have to spend an average of nearly four years' income to purchase their home.

Average mortgage debts for individuals in years of income



⁷ <http://www.insee.fr/fr/> - Conditions de vie – Société / Logement (*Living conditions – Society / Housing*).

⁸ Crédit Logement/CSA: Observatoire du Financement des Marchés Résidentiels (*French Residential Market Financing Observatory*).

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. The examination also ensures that the customer has sufficient residual income⁹. In practice, French lenders agree to cap the maximum debt load of individual borrowers at one third of their disposable income, so as to facilitate repayments. The down payment is usually set at a minimum of 10% of the total amount of the loan required.

In addition to the requirement that French mortgage lending be approved on the basis of the borrower's ability to repay, and not the value of the underlying property, the French mortgage market offers other features that increase safety:

- For the borrower: the existence of a usury rate, which is the maximum total effective rate at which a loan may be made, set by 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 liability. 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. Lending policy is very prudent and the default rate by French households is very low.

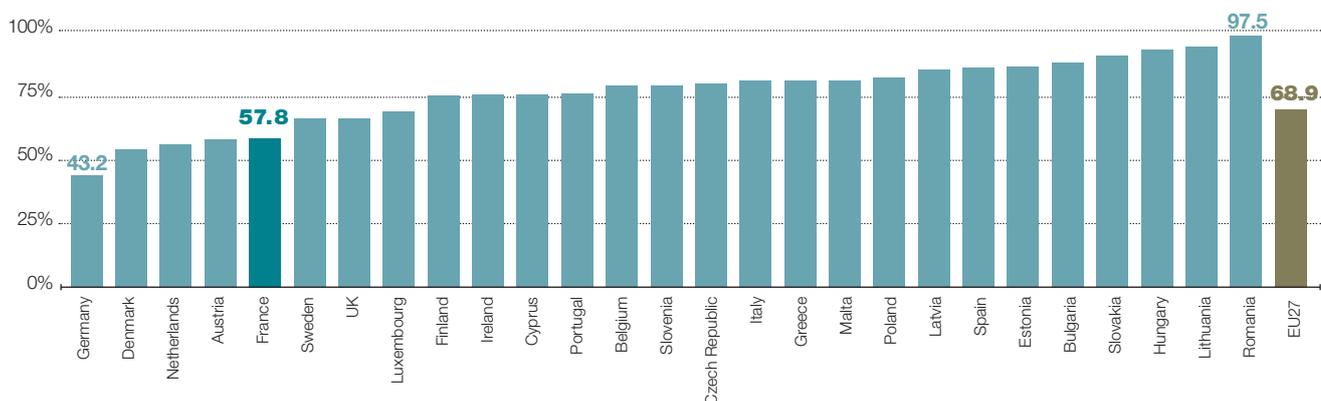
Trend data of the French mortgage market

Strong demand for housing, but insufficient supply

The French housing market is supported by demographic growth (the estimated natural rate of increase in 2011 was 0.55%¹⁰), resulting in higher housing demand.

The low rate of home ownership in France (58% vs the EU average of 69%) also supports the market. The strong demand stemming from the low rate of home ownership and positive population growth therefore supports property sales.

Home ownership rates in Europe



⁹ The funds remaining for the borrower's living expenses after repayments of all of his or her debts.

¹⁰ European Mortgage Federation (EMF) - Hypostat 2011.

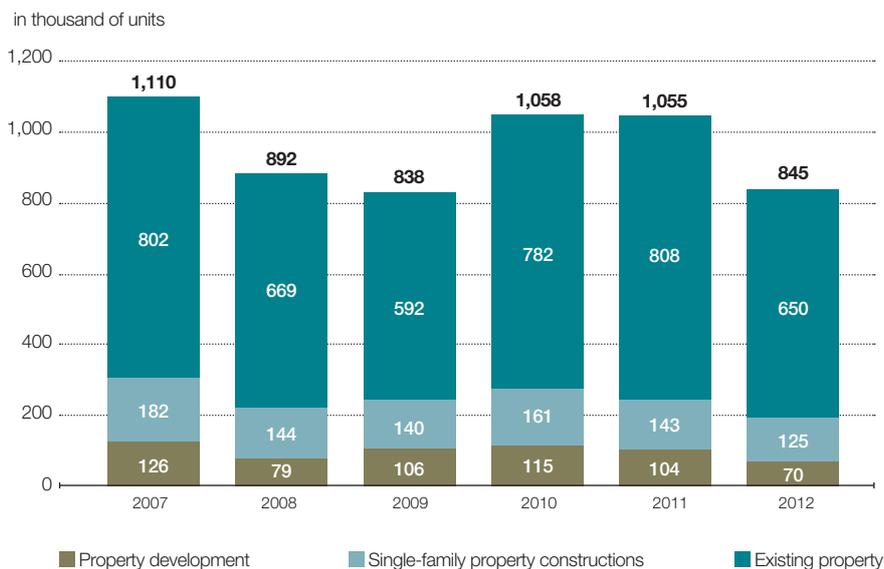
Housing supply, composed of housing starts and renovations of existing houses, does not cover this growing demand, which is between 350,000 and 500,000 housing units per year, according to reasonable assumptions of vacancy and renewal of existing houses. It is clear on the graph below that the number of housing starts only rarely reaches that number¹¹.

Housing starts in France



In 2012, 845,000 sales were carried out in residential real estate markets (650,000 for existing properties and 195,000 for new properties)¹². In 2012, the average budget available to households for the purchase of real estate amounts to €228,400 for new properties and €238,700 for existing properties¹³.

Total number of transactions in France



¹¹ Commissariat général au développement durable - Ministère de l'écologie, du développement durable et de l'énergie (Sustainable development commission – French Ministry of Ecology, Sustainable Development and Energy).

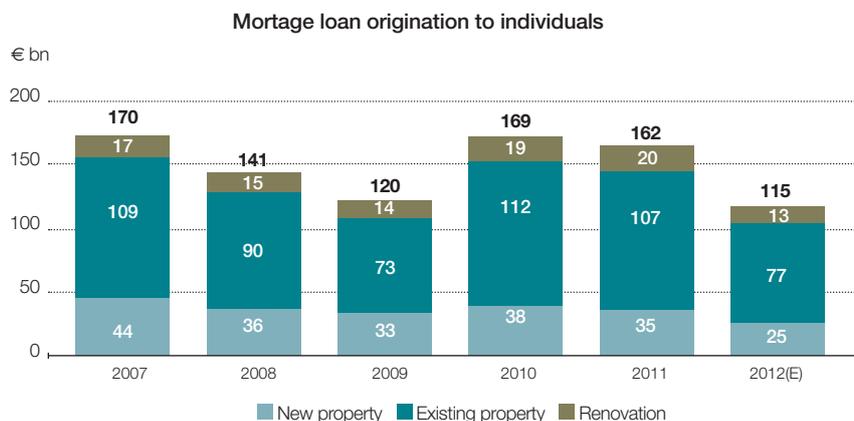
¹² Markemtron, FPC (Federation of Developers and Builders), Notaries, Fnaim (National Federation of Real Estate Agents).

¹³ Crédit Logement/CSA : Observatoire du financement des marchés résidentiels (French Residential Market Financing Observatory).

Severe recession in real estate funding in 2012

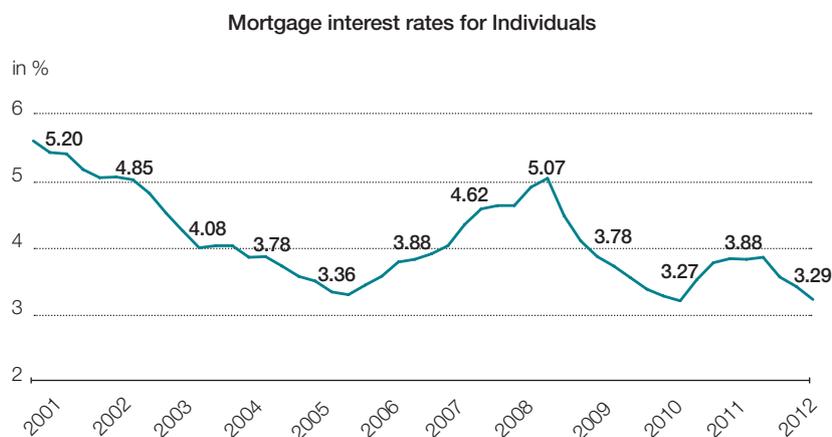
In 2012, real estate lending by banks totalled almost €115 billion, a decline of 29% compared with 2011, and well below the €170 billion in 2007.

This change in trends came after the regular increase in lending since the turn of the century, which contributed to the good performance of the property market in France: €144 billion in 2005, €166 billion in 2006 and €170 billion in 2007¹⁴.



Lending rates averaged 3.29% in the fourth quarter of 2012 (3.22% in December 2012), close to the lowest record since 1945¹⁵ (3.25% in average).

Low interest rates allow higher loan amounts which is a real support to house prices.



Since 2001, the housing market across the country has been supported by incentive schemes, contrasted to the ambient economic gloom – with a favourable period in terms of bank lending rates. The market has been driven by favourable conditions, both economic through lower interest rates and in respect of government aid.

The public sector in France

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

¹⁴ Observatoire de la production de crédits immobiliers – OPCI (*Property Loan Origination Observatory*).

¹⁵ Crédit Logement/CSA: Observatoire du financement des marchés résidentiels (*French Residential Market Financing Observatory*).

- 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, departments and municipalities.

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

Operating expenses and investment make up the lion's share of spending by the region. Its revenues include taxes, incoming transfers¹⁶ and borrowings.

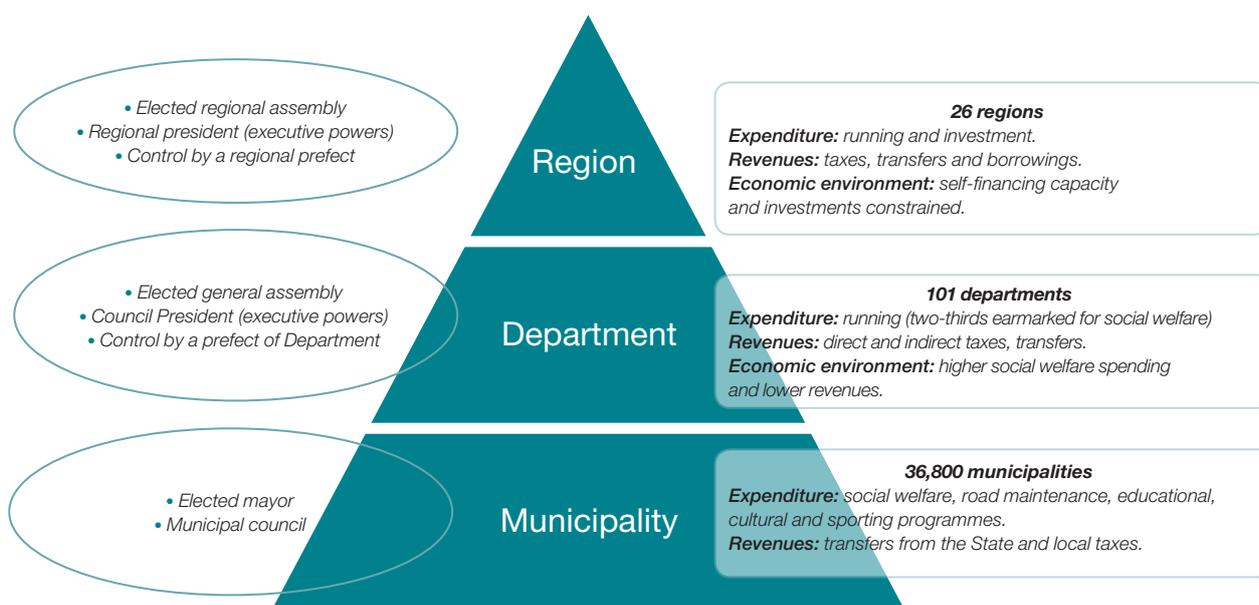
The regions hand out nearly €800 million every year in direct and indirect subsidies to businesses¹⁷. The current economic situation has undermined their capacity to self-finance and restricted their investments.

- 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 the prefect of department. A general council has financial autonomy and as such its own budget. The role of department covers social affairs, large road infrastructure, education (secondary school) and rural development. It has a key social role. Nearly two-thirds of its operating expenses are allocated to social welfare¹⁷.

Departments' social welfare spending is currently on the rise, at a time when their revenues are falling.

- A 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. A municipality has budgets consisting chiefly of transfers from the State and direct local taxes (property, housing and professional taxes); it is responsible for local government (water management, building permits, etc.). Its presence is mainly felt in land control, industrial development, architectural heritage and environment. Municipalities are behind nearly 60% of public investment.¹⁸

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



¹⁶ Transfers: local tax rebates, transferred taxes, general operating allocation, levy on revenues etc.

¹⁷ <http://www.vie-publique.fr/decouverte-institutions/finances-publiques/collectivites-territoriales/depenses>.

¹⁸ Les chiffres clés 2012 des collectivités locales, Direction générale des collectivités locales (2012 Key figures of French Local Authorities (French Ministry)).

Funding

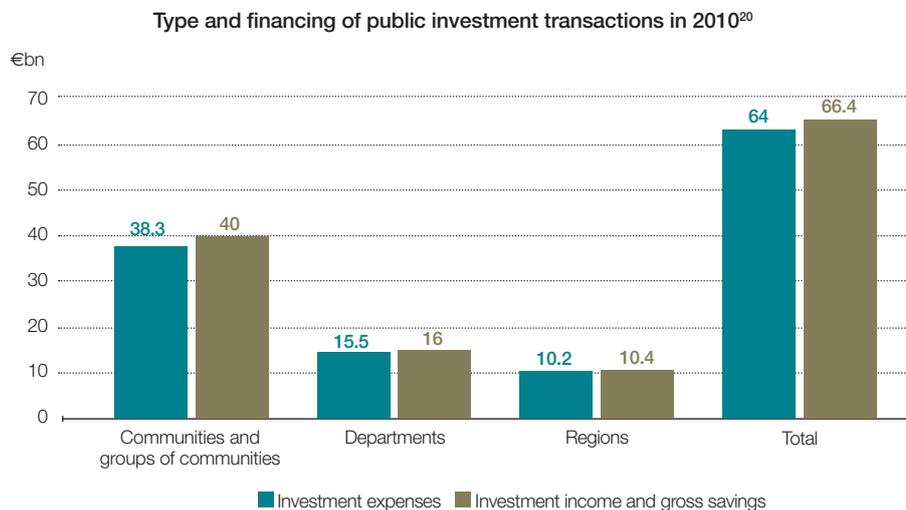
The French legislative framework makes the public sector a highly controlled sector. The 1984 budget¹⁹ endowed public structures with management autonomy. As they are responsible for investment decisions to which they commit, they are bound to repay all of their debts at any time.

In the budget estimates submitted to the Prefect's approval, revenues must be equal to or greater than expenditures to ensure debts are payable at any time.

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 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, and is thereby paid to the creditor.



Market and environment

In view of its fundamentals, the French public sector is stable: the rules of budgetary supervision encourage elected officials to practise rigorous management. This system is protective for bodies that lend to local authorities, as such authorities have a very low probability of default.

Until the autumn of 2011, the market for financing loans to local authorities was highly consolidated. Since then, market players have become scarcer. So-called "traditional" banks withdrew or opted not to increase their market share, with the Basel III banking regulations requiring a higher level of capital to offset their commitments.

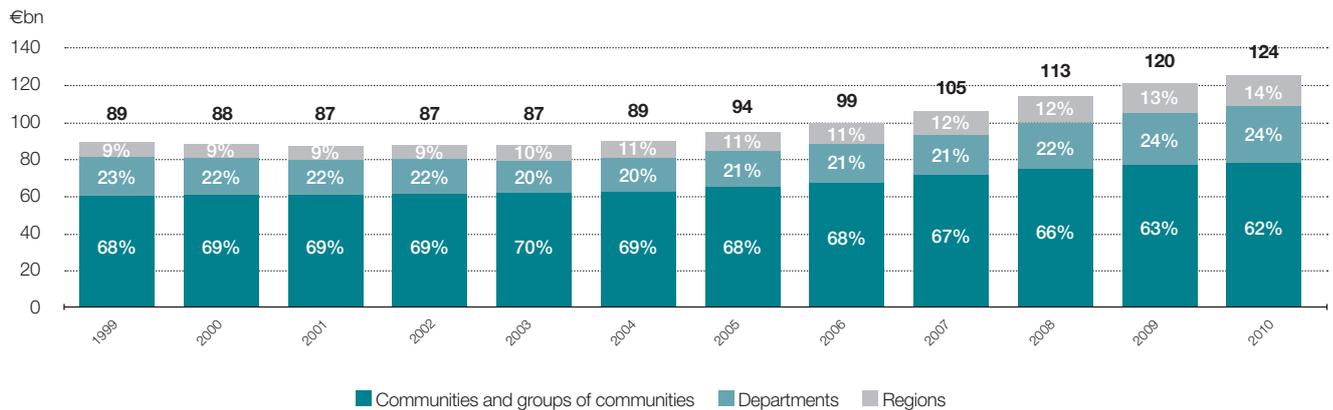
Local authorities are therefore making increase refinancing through financial markets, alone or in groups, and borrowing record amounts in the bond market. In 2012, they issued €1.1 billion in bonds. This compares with approximately €800 million in 2011 (11 issues).

In 2012, public sector financing requirements could total €25 billion. La Banque Postale started a credit activity for French local authorities in 2012 and Caisse des dépôts et consignations (CDC) also contributed to financing that sector. Both actors enabled to face the decreasing activity of Dexia. La Banque Postale and CDC implement a credit offer for the public sector in 2013, which will take back Dexia's businesses. An agency dedicated to the financing of local authorities was created in early 2013 so as to cover up the insufficiency of financing by traditional banks.

¹⁹ Law No. 83-1179 of 29 December 1983, the 1984 budget.

²⁰ "2012 Key figures of French Local Authorities" (French Ministry).

Local authority debt



Compagnie de Financement Foncier's assets

Composition of assets, selection and management rules

Composition of assets

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

- these assets must meet the legal requirements for acquisition by *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 return at all times.

The quality of Compagnie de Financement Foncier's assets is also guaranteed by their intrinsic characteristics. They benefit from either a public or equivalent guarantee, or a first-ranking mortgage or equivalent surety.

More precisely, these assets include loans 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.

Asset selection is based on a combination of the Basel rating and the loan-to-value regulatory ratio.

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), 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.

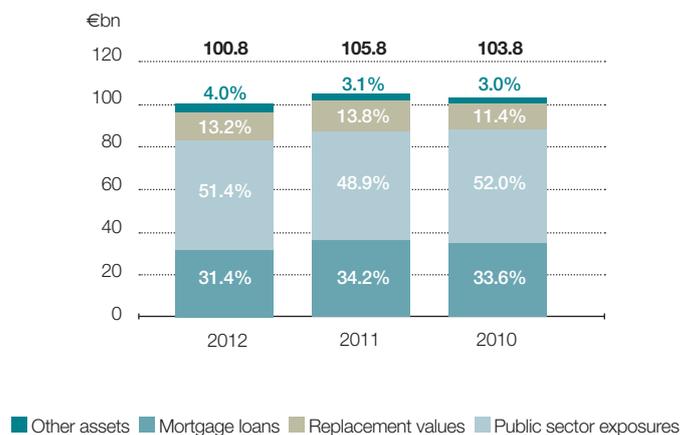
Change in assets

In 2012, 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 €5.0 billion or by subscribing mortgage notes issued by Crédit Foncier for an amount maintaining their outstandings at €9.3 billion. In the public sector, Compagnie de Financement Foncier increased its exposures for €0,1 billion in loans to Crédit Foncier guaranteed by public assets, in application of article L. 211-38.

In 2012, Compagnie de Financement Foncier started reducing its balance sheet by selling international assets for an amount of €6.2 billion. In the meantime, Compagnie de Financement Foncier bought back and cancelled €2.1 billion in *obligations foncières*.

Loans with direct or indirect public guarantees make up 51.4% of Compagnie de Financement Foncier's total assets with mortgage-based assets accounting for 31.4%.

Change in assets



Management rules

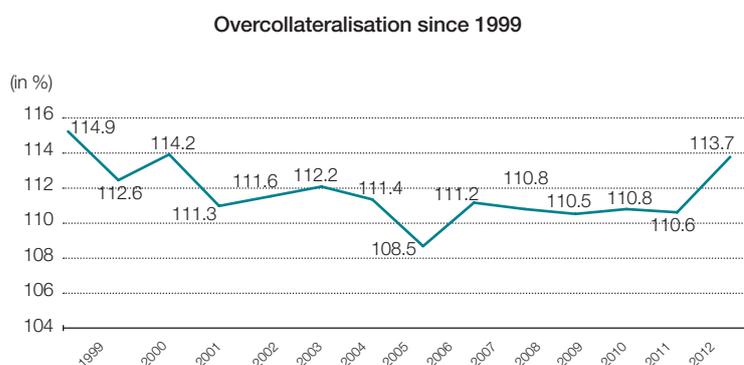
Overcollateralisation

Compliance with the regulatory overcollateralisation ratio (coverage ratio)

Overcollateralisation, defined by law (Article L. 515-20) requires that total *société de crédit foncier* weighted assets (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 regulatory overcollateralisation, as stated in CRBF Regulation No. 99-10 as amended²¹, assets must be weighted in accordance with their quality and their nature.

With €1.9 billion in capital, €3.8 billion in subordinated debt and €9.9 billion in unsecured debt, regulatory overcollateralisation ratio is well above the legal minimum of 102%.

Since the company's inception in 1999, this regulatory ratio has always been above 108%. On 31 December, 2012 it was 113.7% (compared to 110.6% on 31 December 2011).



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 methodologies.

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. As of 31 December 2012, this ratio was 16.4% (excluding ECB refinancing and repurchase agreements).

This level of non-preferential liabilities contributes to investors' protection in the company's privileged debt, such as the 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 of 5%. 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.

²¹ 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.

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*.

➤ 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 (see table below) and an overcollateralisation for the estimated loans anticipating a two years-production.

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 prepayment assumptions: no prepayment, likely prepayment rate and a stressed prepayment 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.

➤ The overcollateralisation required in order to obtain the best rating by the credit rating agencies is at least 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 wishes to maintain its rating and that the overcollateralisation according to the relevant rating agency, quarterly observed, turns out to be less than one of the specified minimum levels, 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 (€31.7 billion at end-2012) 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 underlying 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 subsidiary. Their experts are either certified by a court or qualified as chartered surveyors (MRICS²²). 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.

²² MRICS: Member 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.

On the basis of these rules, at 31 December, 2012 the company's LTV ratio on its mortgage portfolio was relatively stable at 65.7% (vs. 61.6% at 31 December, 2011).

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.

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) 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 1 month	ST: A-1; LT: A	ST: P1	ST: F1
From 1 to 12 months	ST: A-1; LT: A	ST: P1	ST: F1+
More than 1 year	LT: AAA	LT: Aaa	LT: AAA

Limiting market counterparty risk

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 and 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.

On 9 January 2013, Compagnie de Financement Foncier made the following commitments:

- in the event of a counterparty's downgrade rating below a certain level, new circumstance allowing Compagnie de Financement Foncier to terminate a swap contract: commitment to find under sixty days an equivalent coverage or to have the necessary overcollateralisation to set off the risk that has become uncovered for swaps overpassing 5% of *obligations foncières* outstanding;
- in the event of BPCE's downgrade rating below A1 (Standard & Poor's rating): commitment to put in order under sixty days non-compliant swap contracts and whose outstandings overpass 5% of the privileged resources, or to replace the counterparties.

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 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 Compagnie de Financement Foncier's assets, and in particular of its eligible securities and receivables, give it 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.

With the volume of Compagnie de Financement Foncier's assets eligible for the European Central Bank's liquidity facility (€46.5 billion), it could service its payments and build up its liquidity for much longer than the 12 months to which it is committed. Thus it could obtain an amount estimated at €20 billion after haircut and based on the ECB's current rules, while respecting its management rules including the regulatory overcollateralisation ratio.

Compagnie de Financement Foncier also limits the duration gap between its assets and its overall liabilities to two years at most. At 31 December, 2012, the duration gap was insignificant (asset duration was 6.6 years and liability duration was 7.0 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 central body BPCE's Risk Department.

In addition to this group-level monitoring, *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.

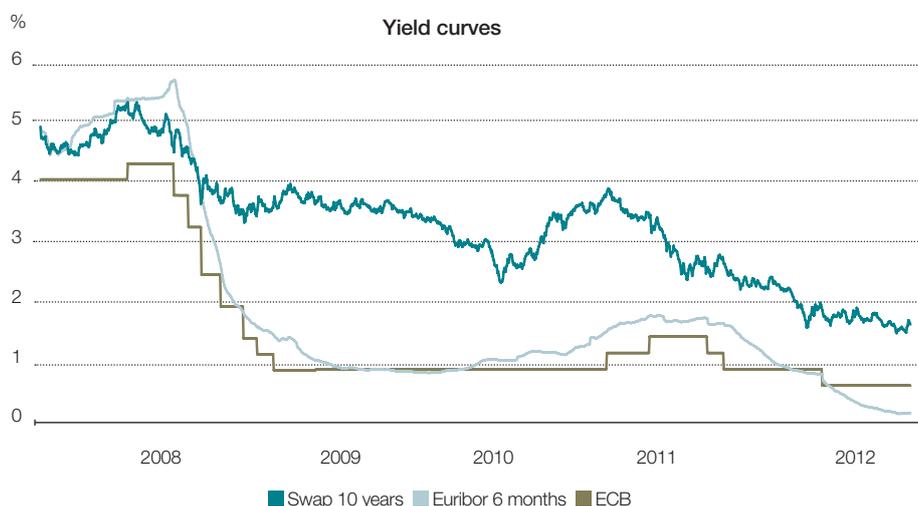
Moreover, in accordance with the legal framework that provides a preferential claim option for holders of *obligations foncières*, the law stipulates that *sociétés de crédit foncier* do not have their own personnel. Compagnie de Financement Foncier draws on the resources of its parent company, Crédit Foncier, to carry out its activities, except the Secretary General appointed from Crédit Foncier. 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 outsourced activities are set out in the Report of the Chairman of the Board of Directors, in this document.

Refinancing via the issue of AAA/Aaa/AAA rated *obligations foncières*

The market environment

The primary covered bond market held up well in 2012 against the tough environment, in spite of the sovereign debt crisis, the competition due to the LTRO transactions²³ by the ECB and the reopening of the senior unsecured market.

At the close of the first half of 2012, tension on the financial markets was confirmed by the significant spreads between the 10-year Bund rate and Spanish and Italian sovereign rates. The setting of a monetary policy very favourable with the introduction of VLTRO, allowing unlimited fixed-rate refinancing at three years, and the ECB's lowering of the refinancing rate by 25 basis points to 0.75% in July 2012 was a major event. It was the first time the rate had gone below 1% since its creation. Short-maturity rates (specifically the six-month Euribor) hit very low levels – demonstrating abundant liquidity and lower banking risk. Since 2011, the ten-year swap has been down overall.



On 13 January 2012, France's rating was downgraded by S&P (from AAA to AA+), and on 19 November 2012 by Moody's (Aaa to AA1 with a negative outlook). This had no impact on the *obligations foncières* issued by Compagnie de Financement Foncier, which keep their AAA/Aaa/AAA rating.

Globally, issuance in covered bonds reached €102 billion (including €79 billion in *jumbo* issues) in 2012 by 64 issuers from 16 countries, i.e. 44% less than in 2011 (€183 billion)²⁴. As the previous years, the French market continued to grow and remained the most active in the covered bond market with €24.6 billion, ahead of the German market (€14.6 billion)²⁴.

As to currency breakdown, the USD covered bond market keeps strengthening every year. At end-2012, the offer amounted to \$41.1 billion coming from nine jurisdictions. While the Canadian issuers represented the most important region in terms of issuance volume (\$15.1 billion), Australian, French, German, Scandinavian, Swiss and British issuers steadily entered the USD covered bond market²⁴. At end-2012, the global outstanding of Jumbo covered bonds was €919 billion. The French market is the second one with an outstanding of €235 billion²⁴.

In this resilient covered bond market, 95% of its participants, grouped in the European Covered Bond Council (ECBC), implemented in 2013, a covered bond label. For investors, regulators and key participants in the market, this label will promote access to relevant, uniform and transparent information. For issuers, the label will improve information transparency and in particular the quality of underlying assets. Stimulating the secondary market, increasing liquidity and improving regulation are the main goals of the European Covered Bond label. Compagnie de Financement Foncier was part of the first issuers benefiting from this labelling. The Company is represented by its Deputy CEO in its Steering committee.

²³ LTRO - Long term refinancing operations: granting of credit (maturity of three years) by the ECB at monthly auctions to provide additional longer-term refinancing to the financial sector.

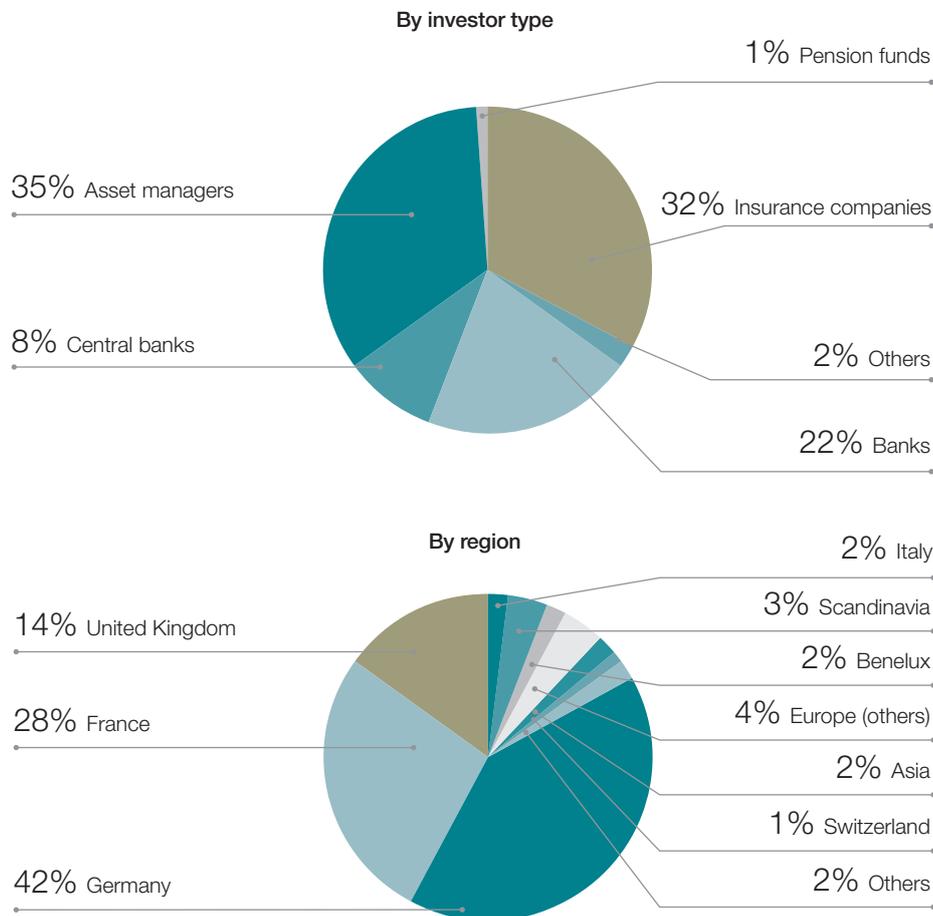
²⁴ Natixis - Spreads & Credit - Credit Research - November 2012.

Compagnie de Financement Foncier bond issuance in 2012

Compagnie de Financement Foncier took part in the sustained activity of the covered bonds segment, successfully completing its annual funding programme in 2012.

Asset financing was secured by the issuance of €8.1 billion in *obligations foncières*. The breakdown was as follows: €5.6 billion in public issuance with an average duration of 8.8 years and €2.5 billion in private placements with an average duration of 13.9 years. Compagnie de Financement Foncier made three benchmark issues in euros: two benchmark issues of €1 billion each with a maturity of 10 years, in January and in November 2012 and one benchmark issue of €2 billion in February 2012 with a maturity of 3.5 years.

Breakdown of issues of *obligations foncières* in 2012: €8.1 bn



Compagnie de Financement Foncier's ratings

Compagnie de Financement Foncier's AAA/Aaa/AAA stable outlook (as of 28 March 2013) rating reflects both the strength of the legal framework (ensuring the minimum level of security offered to holders of *obligations foncières*) and additional commitments by Compagnie de Financement Foncier to the market, which the rating agencies take into account.

Standard & Poor's methodology

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

Depending on the type of collateral (mortgages or 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.

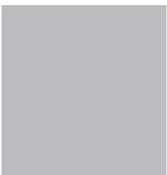
Fitch Ratings methodology

Fitch issues ratings based on three stages of analysis: discontinuity risk analysis, covering factors that could lead to a payment default; required overcollateralisation analysis, through stress tests on cash flows, and analysis of the recovery percentage following default. Overall discontinuity risk is determined by the highest risk. Fitch has introduced systemic, sovereign and banking risk into its liquidity risk analysis.

Moody's methodology

The methodology used by Moody's takes into account two criteria: the credit capacity of the parent and the cover pool, mainly including parent company 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.



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Financial report, Risk management report, Report of the Chairman of the Board of Directors and Legal information 2012



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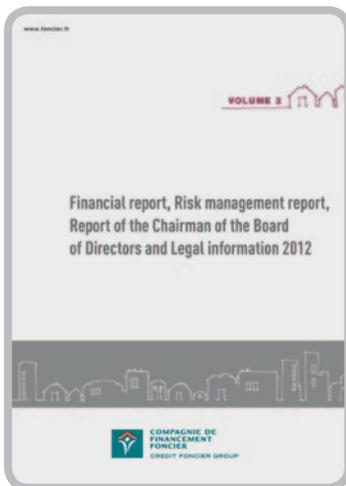
Volume 1

Activity report

Overview

Covered bonds: legal and regulatory framework

The Compagnie de Financement Foncier business model



Volume 2

Financial report

Risk management report

Report of the Chairman of the Board of Directors

Legal information

This is a free translation into English of Compagnie de Financement Foncier 2011 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 5 April 2013, in accordance with Article 212-13 of its general regulation and registered under the number D.13-0299 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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Financial report



2012 Management report

In an environment that remains challenging, characterised by major uncertainty on the resolution of the sovereign debt crisis in a number of European countries and a downgrading of growth prospects, Compagnie de Financement Foncier issued a significant €8.1 billion in *obligations foncières* over 2012.

These securities, like all of the Company's privileged debt, received the highest rating from the three main rating agencies (AAA/Aaa/AAA), recognising the security offered by the status of *société de crédit foncier* and the additional commitments made by Compagnie de Financement Foncier in the areas of financial management and risk management.

This capital was mainly invested in residential mortgage loans purchased at Crédit Foncier, and also helped increase the liquidity on deposit with the Banque de France.

Furthermore, Compagnie de Financement Foncier continued with operations to reduce the volume of assets invested internationally as well as operations to restructure its derivatives portfolios, both initiated in 2011.

At 31 December 2012, Compagnie de Financement Foncier's total assets amounted to €100.8 billion, down €5 billion over the year, while net income was €133 million.

1. Transactions in 2012

To ensure compliance with the new prudential standards imposed on credit institutions as part of Basel III, Crédit Foncier Group's medium-term plan for the 2012-2016 provides for:

- a refocusing of production to mortgage loans to individuals in France;
- a balance sheet reduction through the lowering of exposure on the international level;
- the restructuring of the derivatives portfolio.

The activity of Compagnie de Financement Foncier meets these objectives.

Investment and its financing

Over the year, acquisitions by Compagnie de Financement Foncier amounted to €5 billion. These were almost exclusively first-ranking mortgage-backed loans to individuals, originated in France by the parent company.

Through nine loan portfolio repurchase transactions, Compagnie de Financement Foncier bought:

- €2.6 billion in access to home ownership loans guaranteed by the FGAS;
- €1.7 billion in other access loans; and
- €0.6 billion in social housing loans.

The volume of housing loans pledged by Crédit Foncier with Compagnie de Financement Foncier via mortgage notes remained stable at €9.3 billion.

By the small amount of €0.1 billion, Compagnie de Financement Foncier also increased its exposure on the public sector through loans to Crédit Foncier guaranteed by advances to French local authorities pursuant to Article L. 211-38.

The financing of these investments was ensured by the issue of €8.1 billion in *obligations foncières* over 2012, broken down as follows:

- €5.6 billion in public issues with an average term of 8.8 years, creating three new benchmarks: €1 billion with a 10 year term in January, €2 billion with a 3.5 year term in February, and €1 billion with a 10 year term in November. The launch of these new lines was validated by the Specific Controller, which is tasked with verifying that it complies with prudential regulations applicable to transactions exceeding €0.5 billion; and
- €2.5 billion in private investments with a longer average term of 16.2 years (13.9 years in the event that anticipated opt-out options are exercised at their next exercise date). In April, Compagnie de Financement Foncier issued €0.5 billion in such investments with a term of 15 years after receiving validation by the Specific Controller. Also of note is a private investment of £250 million with an average 20 year term in a British insurance company.

The year's issues were subscribed by asset managers, insurance companies and banks in roughly equal proportions of approximately one third each. The proportion of German investors remains dominant, with 42% of issues, mainly in response to their specific demand for registered covered bonds. The French domestic market was the second largest source of capital, with a share of 28%.

Balance sheet reduction transactions

Over the year, sales of assets outside France represented over €6 billion.

Compagnie de Financement Foncier significantly reduced its securitisation portfolio, essentially by selling off RMBS-type mortgage loan fund units:

- €3.6 billion in units in which the assets are guaranteed by residential properties located in Spain, amounting to three quarters on this country;
- €0.5 billion in which the guarantees are properties in Italy; and
- €0.3 billion guaranteed by properties in the Netherlands.

These divestments were made in part on the secondary market of these securities, primarily through auctions carried out by the originator banks (€1 billion), and in part through the exercise of the guarantee granted by Crédit Foncier (€3.4 billion). Since 2008, under this agreement Compagnie de Financement Foncier is entitled to sell off its RMBS units to Crédit Foncier at their book value when the securities are downgraded to the third credit quality step and are thus no longer retained for coverage of privileged liabilities in the calculation of the overcollateralisation ratio. Securities that are likely to be resold in this manner to Crédit Foncier are recorded in the Migration List by the Risk Department once it becomes highly probable that their rating will fall below A-.

On its mortgage portfolio, Compagnie de Financement Foncier also carried out other transactions for smaller amounts, including:

- participation in the restructuring of two RMBS in the Netherlands guaranteed by the NHG public body. These transactions led to the sale of non-priority units created in this manner for €31 million and to the retention of the AAA rating by one of the two agencies that rate the funds for the units remaining in the balance sheet of Compagnie de Financement Foncier for an outstanding amount of €0.7 billion; and
- transfer of a home ownership loan portfolio totalling €0.4 billion in nominal terms to a securitisation fund.

Transfers were also made among exposures on public entities on the international level, mainly consisting of:

- €0.6 billion in units representing rent receivables guaranteed at over 98% by the US government;
- €0.6 billion in securities issued by US local authorities; and
- €0.2 billion in European sovereign debt: Czech Republic €134 million, Cyprus €60 million, Slovakia €24 million, Hungary €15 million.

In order to preserve the asset-liability matching balance and to limit the impact in the income statement, approximately half of the proceeds from these sales were used to repay debt:

- €2 billion was used to repurchase *obligations foncières* previously issued by Compagnie de Financement Foncier and to cancel them; and
- €1 billion was used for early repayment of an unsecured loan granted by Crédit Foncier.

Restructuring of the derivatives portfolio

Since 2011, Compagnie de Financement Foncier has taken significant steps in restructuring its swap portfolio, directed particularly at meeting the new requirements of rating agencies in the area of credit quality for derivatives counterparties. Compagnie de Financement Foncier decided, on the one hand, to update its legal documentation as to the minimum rating thresholds and the methods of counterparty replacement, and on the other hand, to significantly reduce its swap receivables without damaging the quality of its interest rate risk and currency exchange risk management.

As such, Compagnie de Financement Foncier recorded 241 swap cancellations over the year for a notional amount of €13 billion, of which €10 billion were concluded with Groupe BPCE entities (€3.8 billion with Crédit Foncier and €6.3 billion with Natixis) and €3 billion were concluded with 10 external financial institutions.

These transactions resulted in a payment of termination balances of a total net amount of €130 million in favour of Compagnie de Financement Foncier. Moreover, remarketed operations with Crédit Foncier, for a notional amount of €3.4 billion have resulted in a payment by Compagnie de Financement Foncier of €281 million.

These transactions are neutral with respect to Compagnie de Financement Foncier's net income; the termination balances paid or received are spread in accounting terms over the remaining life of the balance sheet items that were covered by these derivatives.

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. 515-14 and L. 515-16 of the French Monetary and Financial Code, backed by a first-ranking mortgage (or equivalent real estate security or, to a lesser extent, a guarantee);
- exposure to public authorities, as defined under Articles L. 515-15 and L. 515-16; and
- replacement securities as defined in Article L. 515-17, limited to 15% of the nominal value of the privileged liabilities.

With the exception of the last category, which corresponds to cash investments with credit institutions, eligible assets must consist of either:

- loans purchased or originated by the company, in accordance with Articles L. 515-14 and L. 515-15;
- senior securitisation tranches or similar securities, of which at least 90% must be of the same nature as those authorised by law for loans held directly by the company under Article L. 515-16;
- debt securities issued or guaranteed by public authorities in compliance with Article L. 515-15;
- promissory notes backed by first-ranking mortgages or guaranteed loans that comply with Article L. 515-16-1; or
- secured loans guaranteed by assets that comply with the criteria on holdings by a *société de crédit foncier*, pursuant to Article L. 211-38.

Breakdown of assets by guarantee rank

	12/31/12		12/31/11	
	€M	% balance sheet	€M	% balance sheet
SECURED LOANS - ARTICLES L. 515-14 AND 16	43,265	42.9%	46,203	43.7%
State-subsidised mortgage loans	369	0.4%	509	0.5%
Mortgage loans secured by the FGAS	11,214	11.1%	9,483	9.0%
Other mortgage loans	16,967	16.8%	16,438	15.5%
Senior mortgage-backed securitisation tranches	5,248	5.2%	10,183	9.6%
Guaranteed loans	191	0.2%	325	0.3%
Mortgage notes	9,275	9.2%	9,264	8.8%
EXPOSURES TO PUBLIC AUTHORITIES - ARTICLES L. 515-15 AND 16	40,157	39.8%	41,717	39.4%
State-subsidised public loans	172	0.2%	196	0.2%
Other public loans	21,115	21.0%	19,797	18.7%
Public entity securities	12,326	12.2%	14,371	13.6%
Securitisation units of public receivables ⁽¹⁾	6,544	6.5%	7,354	7.0%
Other assets (interests on IFAT, adjustment accounts, goodwill, etc.)	4,071	4.0%	3,280	3.1%
REPLACEMENT SECURITIES - ARTICLE L. 515-17	13,290	13.2%	14,579	13.8%
TOTAL ASSETS	100,782	100.0%	105,778	100.0%

⁽¹⁾ It should be noted that, on a prudential level, two lines of public sector securitization with an outstanding of €0.4 billion (Posillipo and Adriatica) are classified as of 31 December 2012 in Large public sector companies. In the risk management report this classification was adopted.

Overall, as of 31 December 2012, total balance sheet fell €5 billion to reach €100.8 billion while maintaining the balance between the three major asset classes. The allocation of investments within individual categories, however, saw more significant change, reflecting the choices made in terms of acquisitions and divestitures.

The main changes over the year were:

- a significant reduction of the securitisation portfolio, particularly in mortgages; senior RMBS tranches decreased by nearly half (€4.9 billion);
- an increase of €1.7 billion in mortgage loans, also guaranteed by the French government through the FGAS;
- the retention of receivables from other mortgage loans after accounting for stock amortisation over 1 year;
- a decrease of €2.0 billion in securities issued or guaranteed by public entities on the international level;
- an increase in liquidity, consisting of (i) replacement securities essentially comprised of loans with terms of less than six months, of which at least 80% is guaranteed by a loan portfolio, called BCTG, and (ii) the account balance at the Banque de France registered with the other public loans in the table, which grew from €1.2 billion to €3.7 billion over one year.
As a whole, these resources amounted to €17 billion (17% of total assets) at 31 December 2012;
- a decrease of €1.2 billion in receivables from the French public sector; the acquisitions did not offset the effect of the stock amortisation.

The transactions that took place over the year also had an impact on the regional allocation of the assets. At the end of 2012, 74% of total assets were invested in France, compared to 68% one year earlier. Internationally, the most significant divestitures were observed in Spain, with a reduction of €3.7 billion on RMBS exposures.

At the end of 2012, international assets, for all types of assets, totalled €26 billion, or 26% of total assets. These assets can be categorised by amount of exposure:

- the most significant exposure, in three countries: Italy (€5.8 billion), the United States (€5.3 billion) and the Netherlands (€4.3 billion);
- moderate exposure, in Spain (€2.1 billion), Japan (€1.8 billion), Switzerland (€1.6 billion), Germany (€1.4 billion) and Portugal (€0.9 billion);
- exposure not exceeding €0.6 billion, in Canada (€0.6 billion) and 10 countries in continental Europe, for a total of €2.2 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. This highly secure legal framework and the commitments made by Compagnie de Financement Foncier concerning, in particular, the quality of its assets and ALM management, have consistently ensured the highest ratings for these privileged liabilities from the three main rating agencies since the Company's incorporation.
- Other liabilities that help reinforce the security of privileged debt holders. These liabilities, which come after the privileged liabilities in terms of debt ranking, present different levels of risk in the event of payment difficulties for the Company. They consist of unsecured debt, subordinated debt and equity. Subordinated liabilities and shareholders' equity are brought by Crédit Foncier.

Breakdown of liabilities by guarantee rank

	12/31/12		12/31/11	
	€M	% balance sheet	€M	% balance sheet
PRIVILEGED RESSOURCES	85,185	84.5%	91,074	86.1%
<i>Obligations foncières</i>	84,441	83.8%	89,769	84.9%
Other privileged ressources	744	0.7%	1,305	1.2%
NON-PRIVILEGED RESSOURCES ⁽¹⁾	15,597	15.5%	14,705	13.9%
Unsecured debt	9,861	9.8%	8,836	8.4%
<i>Currency differences related to the coverage of privileged resources capitalized in the assets ⁽¹⁾</i>	56	0.1%		
Subordinated debt and similar debt	3,800	3.8%	4,027	3.8%
- of which redeemable subordinated notes (RSN)	2,100	2.1%	2,100	2.0%
- of which super-subordinated notes	1,350	1.3%	1,350	1.3%
Shareholders' equity, provisions and FGBR ⁽²⁾	1,880	1.9%	1,842	1.7%
TOTAL LIABILITIES	100,782	100.0%	105,778	100.0%
<i>Equity capital:</i>	4,426	4.4%	4,413	4.2%
of which core capital (Tier-1)	2,674	2.7%	2,664	2.5%
of which supplementary capital (Tier-2)	1,751	1.7%	1,750	1.7%

⁽¹⁾ Compagnie de Financement Foncier covers its assets and liabilities denominated in foreign currencies by currency swaps. Variations there of with respect to the euro give rise to each arrested in the revaluation accounts of the company. At 31 December 2012, the value of €56 million, in favor of Compagnie de Financement Foncier, is listed in its assets.

⁽²⁾ Fund for general banking risks.

Over 2012, the proportion of non-privileged liabilities increased slightly, reaching €15.5 billion at the end of the year, compared to €85.2 billion in privileged debts.

The outstanding value of resources secured with a privileged claim fell by €5.3 billion over the year under the combined effect of:

- €8.1 billion in new issues of *obligations foncières*;
- €11.4 billion in contractual repayments;
- €2.1 billion in debt cancellations by Compagnie de Financement Foncier; and
- for the remainder of lower accrued interest and exchange-rate fluctuations (these balance sheet items record the securities in their euro-denominated equivalents at the accounting date; exchange adjustments, covered by currency swaps entered into from the start, are recognised under other privileged liabilities).

Unsecured debt was up over 2012, due essentially to the increase in deposits received from derivatives counterparties, which rose from €2.9 billion at the end of 2011 to €4.5 billion at the end of 2012. The large shifts recorded by interbank market interest rates in 2012 and the change in Euro against other currencies had a direct impact on the value of swaps and therefore the amount of collateral pledged. Conversely, the repayment of the €1 billion loan granted by Crédit Foncier limited this growth.

Short-term refinancing remained stable at €1.5 billion; €1.0 billion are held with the ECB and €0.5 billion are held with the Group.

Shareholders' equity and subordinated debt remained virtually unchanged over the year at 5.7% of total assets compared to 5.5% for the previous year. These represent a significant safety net of last resort on the entire term of the *obligations foncières* issued by Compagnie de Financement Foncier.

4. Coverage ratios

The standards applicable to *sociétés de crédit foncier* require the monitoring of various specific prudential ratios that must be permanently adhered to.

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 remain above 102%. Regulatory risk weighting limits the inclusion of certain assets that do not provide an optimum level of security, or excludes those mobilized by Compagnie de Financement Foncier.

In the case of Compagnie de Financement Foncier, the numerator of the ratio corresponds to the total value of assets, from which the following are deducted:

- securitisation units of RMBS housing loans whose outstanding amount exceeds 10% of the nominal amount of privileged liabilities. Due to the massive disposals of securitisation units in 2012, this limit is no longer exceeded at 31 December 2012;
- securitisation units whose weighting varies from 0% and 50% depending on their rating;
- securities or loans pledged with the ECB or placed under repurchase agreements with other credit institutions; and
- the portion of loans whose loan-to-value ratio exceeds the regulatory limit, making them ineligible for financing by privileged debt.

At 31 December 2012, assets "neutralised" in this manner for the calculation represented €3.9 billion for 2012, of which €1.8 billion correspond to securitisation units that do not have a sufficiently high rating.

After taking these reductions into account, the amount retained for coverage of privileged liabilities was €96.9 billion and the regulatory overcollateralisation ratio stood at 113.7%.

This is an increase over the ratio observed at the end of 2011, which stood at 110.6%. This increase is due to the transfers of RMBS units over 2012 had the effect of eliminating the constraint of the 10% limit.

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.

At 31 December 2012, this ratio, calculated after deducting assets pledged as collateral, stood at 16.4%, well above the minimum committed to by the company. It is up from the 13.8% observed at the end of 2011 due to the inverse trend in privileged and non-privileged liabilities over the period.

Compagnie de Financement Foncier is also required to ensure that the amount not eligible for refinancing by privileged liabilities remains below that of non-privileged liabilities.

The aim is to account for securitisation units potentially exceeding the 10% threshold as well as the portion of debt corresponding to incidences where the loan-to-value ratio observed is exceeded both on directly-held mortgage loans and on loans guaranteeing promissory notes or loans included in securitisation vehicles' assets.

At 31 December 2012, loans not financed by secured debt amounted to only €0.3 billion, compared to a much higher figure for non-privileged debt (€15.5 billion). At the end of 2011, loans not financed by privileged debt were more significant (€1.5 billion) taking into account securitisation units exceeding the 10% limit-units that were transferred over the year.

As such, the only outstanding loans not financed by *obligations foncières* now correspond to the portion of loans exceeding the regulatory loan-to-value ratio, as follows: 100% for loans guaranteed by the FGAS, 80% for mortgage loans for housing granted to individuals, and 60% for all other mortgage loans. These amount to €348 million for 2012, compared to €146 million for 2011. This increase reflects the impact of the annual revaluation of the collateral, which in 2012 had the effect of lowering property values on housing by an average of 1.35%.

Every year, Compagnie de Financement Foncier, like every *société de crédit foncier*, is required to re-examine the value of the property constituting its guarantee on the loans that are held by the Company in its balance sheet or pledged to the Company. The evaluation and re-evaluation methods as well as the results of these for 2012 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 65.7% at the end of December 2012 out of a total outstanding value of €27 billion. The ratio recorded a 4 point increase over the year, mainly as a result of the revaluation of the collateral at the end of 2012. Furthermore, mechanically replacing the amortising existing loans by recent loans with a higher LTV produces a slight increase in the portfolio's average LTV.

Taking into account all outstanding mortgage loans, both directly-held and used to guarantee mortgage notes, the average LTV at the end of 2012 came to 70.3% for a total outstanding amount of €37 billion.

Compagnie de Financement Foncier also checks compliance with the limits on holdings of certain assets. At 31 December 2012:

- guaranteed loans represented 1.9% 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 (1.7%);
- mortgage notes, which must not exceed 10% of total assets, represented 9.2%;
- the total outstanding value of replacement securities stood at 10.9% of the nominal value of privileged liabilities, below the limit of 15%;
- the coverage of cash requirements, taking into account forecast cash flows, 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 period of one year. Furthermore, Compagnie de Financement Foncier has over nearly €47 billion in underlying assets in the Eurosystem and could use in an amount estimated at €20 billion after haircut and based on the ECB's current rules, while respecting its management rules including the regulatory overcollateralisation.

The other prudential ratios applicable to credit institutions are monitored by Credit Foncier at the consolidated level. However, Compagnie de Financement Foncier determines capital adequacy ratios based solely on its own scope and conveys these to the French Prudential Supervisory Authority; it is not bound by the regulatory limits that apply to the Group.

According to the standard method, the capital adequacy ratio and Tier 1 ratio were 23.8% and 14.4%, respectively, at 31 December 2012. an increase from one year earlier and corresponding to a capital requirement of €1.5 billion. The significant transfers of securitisation positions that weighed on the ratio, mainly due to their rating, naturally reduced the risks for coverage by the capital base. At the end of 2011, these ratios were 20.0% and 13.3%, respectively.

5. Analysis of net income

Net banking income

Net banking income came to €475 million in 2012, up from €339 million in 2011.

This sharp increase is essentially due to the capital gains realised on buybacks of *obligations foncières*, debts that were then cancelled by Compagnie de Financement Foncier and involved €2 billion in loans. The profit made on these transactions was €157 million and includes the capital gains entered on the securities as well as the termination balances of the swaps that served as currency and interest rate hedges for these liabilities. As these buybacks had disposals of investment portfolio securities as counterparties, this income is in fact largely neutralised by a €140 million loss on fixed assets.

Apart from this non-recurring income, the net interest margin posted a €34 million drop over the fiscal year, essentially due to virtually zero interest rates obtained on the placement of Compagnie de Financement Foncier's substantial liquidities in 2012.

Other components in net banking income include a net increase of €13 million for the year which is justified by various transactions completed in 2012 or 2011:

- in 2011, Compagnie de Financement Foncier had posted €26.8 million in losses on repurchase and resale transactions of its own bonds, whereas in 2012, Compagnie de Financement Foncier, having chosen to cancel the securities purchased on the secondary market, the impact is posted as interest income or expense, not as a profit or loss on an investment portfolio;
- prepayment penalties collected are down €26.4 million, reflecting the return to a percentage of prepayment penalties more in line with historic levels; the average rate seen in 2012 for individual customers is 4.6% vs. 10.0% in 2011;
- the sale of securities in the investment portfolio in 2012, with a par value of €50 million, generated a profit of nearly €1 million, while that line had required a provision of €5.8 million in 2011;
- in 2011, the sale of securities in response to the restructuring of two RMBS had generated a €9.3 million loss.

Gross operating income

Operating expenses were stable over both periods and stand at €104.3 million for 2012.

They comprise mainly fees and commissions paid to Credit 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 flat in both years and totalled €67.1 million in 2012, versus €66.1 million in 2011.

Other expenses, for the most important, experienced offsetting trends:

- total chargebacks of prepayment penalties on loans to individuals for Credit Foncier fell by €8.3 million, in line with the reduction in prepayments;
- the taxes and duties item, which increased by €5.8 million, of which €3.8 million contribution to the systemic tax, for which Groupe BPCE is liable, and €2 million due to the increase in the value-added tax base (income generated by redemptions of *obligations foncières* are subjected to them, whereas capital losses on securities, which partly neutralise them, are not included in the calculation).

Thus, gross operating income totalled €371 million at 31 December 2012, compared to €235 million for the previous year.

Cost of risk

Cost of risk, which came to €10.7 million in 2012, remains limited with regard to the volume of loans held, i.e. a balance sheet total of €101 billion. However, it does post an increase compared to its level of €4.9 million recognised for 2011, primarily due to the €6.6 million in additional collective provisions in response to an adjustment in methodology. Provisions on performing assets are now backed by the Basel rating instead of a calculation based on the amount of unpaid items.

For 2012, the cost of risk corresponds to a net collective provision of €7.6 million and a cost of risk on an individual basis of €3.1 million. 2011 had posted a net reversal on a collective provision of €0.9 million and a cost of risk on an individual basis of €5.8 million.

The overall risk charge includes both the share in capital entered as cost of risk, €10.7 million at end-December 2012, and the share in interest entered as net banking income, for a net gain of €0.1 million. The overall risk charge therefore came to €10.6 million for 2012, compared with €6.1 million for all of 2011. These risk factors are analysed by asset type in the management report, in the chapter on credit risk.

Net income

Losses posted upon sales of assets should be deducted from operating income. Sales of securities from the international sector reduced income by €140.4 million in 2012. The expense was offset by profits made on redemptions of *obligations foncières*. Sales at end-2011 had resulted in a charge of €58.6 million, with no offsetting item in net banking income, since the proceeds were not used to cancel debt securities at the same time.

After deducting corporate income tax, which now takes into account the option of recognising deferred taxes, approved in 2010, Compagnie de Financement Foncier's net income for 2012 is €132.6 million; it was €108.1 million for the previous year.

Deadline for payment to service providers

Moreover, it should be noted that Compagnie de Financement Foncier complies with the regulations on late payments to service providers in accordance with the LME Law 4 August 2008 which provides for the payment of providers within a maximum of 45 days by end of month or 60 days starting from the issue date of the invoice.

Most management of Compagnie de Financement foncier is outsourced to Crédit Foncier, and charged by the latter. Other payables represent, at 31 December 2012, insignificant amounts with all maturities generally less than 30 days.

6. Credit risk analysis

In terms of credit risk, three major asset categories can be identified, responding to differentiated approaches as to the measuring and monitoring of the quality of those investments:

- loans granted to individuals and professionals mainly in the public sector, held directly or after refinancing. The vast majority of these assets are located in France;

- public-sector securities and securitisation tranches, which are externally rated by accredited bodies. For the analysis, the distinction is made between RMBS-type mortgage securities, and publicly-guaranteed securitisation tranches. These assets are essentially Compagnie de Financement Foncier's international exposure;
- replacement securities made up of investments with credit institutions that have the best external rating. For Compagnie de Financement Foncier, this compartment is composed of loans with maturities of less than six months to Groupe BPCE entities, 80% of which are secured by a portfolio of assets provided as collateral.

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 risk indicators for Compagnie de Financement Foncier's core business portfolio, comprising loans to the competitive sector and the portfolio of securities and securitisation tranches, were slightly worse in 2012, but still at very low levels in absolute value.

	Analysis of the competitive sector				12/31/11			
	12/31/12				12/31/11			
	Outstanding loans (€M)	Doubtful loans (€M)	Doubtful loans (%)	Risk (basis points)	Outstanding loans (€M)	Doubtful loans (€M)	Doubtful loans (%)	Risk (basis points)
Loans to individuals and related	41,976	711	1.7%	2.5	44,802	518	1.2%	1.3
<i>(of which securitisation tranches and mortgage notes)</i>	14,523				19,447			
Exposures on public entities	38,824	1			40,169	1		
<i>(of which securities and securitisation tranches)</i>	18,870				21,725			
Loans to social housing	2,098	4	0.2%	-0.4	2,256	6	0.2%	1.4
Loans to commercial property (run-off)	7	4	51.4%	138.1	12	2	16.8 %	54.1
TOTAL	82,905	720	0.9%	1.3	87,238	527	0.6 %	0.7

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

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 increase in doubtful loans, which went from €527 million to €720 million over the year, is due in part – €63 million worth – to a change in the method of classifying loans, which was made during the first half-year as part of the work in preparation for the certification of internal credit risk rating models, with the introduction of a three-month trial period after settlement of unpaid items before any return to healthy status. This change had no material impact on the level of depreciations recognised by Compagnie de Financement Foncier.

With a constant method, the rate of doubtful loans in 2012 would have been slightly less than 0.8%, compared with 0.6% one year earlier.

The progression in the risk charge during the year – €10.6 million on 31 December 2012 vs. €6.1 million one year earlier – is explained by the adjustment in method applied for the provisioning of performing loans. By applying the model used by Groupe BPCE to determine the collective provision on performing loans, the base for this calculation was broadened to apply to loans identified as sensitive based on their Basel rating and generated an additional €6.6 million in provisioning requirements. The risk charge on an individual basis was reduced during the year, from €5.8 million to €3.1 million.

Compared to invested capital, the impact of the risk is still minimal over both years.

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

Loans and similar items

These assets make up more than half of Compagnie de Financement Foncier's balance sheet, and their quota increased over the year due to Compagnie de Financement Foncier refocusing its activity on exposures in France.

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

Risk indicators on outstanding loans and similar items

At 12/31/12	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%			0.1
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%					
- of which loans guaranteed by FGAS	11,214.4	18.9%	327.9	2.9%			
- 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				
Loans to social housing	2,097.5	3.5%	3.8	0.2%	0.8		0.4
Loans to commercial property (run-off)	7.3		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

At 12/31/11	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)	706.4	1.3%	52.1	7.4%			0.1
PRIVATE SECTOR	55,330.3	98.7%	527.1	1.0%	88.8	0.2%	30.5
Loans to individuals and mortgage notes	34,618.6	61.8%	518.4	1.5%	85.6	0.2%	28.4
- of which mortgage notes	9,263.7	16.5%					
- of which loans guaranteed by FGAS	9,483.0	16.9%	241.1	2.5%			
- of which other mortgage loans	15,871.9	28.3%	277.3	1.7%	85.6	0.5%	28.4
Loans to public authorities	18,443.6	32.9%	1.1				
Loans to social housing	2,255.9	4.0%	5.6	0.2%	1.3	0.1%	1.0
Loans to commercial property (run-off)	12.2		2.1	16.8%	2.0	16.1%	1.1
TOTAL	56,036.7	100.0%	579.3	1.0%	88.8	0.2%	30.6

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 in fact insignificant. First, these are run-off sectors, which has the mechanical effect of increasing their proportion of non-performing debts over time. Second, the risk of a final loss in the subsidised sector is assumed by the French government; thus, a €72 million loan in the subsidised sector that has been posted under doubtful loans in 2012 explains the strong increase in arrears, although it has no impact on risk for Compagnie de Financement Foncier. Finally, commercial property loans have become marginal.

In fact, the most sensitive portfolio is comprised of loans to individuals, with no additional guarantee from the government (i.e. not including subsidised loans or FGAS-secured loans), which represent €16.2 billion in loans at 31 December 2012 and on which a relative increase in risk has been seen, with 2.4% of doubtful loans compared with 1.7% a year earlier. About one-quarter of that change is due to the change in method applied to qualify a loan as doubtful.

The amount of provisions was adjusted as a result, and represents nearly 10% of the outstanding loans in this category at a level close to that observed in 2011. The portfolio of french public sector loans, although of very good quality, includes €0.8 billion of structured loans whose rates depend on several factors (changes in the yield curve, changes in exchange rates...). In this outstanding, only €0.1 billion isn't compliant with the Gissler Charter of Good Conduct, all these loans are closely monitored by Crédit Foncier in coordination with Groupe BPCE.

Analysis of the cost of risk

	12/31/12			12/31/11		
	Outstanding loans (€M)	Risk charge (€M)	Risk charge (basis points)	Outstanding loans (€M)	Risk charge (€M)	Risk charge (basis points)
SUBSIDISED SECTOR (RUN-OFF)	540.9	-0.05	-1.0	706.4	0.25	3.6
PRIVATE SECTOR	58,787.2	10.67	1.8	55,330.3	5.89	1.1
Loans to individuals and mortgage notes	36,727.6	10.67	2.9	34,618.6	5.61	1.6
Loans to public authorities	19,954.8	-0.02		18,443.6	-0.10	-0.1
Loans to social housing	2,097.5	-0.08	-0.4	2,255.9	0.32	1.4
Loans to commercial property (run-off)	7.3	0.10	138.1	12.2	0.07	54.1
TOTAL	59,328.1	10.62	1.8	56,036.7	6.14	1.1

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

Despite its increase over the year due to the additional collective provisions, the risk charge, which includes the cost of risk for capital flows and the impact, in net banking income, for interest flows, remains very low. It is €10.6 million, less than 2 basis points of total loans and similar items, and remains focused on the portfolio of loans to private individuals.

Outstanding Loans - International

At 31 December 2012, this category consists of €26.0 billion:

- senior securitisation tranches of two different types: RMBS, for €5.2 billion in loans, and debt funds that are public or have public guarantees, for €6.5 billion;
- securities issued or guaranteed by essentially foreign public entities, with outstandings of €12.0 billion;
- €2.3 billion in loans granted to foreign public entities.

At 31 December 2012, as at previous account closings, this category has no credit risk. Nor is it impaired, except for €20 million recognised at end 2011 on one line of Spanish RMBS classified as an investment portfolio; that line was sold in 2012. The other securities are recorded in Investment securities held to maturity and are not subject to a mark-to-market valuation.

The main risk monitoring on this compartment is essentially embodied in ratings and the changes to them. During the year, there was widespread downgrading by rating agencies on assets located in Europe, due to the spill-over of the governments' lowered ratings, with the sovereign rating determining a maximum rating level for the various assets located in the country. Analysis of this portfolio is also described in greater detail in the risk management report.

The RMBS portfolio after the sales of shares made during the year now represents only €5.2 billion, compared to €10.2 billion one year earlier, with a very strong reduction of positions on Spain. It is still divided among these five European countries – Italy (€2.3 billion), Spain (€1.1 billion), the Netherlands (€0.8 billion), Portugal (€0.8 billion) and Germany (€0.3 billion).

Despite the downgrading that took place after sovereign debt ratings were lowered, the portfolio is still of good quality and has a very limited cash-flow deficit of around €2 million, in especially unfavourable stress scenarios (a twofold increase in defaults on terms of the loans, a 25% drop in prepayments and a sharp drop in real estate prices by more than 40% from their current levels).

Nearly half the outstandings, or €3.0 billion, have tier-one credit quality ratings (better than AA-), including €1.8 billion with at least one AAA rating by an agency. For the rest, ratings are all in the second tier of credit quality (A+, A or A-).

In addition, Credit Foncier has committed to offsetting the consequences for the *société de crédit foncier* of the scores falling below the second tier of credit quality (scores below A-) on a portion of the mortgage securitisation portfolio. Indeed, at this level, loans are no longer used to hedge privileged liabilities in calculating the regulatory overcollateralisation ratio, so Compagnie de Financement Foncier has the option, according to this agreement, to transfer them to Credit Foncier. At 31 December 2012, €1.2 billion in loans had this additional protection.

The other loans in this category, i.e. a total of €20.8 billion at 31 December 2012, are exposures on the international public sector; it includes €6.5 billion in securitisation tranches with public guarantees (essentially US and Netherlands).

In keeping with management decisions taken for 2012, this sector, too, has been reduced, and its loans have declined by €3 billion over the year, specifically because of sales of securities issued by American territorial entities and reductions taken on outstanding European sovereign debt.

The breakdown by country also changed little over the year, with strong representation from North America (€5.3 billion in the US and €0.6 billion in Canada), a significant presence in Japan with €1.8 billion and in five European countries (€3.5 billion in Italy, €3.4 billion in the Netherlands, €1.6 billion in Switzerland, €1.1 billion in Germany and €1.0 billion in Spain) and exposures in lesser amounts in 11 other countries in Europe.

In terms of ratings, at 31 December 2012, the international public sector had:

- a step one rating on 63% of its total outstanding loans, i.e. €13.2 billion, including €6.7 billion with a Basel rating of AAA;
- a step two rating on 12% of outstanding loans;
- a step three rating on 20% of outstanding loans.

A portion of this portfolio – €2.2 billion – is counter-guaranteed by monoline insurers. However, the very significant downgrading of these companies means that their guarantee is quite often ineffective, as the transaction's intrinsic credit rating is higher than that of the credit enhancer; only Assured Guaranty Municipal Corp (formerly FSA) rated AA-/Aa3 continues to provide effective protection against credit risk on a portfolio amounting to €1.3 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 deposits are drawn on daily if the counterparty's credit rating slips below F1+ or AA- with Fitch Ratings, P1 or Aa3 with Moody's, A1+ or AA- with Standard and Poor's. If the opposite situation occurs, the agreements stipulate that Compagnie de Financement Foncier shall not deposit any collateral. At 31 December 2012, the amount of deposits received was €4.5 billion, recognised in unsecured debt.

Following a change in the methodology of Standard & Poor's on counterparty risk for covered bonds' issuers in mid-2012, Compagnie de Financement Foncier has been in a negative credit watch by this agency on 19 December 2012.

On 9 January 2013, Compagnie de Financement Foncier made the following commitments:

- in the event of a counterparty's downgrade rating below a certain level, new circumstance allowing Compagnie de Financement Foncier to terminate a swap contract: commitment to find under sixty days an equivalent coverage or to have the necessary overcollateralisation to keep up with the risk that has become uncovered for swaps overpassing 5% of *obligations foncières* outstanding;
- in the event of BPCE's downgrade rating below A1 (Standard & Poor's rating): commitment to put in order under sixty days non-compliant swap contracts and whose outstandings overpass 5% of the privileged resources, or to replace the counterparties.

On 9 January 2013, Standard & Poor's has confirmed the AAA/stable outlook rating of Compagnie de Financement Foncier.

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.

Given the asset/liability management rules followed by Compagnie de Financement Foncier, risks related to distortions in the interest rate risk position essentially arise from events not known when the transaction was entered into and which occurred during the term of the contract such as prepayments not hedged by compensation equivalent to the variation in risk and compared to prepayment rates estimated on the acquisition of those assets. 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 prepayment, which is limited to six months' interest with a maximum of 3% of the outstanding principal.

These loans amounted to €18.7 billion at 31 December 2012, up significantly during the year, as Credit Foncier's recent mortgage loan production is mainly fixed-rate loans. Moreover, the nominal rate of these loans constitutes an additional protection against the risk of early repayment and renegotiation. Indeed, 80% of these loans, or an amount of €14.7 billion, have an interest rate of below 5%, including \$2.1 billion of zero-rate loans.

In 2012, the average prepayment rate on the portfolio of loans to individuals came back down to 4.6%, more in line with the level seen in the past than that of 2011, which was 10.0%.

Because of these ALM principles, Compagnie de Financement Foncier holds significant outstanding financial instruments for micro- and macro-hedging in interest rates and currencies. However, the portfolio optimisation swaps undertaken beginning in 2011 are having an impact on the financial statements for 2012, which show a decline in notional amounts: interest rate swaps stood at €89 billion at end-December 2012, compared with €107 billion at end-December 2011; over the same period, total currency transactions fell from €49 billion to €41 billion, and this, without any change in the strict coverage management rules.

Disposals of certain international assets and redemptions of *obligations foncières* also contributed to reducing the outstanding amount.

Conversely, in 2012, Compagnie de Financement Foncier continued to enter into such financial instruments along with its acquisition and issuance activities.

Liquidity risk

The very prudent liquidity management policy continued through the half-year, with Compagnie de Financement Foncier still committed to maintaining available cash flow to deal with the contractual maturities on all of its privileged debt, for one year, with no new resources.

Compagnie de Financement Foncier's cash assets consist of:

- €13.3 billion in replacement securities at 31 December 2012, of which €13.2 billion are exposures to BPCE. These exposures are, for an amount of €13.0 billion, representative of very short-term receivables (less than six months), called short-term guaranteed notes (BCTG), of which at least 80% is guaranteed by an asset portfolio provided by the lending institution, member of Groupe BPCE, i.e. €10.5 billion in nominal value; and
- €3.7 billion in deposits and placements of less than one month to Banque de France, entered as exposures on public entities, at December 2012, and which represent the cash immediately available of Compagnie de Financement Foncier.

At end-2011, these liquidities were €14.2 and €1.2 billion, respectively, and remained high in volume throughout 2012.

In addition, Compagnie de Financement Foncier has many assets that, due to their nature, are eligible for the ECB's financing transactions.

These include:

- loans to French local authorities;
- securities issued by public bodies or securitisation funds;
- mortgage loans to private individuals, meeting the criteria set out by Banque de France after the ECB's decision on 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.

At 31 December 2012, the total par value of these assets was €47 billion. It was €27 billion at end-December 2011. Therefore, even after cautious estimates on haircuts, and in keeping with its management constraints of which regulatory overcollateralisation ratio, the financing that Compagnie de Financement Foncier may obtain from the ECB is very substantial, and may be estimated at about €20 billion. At 31 December 2012, only €1.2 billion was mobilised in this way.

At all times, Compagnie de Financement Foncier ensures that its balance sheet is properly backed by liquidity, which specifically shows the weak spread between the durations of assets and liabilities; at 31 December 2012, these two durations were at 6.6 years and 7.0 years, very close to those seen at end-2011, which were 6.2 and 6.4 years.

8. Societal, social and environmental information

The provisions of Grenelle II Law of 12 July 2010 are not directly applicable to the Company. Indeed, Compagnie de Financement Foncier has no staff to ensure its activity, it uses the means available to it by its parent company, Crédit Foncier.

Social, environmental and societal information for Crédit Foncier group can be found in the Registration Document 2012 of Crédit Foncier, in the section on Corporate Social Responsibility (CSR).

9. Outlook

During 2013, Compagnie de Financement Foncier intends to continue its development, while respecting the strategic orientations of the medium-term plan of Crédit Foncier group:

- preservation of the quality of its assets by a selective purchase policy and a rigorous and effective management of its risks;
- continuing its activity, both in terms of mortgage loans and public sector exposures, Groupe BPCE refinancing by purchases and mobilisations of loans portfolio granted by Crédit Foncier and other Group entities;
- reducing international exposure, including among others securitisation tranches;
- optimization of financial risks hedging;
- diversification of funding sources.

Notes to the management report

Note 1. Information on corporate officers

For the year ending 31 December 2012, pursuant to Article L. 225-102-01 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 remuneration received is in euros and limited to the following scope: Crédit Foncier and its subsidiaries and Groupe BPCE as monitoring company. The remuneration paid in 2012 by Compagnie de Financement Foncier to executive and administration bodies amounted to €120,000 excluding social expenses.

Summary of remuneration, shares and options of each executive designated company representative

Since 1 January 2012, Director's fees owed to Crédit Foncier's employees have been paid to Crédit Foncier and not to the physical person.

(in euros)

Mr Thierry DUFOUR, Chairman and Chief Executive Officer	2011	2012
Annual remuneration paid (outlined in table below)	452,294	366,204
Value of options attributed over the course of the year	-	-
Value of performance shares attributed over the course of the year	-	-
TOTAL	452,294	366,204

(in euros)

Ms Sandrine GUÉRIN, Deputy Chief Executive Officer, Director	2011	2012
Annual remuneration paid (outlined in table below)	590,746	310,513
Value of options attributed over the course of the year	-	-
Value of performance shares attributed over the course of the year	-	-
TOTAL	590,746	310,513

Summaries of remuneration of each executive designated company representative

(in euros)

Mr Thierry DUFOUR, Chairman and Chief Executive Officer	2011		2012	
	Total due	Total paid	Total due	Total paid
Base salary	334,360	334,360	348,441	348,441
Variable pay	-	69,062	n.d.	-
Exceptional remuneration	12,183	27,732	n.d.	12,183
Director's fees	-	15,500	-	-
Benefits in kind	5,640	5,640	5,580	5,580
TOTAL	352,183	452,294	354,021	366,204

n/a (not applicable): this person is not affected by this type of remuneration.

n.d. (not determined): when the Document was released, the amount of the fee had not been determined.

(in euros)

Ms Sandrine GUÉRIN, Deputy Chief Executive Officer, Director	2011		2012	
	Total due	Total paid	Total due	Total paid
Base salary	288,564	288,564	296,064	296,064
Variable pay	-	259,064	n.d.	-
Exceptional remuneration	10,249	35,329	n.d.	10,249
Director's fees	-	3,750	-	-
Benefits in kind	4,039	4,039	4,200	4,200
TOTAL	302,852	590,746	300,264	310,513

Directors' fees

	For 2011	For 2012
Mr Thierry DUFOUR	7.500 € ⁽¹⁾	6.000 € ⁽¹⁾
Mr François BLANCARD	1.500 €	-
Mr Nicolas DARBO	9.500 € ⁽¹⁾	750 € ⁽¹⁾
Mr Bruno DELETRÉ (representing Crédit Foncier)	3.000 € ⁽¹⁾	6.750 € ⁽¹⁾
Mr Alain DENIZOT	-	-
Mr Philippe DRUART	3.250 €	-
Mr Éric FILLIAT	-	4.500 € ⁽¹⁾
Ms Sandrine GUÉRIN	7.500 € ⁽¹⁾	3.750 € ⁽¹⁾
Ms Christine JACGLIN	1.250 €	5.750 €
Ms Pascale PARQUET	1.250 € ⁽²⁾	5.750 € ⁽²⁾
Mr Didier PATAULT	-	-
Mr Christophe PINAULT	500 € ⁽¹⁾	1.500 € ⁽¹⁾
BPCE (represented by Mr Roland CHARBONNEL)	3.750 €	5.000 €

⁽¹⁾ Directors' fees paid to Crédit Foncier.

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

Summary of remuneration of each non-executive designated company representative

(in euros)

Mr Bruno DELETRÉ, Legal representative of Crédit Foncier	2011 (since 29 August 2011)		2012	
	Total due	Total paid	Total due	Total paid
Base salary	229,778	229,778	464,720	464,720
Variable pay	-	n/a	n.d.	-
Exceptional remuneration	15,659	7,741	n.d.	15,659
Director's fees	-	-	-	-
Benefits in kind	2,671	2,671	5,520	5,520
TOTAL	248,108	240,190	470,240	485,899

(in euros)

Mr Roland CHARBONNEL, Legal Representative of BPCE	2011		2012	
	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	-	-	-	-

(in euros)

Mr Éric FILLIAT	2011		2012 (since 28 March 2012)	
	Total due	Total paid	Total due	Total paid
Base salary	n/a	n/a	124,519	124,519
Variable pay	n/a	n/a	n.d.	-
Exceptional remuneration	n/a	n/a	n.d.	4,350
Director's fees	n/a	n/a	-	-
Benefits in kind	n/a	n/a	1,950	1,950
TOTAL	n/a	n/a	126,469	130,819

(in euros)

Ms Christine JACGLIN	2011 (since 29 September 2011)		2012	
	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	1,250	n/a	5,750	1,250
Benefits in kind	n/a	n/a	n/a	n/a
TOTAL	1,250	n/a	5,750	1,250

(in euros)

Ms Pascale PARQUET	2011 (since 29 September 2011)		2012	
	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 ⁽¹⁾	1,250	n/a	5,750	1,250
Benefits in kind	n/a	n/a	n/a	n/a
TOTAL	1,250	n/a	5,750	1,250

⁽¹⁾ Paid to Caisse d'Épargne Île-de-France (CEIDF).

(in euros)

Mr Didier PATAULT	2011		2012	
	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	-	-	-	-

Executive designated company representative	Job contract		Supplemental retirement plan		Indemnities or advantages due or potentially due resulting from the termination or change in position		Indemnity relative to an exclusivity clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Mr Thierry DUFOUR Chairman and Chief Executive Officer Start of term: 12/14/2007		X		X	X			X
Ms Sandrine GUÉRIN Deputy Chief Executive Officer Start of term: 05/17/2002		X		X		X		X

Other information on compensation and stock option and stock purchase plans

As of 31 December 2012, Compagnie de Financement Foncier did not have its own staff, with the exception of its corporate officers and of its Secretary General appointed by Crédit Foncier. 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 2012.

List of corporate officers and directors' terms of office at 31 December 2012

Mr Thierry DUFOUR, Chairman and Chief Executive Officer

Company	Position
CRÉDIT FONCIER DE FRANCE – SA	Deputy Chief Executive Officer
COMPAGNIE DE FINANCEMENT FONCIER – SA	Chairman, Chief Executive Officer
BANCO PRIMUS (PORTUGAL)	Chairman of the Board of Directors
CRÉDIT FONCIER IMMOBILIER – SA	Director
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 of Corporate and investment banking (CIB)
FINANCIÈRE DESVIEUX – SA	Chairman, Chief Executive Officer (until 28 June 2011) Chairman of the Board of Directors
SWISS PUBLIC FINANCE SOLUTIONS – SA (SUISSE)	Director
VMG – SACS	Chairman of the Executive Board

Mr Bruno DELETRÉ

Company	Position
CRÉDIT FONCIER DE FRANCE – SA	Chief Executive Officer
COFACE – SA	Director
COMPAGNIE DE FINANCEMENT FONCIER – SA	Permanent representative of Crédit Foncier, Director Chairman of the Audit committee
CRÉDIT FONCIER IMMOBILIER – SA	Chairman of the Board of Directors
ENFI – SAS	Chairman
IT-CE	Permanent representative of Crédit Foncier, Member 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
CINERGIE – SA	Director (until 25 December 2012)
COFIMAB – SAS	Chairman
COMPAGNIE DE FINANCEMENT FONCIER – SA	Director
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
LOCINDUS – SA	Director
MOBILIÈRE VOLNEY – 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 AMENAGEMENT – 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
VENDOME INVESTISSEMENTS – SAS	Chairman
VMG – SACS	Member of the Supervisory Board

Mr Roland CHARBONNEL

Company	Position
GCE COVERED BONDS – SA	Chief Executive Officer and Director
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	Member of the Supervisory Board
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 PARTICIPATIONS 4 – SA	Director
BANQUE DES ANTILLES FRANÇAISES – BDAF – SA	Director
BANQUE PALATINE – SACS	Member of the Supervisory Board
BANQUE POPULAIRE IMAGES 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
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	Chairman and 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 (until 25 December 2012)
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
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 ÉDITIONS 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 AGGRAGATE SICAV – SA	Director
NATIXIS FINANCEMENT – SA	Director
NATIXIS GLOBAL ASSET MANAGEMENT – SA	Director
NATIXIS IMPACT NORD SUD DÉVELOPPEMENT SICAV	Director
NATIXIS INTERÉPARGNE – SA	Director
NATIXIS LEASE – SA	Director
NATIXIS PAIEMENTS – 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
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
T2S MED – SA	Director
T2S OUTRE-MER – SA	Director
T2S PACIFIQUE – SA	Director
TADORNE AVIATION GIE	Director
TEOS – SASU	Chairman
TEVEA INTERNATIONAL – SA	Director
TREVIGNON GIE	Director
TURBO SA – SA	Director
VICTOIRE GIE	Director
VIGEO – SA	Director
VISA EUROPE LTD – SA	Director

Mr Nicolas DARBO
until Board of Directors meeting on 28 March 2012

Company	Position
CRÉDIT FONCIER IMMOBILIER – SA	Director
COMPAGNIE DE FINANCEMENT FONCIER – SA	Director, Member of the Audit committee
CRÉDIT FONCIER DE FRANCE – SA	Deputy Chief Executive Officer, Finance & Organisation, Member of the General Management Committee, Member of the Executive Board
FINANCIÈRE DESVIEUX – SA	Director
LOCINDUS – SA	Director, Member of the Audit committee
VMG – SACS	Vice-Chairman of the Supervisory Board
SOCFIM – SACS	Member of the Supervisory Board
BANCO PRIMUS (PORTUGAL)	Director
FONCIER TITRISATION – SA	Permanent representative of Foncier Participations, Director

Mr Éric FILLIAT
as of the Board of Directors meeting of 28 March 2012

Company	Position
CRÉDIT FONCIER DE FRANCE – SA	Deputy Chief Executive Officer, Finance & Organisation, Member of the General Management Committee, Member of the Executive Board
FINANCIÈRE DESVIEUX	Director (since 25 May 2012)
VMG	Vice-Chairman of the Supervisory Board (since 20 April 2012)
CRÉDIT FONCIER IMMOBILIER	Director (since 30 March 2012)
COMPAGNIE DE FINANCEMENT FONCIER	Director, Member of the Audit committee (since 28 March 2012)
BANCO PRIMUS	Director (since 28 March 2012)
LOCINDUS	Director, Member of the Audit committee (since 20 March 2012)
FONCIER PARTICIPATION	Permanent representative of Crédit Foncier, Chairman of SAS (since 27 March 2012)
FONCIER TITRISATION	Permanent representative of Foncier Participation, Director (since 26 March 2012)
MFCG	Permanent representative of CFCo, Chairman of SAS (since 27 March 2012)
SOCFIM	Member of the Supervisory Board (since 27 March 2012)
SCI STUDIANTE LES DEUX GARES	Permanent representative of MFCG, Liquidator (since 27 March 2012)

Ms Christine JACGLIN

Company	Position
BANQUE POPULAIRE D'ALSACE	Chief Executive Officer
SICAV ALSACE COURT TERME	Director
NATIXIS FINANCEMENT	Director
NATIXIS CONSUMER FINANCE	Director
NATIXIS LEASE	Director
COMPAGNIE DE FINANCEMENT FONCIER	Director, 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

Ms Pascale PARQUET

Company	Position
COMPAGNIE DE FINANCEMENT FONCIER	Director, Member of the Audit committee
AEW FONCIÈRE ECUREUIL – SPPICAV	Permanent representative of the CEIDF, Director until 16 July 2012
SNC DIDEROT FINANCEMENT 2 SNC	Permanent representative of the CEIDF, Manager
BPCE SFH – SA	Director
CAISSE D'ÉPARGNE ÎLE-DE-FRANCE (CEIDF) – SACS	Member of the Management Board
CAISSE GÉNÉRALE DE PRÉVOYANCE DES CAISSES D'ÉPARGNE – ASSOCIATION 1901	Director
CSF GCE	Member of the Supervisory Board
ÉCUREUIL PROTECTION SOCIALE – ASSOCIATION	Director
FONCIER ÉCUREUIL – SAS	Permanent representative of the CEIDF, Member of the Supervisory Board and PR of SAS Foncière Écureuil to the Supervisory Board until 6 July 2012
FONCIER ÉCUREUIL II – SAS	Permanent representative of Foncier Écureuil until 16 July 2012
GCE COVERED BONDS – SA	Director
GIE CAISSE D'ÉPARGNE SYNDICATION RISQUES	Permanent representative of the CEIDF, Member of the Supervisory Board
OGIM – SA	Director

Mr Didier PATAULT

Company	Position
CAISSE D'ÉPARGNE ET DE PRÉVOYANCE BRETAGNE PAYS DE LOIRE (CEBPL) – SACS	Chairman of the Management Board
BATIROC BRETAGNE PAYS DE LOIRE – SACS	Chairman of the Supervisory Board
BPCE – SACS	Member of the Supervisory Board
CE HOLDING PROMOTION – SAS	Director
COMPAGNIE DE FINANCEMENT FONCIER – SA	Director
FNCE – ASSOCIATION	Representative of the CEBPL, Director
GCE CAPITAL – SAS	Member of the Supervisory Board
IT-CE (EX-GIE GCE TECHNOLOGIES) – GIE	Permanent representative of the CEBPL, Member of the Supervisory Board
LA MANCELLE D'HABITATION – SAHLM	Director
NANTES ATLANTIQUE PLACE FINANCIÈRE – ASSOCIATION	Representative of the CEBPL, Director
NATIXIS – SACS	Director and Member of the Compensation Committee
NATIXIS COFICINE – SACS	Director
PAYS DE LA LOIRE DÉVELOPPEMENT – SAS	Representative of CEBPL, Director
SAMO – SAHLM	Chairman of the Board of Directors
SDR OUEST – SODERO – SA	Chairman and Chief Executive Officer
SEMILAN – SEM	Representative of the CEBPL, Director
SODERO GESTION – SAS	Chairman of the Supervisory Board
SODERO PARTICIPATIONS – SAS	Chairman of the Board of Directors

Note 2. Assets-backed securities (ABS) as of 31 December 2012

Securitisation tranches of residential mortgage loans: €5.25 billion (outstanding principal)

ABS	Standard & Poor's/Moody's/Fitch Ratings	Outstandings (€ million)
Germany		
E-MAC DE 2005-1	AA-/Baa1/AA	69.9
E-MAC DE 2006-II A2	A+/Baa1/A+	220.0
Spain		
AYT GENOVA HIPOTECARIO 7	AA-/Baa1/AA-	171.3
AYT GENOVA IV	AA-/A3/AA-	132.0
BANCAJA 5 PARTS A	AA-/A3/AA-	190.9
BANCAJA 8 PART A	-/A3/AA-	15.2
BANCAJA FCC 6 FTA PART A2 SENIOR	AA-/A3/AA-	39.0
BANKINTER 10 SENIOR A2	AA-/A3/-	132.0
BANKINTER 4 PART A FCC	AA-/A3/-	75.0
BANKINTER 5 PART A FCC	A+/A3/-	23.7
IM PASTOR 2 FDO DE TIT HIPOTEC A	A/A3/-	27.1
TDA CAJAMAR 2 PART A2	AA-/-/AA-	22.7
TDA CAJAMAR 2 PART A3	AA-/-/AA-	200.0
TDA PASTOR A2 FCC	-/A3/AA-	47.5
Italy		
APULIA FINANCE 2 SRL FCC	AA+/-/AAA	8.3
APULIA FINANCE 3 FCC	AA+/A2/AAA	37.6
ARGO MORTGAGES 2 SEN A	-/A2/AAA	32.5
BERICA 6 FCC PARTS A2	AA+/A2/AAA	98.3
BIPIELLE A2 2040	-/A2/AAA	38.5
BPMO 2007-1 A2	AA-/A2/AAA	33.2
CAPITAL MORTGAGE 2007-1	AA+/A3/AA	644.0
CARIFIRENZE MUTUI FCC	AA+/A2/AAA	14.6
CORDUSIO RMBS 3 A2	AA+/A2/AAA	10.7
CORDUSIO RMBS A3	AA+/A2/AAA	425.0
F-E MORTGAGES 2005 - 10BP	AA+/A2/AAA	28.6
HELICONUS A CLASS A	AA+/A2/AAA	62.0
INTESA SEC3 A3	AA+/A2/-	9.5
INTRA MORTGAGE FINANCE 1 SRL	AA+/A2/AAA	10.8
MARCHE MUTUI 2A2	A+/A2/-	48.8
MARCHE MUTUI A2	A+/A2/-	25.2
SESTANTE 3 A	A+/A3/AA	113.8
SESTANTE FINANCE A1 FCC	A+/A2/AAA	101.1
SESTANTE FINANCE S R L 2 FCC	A+/A2/AAA	84.9
VELA ABS PARTS A SENIOR	AA+/A2/-	96.9
VELA HOME 4 CLASS A2	AA+/A2/-	308.0
VELA HOME SRL PARTS A2	AA+/A2/-	61.7
VELA HOME 2	AA+/A2/-	14.4
Netherlands		
BELUGA MASTER 2006-1	AAA/Aaa/AAA	200.0
EMAC NL 2005 III BV	A/Aaa/AAA	182.5
FCC E-MAC NL 2007-III CLASS A2	AA-/Aaa/AAA	205.8
HOLLAND HOMES 3 PARTS A	-/Aaa/AAA	222.0
Portugal		
DOURO MORTGAGES 1 A	A-/Ba1/A	94.9
DOURO MORTGAGES 3A	A-/Ba1/A	167.8
LUSITANO 2	A-/Baa3/A	31.5
LUSITANO 3	A-/Ba1/A	226.9
LUSITANO 6	A-/Ba1/A	244.9

Public sector ABS: €6.56 billion (outstanding principal)

United States		
SLM 2004-8-A6	A+/Aaa/AAA	410.0
NELNET 2006-2 A7	AA-/Aaa/AAA	30.0
NELNET STUDENT LOAN TRUST 2006-1	AA-/Aaa/AAA	420.5
SLM 2006-6 A4	AA-/Aaa/AAA	372.0
SLM STUDENT LOAN A8	A/A1/AAA	110.0
SLM 2005-9 SENIOR A7A	AA-/Aaa/AAA	245.0
SLM 2006-4 A6	AA-/Aaa/AAA	872.6
SLM 2003-10 parts A3	AAA/Aaa/AAA	92.7
SLM 2003-7 parts A5B	AA+/Baa1/AAA	82.3
SLM 2004-2 parts A6	A+/Aaa/AAA	15.8
SLM 2004-5X A6	AA/Aaa/AAA	54.1
Italy		
ADRIATICA	AA-/Aa3/-	40.0
ASTREA FCC PARTS A SENIORS	-/Baa2/A-	0.2
POSILLIPO 2007-1 A1	BBB-/Baa3/-	384.7
Netherlands		
DARTS FINANCE PARTS A	-/Aa1/AAA	271.8
E-MAC NL 2006	-/A1/-	454.6
EMAC NL 2007-NHG II	-/Aa3/-	494.8
HOLLAND HOMES ORANJE A	-/Aa2/AAA	392.0
PEARL MBS 2 - A	-/Aaa/AAA	694.4
PEARL MBS CLASS A	-/Aaa/AAA	936.0
SECURITIZED GUARANTEED CLASS A	-/Aaa/AAA	181.7

Financial statements

Balance sheet

(in thousands of euros)

As per notes	ASSETS	12/31/12	12/31/11	12/31/10
	Due from central banks and post office accounts	3,705,503	14,697	5,413
1	Loans and receivables due from banks	18,244,086	20,609,849	16,493,215
	- <i>On demand</i>	216,953	1,409,394	318,007
	- <i>At maturity</i>	18,027,133	19,200,455	16,175,208
2	Customer loans	41,343,429	40,660,039	39,709,142
	- <i>Other customer loans</i>	41,343,429	40,660,039	39,709,142
3	Bonds and other fixed income securities	33,418,447	41,228,820	44,489,773
4	Tangible and intangible fixed assets			
5	Other assets	5,603	72,965	93,517
6	Accrued income	4,065,221	3,191,907	3,035,765
	TOTAL ASSETS	100,782,289	105,778,277	103,826,825

As per notes	LIABILITIES AND EQUITY	12/31/12	12/31/11	12/31/10
	Due to central banks			
7	Due to banks	3,853,303	4,903,513	5,553,791
	- <i>On demand</i>	22,141	3,931	69,022
	- <i>At maturity</i>	3,831,162	4,899,582	5,484,769
8	Customer loans	19,805	7,008	14,867
	- <i>On demand</i>	19,805	7,008	14,867
9	Debt securities	84,594,979	89,923,945	88,372,278
	- <i>Inter-bank market securities and negotiable debt securities</i>	153,932	155,313	243,780
	- <i>Bonds (obligations foncières)</i>	84,441,047	89,768,632	88,128,498
10	Other liabilities	4,641,898	3,184,632	2,157,642
11	Accrued expenses	2,342,426	2,466,759	2,636,729
12	Provisions	15,384	7,775	9,119
13	Subordinated debt	3,450,137	3,450,452	3,450,270
	Fund for general banking risks	20,000	20,000	20,000
14	Equity other than fund for general banking risks	1,844,356	1,814,193	1,612,129
	- <i>Subscribed capital stock</i>	1,187,460	1,187,460	1,008,000
	- <i>Share premiums</i>	343,002	343,002	302,462
	- <i>Reserves</i>	95,367	89,963	82,802
	- <i>Regulated provisions and investment subsidies</i>			
	- <i>Retained earnings</i>	85,946	85,704	75,654
	- <i>Income to be allocated</i>			
	- <i>Net income for the period</i>	132,581	108,064	143,211
	TOTAL LIABILITIES AND EQUITY	100,782,289	105,778,277	103,826,825

Off-balance sheet

(in thousands of euros)

As per notes	12/31/12	12/31/11	12/31/10
15	COMMITMENTS GIVEN		
	Financing commitments		
			15,995
			- Commitments in favour of banks
	1,808,158	2,459,785	2,283,034
			- Commitments in favour of customers
	1,585,009	5,325,312	5,581,713
			- Other securities used as collateral
	Guarantee commitments		
			- Commitments in favour of banks
			- Commitments in favour of customers
	Commitments on securities		
		25,000	45,000
			- Others commitments given
16	COMMITMENTS RECEIVED		
	Financing commitments		
	4,106,460	3,958,140	3,212,060
			- Commitments received from banks
	23,126,518	14,754,439	12,278,584
			- Other securities received as collateral from the group
	Guarantee commitments		
	7,216,584	7,484,911	7,976,870
			- Commitments received from banks
	34,322,018	39,756,337	38,707,948
			- Commitments received from customers
			15,000
			Commitments on securities
	RECIPROCAL COMMITMENTS		
17	40,678,758	48,629,166	46,663,767
			- Sale and purchase of foreign currencies
18	92,252,489	110,351,059	109,707,924
			- Other financial instruments

Income statement

(in thousands of euros)

As per notes		12/31/12	12/31/11	12/31/10
19	Interest and similar income	5,099,457	4,516,761	4,712,249
19	Interest and similar expenses	-4,649,350	-4,189,665	-4,432,860
	NET INTEREST MARGIN	450,107	327,096	279,389
20	Commission and fee income	29,581	56,410	44,779
20	Commission and fee expenses	-5,124	-4,455	-4,293
21	Gains or losses on trading book transactions	-577	712	1,338
22	Gains or losses on available for sale investment portfolio transactions	1,087	-41,921	-7,083
23	Other income from banking operations	399	2,798	2,252
23	Other expenses on banking operations	-350	-1,815	-2,159
	NET BANKING INCOME	475,123	338,825	314,223
24	Personnel expenses	-191	-191	-267
24	Taxes	-19,928	-14,172	-10,427
24	External services and other expenses	-84,145	-89,830	-86,371
	Amortisation			
	<i>Total operating expenses</i>	<i>-104,263</i>	<i>-104,193</i>	<i>-97,065</i>
	GROSS OPERATING INCOME	370,860	234,632	217,158
25	Cost of risk	-10,699	-4,869	-3,316
	OPERATING INCOME	360,161	229,763	213,842
26	Gains or losses on fixed assets	-140,371	-58,599	2,980
	ORDINARY INCOME BEFORE TAX	219,790	171,164	216,822
	Exceptional items			
27	Income taxes	-87,209	-63,100	-73,611
	NET INCOME	132,581	108,064	143,211
	Earnings per share ⁽¹⁾ (in euros)	1.79	1.57	2.27
	Diluted earnings per share (in euros)	1.79	1.57	2.27

⁽¹⁾ Earnings per share is calculated by dividing the net income by the average number of shares during the fiscal year 2012.
The notes on the following pages form part of the financial statements.

Notes to the 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. 515-13 to L. 515-33 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 - 2012

2.1. Commercial Activity

During the 2012, Compagnie de Financement Foncier acquired €4,542.4 million in receivables from Crédit Foncier, including accrued interest, plus €324.9 million in unreleased loans recognised as "Financing commitments given". It also purchased a €15.9 million claim against the State (€984.1 million in unreleased funds).

During the fourth quarter of 2012, in connection with a securitisation transaction carried out between Groupe Crédit Foncier and a French credit institution, Compagnie de Financement Foncier disposed of customer receivables for which remaining principal balances came to €439.4 million as of the date of sale.

Pursuant to an agreement governed by Article L. 211-38 of the Monetary and Financial Code, which allows one financial institution to grant a loan to another financial institution that is secured by a pool of loans, Compagnie de Financement Foncier established, over the course of previous reporting periods, several lines of credit with its parent company, Crédit Foncier, recognised as replacement securities for a total of €11.5 billion as at 31 December 2011. Furthermore, Compagnie de Financement Foncier lent without any guarantee to Crédit Foncier €2.7 billion.

To reduce exposure to the parent company, these loans, called guaranteed short-term notes (BCTG), are now granted to BPCE SA. At 31 December 2012, they amount to €13.0 billion, excluding related receivables and are collateralised by €10.5 billion; these loans are used as replacement values, 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, and amount €13,289.8 million as of 31 December 2012.

As regards funding, Compagnie de Financement Foncier issued €8,101 million in *obligations foncières* in 2012 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). Total outstandings under this financing mechanism stood at €1 billion at end 2012 compared to €1.5 billion on 31 December 2011.

2.2. International Exposure

In connection with the new strategic plan of Crédit Foncier group and owing to tighter supervisory regulations and in the framework of the implementation of the requirements of European Directive CRD3 on 31 December 2011 and the early adoption of Basel III guidelines (draft proposed CRD IV Package and the European Capital Requirements Regulation released in a first version in July 2011, which may in the future introduce a leverage ratio), Crédit Foncier group implemented efforts to reduce its international exposure by curtailing additional loan origination in this sector and by shedding several lines of paired securities as relevant in order to buy back and cancel issued *obligations foncières*, asset and liability items found mainly on the balance sheet of Compagnie de Financement Foncier.

These disposals concern loans totalling €2,739.8 million and relate to international public sector securities as well as units in securitisations.

These disposals together with the cancellation of some associated hedging swaps generated net losses of €140.4 million before tax, recognised in the income statement as “Gains or losses on fixed assets” and net gains of €1.1 million before tax recognised in the income statement as “Gains or losses on available-for-sale investment portfolio transactions”.

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 €2,076.6 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 2012 was a gain of €157.1 million.

2.3. Disposal of securitisation units

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 units in the event of a downgrade of their rating below a specified threshold.

Under this agreement, Compagnie de Financement Foncier transferred several lines of RMBS units originally categorised as “investment securities held to maturity” to its parent company at the carrying amount. These transfers totalled €3,283.5 million.

2.4. 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.

As a result, macro-hedging swaps between Crédit Foncier and Compagnie de Financement Foncier were either cancelled for a notional amount of €3,831.3 million or put back on the market for a notional amount of €3,403 million. Compagnie de Financement Foncier paid a net balance of €715.3 million.

Finally, several securities hedging swap transactions representing €9,529.6 million conducted with external counterparties were cancelled. Compagnie de Financement Foncier received a net balance of €563.7 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".

2.5. Doubtful loans

In connection with work in preparation for the approval of internal credit risk rating models on the category of mortgage loans to individuals (IRBA method), Groupe Crédit Foncier modified its approach for downgrading doubtful loans to individuals by aligning its definition of doubtful loans with the meaning of default under Basel guidelines.

This modification translated into an increase of €62.9 million in doubtful loans with no material impact on the level of impairment losses recognised by Compagnie de Financement Foncier in the absence of any change in its risk exposure, all other things being equal.

2.6. Outlook for performing loans

In 2012, Compagnie de Financement Foncier aligned its approach for calculating its provisions for performing loans to individuals with the method used by Groupe BPCE. Loans exposed to the risks of default and loss are now identified based on Basel exposure ratings. Previously, only loans with arrears were placed in this category.

This change in metric led to the recognition in 2012 of a €6.6 million provision on performing loans to individuals vs. a reversal of €1.2 million.

3. Post balance sheet events

No other event likely to have a significant impact on the financial statements at 31 December 2012 occurred between the balance sheet date and 28 March 2013, 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 Regulations 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 2012 annual financial statements.

The texts adopted by the ANC that became compulsory as of 2012 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 impairment, 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 in cash 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 loans.

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.

Early repayment 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 16 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.

It should be noted that Compagnie de Financement Foncier holds a marginal amount of restructured receivables for €9.9 million, as of 31 December 2012.

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 and, regarding restructured receivables, from the first unpaid repayment (cf. previous paragraph).

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.

Doubtful loans which benefit from the State guarantee do not belong to that category nor those benefitting from the FGAS guarantee (cf. note 2 quater).

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. In the event of a fraction of the receivable would remain in Crédit Foncier's balance sheet, the impairment in Compagnie de Financement Foncier's income statement would be recognised after the complete impairment of the fraction of the receivable retained by Crédit Foncier.

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".

When the credit risk is identified, not on an individual basis but on the basis of a loan portfolio with similar risk characteristics and for which available information indicates a risk of default and losses at maturity, a provision is made for counterparty risk on the liabilities side of the balance sheet.

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

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 amounting to €15.24, which enables it to acquire loans secured by the French Government, by virtue of SGFGAS. This investment was specifically approved by the regulatory authority.

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 to the long-term 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 investment 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 capital 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 CNC 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 2008 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 2012.

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 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. According to CRC Regulation No. 2000-06, 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 particular, this line item includes the provisions for counterparty risk 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 31 December 2012, the amount recognised for these commitments represented the volume of the open forward transactions at the balance sheet 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.

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

Termination or assignment balances are entered as follows:

- for transactions classified as specialised management transactions or isolated open positions, the amounts remaining are immediately booked to the income statement;
- for micro-hedging and macro-hedging transactions, the remaining amounts 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. For over-the-counter (OTC) options, provisions are recognised for capital losses but unrealised capital gains are not recognised. When an option is sold, repurchased, or exercised, or when an option expires, the corresponding premium is recognised immediately in income.

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

Over-the-counter markets may be treated as organised markets when market makers ensure continuous quotations with spreads that reflect market practice or when the underlying financial instrument is itself quoted on an organised market.

At 31 December 2012, 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 prorata 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 capital.

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

- commissions received for an ad hoc service are recognised upon completion of the service;
- commissions received for an ongoing 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 2012 to management offices amounted to €120,000, excluding social security charges.

5.3. Related party transactions

In compliance with ANC 2010-04 Regulation, any related party transactions are conducted under normal market conditions.

5.4. 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 prevent non-cooperative jurisdictions as well as forming part of the fight against money laundering and terrorist financing.

At 31 December 2012, Compagnie de Financement Foncier had no activities or offices in non-cooperative countries.

Note 1: loans and receivables due from banks

(in thousands of euros)

	12/31/12	12/31/11	12/31/10
On demand loans to banks	216,953	1,409,394	318,007
Customer accounts	216,950	239,378	317,716
OTC accounts and loans		1,170,000	
Non-allocated securities on demand	3		291
Related receivables		16	
At maturity loans to banks	18,027,133	19,200,455	16,175,208
Accounts and loans at maturity	1,675,749	4,421,343	3,870,494
Loans guaranteed by securities received under repurchase agreements ⁽²⁾	16,323,118	14,748,769	12,272,827
Securities subject to repurchase agreements			
Subordinated loans and participating loans			
Related receivables	28,266	30,343	31,887
Doubtful loans			
Gross amount of loans and receivables	18,244,086	20,609,849	16,493,215
Depreciations on doubtful loans			
Depreciations on doubtful loans			
NET AMOUNT OF LOANS AND RECEIVABLES DUE FROM BANKS ⁽¹⁾	18,244,086	20,609,849	16,493,215
⁽¹⁾ of which subsidised sector	284	472	617

BREAKDOWN OF GROUP AND NON-GROUP LOANS AT MATURITY			
Accounts and loans at maturity			
- of which group transactions	48,413	2,754,938	2,120,411
- of which non-group transactions	1,627,336	1,666,405	1,750,084
Loans guaranteed by securities received under repurchase agreements			
- of which group transactions ⁽²⁾	16,323,118	14,748,769	12,272,827
- of which non-group transactions			
Related receivables			
- of which group transactions		1,595	953
- of which non-group transactions	28,266	28,748	30,934
Group loans	16,371,531	17,505,302	14,394,191
Non-group loans	1,655,602	1,695,153	1,781,017
TOTAL	18,027,133	19,200,455	16,175,208

DETAIL ON GROUP AND NON-GROUP LOANS ON DEMAND			
Accounts and loans on demand			
- of which group transactions	213,253	232,019	316,972
- of which non-group transactions	3,697	1,177,359	744
Related receivables			
- of which group transactions			
- of which non-group transactions		16	
Non-allocated securities			
- of which group transactions (at Crédit Foncier's scope)			
- of which non-group transactions	3		291
Group loans	213,253	232,019	316,972
Non-group loans	3,700	1,177,376	1,035
TOTAL	216,953	1,409,395	318,007

⁽²⁾ BCTG (Short-term guaranteed notes) issued by Groupe BPCE entities, units of replacement values, and receivables as collateral by SPT L. 211-38.

Note 1b: breakdown of loans at maturity to banks

(in thousands of euros)

	12/31/12		12/31/11		12/31/10
	Gross amount	Write-downs	Net amount	Net amount	Net amount
TERM LOANS					
Refinancing of subsidised residential property	284		284	472	617
Refinancing of unsubsidised residential property	730		730	984	1,403
Public authorities	1,654,588		1,654,588	1,693,697	1,778,997
Structured financing					
Other loans to banks ⁽¹⁾	16,371,531		16,371,531	17,505,302	14,394,191
Doubtful term loans					
NET AMOUNT OF LOANS AND RECEIVABLES DUE FROM BANKS	18,027,133		18,027,133	19,200,455	16,175,208

⁽¹⁾ BCTG (Short-term guaranteed notes) issued by Groupe BPCE entities, units of replacement values, and loans granted to Groupe BPEC and guaranteed by receivables as collateral by SPT L. 211-38 and dedicated funds (€48 million).

Note 2: loans and receivables due from customers

(in thousands of euros)

	Performing loans			Doubtful loans			Write-downs			Net amounts		
	12/31/12	12/31/11	12/31/10	12/31/12	12/31/11	12/31/10	12/31/12	12/31/11	12/31/10	12/31/12	12/31/11	12/31/10
CUSTOMER ACCOUNTS												
CUSTOMER LOANS ⁽¹⁾	40,534,546	40,104,789	39,239,669	833,988	579,251	487,360	25,105	24,001	17,888	41,343,429	40,660,039	39,709,141
Loans to financial customers												
Export credits												
Short-term loans ⁽²⁾	2,067,140	2,676,687	3,561,328							2,067,140	2,676,687	3,561,328
Equipment loans ⁽³⁾	8,351,579	8,754,660	9,453,366	751	1,035	3,127	280	210	404	8,352,050	8,755,485	9,456,089
Residential property loans	29,890,953	28,430,432	25,860,784	829,429	574,696	480,543	23,700	22,698	16,449	30,696,681	28,982,430	26,324,878
Other customer loans	41,998	48,535	54,566	1,489	1,548	1,826	1,125	1,093	1,035	42,362	48,990	55,357
Non-allocated securities		404	6,393								404	6,393
Subordinated loans												
Related receivables	182,876	194,071	303,232	2,319	1,972	1,865				185,195	196,043	305,097
GRAND TOTAL ⁽¹⁾⁽⁴⁾	40,534,546	40,104,789	39,239,669	833,988	579,251	487,361	25,105	24,001	17,888	41,343,429	40,660,039	39,709,141
⁽¹⁾ of which subsidised sector	426,776	653,841	859,825	113,840	52,118	62,408	80	81	107	540,535	705,878	922,126
of which unsubsidised sector	40,107,770	39,450,948	38,379,844	720,148	527,133	424,953	25,025	23,920	17,781	40,802,893	39,954,161	38,787,015

The increase of doubtful loans in the subsidised sector is mainly due to a receivable of €72.3 million, fully guaranteed by the French State.

Among loans, restructured loans amounted to €9.9 million at 31 December 2012.

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

⁽²⁾ In 2007, it purchased Ixis CIB (now Natixis) loans on Public sector, which include revolving credit lines amounting to €2,021 million at 31 December 2012, €2,677 million at 31 December 2011 and €3,462 million at 31 December 2010.

⁽³⁾ Equipment loans are loans to public entities.

⁽⁴⁾ Customer loans eligible for refinancing with the Central Bank amount €8,164 million at 31 December 2012 in outstanding capital.

Note 2b1: write-downs and provisions for counterparty risks

(in thousands of euros)

	12/31/10	Increases	Reversals	12/31/11	Increases	Reversals	Misc. transaction	12/31/12
WRITE-DOWNS RECORDED AS A DEDUCTION FROM ASSETS								
Customer loans and due from banks ⁽¹⁾	17,888	13,770	-7,657	24,001	11,766	-10,662		25,105
PROVISIONS RECORDED IN LIABILITIES								
Customer loans and due from banks and from securities	7,515	2,239	-3,182	6,572	7,662	-53		14,181
TOTAL	25,403	16,009	-10,839	30,573	19,428	-10,715		39,286

⁽¹⁾ Write-downs of loans are booked at their present value, as per Committee on Accounting Regulation (CRC) 2002-03.

Note 2b2: premiums/discounts on acquired loans

(in thousands of euros)

	12/31/10	Additions	Amortisation	12/31/11	Additions	Amortisation	12/31/12
DUE FROM BANKS							
Premiums	99,571		-10,137	89,434		-10,359	79,075
Discounts							
Net	99,571		-10,137	89,434		-10,359	79,075
CUSTOMER LOANS							
Premiums	473,288	114,197	-101,232	486,253	192,018	-79,228	599,043
Discounts	-711,511	-249,878	72,525	-888,864	-99,592	145,623	-842,833
Net	-238,223	-135,681	-28,707	-402,611	92,426	66,395	-243,790
TOTAL	-138,652	-135,681	-38,844	-313,177	92,426	56,036	-164,715

Note 2c: breakdown of outstanding customer loans

(in thousands of euros)

	12/31/12			12/31/11	12/31/10
	GROSS	WRITE-DOWNS	NET		
Individuals	25,542,632		25,542,632	23,576,699	21,075,388
- Subsidised sector	181,519		181,519	286,801	434,809
- Unsubsidised residential property	25,360,688		25,360,688	23,289,589	20,640,396
- Other	425		425	309	183
Individual entrepreneurs	1,390,443		1,390,443	1,560,889	1,368,369
- Subsidised sector	10,788		10,788	14,309	21,501
- Unsubsidised residential property	1,379,655		1,379,655	1,546,418	1,346,657
- Other				162	211
Regional public sector and sovereigns	10,306,014		10,306,014	11,351,941	13,101,434
- Subsidised sector	68,154		68,154	80,646	91,124
- Unsubsidised residential property	322,712		322,712	344,578	376,527
- Other	9,915,148		9,915,148	10,926,717	12,633,783
Social organisations	2,599,866		2,599,866	2,804,880	3,096,147
- Subsidised sector	157,162		157,162	179,670	207,922
- Unsubsidised residential property	2,373,428		2,373,428	2,551,067	2,809,616
- Other	69,276		69,276	74,143	78,609
Real estate investors	5,536		5,536	103,247	105,648
- Subsidised sector	1,980		1,980	84,813	93,812
- Unsubsidised residential property	3,432		3,432	10,145	11,827
- Other	124		124	8,289	9
Structured financing	689,013		689,013	702,381	483,324
- Subsidised sector	6,888		6,888	7,120	10,030
- Transportation				182	182
- Large projects	663,923		663,923	676,376	437,052
- Other	18,202		18,202	18,703	36,060
Other	1,042		1,042	4,752	9,359
- Subsidised sector	285		285	482	627
- Unsubsidised residential property	27		27	3,288	7,330
- Other	730		730	982	1,403
Subtotal customer loans	40,534,546		40,534,546	40,104,789	39,239,669
DOUBTFUL LOANS	833,988	25,105	808,883	555,250	469,473
of which subsidised sector	113,840	80	113,760	52,037	62,301
of which unsubsidised sector	720,148	25,025	695,123	503,213	407,172
TOTAL CUSTOMER LOANS ⁽¹⁾	41,368,534	25,105	41,343,429	40,660,039	39,709,142
⁽¹⁾ of which subsidised sector	540,616	80	540,536	705,878	922,126
of which unsubsidised sector	40,827,918	25,025	40,802,893	39,954,161	38,787,016

Note 2d: breakdown of outstanding doubtful loans

(in thousands of euros)

At 12/31/2012	Total doubtful loans			Of which compromised doubtful loans		
	GROSS	WRITE-DOWNS	NET	GROSS	WRITE-DOWNS	NET
Individuals	704,876	21,631	683,245	107,147	20,144	87,003
- Subsidised residential property	25,242	42	25,200			
- Unsubsidised residential property	678,026	20,347	657,679	105,563	18,902	86,661
- Other	1,608	1,242	366	1,584	1,242	342
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			0			
- 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	1,580	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 unsubsidised sector ⁽²⁾	720,148	25,025	695,123	118,141	23,137	95,004

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

In accordance with CRC Regulation no. 2005-03, compromised doubtful loans do not include loans that benefit from a guarantee covering almost all risks, such as loans of the subsidised sector and French State-guaranteed PAS loans.

(in thousands of euros)

At 12/31/2011	Total doubtful loans			Of which compromised doubtful loans		
	GROSS	WRITE-DOWNS	NET	GROSS	WRITE-DOWNS	NET
Individuals	517,766	17,598	500,168	72,983	11,687	61,296
- Subsidised sector	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 sector	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 sector	535		535			
- Unsubsidised residential property						
- Other	1,094	35	1,059			
Social organisations	4,879	95	4,784	81	45	36
- Subsidised sector	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 sector	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 sector	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 unsubsidised sector ⁽²⁾	527,133	23,920	503,213	88,825	17,179	71,646

⁽²⁾ The amount of doubtful loans in the competitive sector includes €241.1 million of SGFGAS-secured loans.

In accordance with CRC Regulation no. 2005-03, compromised doubtful loans do not include loans that benefit from a guarantee covering almost all risks, such as loans of the subsidised sector and French State-guaranteed PAS loans.

(in thousands of euros)

At 12/31/2010	Total doubtful loans			Of which compromised doubtful loans		
	GROSS	WRITE-DOWNS	NET	GROSS	WRITE-DOWNS	NET
Individuals	423,361	12,122	411,239	45,783	7,703	38,080
- Subsidised residential property	45,673	62	45,611			
- Unsubsidised residential property	376,258	10,994	365,264	44,353	6,637	37,716
- Other	1,430	1,066	364	1,430	1,066	364
Individual entrepreneurs	41,806	3,843	37,963	10,592	3,171	7,421
- Subsidised residential property	8,719	11	8,708			
- Unsubsidised residential property	32,920	3,793	29,127	10,538	3,171	7,367
- Other	167	39	128	54		54
Regional public sector and sovereigns	6,722	139	6,583			
- Subsidised residential property	794		794			
- Unsubsidised residential property	2,463	86	2,377			
- Other	3,465	53	3,412			
Social organisations	5,376	269	5,107	1,013	240	773
- Subsidised residential property	633		633			
- Unsubsidised residential property	4,267	171	4,096	537	142	395
- Other	476	98	378	476	98	378
Real estate investors	5,997	630	5,367	1,952	569	1,383
- Subsidised residential property	3,925	34	3,891			
- Unsubsidised residential property	1,594	474	1,120	1,474	447	1,027
- Other	478	122	356	478	122	356
Structured financing	4,099	885	3,214	1,321	875	446
- Subsidised residential property	2,664		2,664			
- Unsubsidised residential property						
- Other	1,435	885	550	1,321	875	446
Other						
TOTAL ⁽¹⁾	487,361	17,888	469,473	60,661	12,558	48,103
⁽¹⁾ of which subsidised sector	62,408	107	62,301			
of which unsubsidised sector ⁽²⁾	424,953	17,781	407,172	60,661	12,558	48,103

⁽²⁾ The amount of doubtful loans in the competitive sector includes €186.68 million of SGFGAS-secured loans.

In accordance with CRC Regulation no. 2005-03, compromised doubtful loans do not include loans that benefit from a guarantee covering almost all risks, such as loans of the subsidised sector and French State-guaranteed PAS loans.

Note 3: investment securities available for sale and held to maturity

(in thousands of euros)

	12/31/12	12/31/11	12/31/10
Investment securities available for sale ⁽¹⁾	9,301,157	9,341,377	7,053,817
Bonds ⁽⁴⁾	25,462	75,905	76,159
Interbanking market securities ⁽⁴⁾	9,263,000	9,238,000	6,960,000
Negotiable debt securities			
Related receivables	12,695	27,471	17,658
Gross amounts	9,301,157	9,341,377	7,053,817
Write-downs on fixed income securities available for sale		-19,762	-13,942
INVESTMENT SECURITIES AVAILABLE FOR SALE NET AMOUNTS	9,301,157	9,321,615	7,039,875
INVESTMENT SECURITIES HELD TO MATURITY⁽²⁾	24,117,290	31,907,205	37,449,897
Bonds ⁽⁴⁾	12,157,135	14,168,533	15,526,664
ABS units ⁽⁴⁾	11,786,278	17,497,702	21,667,096
Write-downs on securities held to maturity			
Related receivables	173,877	240,970	256,137
TOTAL INVESTMENTS SECURITIES AVAILABLE FOR SALE AND HELD TO MATURITY⁽³⁾	33,418,447	41,228,820	44,489,772

⁽¹⁾ At 31 December 2012, the market value of short-term investment securities amounted to €26,482K including €1,019K of unrealised capital gains before swaps.

⁽²⁾ No unrealised capital loss on long-term investment securities was recorded at 31 December 2012 (data communicated pursuant to CRC Regulation no. 2004-16 of 23 November 2004 regarding information to be provided further to the transposition of the European Directives, "Fair value" and "Modernisation").

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

⁽⁴⁾ of which:

	12/31/12	12/31/11	12/31/10
Listed securities	19,629,728	25,660,708	33,405,276
Unlisted securities	13,602,147	15,319,433	10,824,643
TOTAL	33,231,875	40,980,141	44,229,919

Securities from interbanking market are non-listed securities under the form of mortgage notes issued by Crédit Foncier and guaranteed mortgage loans to individuals.

Under the instruction CB 94-07, the aggregate fair value of the investment portfolio amounts to €23,721,319K, excluding related receivables.

In 2012, no reclassification on investment assets occurred.

At 31 December 2012, exposures on States having been subject to a support plan by the European Union (Greece, Ireland, Portugal) are the following:

(in thousands of euros)

Country	Face value	Book value excluding accrued interest not yet due	Fair value excluding accrued interest not yet due
Ireland	135	135	138,5

Compagnie de Financement Foncier's exposure to the Sovereign risk on other countries is reviewed in the management risk report.

Note 3b: premiums - discounts

(in thousands of euros)

At 12/31/12	Gross amount	Redemption value	Difference +/-
INVESTMENT SECURITIES AVAILABLE FOR SALE			
Bonds	25,462	25,462	
Other fixed income securities	9,263,000	9,263,000	
INVESTMENT SECURITIES HELD TO MATURITY			
Bonds	12,157,135	12,126,626	-30,509
Other fixed income securities	11,786,278	11,806,314	20,036

Note 3c: financial fixed assets

(in thousands of euros)

	Gross amount at 12/31/10	Acquisitions	Disposal/ Repayments ⁽¹⁾	Reclas- sification	Change in premiums/ discounts	Currency differences	Gross amount at 12/31/11	Acquisi- tions	Disposal/ Repayments ⁽¹⁾	Reclas- sification	Change in premiums/ discounts	Currency differences	Gross amount at 12/31/12
Investment securities held to maturity	37,193,760	329,537	-6,187,657		7,599	322,997	31,666,236	31,061	-7,412,026		10,951	-352,809	23,943,413
TOTAL	37,193,760	329,537	-6,187,657		7,599	322,997	31,666,236	31,061	-7,412,026		10,951	-352,809	23,943,413
Related receivables	256,138						240,970						173,877
GRAND TOTAL	37,449,898	329,537	-6,187,657		7,599	322,997	31,907,206	31,061	-7,412,026		10,951	-352,809	24,117,290

⁽¹⁾ Sales were conducted in accordance with the possibilities offered by the regulation (CRBF 90-01) and can be achieved without penalty of tainting, especially in cases of issuer credit quality deterioration or regulatory constraints.

Note 4: tangible and intangible fixed assets

(in thousands of euros)

	Gross amount at 12/31/11	Acquisitions in 2012	Disposals in 2012	Gross amount at 12/31/12	Amortisations and write-downs at 12/31/12	Net amount at 12/31/12	Net amount at 12/31/11	Net amount at 12/31/10
INTANGIBLE FIXED ASSETS								
Difference intangible/CFF equity contribution								
Other intangible fixed assets								
TOTAL								

Note 4b: amortisation and write-downs of tangible and intangible fixed assets

(in thousands of euros)

	Amount at 12/31/10	Allowances in 2011	Reversals in 2011	Amount at 12/31/11	Allowances in 2012	Reversals in 2012	Amount at 12/31/12
Intangible fixed assets	119,408		119,408				
TOTAL	119,408		119,408				

Note 5: other assets

(in thousands of euros)

	12/31/12	12/31/11	12/31/10
Conditional instruments purchased	1,518	2,852	5,270
Settlement accounts related to securities transactions		440	3,057
Miscellaneous receivables	4,085	2,167	5,371
- Deposits on collateralisation transactions			
- Other deposits and guarantees	22	22	21
- Taxation integration receivables			
- Other miscellaneous receivables	4,063	2,144	5,350
Special bonus account		67,506	79,819
TOTAL	5,603	72,965	93,517

Note 6: prepayments, deferred charges and accrued income

(in thousands of euros)

	12/31/12	12/31/11	12/31/10
Collection accounts			
Deferred charges	387,728	427,176	439,619
Issue and redemption of premiums of fixed income securities	387,728	427,176	439,619
Other deferred charges			
Prepayments	1,125,682	223,249	231,270
Termination balances of paid swaps to be amortised	1,125,594	222,532	230,533
Other prepaid expenses	88	717	737
Accrued income	1,582,496	1,900,876	1,931,435
Accrued interest but not yet due on swap contracts	1,578,842	1,896,372	1,926,844
Other accrued income	3,654	4,504	4,591
Asset adjusting accounts	969,314	640,606	433,441
Cash in domiciliation	211,308	141,605	65,515
Deferred tax assets ⁽¹⁾	322,006	68,701	31,611
Currency adjustment accounts ⁽²⁾	56,037		
Other adjusting accounts ⁽³⁾	379,964	430,300	336,315
TOTAL	4,065,221	3,191,907	3,035,765

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

⁽²⁾ This item restores balance between assets and liabilities, after taking into account in the income statement of gains or losses related to the assessment of off-balance sheet transactions in foreign currency (see note 11).

⁽³⁾ Includes borrower accounts (pending payments on loan accounts) and released loan funds on behalf of Crédit Foncier: €96,063K as of 31 December 2012 compared to €96,058K as of 31 December 2011 and €236,051K as of 31 December 2010.

Note 6b: deferred charges

(in thousands of euros)

	12/31/12	12/31/11	12/31/10
ISSUE OR REDEMPTION PREMIUMS			
Debt securities			
<i>Obligations foncières</i>			
- Subsidised sector	957	1,545	2,132
- Unsubsidised sector	386,771	425,631	437,487
Negotiable debt securities (B.M.T.N.)			
Total issue or redemption premiums	387,728	427,176	439,619
TOTAL DEFERRED CHARGES	387,728	427,176	439,619

Note 7: due to banks

(in thousands of euros)

	12/31/12	12/31/11	12/31/10
Due to banks - on demand	22,141	3,931	69,022
Current accounts of banks	125		856
On demand loans to banks			
Other amounts due to banks	22,016	3,931	68,166
Related payables			
Due to banks - at maturity	3,831,162	4,899,582	5,484,769
Term loans and accounts ⁽¹⁾	3,201,507	4,272,668	4,864,455
Securities subject to repurchase agreements			
Securities subject to repurchase agreements	597,829	597,829	597,829
Related payables	31,827	29,085	22,486
TOTAL	3,853,303	4,903,513	5,553,791

Detail of due to banks - on demand (group/non-group)	22,141	3,931	69,022
of which group	882	1,024	268
- Other amounts due to banks	882	1,024	268
- On demand loans to banks			
- Related payables			
of which non-group	21,259	2,907	68,754
- Other amounts due to banks	21,259	2,907	68,754
Detail of due to banks - at maturity (group/non-group)	3,831,162	4,899,582	5,484,769
of which group	2,763,524	3,315,990	3,383,676
- Due and accounts at maturity	2,164,938	2,715,544	2,783,998
- Securities subject to repurchase agreements	598,587	600,446	599,678
of which non-group	1,067,638	1,583,592	2,101,093
- Banque de France refinancing (Overall collateral management pool - 3G pool)	1,000,000	1,500,000	2,000,000
- Other term loans	56,730	78,584	98,168
- Securities subject to repurchase agreements			
- related payables	10,908	5,008	2,925
DUE TO GROUP BANKS	2,764,406	3,317,014	3,383,944
DUE TO NON-GROUP BANKS	1,088,897	1,586,499	2,169,847
TOTAL	3,853,303	4,903,513	5,553,791
⁽¹⁾ of which subsidised sector	22,128	20,887	20,978

Note 8: customer deposits

(in thousands of euros)

	12/31/12	12/31/11	12/31/10
CURRENT ACCOUNTS			
Other on demand and term accounts	19,805	7,008	14,867
Other amounts due	19,805	7,008	14,867
Other term loans to customers			
Term accounts			
Related payables			
TOTAL	19,805	7,008	14,867

Note 9: debt securities

(in thousands of euros)

	12/31/12	12/31/11	12/31/10
Negotiable debt securities	150,000	150,000	238,000
Related payables	3,932	5,313	5,780
Negotiable debt securities and related payables	153,932	155,313	243,780
Bonds ⁽¹⁾	82,456,423	87,765,796	86,098,034
Related payables	1,984,624	2,002,836	2,030,464
Bonds and related payables	84,441,047	89,768,632	88,128,498
TOTAL	84,594,979	89,923,945	88,372,278
⁽¹⁾ of which subsidised sector	61,267	89,788	116,178

Including a total of €50 million explicitly guaranteed by the French State.

All of these debt securities benefit from a preferential payment claim defined by Article L. 515-19 of the French Monetary and financial code ("privilege" of *obligations foncières*).

Note 10: other liabilities

(in thousands of euros)

	12/31/12	12/31/11	12/31/10
Conditional instruments sold			41
Other creditors	4,545,512	2,947,362	1,912,582
Deposits on collateralisation transactions	4,450,353	2,884,180	1,744,030
Margin calls on repurchase agreements			
Trade accounts payable			
Fiscal integration debts ⁽¹⁾	59,220	14,180	9,788
Other fiscal and social debts	18	22	20
Other miscellaneous creditors	29,564	48,980	158,744
Special bonus account	6,357		
Allocated public funds ⁽²⁾	96,386	237,270	245,019
TOTAL	4,641,898	3,184,632	2,157,642
⁽¹⁾ corporate taxes due to <i>Crédit Foncier</i>	59,220	14,180	9,788
⁽²⁾ of which subsidised sector	55,823	189,530	191,737

Note 11: accruals and deferred income

(in thousands of euros)

	12/31/12	12/31/11	12/31/10
Collection accounts	3,433	893	318
Prepaid charges	1,654,933	1,165,035	1,157,011
Gains on disposal of receivables to ABS			
Subsidies for access to homeownership and former interest-free loans	181,737	281,227	340,457
Cash in payment of swaps received to be amortised	1,344,035	704,535	604,332
Other prepaid charges	129,161	179,273	212,222
Accrued charges	580,208	951,445	877,697
Interest accrued but not yet due on derivatives (swaps)	567,208	940,488	864,680
Other accrued charges	13,000	10,957	13,017
Liability adjustment accounts	103,852	349,387	601,703
External withdrawals			
Currency adjustment accounts ⁽¹⁾	19,678	127,905	419,896
Miscellaneous	84,174	221,482	181,807
TOTAL	2,342,426	2,466,760	2,636,729

⁽¹⁾ This item restores balance between assets and liabilities, after taking into account in the income statement of gains or losses related to the assessment of off-balance sheet transactions in foreign currency (see note 17). A similar item can be found in note 6.

Note 12: provisions

(in thousands of euros)

	12/31/12	12/31/11	12/31/10
Provisions for counterparty risks	14,181	6,572	7,514
Provisions for potential risks on performing loans	14,181	6,572	7,515
Sectoral provisions			
Provisions for litigation	1,203	1,203	1,604
Litigation on individual customers	1,203	1,203	1,203
Tax litigation			401
Other litigation			
Other provisions			
Other provisions			
TOTAL	15,384	7,775	9,119

Changes in the period	12/31/11	Increases	Changes in 2012 Reversals		Other changes	12/31/12
			Used	Not used		
Provisions for counterparty risks	6,572	7,662	-53			14,181
Provisions for potential risks on non-doubtful loans ⁽¹⁾	6,572	7,662	-53			14,181
Sectoral provisions						
Provisions for litigation	1,203					1,203
Litigation on individual customers	1,203					1,203
Tax litigation						
Other litigation						
Other provisions						
Other provisions						
TOTAL	7,775	7,662	-53			15,384

⁽¹⁾ Cf. paragraph 2.6 of the notes to the management report.

Note 13: subordinated debt

(in thousands of euros)

	12/31/12	12/31/11	12/31/10
Redeemable subordinated notes	2,100,000	2,100,000	2,100,000
Subordinated participating loan			1,350,000
Perpetual super-subordinated notes ⁽¹⁾	1,350,000	1,350,000	
Related payables	137	452	270
TOTAL	3,450,137	3,450,452	3,450,270

⁽¹⁾ Eligible to Solvency ratio Tier One capital of Compagnie de Financement Foncier.

a) Additional information

	Issue currency	Date of issue	Maturity date	Rate	Nominal amounts
SUBORDINATED DEBT					
Floating-rate subordinated debt					
- Redeemable subordinated notes "RSN" ⁽¹⁾	EUR	12/30/2003	12/30/2043	Euribor 3M +0.5%	2,100,000
- Perpetual super-subordinated notes	EUR	12/30/2011		EONIA +2.5%	1,350,000
TOTAL					3,450,000

⁽¹⁾ 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 the subordinated participating loan**

Compagnie de Financement Foncier has the right to reimburse all or part of the participating loan before maturity without penalty. This right was exercised on 30 December 2011 and the subordinated participating loan amounting to €1,350 million was entirely reimbursed at that date.

- **On the redeemable subordinated notes "RSN"**

The RSNs were placed privately with Crédit Foncier and therefore, for reasons of prudence, 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* - ACP).

- **On the perpetual super-subordinated notes "PSSN"**

Compagnie de Financement Foncier has an option to redeem securities early, following authorisation by the ACP, 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 the subordinated participating loan**

In order to ensure the Company's profitability, interest is only due if the net income for the year in respect of which the interest is due, after payment of that 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. If net income, before payment of the interest, were greater than €10 million but would become less than this amount after payment of the interest, this interest is reduced by a corresponding amount, and the amount of interest greater than the interest thus reduced would not be carried forward to subsequent years.

- **On the redeemable subordinated notes “RSN”**

Any interest not paid is carried over as unsecured debt.

- **On the perpetual super-subordinated notes “PSSN”**

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 14: change in shareholders' equity

(in thousands of euros)

	Opening balance at 01/01/11	Allocations	Changes in capital and reserves		Balance at 12/31/11	Allocations	Changes in capital and reserves		Balance at 12/31/12
			Dividends paid in shares	Other			Dividends paid in shares	Other	
Capital stock ⁽¹⁾	1,008,000		85,460	94,000	1,187,460				1,187,460
Share premiums ⁽¹⁾	302,462		40,540		343,002				343,002
Reserves									
Legal reserve	27,285	7,161			34,446	5,404			39,849
General reserve	55,517				55,517				55,517
Regulated reserves of which									
- Regulated revaluation reserves									
- Special long-term capital gains reserves									
Retained earnings	75,654	10,050			85,704	242			85,946
Net shareholders' equity before income for the year	1,468,918				1,706,129				1,711,775
Income for the year before distribution	143,211	-143,211			108,064	-108,064			132,581
Net shareholders' equity after income for the year	1,612,129				1,814,193				1,844,356
Dividends distributed		126,000	-126,000			102,418			

	Opening balance at 01/01/2011	Allocations	Changes in provisions		Balance at 12/31/11	Allocations	Changes in provisions		Balance at 12/31/12
			Increases	Reversals			Increases	Reversals	
Regulated revaluation reserves									
Other regulated reserves									
Regulated reserves									
Amount of shareholders' equity before dividends	1,612,129				1,814,193				1,844,356

	Opening balance at 01/01/2011	Allocations	Changes in FGFR		Balance at 12/31/2011	Allocations	Changes in FGFR		Balance at 12/31/2012
			Increases	Reversals			Increases	Reversals	
Fund for general banking risks	20,000				20,000				20,000
TOTAL	1,632,129				1,834,193				1,864,356

⁽¹⁾ The capital stock consists of 74,216,246 ordinary shares with a par value of €16, which all benefit from the same rights. No revaluation has been carried out to date. A capital increase amounting €94 million has been decided by an extraordinary general meeting on 27 June 2011, fully subscribed and paid up on 29 June 2011.

Note 14b: proposed allocation of income

(in thousands of euros)

At 12/31/2012

SOURCES		
Retained earnings		85,946
Net income for the year		132,581
Deposit on dividends		
Drawing from reserves		
ALLOCATION		
Allocation to reserves		
- Legal reserve	6,630	
- Special long-term capital gains reserves		
- Other reserves		
Dividends	125,425	
Other distributions		
Retained earnings	86,472	
TOTAL	218,527	218,527

Note 15: commitments given

(in thousands of euros)

	12/31/12		12/31/11		12/31/10	
	Net authorisations	Amounts not drawn down	Net authorisations	Amounts not drawn down	Net authorisations	Amounts not drawn down
Financing commitments	155,329	1,652,829	147,789	2,311,996	158,416	2,140,612
Subsided sector commitments						
Non-Group commitments						
- Banks						
- Customers						
Unsubsided sector	155,329	1,652,829	147,789	2,311,996	158,416	2,140,612
Non-Group commitments	155,329	1,652,829	147,789	2,311,996	158,416	2,124,618
- Customers ⁽²⁾	155,329	1,652,829	147,789	2,311,996	158,416	2,124,618
Group commitments						15,995
- Banks						15,995
Guarantee commitments	1,585,009		5,325,312		5,581,713	
Non-Group commitments	1,585,009		5,325,312		5,581,713	
- Other securities used as collateral ⁽¹⁾	1,585,009		5,325,312		5,581,713	
Commitments on securities			25,000		45,000	
- Others commitments given			25,000		45,000	
TOTAL ⁽³⁾	3,393,167		7,810,097		7,925,741	

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:

(in thousands of euros)	12/31/12	12/31/11	12/31/10
- Securities	1,022	1,675	2,249
- Loans	563	3,650	3,333

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

(in thousands of euros)	12/31/12	12/31/11	12/31/10
- Interactive treasury lines			
- French Local Authorities			
- Revolving credit lines (outstanding taken from Ixis CIB)	698	1,311	1,115
- State housing savings accounts ("primes d'épargne logement")	954	1,000	900

⁽³⁾ Of which doubtful (in million of euros)

	12/31/12	12/31/11	12/31/10
	1	1	2

Note 16: commitments received

(in thousands of euros)

	12/31/12	12/31/11	12/31/10
FINANCING COMMITMENTS			
NON-GROUP COMMITMENTS			
Banks ⁽¹⁾	1,106,460	3,907,641	3,161,561
Subtotal	1,106,460	3,907,641	3,161,561
GROUP COMMITMENTS ⁽²⁾			
Repurchase guarantees		50,499	50,499
Banks ⁽³⁾	3,000,000		
Other values received as collateral from the group ⁽⁴⁾	23,126,518	14,754,439	12,278,584
Subtotal	26,126,518	14,804,938	12,329,082
TOTAL	27,232,978	18,712,579	15,490,643
GUARANTEE COMMITMENT			
NON-GROUP COMMITMENTS			
Banks and related ⁽⁵⁾	2,732,217	3,337,955	3,283,785
Customers ⁽⁶⁾	34,322,018	39,756,337	38,707,948
Subtotal	37,054,235	43,094,292	41,991,733
GROUP COMMITMENTS ⁽⁷⁾	4,484,366	4,146,956	4,693,085
TOTAL	41,538,601	47,241,248	46,684,818
COMMITMENTS ON SECURITIES			
Other securities to be received			15,000
TOTAL			15,000
TOTAL COMMITMENTS RECEIVED	68,771,580	65,953,827	62,190,461

⁽¹⁾ The non-group financing commitments represented the commitment received from the Banque de France as part of the Overall collateral management pool which amounted to €412.1 million at 31 December 2012 compared to €3,151.6 million at 31 December 2011 and €3,161.6 million at 31 December 2010, and the commitment to ABS units repurchases an amount of €694.4 million as of 31 December 2012.

⁽²⁾ Group commitments included ABS units repurchase agreements.

These agreements were recorded in 2012 as guarantee commitment received:

(in thousands of euros)	12/31/12	12/31/11	12/31/10
		50,499	50,499

⁽³⁾ Credit line agreed between Compagnie de Financement Foncier and BPCE as of 2 May 2012.

⁽⁴⁾ Guarantees related to receivables and securities held and put in place within the framework of loans authorised pursuant to Article L. 211-38.

(in thousands of euros)	12/31/12	12/31/11	12/31/10
- Guarantees received from Crédit Foncier for loans to French local authorities (L. 211-38) and for 2010 and 2011 BCTG (Short-term guaranteed notes)	3,235,946	14,640,825	12,278,584
- Guarantees received from BPCE SA as replacement values (L. 211-38 Short-term guaranteed notes)	10,515,859		
- Guarantees received from Caisses d'Épargne for loans to French local authorities (L. 211-38)	109,898	113,614	
- Guarantees received from Crédit Foncier (mortgage note)	9,264,814	8,857,476	6,960,418

These figures were recorded for the first time in 2012. The comparative data of 2011 and 2010 were not published and are given in this report for information.

(in thousands of euros)	12/31/12	12/31/11	12/31/10
⁽⁵⁾ Includes guarantees received from Crédit Logement rated AA-/Aa2	191,717	325,804	400,072
- Guarantees received from Créserfi	361,946	340,167	167,172
- Security enhancement guarantees received from insurance companies	2,178,554	2,671,984	2,716,541

⁽⁶⁾ Compagnie de Financement Foncier posts guarantees to the balance sheet related to certain types of customer loans on the balance sheet, in view of their materiality.

(in thousands of euros)	12/31/12	12/31/11	12/31/10
These guarantees are broken down as follows:			
- State guarantees on loans, notably subsidised sector loans	727,074	883,179	1,093,584
- SFGAS guarantees on FGAS-eligible loans and repurchased by the State	11,300,637	9,558,980	8,458,945
- Mortgage guarantees for mortgage loans benefiting from only one such guarantee	16,599,502	15,581,447	13,311,239
- Guarantees granted by local authorities and other entities	2,319,053	2,417,943	2,507,650
- Security enhancement guarantees granted by States	3,375,752	11,314,788	13,336,630

⁽⁷⁾ At 31 December 2012, guarantee commitments received include a guarantee received from BPCE in connection with French local authority public sector loans purchased from Ixis CIB for €2,794 million compared to €3,249 million at 31 December 2011 and €3,592 million at 31 December 2010, as well as a guarantee received from Crédit Foncier on a portion of the portfolio of RMBS tranches, recorded in the assets of Compagnie de Financement Foncier, committing to offset the decrease of the securities weighting in the event of a ratings downgrade below the A-/A3/A- thresholds. This guarantee amounts to €1,170 million at 31 December 2012. Previously, this guarantee was recorded with financial instruments (see note 18 footnote 3).

Note 17: foreign exchange transactions

(in thousands of euros)

	12/31/12		12/31/11		12/31/10	
	Currency receivable	Currency payable	Currency receivable	Currency payable	Currency receivable	Currency payable
Forward transactions (nominal amounts) ⁽¹⁾	20,357,558	20,321,200	24,250,631	24,378,535	23,106,649	23,526,545
OTC transactions						
Hedging transactions	20,357,558	20,321,200	24,250,631	24,378,535	23,106,649	23,526,545
Financial swaps						
Micro-hedging transactions						
- Subsidised sector	61,267	80,945	89,788	121,418	116,178	161,891
- Unsubsidised sector	20,296,291	20,240,254	24,160,843	24,257,117	22,990,471	23,364,654
Macro-hedging transactions						
- Subsidised sector						
- Unsubsidised sector						
Other forward transactions						
Forward transactions (fair value) ⁽²⁾	-618,410		-846,204		-646,442	
Current cash transactions					15,995	14,578
TOTAL FOREIGN CURRENCY TRANSACTIONS	20,357,558	20,321,200	24,250,631	24,378,535	23,122,644	23,541,123
TOTAL	40,678,758		48,629,166		46,663,767	

⁽¹⁾ Compagnie de Financement Foncier does not transact any forward foreign currency contracts on regulated markets.

⁽²⁾ Data communicated pursuant to Regulation CRC 2004-16 of 23 November 2004 regarding information to be provided further to the transposition of the European "Fair value" and "Modernisation" directives.

Note 18: forward financial instruments

(in thousands of euros)

	12/31/12		12/31/11		12/31/10	
	Euros ⁽¹⁾	Other currencies ⁽²⁾	Euros ⁽¹⁾	Other currencies ⁽²⁾	Euros ⁽¹⁾	Other currencies ⁽²⁾
OTC TRANSACTIONS						
Conditional transactions (nominal amounts)	2,895,460		3,059,936		2,170,497	
Micro-hedging transactions						
- Purchases						
- Sales					3,049	
Macro-hedging transactions						
- Purchases	2,895,460		3,059,936		2,167,448	
- Sales						
Other conditional transactions						
- Purchases						
- Sales						
Conditional transactions (fair value)	21,338		37,666		42,638	
Firm transactions (nominal amounts)	89,029,125	327,904	106,969,424	321,699	107,225,098	312,330
Micro-hedging transactions						
- Interest rate instruments	68,491,965	327,904	80,015,754	321,699	80,303,342	312,330
- Exchange rate instruments						
- Other instruments						
Macro-hedging transactions						
- Interest rate instruments	20,537,160		24,039,213		23,864,019	
- Exchange rate instruments	20,537,160		24,039,213		23,864,019	
- Other instruments						
Other transactions						
- Interest rate instruments						
- Exchange rate instruments						
- Other instruments ⁽³⁾			2,914,457		3,057,737	
Firm transactions (fair value) ⁽⁴⁾	4,420,065	103,509	3,345,533	86,497	2,614,597	38,028
Firm and conditional transactions	91,924,584	327,904	110,029,360	321,699	109,395,595	312,330
TOTAL⁽⁵⁾ (nominal amounts)	92,252,489		110,351,059		109,707,925	
TOTAL (fair value)	4,544,912		3,469,696		2,695,263	

⁽¹⁾ Euro equivalent for non-euro currencies IN.

⁽²⁾ Euro equivalent for non-euro currencies OUT.

⁽³⁾ This amount represents a guarantee from Crédit Foncier on the RMBS tranches held on Compagnie de Financement Foncier's balance sheet. This portfolio was protected against credit risk following Crédit Foncier's implementation of a mirror operation of a Credit Default Swap. As this guarantee ended during the first half of 2008, Crédit Foncier granted an equivalent protection on 15 June 2008 on a portion of the portfolio by committing to compensate for a drop of the weighting if the rating agencies downgraded the rating to under A-/A3/A-. This guarantee was reclassified in 2012 as financial guarantee received (see note 16).

⁽⁴⁾ Data communicated pursuant to Regulation CRC 2004-16 of 23 November 2004 regarding information to be provided further to the transposition of the European "Fair value" and "Modernisation" directives.

⁽⁵⁾ At 31 December 2012, there were no outstanding doubtful loans relating to transactions on financial instruments.

Note 19: interest, similar income and expenses

(in thousands of euros)

	12/31/12			12/31/11	12/31/10
	INCOME	EXPENSES	NET	NET	NET
Interbank transactions	205,795	-164,729	41,066	142,481	15,576
Interest on ordinary accounts	270	-4	266	1,660	1,175
Interest on forward transactions	48,596	-103,843	-55,248	-28,371	-41,343
Interest on subordinated loans					
Interest on securities given under repurchase agreements (BCTG - Short-term guaranteed notes)	151,333		151,333	224,232	112,589
Interest on securities received/given under repurchase agreements		-7,384	-7,384	-10,215	-6,845
Guarantee and financing commitments	5,597		5,597		
Other interest income and expenses					
Hedging transactions		-53,499	-53,499	-44,824	-50,000
Losses covered on payables					
Losses non-covered on payables					
Net flows of provisions					
Customer loans	1,525,658	-497,202	1,028,456	1,025,404	948,217
Interest on demand, term and special accounts					
Interest on customer loans	1,502,541		1,502,541	1,395,297	1,307,626
Interest on subordinated loans					
Interest on doubtful loans	30,983		30,983	26,706	23,665
Amortisation of ancillary loans (CRC 2009-03)	-629		-629	-586	
Interest on ABS cash collateral					
Other interest income and expenses	-7,741	-8,901	-16,642	-24,865	-24,197
Income on guarantee and financing commitments	564		564	464	372
Hedging transactions		-488,301	-488,301	-370,276	-358,304
Losses covered on payables	-952		-952	-83	-229
Losses non-covered on payables					
Net flows of provisions ⁽¹⁾	891		891	-1,252	-716
Leasing transactions					
Securitisation portfolio transactions	3,307,791	-3,499,760	-191,969	-466,883	-269,376
Interest on securities available for sale	175,807		175,807	191,567	141,678
Amortisation of premiums and discounts on securities available for sale	-2		-2	-15	11
Interest on securities held to maturity	695,402		695,402	917,996	803,386
Amortisation of premiums and discounts on securities held to maturity	4,838		4,838	10,815	9,728
Interest on medium term negotiable bills issued		-5,111	-5,111	-7,035	-9,377
Interest on certificates of deposits issued					
Interest on mortgage notes issued		-650	-650		
Interest and expenses on bonds		-3,493,999	-3,493,999	-3,208,808	-3,354,900
Interest on doubtful securities					
Hedging transactions	2,431,747		2,431,747	1,628,598	2,140,097
Subordinated debt		-63,603	-63,603	-84,419	-66,164
Charges on subordinated securities at maturity		-63,603	-63,603	-39,150	-26,519
Charges on subordinated debt - banks				-45,268	-39,645
Charges on subordinated debt - customers					
Other interest, similar income and expenses	60,213	-424,055	-363,843	-289,488	-348,865
Income on debt securities	52,294		52,294	52,959	122,746
Commissions on credit derivatives					
Commitments received/given on securities		-7,738	-7,738	-1,586	-17,503
Other interest income and expenses	7,919		7,919	177	50
Macro-hedging transactions		-416,317	-416,317	-341,038	-454,158
Net flows of provisions ⁽¹⁾					
TOTAL INTEREST, SIMILAR INCOME AND EXPENSES ⁽²⁾	5,099,457	-4,649,350	450,107	327,095	279,388
⁽¹⁾ Total cost of risk contained in the net interest margin customers	891		891	-1,252	-716
⁽²⁾ of which subsidised sector	56,369	-48,822	7,547	8,499	13,018

Note 20: commission income and expenses

(in thousands of euros)

	12/31/12	12/31/11	12/31/10
Commissions on interbank and cash transactions (Net)	-17	-73	-608
Income			
Expenses	-17	-73	-608
Commissions on transactions with customers (Net)	29,417	55,930	44,494
Income	29,565	55,930	44,494
Expenses	-148		
Commissions on securities transactions (Net)	-3,940	-4,117	-3,386
Income			
Expenses	-3,940	-4,117	-3,386
Other commissions (Net)	-1,003	215	-15
Income	16	480	284
Expenses	-1,019	-265	-299
Total income	29,581	56,410	44,779
Total expenses	-5,124	-4,455	-4,292
TOTAL NET COMMISSIONS ⁽¹⁾	24,457	51,955	40,486

⁽¹⁾ The level of the net commissions on the transactions with customers recorded on 31 December 2010 and on 31 December 2011 was linked to the increase of the early repayments and therefore the perceived indemnities.

Note 21: gains or losses on trading book transactions

(in thousands of euros)

	12/31/12	12/31/11	12/31/10
Income on foreign exchange and arbitrage transactions	-577	712	1,338
Expenses on firm Financial forward instruments trading			
Income from firm Financial forward instruments trading			
Expenses on conditional Financial forward instruments trading			
Income on conditional Financial forward instruments trading			
Expenses on other financial instruments			
Income from other financial instruments			
Allowances on 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 (FAIR VALUE THROUGH INCOME)	-577	712	1,338

Note 22: gains or losses on investment securities transactions

(in thousands of euros)

	12/31/12	12/31/11	12/31/10
Capital gains on disposals			
Capital losses on disposals ⁽¹⁾	-18,675	-36,101	
Allowances on ABS and investment securities		-5,820	-7,172
Reversals on ABS and investment securities ⁽¹⁾	19,762		89
TOTAL NET GAINS/LOSSES ON TRANSACTIONS ON INVESTMENT PORTFOLIO	1,087	-41,921	-7,083

⁽¹⁾ In 2011, capital loss consist in €26.8 million of losses related to the repurchase by Compagnie de Financement Foncier of part of its own bonds and sold to Crédit Foncier. Losses in 2012 represent the loss on AYT CEDULAS bond sales; losses offset by the reversals of previous provisions.

Note 23: other banking operating income and expenses

(in thousands of euros)

	12/31/12		12/31/11	12/31/10	
	PRODUITS	CHARGES	NET	NET	
Rebilled expenses, retroceded income, transfer of expenses		-156	-156	-619	-30
Rebilled expenses					
- Rebilled expenses					
- Other rebillings and retrocessions					
Retroceded income		-156	-156	-619	-30
Transfer of expenses					
Total other banking operating income and expenses	399	-194	205	1,602	123
Other miscellaneous operating income and expenses (see details)	399	-194	205	1,602	1,215
Accruals and reversals on provisions for other operating income and expenses (see details)					-1,092
TOTAL	399	-350	50	982	93

DETAILS					
Other miscellaneous operating income and expenses	399	-194	205	1,602	1,215
- Exceptional transfer from FGAS/flat contributions ⁽¹⁾				2,127	2,064
- Recorded as exceptional income	200		200		3
- Other miscellaneous operating income	200		200	670	74
- Amortisation of flat contributions					
- Losses on reported interests and adjustable-rate loans		-9	-9	-60	-172
- Recorded as exceptional losses				-200	-115
- Other losses covered by the provision for litigation					
- Losses not covered by the provision for litigation					
- Other miscellaneous operating expenses		-185	-185	-936	-639

⁽¹⁾ Following the termination of the FGAS guarantee system, Compagnie de Financement Foncier received in June 2011, from FGAS, dividends on State-subsidised loans (PAS) flat commissions for the periods 1993 to 2005. It was the last repayment to be made.

Note 24: general operating expenses

(in thousands of euros)

	12/31/12	12/31/11	12/31/10
Total personnel expenses	-191	-191	-267
Wages and salaries	-120	-120	-175
Expenses for defined benefit and contribution plans	-14	-11	-13
Other employee benefit expenses and taxes	-56	-60	-79
Provisions/reversals for claims and litigation			
Total other administrative expenses	-104,072	-104,002	-96,798
Taxes and income taxes	-19,928	-14,172	-10,427
Tax on French businesses (CET) and Tax on companies' value added (CVAE)	-4,811	-3,406	-3,449
Solidarity social contribution	-6,296	-5,789	-5,458
French Prudential Supervisory Authority (ACP) control fees contribution	-940	-878	-734
Systemic bank tax	-7,464	-3,659	
Other taxes and income taxes	-416	-439	-786
Provisions/reversals for tax claims and litigation			
External services	-84,181	-89,830	-86,371
Leases			
External services provided by the Group	-79,109	-85,777	-81,165
Fees, subcontracting and service	-4,318	-3,084	-4,356
Advertising	-360	-536	-401
Compensation of intermediaries			
Transport	-26	-20	-49
Maintenance and repairs	-4	-4	-2
Insurance premiums			
Other external services	-363	-409	-399
Provisions/reversals on litigation for external services			
Provisions/reversals on expenses for external services			
Other expenses			
Rebilled expenses	36		
TOTAL GENERAL OPERATING EXPENSES	-104,263	-104,193	-97,065

Note: the total amount of compensation received by members of management entities during 2012 amounted to €120K.

Note 25: cost of risk

(in thousands of euros)

	12/31/12		12/31/11		12/31/10
	EXPENSES	INCOME	NET	NET	NET
Net allowance/reversal on customer transactions	-16,753	6,172	-10,581	-4,062	-3,195
Impairment of customer transactions	-9,091	6,119	-2,972	-5,004	-896
Provisions for counterparty risks ⁽¹⁾	-7,662	53	-7,609	942	-2,320
Sectoral provisions					21
Gains and losses on customer transactions	-4,759	4,641	-118	-807	-120
Losses provisioned for unrecoverable loans	-976	976			
Losses provisioned for unrecoverable loans not covered by provisions	-3,783		-3,783	-2,368	-1,888
Recoveries on amortised loans		3,665	3,665	1,561	1,767
TOTAL COST OF RISK	-21,512	10,813	-10,699	-4,869	-3,316

⁽¹⁾ Cf. paragraph 2.6.

Note 25b: increases in provisions for doubtful loans

(in thousands of euros)

	12/31/12	12/31/11	12/31/10
Provisions for doubtful loans	-9,091	-9,421	-5,825
Impairment of customer loans	-9,091	-9,421	-5,825
Provisions - cost of risk	-7,662	-2,239	-2,382
Provision for losses and charges on commitments			
Provisions for counterparty risks ⁽¹⁾	-7,662	-2,239	-2,382
TOTAL	-16,753	-11,660	-8,207

⁽¹⁾ In 2012, an overall client provision of €7,662K was made. In 2011, overall client provision of €1,950K and sector provision of €289K.

Note 25c: reversals in provisions for doubtful loans

(in thousands of euros)

	12/31/12	12/31/11	12/31/10
Provisions for doubtful loans	7,095	4,560	5,176
Impairment of customer loans	7,095	4,560	5,176
Provisions - cost of risk	53	3181	83
Provision for losses and charges on commitments			
Provisions for counterparty risks ⁽¹⁾	53	3,181	83
TOTAL	7,148	7,741	5,259

(1) In 2012, an overall client provision reversal of €53K was made. In 2011, reversals for Neiertz provisions amounted to €3,167K and €14K for the sector provision.

Note 26: gains or losses on intangible assets

(in thousands of euros)

	12/31/12	12/31/11	12/31/10
Gain or losses on disposals of investment securities held to maturity	-140,371	-58,599	2,981
Increases of impairment losses on investment securities			
Reversals of impairment losses on investment securities			
TOTAL GAIN OR LOSSES ON OTHER SECURITIES ⁽¹⁾	-140,371	-58,599	2,981

⁽¹⁾ Cf. paragraph 2.2. of the notes to the management report.

Note 27: income taxes

(in thousands of euros)

	12/31/12	12/31/11	12/31/10
COMPOSITIONS OF TAX EXPENSES			
Current income tax expense (income) ⁽¹⁾	-340,513	-100,592	-101,837
Deferred income tax expense (income) ⁽¹⁾	253,305	37,091	28,614
Provisions for deferred taxes			
Provisions for risks or for tax litigations		401	-388
TOTAL	-87,209	-63,100	-73,611

	12/31/12	12/31/11	12/31/10
BREAKDOWN OF DEFERRED TAXES FOR THE PERIOD			
Non-deductible provisions	-323	1,727	1,597
Other temporary differences	253,628	35,364	27,017
TOTAL	253,305	37,091	28,614

⁽¹⁾ The increase in the income tax expense of current taxes and of the income of deferred taxes is related to the tax treatment of termination balances booked under dynamic off-balance sheet management (cf. paragraph 2.4. of the notes to the management report).

Note 28: related-party transactions and other investments

(in thousands of euros)

At 12/31/2012	Related companies		Other investments	TOTAL
	Group ⁽¹⁾	Non-Group		
DUE FROM BANKS				
On demand	213,253			213,253
At maturity	48,413			48,413
Receivables secured by securities received under repurchase agreements ⁽³⁾	16,323,118			16,323,118
DUE TO BANKS				
On demand	882			882
At maturity	2,164,938			2,164,938
Securities subject to repurchase agreements	598,587			598,587
COMMITMENTS GIVEN				
Financing				
Guarantee				
COMMITMENTS RECEIVED				
Financing	3,000,000			3,000,000
Guarantee	4,134,366			4,134,366
Other values received as collateral ⁽⁴⁾	23,126,518			23,126,518
ON SECURITIES TRANSACTIONS				
Bonds and other fixed income securities ⁽²⁾	9,345,414			9,345,414
Debt securities				
Subordinated debt	3,450,137			3,450,137

⁽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 BPCE Group. As a result, the Group represents all of the fully and proportionally consolidated entities of the BPCE Group.

⁽²⁾ Mortgage notes.

⁽³⁾ BCTG (Short-term guaranteed notes) issued by Groupe BPCE entities, parts of replacement values, and receivables as collateral by French local authorities L. 211-38.

⁽⁴⁾ Claims received as collateral mortgage notes issued by Crédit Foncier or loans granted to Group BPCE L. 211-38 to finance the French local authorities or under BCTG (Short-term guaranteed notes).

Note 29: schedule of foreign exchange positions

(in thousands of euros)

C.O.B recommendation 89.01

At 12/31/2012	Australian \$	Canadian \$	US \$	Hong Kong \$	£ Sterling	Swiss Franc	Yen	Hungarian Forint	New Zealand \$	Norwegian Krone	Danish Krone	TOTAL
BALANCE SHEET												
Financial Assets	19,975	83,925	3,479,251	586	157,581	1,812,286	2,233,564	11	35	6,213	7	7,793,434
Financial Liabilities	806,530	408,951	5,347,338	29,239	1,093,533	5,277,121	591,051			434,884		13,988,647
BALANCE SHEET DIFFERENTIAL (I)	-786,555	-325,026	-1,868,087	-28,653	-935,952	-3,464,835	1,642,513	11	35	-428,671	7	-6,195,213
OFF-BALANCE SHEET												
Commitments received	786,658	459,770	6,413,448	28,653	1,495,296	6,578,831	1,364,327			428,671		17,555,654
Commitments given		134,734	4,545,347		559,381	3,113,804	3,006,799					11,360,065
Off-balance sheet differential (II)	786,658	325,036	1,868,101	28,653	935,915	3,465,027	-1,642,472			428,671		6,195,589
OVERALL DIFFERENTIAL (I)+(II)	103	10	14		-37	192	41	11	35		7	376

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: the table above only shows the amount of transactions carried out by Compagnie de Financement Foncier on its own behalf and thus excludes transactions carried out on behalf of the French State for the subsidised sector.

Note 30: schedule of positions – liquidity risk

(in thousands of euros and in contractual maturity and prepayments off)

C.O.B recommendation 89.01

At 12/31/2012	Remaining term to maturity					TOTAL ⁽²⁾
	<3 months	3M<T<6M	6M<T<1Y	1Y<T<5Y	>5 years	
BALANCE SHEET						
Financial assets ⁽¹⁾	14,425,421	949,894	2,540,483	18,072,290	55,573,483	91,561,571
Due from banks	13,078,817	35,501	355,745	2,592,168	1,931,316	17,993,547
Customer loans	945,152	620,165	1,316,133	8,330,131	29,124,567	40,336,148
Bonds and other fixed income securities	401,452	294,228	868,605	7,149,991	24,517,600	33,231,876
Subordinated term loans						
Financial liabilities	7,273,966	1,881,661	2,740,269	36,395,798	40,214,065	88,505,759
Due to banks	548,994	61,253	643,407	1,270,604	1,275,078	3,799,336
Customer deposits						
Debt securities:	6,724,972	1,820,408	2,096,862	35,125,194	36,838,987	82,606,423
- Liquid notes						
- Inter-bank market securities						
- Negotiable debt securities					150,000	150,000
- Bonds	6,724,972	1,820,408	2,096,862	35,125,194	36,688,987	82,456,423
- Other debt securities						
- Subordinated term debt					2,100,000	2,100,000
Balance sheet differential (I)	7,151,455	-931,767	-199,786	-18,323,508	15,359,418	3,055,812
OFF-BALANCE SHEET						
Commitments given			1,807,325			1,807,325
Commitments received	412,078			3,000,000	694,382	4,106,460
Off-balance sheet differential (II)	412,078		-1,807,325	3,000,000	694,382	2,299,135
TOTAL DIFFERENTIAL (I)+(II)	7,563,533	-931,767	-2,007,111	-15,323,508	16,053,800	5,354,947
Conditional positions			53,025	92,396	2,750,039	2,895,460

⁽¹⁾ The financial assets of the Compagnie de Financement Foncier include €20.4 billion of securities that conform to the refinancing criteria of the European Central Bank to which are added loans amounting to €26.2 billion meeting the criteria defined by Banque de France, as planned by the temporary process approved by the ECB on 9 February 2012.

⁽²⁾ The difference with the amounts shown on the balance sheet is principally explained by unpaid loans, doubtful loans and related receivables.

Note 31: financial results of the company over the last five years

(in thousands of euros)

Description	2008	2009	2010	2011	2012
I) FINANCIAL SITUATION AT THE END OF THE FINANCIAL YEAR					
a) Capital stock	924,000,000	1,008,000,000	1,008,000,000	1,187,459,936	1,187,459,936
b) Number of shares in issue	57,750,000	63,000,000	63,000,000	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	4,418,771,642	4,496,251,634	4,753,535,071	4,534,760,577	5,223,327,050
b) Profit for the financial year before tax, employee profit sharing and net increase/ reversal in amortisation and provisions	90,537,323	262,947,662	257,386,324	219,755,553	462,156,111
c) Income taxes	24,784,463	87,771,828	101,825,013	100,591,419	340,513,414
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	62,231,116	175,469,326	143,210,812	108,063,919	132,581,093
f) Amount of profits distributed	115,500,000	None	220,500,000	102,418,419	125,425,456
III) EARNINGS FROM OPERATIONS PER SHARE ⁽¹⁾					
a) Profit for the financial year after tax and employee profit sharing but before net increase/reversal in amortisation and provisions	1.14	2.77	2.47	1.72	1.64
b) Profit for the financial year after tax and employee profit sharing and net increase/reversal in amortisation and provisions	1.08	2.79	2.27	1.57	1.79
c) Dividend paid per share	2.00	None	1.50	2.00	1.38
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

⁽¹⁾ From fiscal year 2011, earnings per share is determined by the average number of shares for the year concerned.

Note 32: summary balance sheets for the last five years

(in thousands of euros)

	12/31/12	12/31/11	12/31/10	12/31/09	12/31/08
ASSETS					
Cash due from central banks and post office accounts	3,705,503	14,697	5,413	4,421	20,024
Treasury notes and similar securities					
Due from banks	18,244,086	20,609,849	16,493,215	12,745,566	9,806,259
Due from customers	41,343,429	40,660,039	39,709,142	37,183,708	36,311,095
Bonds and other fixed-income securities	33,418,447	41,228,820	44,489,773	45,106,631	46,107,121
Fixed assets					2,480
Other assets	5,603	72,965	93,517	108,248	204,660
Accrued income	4,065,221	3,191,907	3,035,765	3,095,950	3,490,979
TOTAL ASSETS	100,782,289	105,778,277	103,826,825	98,244,524	95,942,618
LIABILITIES					
Central banks, post office accounts					
Due to banks	3,853,303	4,903,513	5,553,791	6,687,428	5,857,992
Due to customers	19,805	7,008	14,867	5,297	33,479
Debt securities	84,594,979	89,923,945	88,372,278	82,198,672	80,148,265
Other liabilities	4,641,898	3,184,632	2,157,642	1,552,849	739,357
Accrued expenses	2,342,426	2,466,759	2,636,729	2,764,267	4,298,250
Provisions	15,384	7,775	9,119	5,339	9,628
Subordinated debt	3,450,137	3,450,452	3,450,270	3,450,250	3,450,589
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	1,711,775	1,706,129	1,468,918	1,384,953	1,322,827
Net income for the year	132,581	108,064	143,211	175,469	62,231
TOTAL LIABILITIES and EQUITY	100,782,289	105,778,277	103,826,825	98,244,524	95,942,618
OFF-BALANCE SHEET					
Commitments given					
- Financing	1,808,158	2,459,785	2,299,029	2,174,598	2,950,005
- Other securities used as collateral	1,585,009	5,325,312	5,581,713	7,020,087	10,449,002
TOTAL COMMITMENTS GIVEN	3,393,167	7,785,097	7,880,742	9,194,685	13,399,007
COMMITMENTS RECEIVED	68,771,580	65,953,827	62,190,462	56,677,707	54,507,176
Reciprocal commitments					
- Sale and purchase of foreign currencies	40,678,758	48,629,166	46,663,767	39,326,106	46,122,439
- Loans to be made or received in foreign currencies					
- Non-unwound futures	92,252,489	110,351,059	109,707,924	118,929,668	116,562,549
TOTAL RECIPROCAL COMMITMENTS	132,931,247	158,980,225	156,371,691	158,255,774	162,684,988

Note 33: privileged/non-privileged liabilities

(in thousands of euros)

	12/31/12	12/31/11	12/31/10
Privileged liabilities	85,185,371	91,073,675	89,761,796
Due to banks	57,386	79,567	99,573
Debt securities	84,594,979	89,923,945	88,372,278
Amounts due under forward financial instruments	530,850	1,068,392	1,284,576
Amounts due under the agreement covered by Article L. 515-22 of the French Monetary and Financial Code	1,511	1,771	5,369
Debt resulting from related expenses mentioned in the last paragraph of Article L. 515-19 of the French Monetary and Financial Code	645		
Non-privileged liabilities⁽¹⁾	15,596,918	14,704,602	14,065,029
Unsecured debt	9,861,060	8,835,585	8,307,872
<i>Currency differences related to the coverage of privileged resources capitalized in the assets⁽¹⁾</i>	56,037		
Subordinated and similar debt of which:	3,800,080	4,027,049	4,115,909
- Redeemable subordinated notes	2,100,040	2,100,221	2,100,177
- Super-subordinated notes	1,350,097	1,350,231	
- Participating loan			1,350,094
Shareholders' equity and provisions	1,879,740	1,841,968	1,641,248
TOTAL LIABILITIES	100,782,289	105,778,277	103,826,825

⁽¹⁾ Compagnie de Financement Foncier covered by currency swaps assets and liabilities denominated in foreign currencies. These changes compared to Euro gives place to revaluations in the accounts of the company at every closing date. At 31 December 2012, the value amounts to €56 million in favor of Compagnie de Financement Foncier and is recognised on its assets.

Note 34: totals for the subsidised sector

(in thousands of euros)

Balance sheet

	2012	2011	2010
ASSETS			
Loans	540,535	705,878	922,126
Other assets		67,506	79,819
<i>Special bonus account SBA</i>		67,506	79,819
Accrued income	13,785	87,768	39,625
<i>SBA - Foreign exchange and rate differences</i>			
<i>Other accrued income</i>	13,785	87,768	39,625
Cash			
TOTAL	554,321	1,041,570	1,328,944

	2012	2011	2010
LIABILITIES			
Interbank loans			
Customer deposits	126	284	181
Debt securities	63,587	93,188	120,577
Other liabilities	19,854	16,065	20,392
<i>of which special bonus account SBA ⁽¹⁾</i>	6,357		
Accrued expenses	23,694	60,711	54,241
<i>SBA - State guaranteed foreign exchange and rate differences</i>	70	70	70
<i>Other accrued expenses</i>	23,624	60,641	54,171
Allocated public funds	55,823	189,530	192,037
<i>Subsidies</i>	28,033	35,405	45,910
<i>Guarantee fund</i>	27,790	154,125	146,127
Cash	391,237	501,374	654,142
TOTAL	554,321	861,152	1,041,570

⁽¹⁾ During 2012, the State collected €60 million on the special bonus account.

Off-balance sheet

	2012	2011	2010
COMMITMENTS RECEIVED			
State guarantees	548,026	883,179	912,404

	2012	2011	2010
COMMITMENTS GIVEN			
Loan amounts not drawn down			

Reciprocal commitments

	2012	2011	2010
COMMITMENTS ON FORWARD FINANCIAL INSTRUMENTS			
Rate hedging instruments			
- Micro-hedging			
- Macro-hedging	100,000	800,000	700,000
Currency hedging instruments			
- Micro-hedging			
foreign exchange receivable	61,267	89,788	116,178
foreign exchange payable	-80,945	-121,418	-161,891

Note 35: cash flow statement

I - Principles

The Cash flow Statement analyses the changes in cash positions due to operating, investment, and financing activities between two financial years.

The Compagnie de Financement Foncier Cash Flow Statement is presented according to recommendation 2004-R-03 of the French *Conseil National de la Comptabilité*, concerning the format of company financial summaries subject to the supervision of the French Banking and Financial Regulatory Committee.

It is prepared using the indirect method: the net income for the year 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 flow related to operating, investment, and financing activities is determined by the difference between items in the financial statements of the previous year and those of the current year.

Transactions concerning capital that do not generate cash flow or have no impact on income are neutral: payment of dividends in shares, increase in a provision by allocation on retained earnings.

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

Operating activities include:

- the acquisition of eligible loans;
- the acquisition of eligible securitisation tranches;
- 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.

The cash position is defined using the standards of the French *Conseil national de la comptabilité*. It includes cash on hand and on-demand deposits at the Banque de France, in post office accounts and with banks.

II - Cash flow statement

(in thousands of euros)

	12/31/12	12/31/11	12/31/10
OPERATING ACTIVITIES			
Net income for the year	132,581	108,064	143,211
Restatement of earnings, related to operating activities			
Tangible and intangible fixed assets, excluding goodwill			
Net provisions/customers and banks	1,104	6,113	1,365
Net provisions/short-term investment securities	-19,762	5,820	7,083
Net provisions for risks/loans	7,609	-1,343	2,687
Net gain on sale of fixed assets			
Other transactions without cash payments	-397,909	947,360	-1,211,430
Cash flow on loans to banks and customers	446,850	-4,081,022	-6,883,147
Cash flow on short-term investment securities	25,443	-2,277,746	2,645,028
Cash flow on long-term investment securities	7,693,011	4,503,245	-1,072,677
Cash flow on other assets	-261,788	-189,229	-15,020
Cash flow on debts/banks and customers	-1,040,155	-664,737	-1,101,147
Net borrowing	-5,309,374	1,579,762	6,210,704
Cash flow on other liabilities	1,323,186	1,164,659	622,157
Net cash flow used for operating activities	2,600,796	1,100,946	-651,186
INVESTMENT 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	2,600,796	1,100,946	-651,186
- Cash position at start of year	1,424,075	323,129	974,315
- Cash position at end of year	3,922,453	1,424,075	323,129
Net	2,498,378	1,100,946	-651,186
- Cash: deposits at Banque de France (French central bank)	3,705,503	14,697	5,413
- Due to banks on demand	216,950 ⁽¹⁾	1,409,378 ⁽²⁾	317,716
	3,922,453	1,424,075	323,129

⁽¹⁾ Of which €213 million with BPCE.

⁽²⁾ Of which €1.17 billion with Banque de France (French central bank).

Note 36: fees for the statutory auditors and for the members of their networks

(in thousands of euros)

	KPMG				PricewaterhouseCoopers			
	Amount (incl. tax)		%		Amount (incl. tax)		%	
	2012	2011	2012	2011	2012	2011	2012	2011
AUDIT AND OTHER SERVICES	285	274	100%	100%	289	274	100%	100%
Audit	285	274	100%	100%	289	274	100%	100%
- Statutory auditors, certification, review of individual and consolidated accounts	195	195	68%	71%	195	195	67%	71%
- Other duties and services directly related to the Statutory Auditor's mission	90	79	32%	29%	94	79	33%	29%
Services provided by the networks to fully consolidated subsidiaries								
Legal, tax, corporate								
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 auditors' report on the financial statements

For the year ended 31 December 2012

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the Auditors' 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 captions or on information taken outside of the financial statements.

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

19, rue de Capucines – 75001 Paris – France

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 2012, on:

- the audit of the accompanying financial statements of Compagnie de Financement Foncier;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I – Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company at 31 December 2012 and of the results of its operations for the year then ended in accordance with French accounting principles.

II – Justification of our assessments

In accordance with the requirement of Article L. 823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, 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.

III – Specific verifications and information

In accordance with professional standards applicable in France, we have also performed 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 the 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 relating to remuneration and benefits received by corporate officers 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 it or controlled by it. Based on this work, we attest to the accuracy and fair presentation of this information.

Paris-La Défense and Neuilly-sur-Seine, 29 March 2013

The Statutory Auditors

KPMG Audit

Division of KPMG S.A.

Jean-François DANDE

PricewaterhouseCoopers Audit

Jean-Baptiste DESCHRYVER

Details of the calculation of the overcollateralisation ratio and control of limits

Assets used to cover privileged resources		Net book values or amounts eligible for refinancing	Weighting (%)	Weighted amounts
1.	MORTGAGE-BACKED LOANS - PRIME MORTGAGES OR EQUIVALENT COLLATERAL	28,256,843	100	28,256,843
2.	PROMISSORY NOTES (ARTICLES TO L. 313-42 TO L. 313-49 OF THE FRENCH MONETARY & FINANCIAL CODE)	9,189,579		9,189,579
	Of which:			
2.1.	Mortgage-backed loans - prime mortgages or equivalent collateral	7,529,789	100	7,529,789
2.2.	Guaranteed loans	1,659,790		1,659,790
2.2.1.	- Satisfying the conditions of 1-a) in the Appendix to Regulation no. 99-10: the surety company external to the consolidation scope of the SCF or housing finance company has at least the second-best credit quality step	1,659,790	100	1,659,790
2.2.2.	- Satisfying the conditions of 1-a) in the Appendix to Regulation no. 99-10: the surety company external to the consolidation scope of the SCF or housing finance company has the third-best credit quality step		80	
2.2.3.	- Satisfying the conditions of 1-b) in the Appendix to Regulation no. 99-10: the surety company that is within the consolidation scope of the SCF or housing finance company has at least the second-best credit quality step		80	
2.2.4.	- Satisfying the conditions of 1-b) in the Appendix to Regulation no. 99-10: the surety company that is within the consolidation scope of the SCF or housing finance company has the third-best credit quality step		60	
3.	EXPOSURES ON PUBLIC ENTITIES	29,980,440	100	29,980,440
	Of which:			
3.1.	- Exposures set out in 5) of Article L. 515-15 I of the French Monetary & Financial Code			
3.2.	- Exposures set out in 5) of Article L. 515-15 I of the French Monetary & Financial Code entered in the balance sheet prior to December 31, 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	13,289,817	100	13,289,817
5.1.	Receivables and securities from credit institutions and investment firms corresponding to subparagraph 1 of Article R. 515-7	8,839,627	100	8,839,627
5.2.	Receivables and securities from the management of forward financial instruments corresponding to subparagraph 2 of Article R. 515-7	4,450,190	100	4,450,190
5.3.	Receivables and securities from credit institutions and investment firms corresponding to subparagraph 3 of Article R. 515-7		100	
6.	GUARANTEED LOANS	187,844		187,844
6.1.	Satisfying the conditions of 1-a) in the Appendix to Regulation no. 99-10: the surety company external to the consolidation scope of the SCF or housing finance company has at least the second-best credit quality step	187,844	100	187,844
6.2.	Satisfying the conditions of 1-a) in the Appendix to Regulation no. 99-10: the surety company external to the consolidation scope of the SCF or housing finance company has the third-best credit quality step		80	
6.3.	Satisfying the conditions of 1-b) in the Appendix to Regulation no. 99-10: the surety company that is within the consolidation scope of the SCF or housing finance company has at least the second-best credit quality step		80	
6.4.	Satisfying the conditions of 1-b) in the Appendix to Regulation no. 99-10: the surety company that is within the consolidation scope of the SCF or housing finance company has at least the third-best credit quality step		60	

7.	SHARES, EQUITIES AND DEBT SECURITIES ISSUED BY A SECURITISATION ENTITY	11,396,307		9,994,537
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 SCF 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 SCF or housing finance company before 31 December, 2011 that have the best credit quality step (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 at least 90% composed of loans mentioned in Article L. 515-14 that do not come under R.515-4 II			
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 SCF 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 SCF or housing finance company before December 31, 2011 that have the second-best credit quality step (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 at least 90% composed of loans mentioned in Article L. 515-14 that do not come under R. 515-4 II			
7.2.3.	- Assets are 90% composed 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 SCF 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 SCF or housing finance company after 31 December 2011 and shares or equities and debt securities that have the best credit quality step beginning on 1 January 2015		100	
	Of which:			
7.3.1.	- Assets are at least 90% composed of loans to natural persons to finance housing			
7.3.2.	- Assets are at least 90% composed of loans mentioned in Article L. 515-14 that do not come under R. 515-4 II			
7.3.3.	- Assets are 90% composed of exposures defined in Article L. 515-15			
7.4.	Shares, equities and debt securities issued by a securitization or similar entity whose assets have been disposed of exclusively by entities belonging to the same consolidation scope as the SCF or the housing finance company satisfying the conditions of 2-b) of the Appendix to Regulation 99-10: shares, equities and debt securities acquired or financed by the SCF or housing finance company after 31 December, 2011 and shares or equities and debt securities acquired or financed prior to that date that have the second-best credit quality step beginning on 1 January 2015		50	
	Of which:			
7.4.1.	- Assets are at least 90% composed of loans to natural persons to finance housing			
7.4.2.	- Assets are at least 90% composed of loans mentioned in Article L. 515-14 that do not come under R. 515-4 II			
7.4.3.	- Assets are 90% composed 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 that does not belong to the same consolidation scope as the SCF or housing finance company, satisfying the conditions of 3-a) of the Appendix to Regulation 99-10: shares, equities and debt securities acquired or financed by the SCF or housing finance company before 31 December 2011 that have the best credit quality step (until 31 December 2014)	8,592,767	100	8,592,767

	Of which:			
7.5.1.	- Assets are at least 90% composed of loans to natural persons to finance housing	2,950,477		
7.5.2.	- Assets are at least 90% composed of loans mentioned in Article L. 515-14 that do not come under R. 515-4 II	48,365		
7.5.3.	- Assets are 90% composed of exposures defined in Article L. 515-15	5,593,926		
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 SCF or the housing finance company, satisfying the conditions of 3-a) of the Appendix to Regulation 99-10: shares, equities and debt securities acquired or financed by the SCF or housing finance company before 31 December 2011 that have the second-best credit quality step (until 31 December 2014)	2,803,540	50	1,401,770
	Of which:			
7.6.1.	- Assets are at least 90% composed of loans to natural persons to finance housing	2,238,668		
7.6.2.	- Assets are at least 90% composed of loans mentioned in Article L. 515-14 that do not come under R. 515-4 II			
7.6.3.	- Assets are 90% composed of exposures defined in Article L. 515-15	564,872		
7.7.	Shares, equities and debt securities issued by a securitisation or similar entity, some of whose assets have been disposed of exclusively by an entity not belonging to the same consolidation scope as the SCF or housing finance company, satisfying the conditions of 3-b) of the Appendix to Regulation 99-10: shares, equities and debt securities acquired or financed by the SCF or housing finance company after 31 December 2011 and shares or equities and debt securities acquired or financed prior to that date that have the best credit quality step beginning on 1 January 2015		100	
	Of which:			
7.7.1.	- Assets are at least 90% composed of loans to natural persons to finance housing			
7.7.2.	- Assets are at least 90% composed of loans mentioned in Article L. 515-14 that do not come under R. 515-4 II			
7.7.3.	- Assets are 90% composed of exposures defined in Article L. 515-15			
8.	OTHER ASSETS	7,719,096	100	7,719,096
8.1.	Other class 1 items	3,706,444	100	3,706,444
8.2.	Other class 2 items	-14,588	100	-14,588
8.3.	Other class 3 items	4,027,239	100	4,027,239
8.4.	Other class 4 items		100	
9.	TRANSACTIONS DEDUCTED FROM ASSETS	1,748,202	100	1,748,202
9.1.	Funds received from clients awaiting charging, recorded under liabilities on the balance sheet	19,805	100	19,805
9.2.	Security repurchase agreements: securities sold	550,695	100	550,695
9.3.	Receivables funded in the conditions set by Articles L. 313-23 to L. 313-34 of the French Monetary & Financial Code	1,177,702	100	1,177,702
10.	TOTAL WEIGHTED AMOUNTS OF ASSETS	A		96,869,953
	COVERAGE RATIO (WITH 2 DECIMALS) (A/L X 100)			113.72

Resources having the privilege defined in Article L. 515-19 of the French Monetary & Financial Code: liabilities		Amounts
1.	PRIVILEGED RESOURCES FROM CREDIT INSTITUTIONS	57,386
1.1.	- Of which nominal amount	55,711
2.	PRIVILEGED RESOURCES FROM CLIENTS	
2.1.	Financial clients	
2.2.	Non-financial clients	
2.3.	- Of which nominal amount	
3.	SECURITIES WITH PRIVILEGE	84,594,979
3.1.	Obligations foncières or housing finance bonds	82,456,422
3.2.	Negotiable debt securities	150,000
3.3.	Other securities with privilege	
3.4.	Debts related to these securities	1,988,557
3.5.	To be deducted: obligations foncières or housing finance bonds issued and subscribed for by the credit institution when they are not used as collateral for credit transactions by Banque de France	
3.6.	Subtotal	84,594,979
3.7.	- Of which nominal amount	82,606,423
4.	AMOUNTS DUE IN RESPECT OF THE CONTRACT PROVIDED FOR BY ARTICLE L. 515-22 OF THE FRENCH MONETARY AND FINANCIAL CODE	1,511
5.	AMOUNTS DUE IN RESPECT OF THE FORWARD FINANCIAL INSTRUMENTS HAVING THE PRIVILEGE DEFINED UNDER ARTICLE L. 515-19 OF THE FRENCH MONETARY AND FINANCIAL CODE	530,850
5.1.	- Of which impact on variations of exchange rate on the nominal amount of privileged resources	-1,240,518
6.	LIABILITIES RESULTING FROM THE INCIDENTAL EXPENSES MENTIONED IN THE LAST PARAGRAPH OF ARTICLE L. 515-19 OF THE FRENCH MONETARY AND FINANCIAL CODE	645
7.	PRIVILEGED RESOURCES (1+2+3+4+5+6)	85,185,371
	NOMINAL AMOUNT OF PRIVILEGED RESOURCES ("1.1"+"2.3"+"3.7"+"5.1")	81,421,615

Control of limits applicable to asset classes (ratio with 2 decimals)		Ratios/Amounts
1.	Total assets	100,726,252
2.1.	Loans guaranteed held directly	191,223
2.2.	Guaranteed loans included as assets of securitisation or similar entities, or assigned by promissory notes	1,704,974
2.3.	Total guaranteed loans/asset ($\leq 35\%$ except for housing finance companies)	1.88%
3.1.	Promissory notes held directly	9,275,452
3.2.	Promissory notes included as assets of securitisation or similar entities	
3.3.	Promissory notes/assets (L98) ($\leq 0\%$)	9.21%
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) ($\leq 10\%$)	6.39%
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 ($> 10\%$)	
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) ($\leq 10\%$)	0.06%
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 ($> 10\%$)	
6.	Total exposures covered under 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 ($\leq 15\%$))	10.86%

Risk management report



1. Forward

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 discussion 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

Compagnie de Financement Foncier's business model is, by its very nature, very sound. 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 8).

Credit 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. Implementation of the prudential regulations applicable to *sociétés de crédit foncier*

As a credit institution approved to operate as a financial company and a *société de crédit foncier* (SCF), Compagnie de Financement Foncier carries out special transactions with the sole purpose of granting or purchasing assets backed by prime mortgages, loans to state or local authorities or loans fully guaranteed by these authorities. Beyond the safeguards provided by law, Compagnie de Financement Foncier has adopted very management rules to optimise the quality of its asset base and to further improve its risk profile (AAA/Aaa/AAA).

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. 515-13 to L. 515-17) limiting the origination or the purchase of loans to loans that are highly secure;
- loan transfer requirements together with the binding character of transfer to the balance sheet (Article L. 515-21);
- the overcollateralisation rule (Article L. 515-20), 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 its shareholders and the continuity of contracts concluded with the company in charge of servicing or recovering loans (Articles L. 515-27 and L. 515-28);
- the 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. 515-29 to L. 515-31);
- a preferential claim granted to investors against the cash flows arising out of assets for the payment of interests and the redemption of *obligations foncières* (Article L. 515-19).

Above and beyond strict compliance with this regulatory framework, Compagnie de Financement Foncier enforces additional rules that enhance the overall security of its business model and are based on a strict set of underlying principles:

- additional criteria on asset selection and acquisition in every line of business (loans to private individuals, exposure to state or local authorities or loans guaranteed by these 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 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 and the Internal Control Coordination Division, which has assumed responsibility for Information System Security ("ISS") and Business Continuity Planning ("BCP"). 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 the Crédit Foncier Group Risk Division

The Crédit Foncier Risk Division, reporting functionally to the 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.

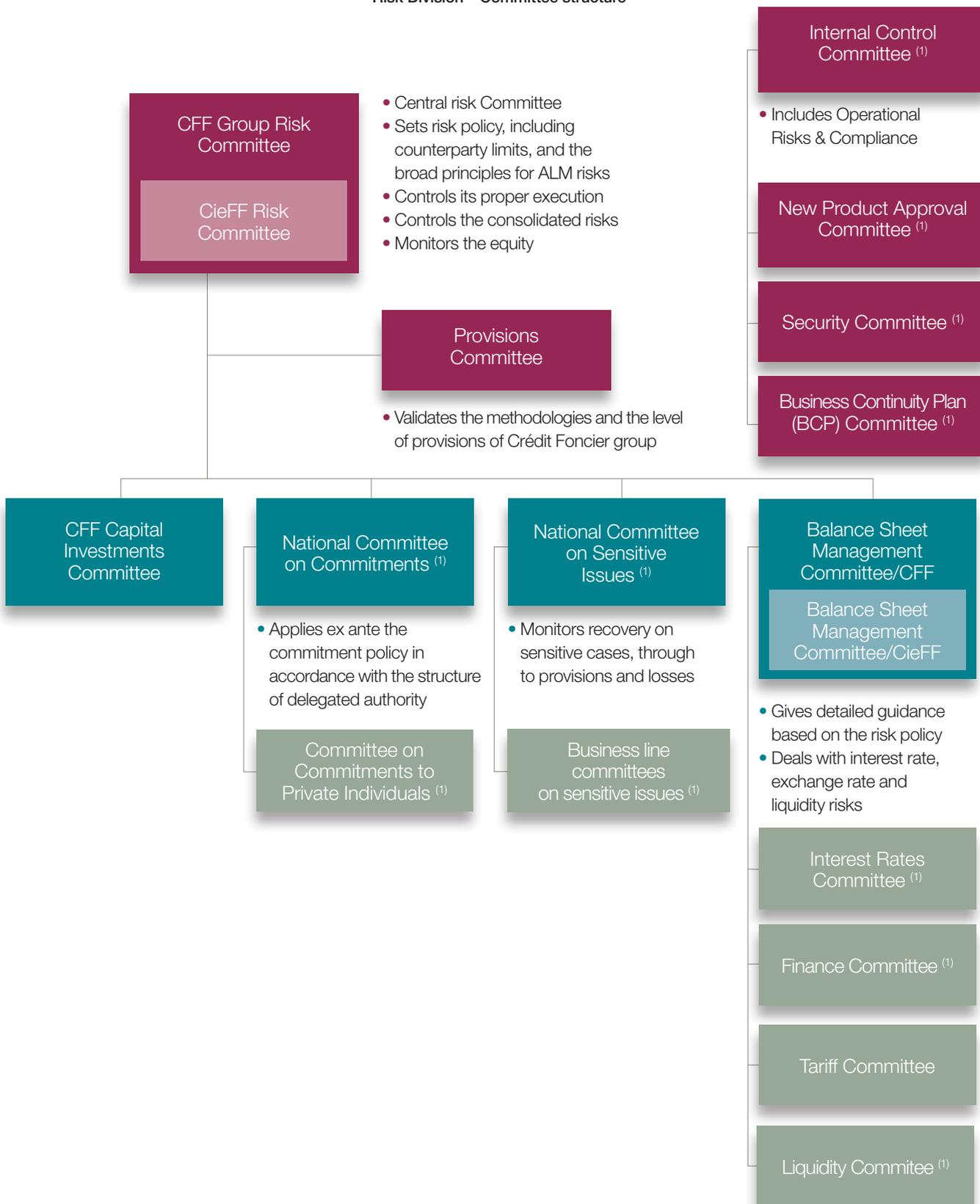
At 31 December 2012, the Risk Division had a workforce of 69 full-time equivalent employees (FTEs).

Main responsibilities of the committees dealing with risk

Compagnie de Financement Foncier is an integral part of Crédit Foncier's overall organisation; the Risk Committee and the 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



CFF: Crédit Foncier de France.
CieFF: Compagnie de Financement Foncier.

⁽¹⁾ Committees including Compagnie de Financement Foncier (CieFF).

Furthermore, it has its own Risk Committee and ALM Committee.

The Compagnie de Financement Foncier Risk Committee is chaired by its Chairman and CEO. Meeting at least quarterly, its main responsibilities are to deal with:

- 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.

Within Compagnie de Financement Foncier, the Asset and Liability Management Committee (ALM Committee) is the decision-making body 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 Chairman and 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 Credit 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.

At 31 December 2012, the Division had a workforce of eight 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 2012, the Division had a workforce of two 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 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.

As regards all its operations, Compagnie de Financement Foncier is incorporated into the Crédit Foncier BCP via its BCP Manager, a trusted asset of the Crédit Foncier Group BCP Manager.

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 2012, this manager has a departmental budget and a dedicated team composed of six FTEs, who respond to all problems related to Information Systems Security.

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;
- forums 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).

Other than routine Information System Security management and monitoring activities, the following major efforts were undertaken in 2012:

- completion of a review of the compliance of the Crédit Foncier information system with Groupe BPCE's Information Systems Security "N2" policy;
- intrusion testing of business line and financial applications;
- overhauling the clearances associated with internal reorganisations;
- playing a role in enhancing the reliability of the IT network by introducing terminal authentication to the internal network at headquarters.

2.3. Information systems and data consistency

In the context of the implementation of the Basel II reforms, 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 to committees and the right to override committees, which have the right to override;
- at the level of the National committee on commitments where a representative of the Risk division expresses an opinion supported by its own counteranalysis but has no voting rights;
- 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. Individuals

The system for rating the creditworthiness of individuals is specific to Crédit Foncier (property loans without a deposit account).

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 building low-cost 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 entities, the rating approach is based on quantitative and qualitative creditworthiness assessments.

The ratings of Legal entities asset class 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 producing quality assets.

2.4.2.1. *Individuals*

Compagnie de Financement Foncier may acquire 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 selects loans (sometimes after a period of observation) presenting a risk of default below a certain threshold and proceeds with their purchase.

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 sector

Compagnie de Financement Foncier is exposed to international counterparties meeting the eligibility requirements of the French Monetary and Financial Code. Prior to the phase-out that began in 2011 (the portfolio is now in run-off), loans selected for grant were concentrated on counterparties with the highest ratings, most of them Step 1 (>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 majority of framework contracts with bank counterparties includes a systematic daily margin call for the value of transactions.

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 category of the loans of interest or their servicing status (performing/doubtful/in litigation).

- Individuals

This type of monitoring is carried out by the National committee on sensitive issues (CNAS), which 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 of Good Conduct, the Credit 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 2012.

- Securitisations

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 its 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 items that do not relate to the quality of the very receivables: for instance, the link with the sovereign deterioration.

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 3) by the Risk Committee and a quarterly presentation to the Executive Management Committee of Crédit Foncier.

3. Internal capital adequacy and equity requirements

3.1. 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/AAA 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 Authority on an informational basis.

Composition of capital

Capital is determined in accordance with CRBF Regulation 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. The amount of subordinated debt included in Tier-2 is gradually reduced over the last five years remaining until maturity at an annual rate of 20%.
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, it is not subject to capital deductions.

Compagnie de Financement Foncier's capital stood at €4.4 billion as of 31 December 2012, of which €2.7 billion is Tier-1 capital. This includes Deeply subordinated notes representing capital (whose agreement was authorised by the Prudential Supervisory Authority) limited to 35% of Tier-1 capital. Going forward, the surplus portion of the Deeply subordinated notes that cannot be accepted as Tier-1 capital will be included in upper Tier-2 capital.

Capital requirements

Capital requirements were calculated using the standard Basel II method. Mortgage notes and FLA L211-38 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.

(in millions of euros)

	12/31/11	12/31/12
CAPITAL REQUIREMENTS	1,597	1,488
STANDARD CREDIT RISK APPROACH	1,552	1,439
Exposure categories	1,173	1,189
National governments and central banks	7	12
Institutions	339	302
Corporations	51	34
Retail clients	761	816
Equities		7
Other assets that are not credit obligations	15	19
Securitisation positions under the standardised approach	379	249
STANDARD MARKET RISK APPROACH		
STANDARD OPERATIONAL RISK APPROACH	45	50

Capital adequacy ratios

Compagnie de Financement Foncier's capital adequacy ratio at 31 December 2012 was determined using the standard approach.

	12/31/11	12/31/12
Capital adequacy ratio	20.0%	23.8%
Tier-1 ratio	13.3%	14.4%

Source: COREP 12/31/2012.

At 31 December 2012, the capital adequacy ratio stood at 23.8%, up 380 basis points relative to 31 December 2011. The Tier-1 ratio stood at 14.4%, i.e. an improvement of 100 basis points over 31 December 2011.

3.2. Management of specific ratios

In addition to their obligations as a credit institution, *sociétés de crédit foncier* are required to comply with specific ratios and limits described in Articles L. 515-13 et seq. of the French Monetary and Financial Code. French Prudential Supervisory Authority ⁽¹⁾ 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 Credit Foncier Risk Division performs a second-level check of these different specific ratios every six months.

Regulatory overcollateralisation ratio

French law (Article L. 515-20) requires all *sociétés de crédit foncier* to maintain a volume of weighted assets that is greater than privileged liabilities.

The overcollateralisation ratio of Compagnie de Financement Foncier stood at 113.7% at 31 December 2012, a level which remains well above the new regulatory requirement including the additional restrictions imposed on securitisation tranches since 2011. At the end of 2011, this ratio, determined based on the rules for calculation in force at the time, stood at 110.6%.

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	12/31/11	12/31/12
Replacement securities (R. 515-7)	15.0% ⁽¹⁾	13.5%	10.85%
Promissory notes (L. 515-16-1)	10.0% ⁽²⁾	8.8%	9.21%
Guaranteed loans (R. 515-6)	35.0% ⁽²⁾⁽³⁾	2.1%	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 with the nominal value of privileged liabilities. These replacement securities are defined by law (within the meaning of Article L. 515-17 of the French Monetary and Financial Code) as being "sufficiently secure and liquid instruments" and a part of the Compagnie de Financement Foncier cash position. This cash position includes also assets lodged with European Central Bank and deposits in Banque de France.

⁽¹⁾ The reform of the French supervisory system (the Economic Modernisation Act of 2008) led to the merging of the Banking Commission and the Insurance and Mutual Companies Control Authority into the Prudential Supervisory Authority.

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 Prudential Supervisory Authority, 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 2012, total LTV overruns on purchased and refinanced loans stood at €338 million (split between €265 million in assigned loans and €72 million in refinanced loans) to which is added €11 million in overruns on units and debt instruments issued by securitisation vehicles. Total LTV overruns were €348 million on 31 December 2012, compared to €145.7 million on 31 December 2011.

Total overruns, which remain considerably below the threshold of non-privileged liabilities, stood at €15,541 million last year.

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 (€36,274 million at 31 December 2012), led to an LTV overrun of €1,732 million. If an assumption of a 15% fall in collateral value is used, the LTV overrun is €2,733 million. 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.

4. 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 lending (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 5).

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*.

4.1. Breakdown of Compagnie de Financement Foncier's commitments

4.1.1. 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 €100.7 billion as of the end of December 2012), and the observed rate of doubtful loans, which is 0.8% (0.7% excluding subsidised loans).

(in millions of euros)

Risk exposures ⁽¹⁾	12/31/11			12/31/12		
	Balance sheet	Doubtful loans	Rate of doubtful loans (excluding subsidised sector)	Balance sheet	Doubtful loans	Rate of doubtful loans (excluding subsidised sector)
Private individuals	45,179	1.3%	1.2%	42,234	1.8%	1.7%
French mortgage loans ⁽²⁾	25,700	2.2%	2.1%	27,711	2.7%	2.6%
French and Belgian mortgage notes (in nominal) ⁽³⁾	9,264			9,275		
Mortgage total	34,964	1.6%	1.5%	36,986	2.0%	2.0%
European residential mortgage-backed securities (RMBS)	10,215			5,248		
Securitised mortgages total	10,215			5,248		
Public Sector	37,574			38,443		
Low-income housing	2,810	0.2%	0.2%	2,567	0.1%	0.1%
French Local Authorities (FLA)	10,382			9,409		
FLA L. 211-38 ⁽⁴⁾	3,224			3,323		
Sovereign France ⁽⁷⁾	70			4,355		
French Public Sector	16,486			19,655		
Private-Public Partnership	678			664		
International Public Financing	10,569			8,381		
International Sovereign	2,486			2,798		
Securitisations backed by loans (essentially mortgage loans) benefiting from State safeguards	7,354			6,119		
Large Companies of Public Sector				827		
International Public Sector	20,409			18,124		
Commercial mortgages disappearing (resulting from the legal transfer in October 1999)	141	7.2%	8.2%	124	70%	12%
Banking sector exposures	19,625			16,109		
of which Banque de France and CDC ⁽⁷⁾	1,683					
of which other banks with public or semi-public guarantees	2,909			2,673		
of which other banks	3,508			436		
of which BCTG ⁽⁵⁾	11,525			13,000		
Total risk exposure	102,519	0.6%	0.5%	96,911	0.9%	0.8%
Miscellaneous adjustments and other assets ⁽⁶⁾	3,260			3,872		
TOTAL	105,778	0.6%	0.5%	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 in fact includes a limited amount of outstanding Dutch loans (€78 million at 31 December 2011 and €75 million at 31 December 2012).

⁽³⁾ of which loans to private individuals living in Belgium for €342 million.

⁽⁴⁾ of which €108 million of L. 211-38 with Caisses d'Épargne.

⁽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.

⁽⁷⁾ Deposits at Banque de France are reclassified as Sovereign France in 2012.

In 2012, some reclassifications have been made under the new standards of Groupe BPCE and Crédit Foncier:

- The Banque de France and Caisse des dépôts et consignations which were classified in banking exposures at 31 December 2011 have been reclassified as French Sovereign. Outstanding on these counterparties totaled €4.3 billion at 31 December 2012 against €1.7 billion at 31 December 2011. The increase is due to higher outstanding on the Banque de France.
- ISPA Italian securities previously classified as IPF are now integrated as International Sovereign (€610 million at 31 December 2011 and 31 December 2012).
- Posillipo, Adriatica and Hydroquébec Securities classified as IPF are now segmented into Large companies of the public sector. Outstanding on these counterparties totaled €827 million at 31 December 2012 against €846 million at 31 December 2011.

Over the course of 2012, outstanding loans fell by 4.7% with an uneven change in exposures:

- an increase in directly-held loans to Individuals (6.5%);
- lower interbank exposures (18%), linked to Compagnie de Financement Foncier's treasury activity, most of it collateralised;
- a 49% decrease in RMBS exposures due primarily to the transfer of held positions to Crédit Foncier and shedding of positions in the framework of the international exposure reduction;
- a slight increase in outstanding loans to the regional government and local authority sector (up 2.3% compared to year-end 2011);
- the private sector corporate mortgage portfolio, which is in run-off mode, continues to be paid down and, at 0.1%, represents a marginal proportion of total outstanding loans at the end of December 2012.

The persistent difficult economic conditions that prevailed throughout 2012 did not jeopardise Compagnie de Financement Foncier's historically low exposure to risk or the overall quality of its loan portfolio. FLA outstanding loans had a delinquency rate of virtually zero. The delinquency rate of the mortgage lending portfolio to Individuals was up slightly in 2012.

4.1.2. Analysis of credit risk exposure

4.1.2.1. Geographical breakdown of exposures

As of the end of December 2012, the portfolio was still concentrated on the European Union (91%), with France representing an increasing proportion (74%, up from 68% at end December 2011) due to freezes affecting certain countries.

It should be noted that exposure to the United States consists solely of securities issued by states or highly rated local authorities or tranches of securitised loans backed by the Federal government and do not include any direct or indirect exposure to real estate-related risks. Exposure to Japan involves only public agencies, prefectures and municipalities.

Breakdown of exposures by geographical area ⁽¹⁾

	12/31/11	12/31/12	
	In %	Balance sheet (€M)	In %
France	68	74,661	74
Other countries within the European Economic Area	22	16,745	17
Other European countries	1	1,648	1
North America (USA & Canada)	7	5,884	6
Africa/Middle East			
Central and Latin America (including Mexico)			
Asia (excluding Japan)			
Japan	2	1,843	2
Oceania			
Other			
TOTAL	100	100,782	100
	105,778		

⁽¹⁾ Accounting management data: balance sheet portion (excluding endorsements or financial guarantees given) of overall credit risk exposure, based on gross customer loans (performing + doubtful) in accordance with French accounting standards.

4.1.2.2. 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 exposures reported on the balance sheet (loans, securities and financial transactions) at 31 December 2012 show a de facto concentration on loans (76%, including short-term credit facilities) and on debt securities (11% for securitisations and 13% for bonds).

Breakdown of exposure by product family

Product families ⁽¹⁾	12/31/11	12/31/12
Shares/Funds		
Other balance-sheet products		
Short-term credit facilities ⁽²⁾	4%	4%
Loans ⁽³⁾	66%	72%
Bonds ("Banking" ⁽⁴⁾)	14%	13%
Bonds ("Trading" ⁽⁵⁾)		
Securitisation external	17%	11%
BALANCE SHEET TOTAL	100%	100%
Balance sheet assets ⁽¹⁾ €M	105,778	100,782

⁽¹⁾ Accounting management data: balance sheet portion (excluding endorsements or financial guarantees given) of overall credit risk exposure, based on gross customer loans (performing + doubtful) in accordance with 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.

4.1.2.3. Analysis of exposures on securitisation transactions

4.1.2.3.1. Objectives and activity

Compagnie de Financement Foncier is not exposed to internal securitisation transactions but only to external securitisation transactions. In the framework of the application of the European CRD3 directive, it should be noted that all securitisation transactions held by Compagnie de Financement Foncier fall exclusively under the banking book and that Compagnie de Financement Foncier is not an investor in any resecuritisation operation.

The primary objective pursued by Compagnie de Financement Foncier in the area of securitisation over the past few years has been to create a diversified portfolio of high-quality senior tranches backed by loans comprised mostly of mortgages and located outside France. Since 2011, no further investment has been made, and the portfolio has been managed in run off mode.

Meeting the regulatory requirements applying to *sociétés de crédit foncier*, Compagnie de Financement Foncier has invested on transactions with a limited risk profile:

- publicly rated senior securities (AAA on acquisition) issued by organisations that have strong investor protection mechanisms: subordination of junior tranches, reserve funds, interest-rate differentials and protection against foreign exchange and interest rate risks;
- underlying mortgage loans, residential loans, and, on a very marginal scale, commercial loans;
- underlying public sector receivables backed by a sovereign state (e.g. FFELP student loans in the United States, NHG receivables in the Netherlands).

The securitisation portfolio management strategy is to hold to maturity; this portfolio is recognised at amortised cost.

4.1.2.3.2. Risk management

The entire portfolio is not only independently monitored by the operational teams but also monitored by the Crédit Foncier Risk Division, which has the appropriate skills at its disposal.

Analysis of portfolio transactions is focused on the main risk indicators: changes in default and doubtful loan trends over a reference period, average loan-to-value of the pool of underlying loans; changes in asset type of the tranche held, changes in the level of transaction reserve funds; etc. Every quarter, the Risk Division conducts thorough portfolio reviews. The Risk Division also models stress tests every six months. These tests, whose purpose is to test the soundness of the securitisation portfolio and to identify the most vulnerable transactions, evaluate the cash flow deficit that could affect each of the portfolio's positions in very downgraded economic and financial conditions.

The Risk Division keeps an updated watch list of sensitive transactions: the Migration List and the Watch List. Assignment to one of these lists is based on expert opinion, an analysis of performance indicators and tranche protection mechanisms. In 2012 no securitisation was entered on the Watch List and there was no need to recognise a provision for loss on a securitisation. To date, no default has been recorded in Compagnie de Financement Foncier's securitisation portfolio.

The Groupe BPCE Risk Division provides additional verification of portfolio analysis and monitoring.

4.1.2.3.3. Stress tests

Compagnie de Financement Foncier's entire portfolio of residential mortgage-backed securities (RMBS, including NHG RMBS) is regularly submitted to a battery of stress tests that demonstrate how resilient the assets are to extreme scenarios in which the performance of the underlying instruments deteriorates.

These extreme simulations combine an increase in the default rate, fewer prepayments and a sharp and sustained drop in real estate prices, scenarios that assume the combination of events of such magnitude that they appear highly unlikely at this time:

- a doubling until maturity of historic default rates per transaction leading to an average of 15% in cumulative defaults over the life of these transactions (which may exceed 30% for the worst of them);
- a sharp and sustained drop in real estate prices of varying magnitude depending on the country (as much as a 60% drop compared to the 2008 peak, as in the case of Spain);
- a one-quarter drop in the latest reported prepayment rates.

The default rate modelled in the simulations correspond to foreclosures, which is a conservative hypothesis given that in practice defaults on loans do not automatically trigger foreclosure.

In such worst-case scenarios, a terminal cash flow deficit may be recognised on the transactions' maturity date, representing 0.03% of the amount of the outstanding principal amount of the stressed loans.

4.1.2.3.4. Exposure to securitisation transactions

As at 31 December 2012, Compagnie de Financement Foncier held an outstanding loan portfolio of €11.4 billion, down significantly from last year, when the portfolio's outstandings stood at €17.6 billion.

Several factors account for this significant reduction:

- firstly, on-going disposals of positions that have been in run off mode since early 2011: positions totalling €1.46 billion (face amount) were sold in 2012, mainly the tranches of FFELP student loans and Spanish and Italian RMBS, resulting in the recognition of a loss of €122 million, which was partially offset by the redemption of the obligations foncières that financed these positions;
- several positions were sold to Crédit Foncier, most of which took place under an agreement linking Crédit Foncier with Compagnie de Financement Foncier that includes the provision that Compagnie de Financement Foncier can have Crédit Foncier buy back the carrying amount of any RMBS whose ratings suffered a downgrade (<A-). Due to downgraded ratings by the rating agencies in 2012, several positions were transferred to Crédit Foncier for a total face value of almost €3.3 billion.

(in millions of euros)

At 12/31/2012		External securitisation positions - Breakdown by country and asset class							
Category of ABS		Germany	Spain	USA	Greece	Italy	Netherlands	Portugal	TOTAL
Residential mortgage	MIX					48			48
	RMBS	290	1,077			2,258	811	764	5,200
Total Residential mortgage		290	1,077			2,306	811	764	5,248
Public Sector	RMBS NHG						3,426		3,426
	Sovereign								
	Student loans FFELP			2,962					2,962
Total Public Sector				2,962			3,426		6,119
TOTAL		290	1,077	2,962		2,306	4,237	764	11,367

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

RMBS: residential mortgage-backed securities.

RMBS NHG: residential mortgage-backed securities guaranteed by NHG in the Netherlands.

Sovereign: securitisation of loan receivables carrying an explicit Italian sovereign guarantee.

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

At 31 December 2012, the portfolio was comprised of two types of transactions:

- securitisations of residential mortgage receivables (plain vanilla and mixed RMBS) €5.2 billion in outstanding loans on balance sheet date;
- public sector-type securitisations, which include NHG RMBS, i.e. residential mortgage-backed securities guaranteed by NHG in the Netherlands, and FFELP student loan securitisations whose underlying assets are comprised of student loans backed by a guarantee from the Federal government up to at least 98% of the amount of capital outstanding.

Following prudential reclassification, Healthcare transactions are now classified in the International Public Sector.

Loan outstandings are mainly concentrated in the Netherlands (37% of the outstandings in the portfolio), the United States (24%) and Italy (20%).

4.1.2.3.5. Portfolio breakdown by weighting

Securitisation positions acquired by Compagnie de Financement Foncier are broken down in the table below by weighting and by rating category.

The weighting of securitisation positions is calculated using the standardised method based on a rating-based approach: the weighting is determined based on the external ratings assigned to the tranches by Moody's, Standard & Poor's and Fitch. If the tranche is rated differently by the three agencies, the Basel II criterion is applied: the lower of the two best ratings is used. At 31 December 2012, all the tranches held by Compagnie de Financement Foncier were rated by at least one external rating agency (where no external rating was available, a weighting of 1,250% was applied to the tranche in question).

Basel II weighting using the standardised approach	Basel II ratings	12/31/11		12/31/12	
		Outstanding loans (€ million)	% of portfolio	Outstanding loans (€ million)	% of portfolio
20%	AAA to AA-	14,162	81%	8,564	75%
50%	A+ to A-	3,013	17%	2,804	25%
100%	BBB+ to BBB-	393	2%	n.s.	< 0.5%
TOTAL		17,569	100%	11,367	100%

As in 2011, the portfolio is still mainly comprised of transactions rated Step 1 (rating \geq AA-), despite the decrease in the percentage of this type of outstanding loan in the portfolio: 75%, down from 81% in 2011. Positions weighted at 100% are comprised of an exposure to a structured transaction that expired in January 2013.

4.1.3. Quality of the portfolio exposed to credit risk

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

Replacement values are analysed by counterparty: loans granted to BPCE essentially in the form of short-term guaranteed notes (€13 billion) and in majority collateralised (€10.5 billion) are considered as an exposure to BPCE.

4.1.3.1. Portfolio of loans to individuals

Outstanding direct mortgage loans and underlyings of mortgage notes grew by 5.8% in 2012 despite the decline in origination due to economic conditions.

4.1.3.1.1. Portfolio of loans to individuals, not including securitisations

4.1.3.1.1.1. Acquisition and disposals of loans to individuals by Compagnie de Financement Foncier in 2012

In the first half of 2012, Compagnie de Financement Foncier continued its acquisitions of Crédit Foncier mortgage loans for a total of €4,597 million, including €1,530 million in loans to first-time home buyers, €578 million in loans to the rental sector and €2,489 million in state-subsidised and interest-free loans, the demand for which was 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.

During the fourth quarter of 2012, in the context of a securitization transaction between Crédit Foncier and a French credit institution, Compagnie de Financement Foncier transferred customer loans whose outstanding principal totaled €439 million at the date of disposal.

4.1.3.1.1.2. 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% compared to 1.5% at the end of December 2011.

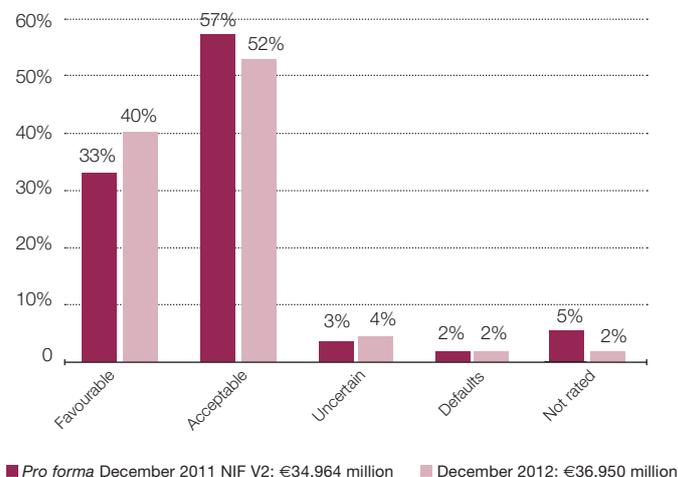
The entire portfolio of selected assets is, however, secured by first-ranking mortgages collateral supplemented by additional guarantees (40% of mortgage loans to Individuals are guaranteed by the FGAS and this percentage is up over last year), which limits the risk of terminal loss.

4.1.3.1.1.3. Ratings

The ratings attest to the good quality of outstanding loans as, at year-end 2012, there was a very noticeable increase in the percentage of favourable ratings (40% of ratings are favourable compared to 33% at year-end 2011 on a *pro forma* basis) and 92% of all loans were given favourable and acceptable ratings.

At 2%, the proportion of loans in default is low.

Internal rating of outstanding mortgage loans to individuals ⁽¹⁾



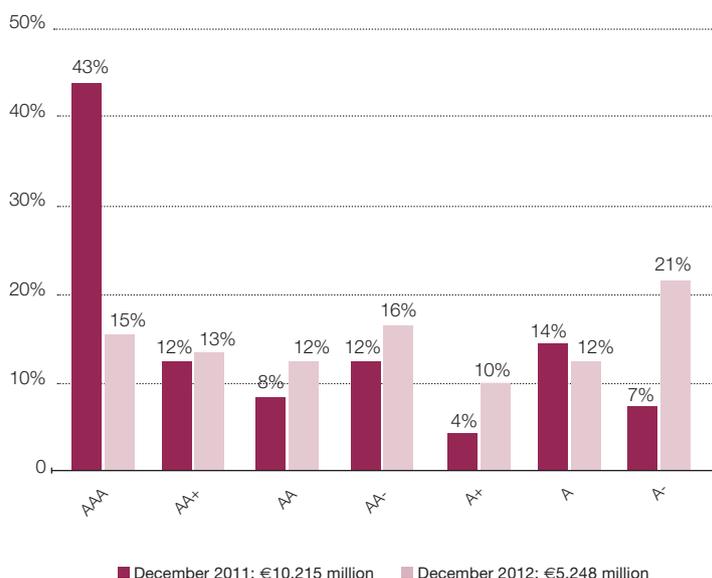
⁽¹⁾ Excludes self-employed professionals and associations.

4.1.3.1.2. Residential mortgage securitisations

Compagnie de Financement Foncier's RMBS portfolio comprises senior tranches of securitisations of residential mortgages granted primarily to individuals (mixed RMBS reflect an underlying pool of originated loans, 80% of which were originally intended for private individuals).

The outstandings in the RMBS portfolio on the balance sheet of Compagnie de Financement Foncier fell significantly in 2012, due in particular to position transfers to Crédit Foncier and to position disposals as part of run-off management (See Paragraph 4.1.2.3.4.): outstanding loans came out at €5,248 million at year-end 2012 compared to €10,215 million at year-end 2011, i.e. a decrease of some 49%.

Breakdown by internal rating of exposure to securitised mortgage loans to individuals in Europe excluding France



57% of outstanding RMBS were rated Step 1 (rating \geq AA-): this percentage has fallen because of the downgrades applied by the rating agencies over the course of 2012.

4.1.3.2. French Public Sector portfolio

Crédit Foncier serves the French Local Authorities (FLA) market, which consists of regional, departmental and local authorities and 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'Epargne or by Crédit Foncier. For social housing, Compagnie de Financement Foncier has direct guarantees from local authorities and/or mortgage guarantees.

4.1.3.2.1. Loan outstandings

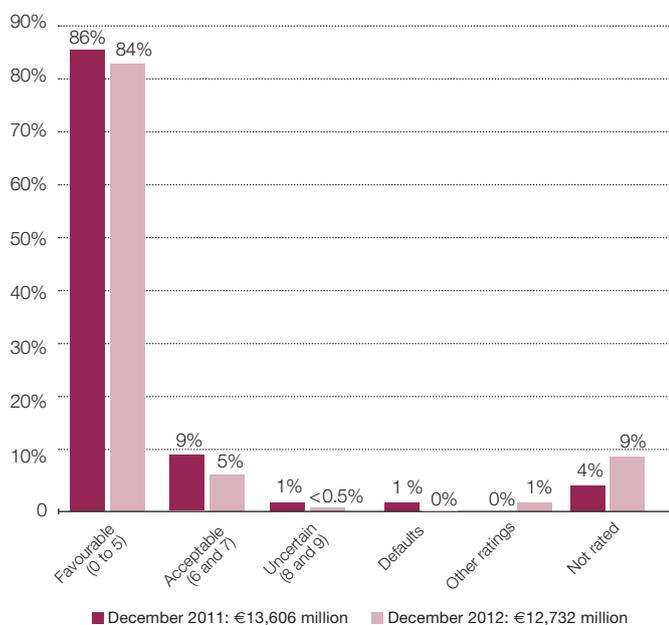
Social housing outstandings fell by 9% relative to year-end 2011. Likewise, FLA outstandings fell by 6%. Overall, outstanding loans to French local authorities fell slightly (-7% compared with year-end 2011).

4.1.3.2.2. 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.

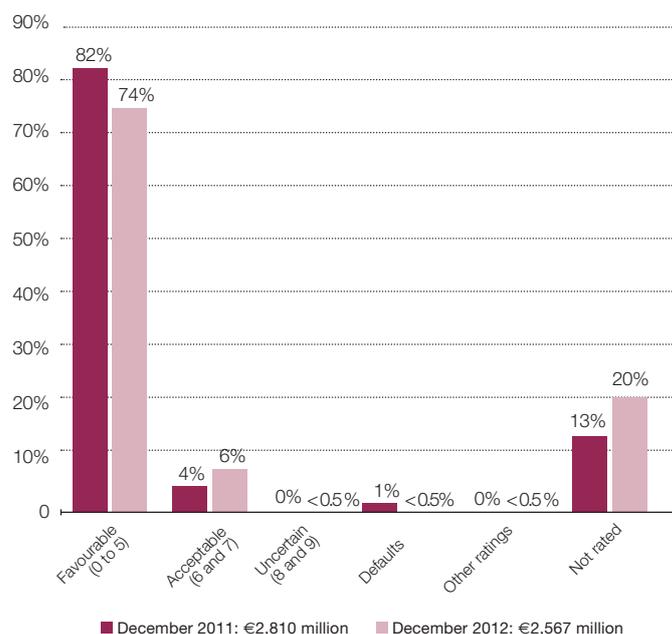
4.1.3.2.3. Rating

French Public Sector loan portfolio - Breakdown by Basel II rating



Of Compagnie de Financement Foncier's FLA loan outstandings, nearly 84% of loans are rated "favourable" (0 to 5), slightly down on 2011 (86%).

Social housing portfolio - Breakdown by Basel II rating



NB: Non-rated outstandings (20%) 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 an 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, nearly 74% of loans are rated "favourable" (0 to 5), slightly down on 2011 (81%).

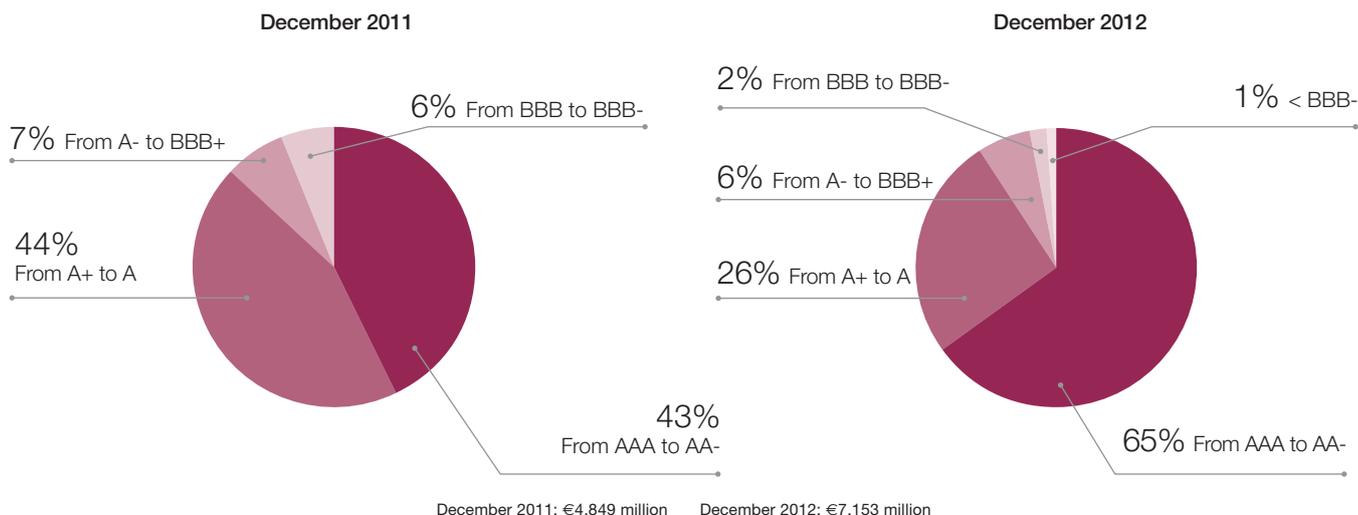
The proportion of counterparties rated as "doubtful" and in default remains minimal.

4.1.3.3. International Public Sector portfolio

4.1.3.3.1. Sovereign borrowers

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: over the course of 2012, positions were sold on the market as opportunities arose (see below). Otherwise, internal downgrades were made in order to get in step with the segmentation of Compagnie de Financement Foncier outstanding loans from Groupe BPCE outstanding loans: exposures to Banque de France and the Caisse des Dépôts et Consignations is now equivalent to exposure to the French Sovereign State (2011 outstanding loans were restated to allow portfolios to be compared).

⁽¹⁾ Employers' contribution to building and construction work (PEEC) is a system whereby non-agricultural private sector businesses with 20 or more employees (10 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 commonly known as the "1% housing fund".

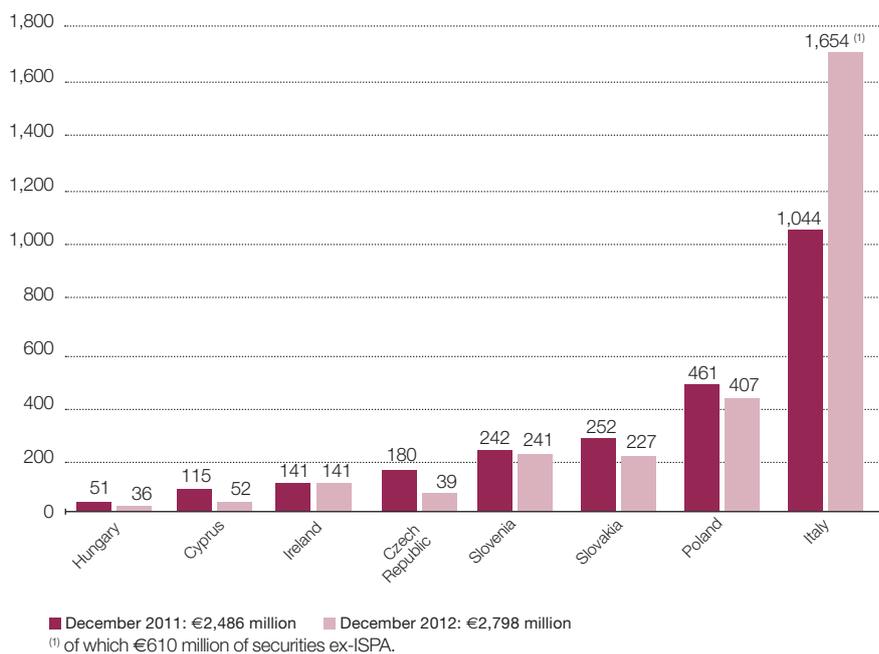


By year-end 2012, the portfolio had grown significantly: up 48% compared to the situation at year-end 2011. This is primarily due to French sovereign loans and exposures to the Banque de France, which grew dramatically during the year.

In fact, the large majority of outstanding loans are rated Step 1.

Breakdown of direct exposures to Sovereigns outside France

(in millions of euros)



Outside of Sovereign France, the portfolio's outstanding loans modestly increased (13%) due to the following components:

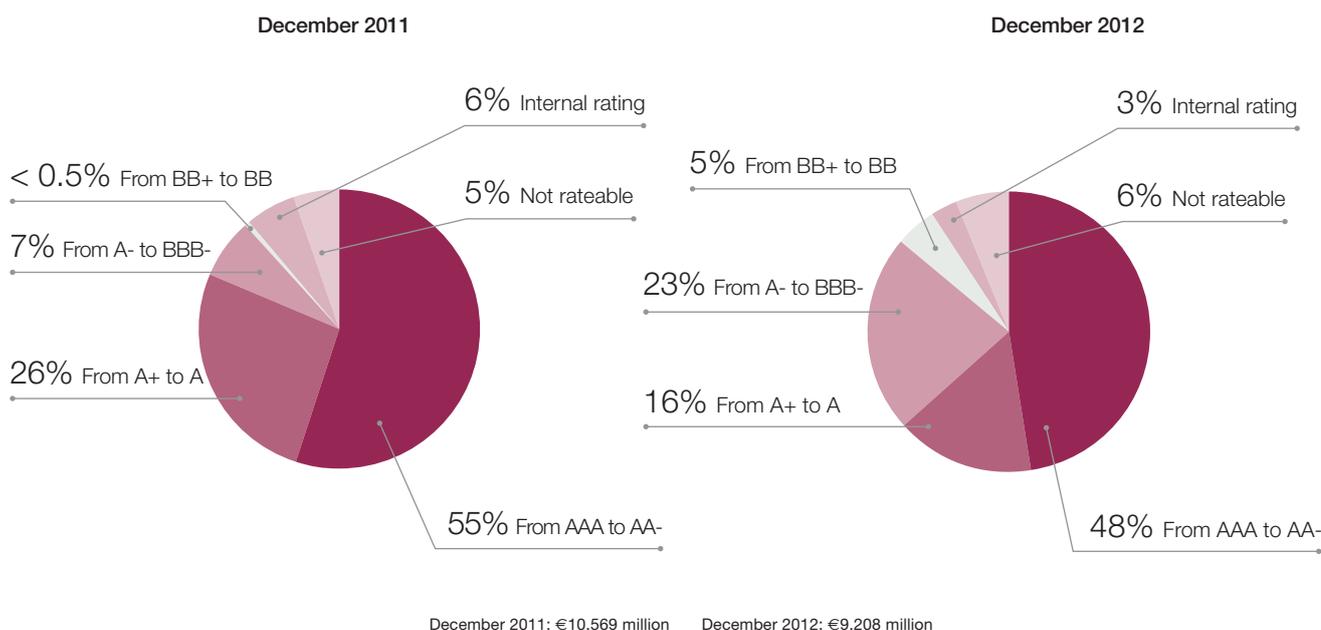
- significant growth of Italian exposure accompanying the integration of ISPA positions previously classified as IPS for €610 million. Other than this event, exposure to Italy is stable;
- on-going run off management of the Sovereign portfolio, excluding France, with the disposal of positions over the year: of particular note, Crédit Foncier reduced its exposure to the Czech Republic, Cyprus and Slovakia;
- 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 from the origination of transactions.

4.1.3.3.2. 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 eurozone governments (including Italian regions, Swiss cantons, Belgian regions, autonomous Spanish communities, etc.).

At 31 December 2012, IPS outstandings stood at €9.2 billion compared to €10.6 billion at year-end 2011, i.e. an annual decline of €1.4 billion (13%). Several factors account for this change:

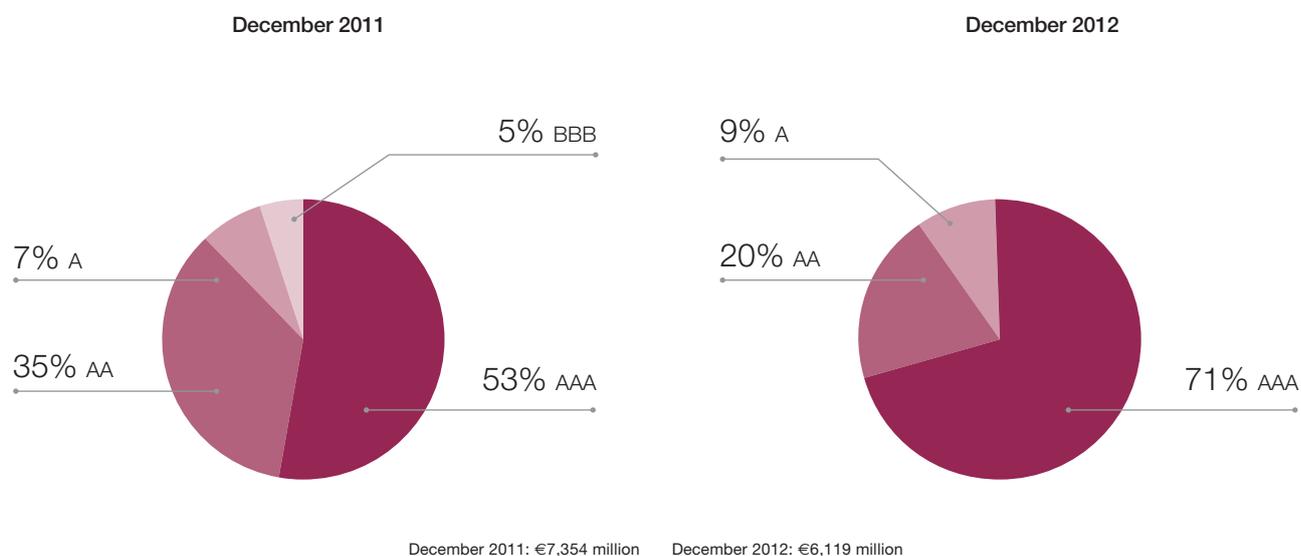
- firstly, the on-going disposal of exposures as part of the run-off management of the IPS portfolio. In 2012, US positions representing significant exposure (€610 million in face value) were sold along with exposure to the Belgian, Canadian and Portuguese public sectors (€295 million);
- internal reclassifications took place and positions formerly classified as IPS are now designated Sovereign (ISPA positions are now equivalent to Sovereign Italian);
- finally, as these were micro-hedged exposures valued in euros, the change in portfolio outstandings is 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 and JPY). This last case was what counted most for yen-denominated outstanding loans as the value of the Japanese currency significantly declined against the euro in the second half of 2012 while the face value of this portfolio slightly eroded during the period.



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 on the local authorities in the portfolio. As the European sovereign crisis continued into 2012, the ratings of Spanish, Italian and Portuguese counterparties were unsurprisingly downgraded (migration of the rating for these outstanding from A to BBB/BB) while the ratings for North American and Japanese counterparties either remained unchanged or went down slightly from case to case. It should be noted that internal ratings for the IPS are slightly more conservative than the agencies' published ratings, the difference being on average between half and one notch less.

Internal ratings for the IPS are slightly more conservative than the agencies' published ratings, the difference being on average a quarter notch less.

4.1.3.3.3. International Public Sector securitisations



Outstandings in the Public Sector securitisations portfolio of Compagnie de Financement Foncier amounted to €6,119 million at 31 December 2012 due mainly to the disposals referred to in paragraph 4.1.2.3.4.

Two types of transactions comprise the portfolio:

- Dutch mortgage-backed securities guaranteed by NGH, a Dutch public institution whose role in the Netherlands similar to that played by SGFGAS in France. These transactions therefore incur a terminal risk to the government of the Netherlands. With outstandings of €3.4 billion, NGH RMBS accounts for 56% of the outstandings in the public sector portfolio.
- Senior tranches of securitisations of US student loans backed by a guarantee from the Federal government up to at least 98% of the capital. 93% of these outstanding loans have a Basel II AAA rating (See following table).

(in millions of euros)

At 12/31/12		Breakdown by rating						TOTAL
Category of ABS		AAA	AA+	AA	AA-	A+	A	
Public Sector	RMBS NHG	1,812	272	392	495	455		
	Student loans	2,503	80			110		
	Sovereign							< 0.5
TOTAL		4,315	352	392	495	565		< 0.5
		71%	6%	6%	8%	9%		

As in 2011, the large majority of public sector securitisations (91%) have a Step 1 rating (rating ≥ AA-).

4.1.3.4. Risk charge

(in millions of euros)

	2011	2012
Individual cost of risk (a)	-5.81	-3.09
Collective provisions (b)	0.94	-7.61
Cost of risk (a+b)	-4.87	-10.70
Risk charge, net banking income (c)	-1.27	0.08
TOTAL (a+b+c)	-6.14	-10.62

At 31 December 2012, Compagnie de Financement Foncier's risk charge stood at €10.62 million, up relative to 2011 following a change in the approach used for collective provisions and the additional impact of lower collateral value.

4.2. Risk diversification and concentration risks

Summary of concentration on groups of counterparties for Compagnie de Financement Foncier

(in millions of euros)

	Top 10	Top 20	Top 50	Top 100	Total
Specialised financing			n.s.		
Large corporations			n.s.		
Sovereign States	8,071	8,106	8,106	8,106	8,106
	100%	100%	100%	100%	
External securitisation	5,747	8,263	11,114	11,367	11,367
	51%	73%	98%	100%	
French Local Authorities (FLA) and low-income housing	2,642	3,693	5,641	7,298	12,358
	21%	30%	46%	59%	
IPF (International Public Financing)	4,453	6,107	8,466	9,208	9,208
	48%	66%	92%	100%	

This table shows the weighting of the largest 10, 20, 50 and 100 counterparties in exposures to a given category, excluding intra-group BPCE. Exposures to Groupe BPCE, all types of assets included (replacement values, mortgage notes, L. 211-38) amount to €2.8 billion net of collateral received. The long-term ratings of BPCE are A (neg.) / A2 (stable) / A + (neg.).

This classification is carried out on groups of counterparties and on- and off-balance sheet exposures.

- For securitisation, which represents a significant proportion of the portfolio of large counterparties, virtually all (98%) risk exposure is concentrated on the 50 largest exposures. This concentration is due to Compagnie de Financement Foncier's strategy of acquiring, after thorough analysis, sizeable assets in the primary market. In terms of credit risk, this concentration is only apparent because the underlying assets are mainly residential mortgages to private individuals and, as such, have a high degree of granularity.
- Concentration levels are much lower in the large corporate and FLA/low-income housing sectors, thereby contributing to the group's risk diversification policy.
- Direct exposure to Sovereign States is relatively concentrated (less than 10 counterparties) as it involves only a few European countries.

5. 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, 41% 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 Aa2 (Moody's) and AA- (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.

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.

5.1. 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 2012

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 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 2012 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 2012.

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 2012;
- 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 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 2012.

Paris, 29 March 2013

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 2012

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 99-10, as amended by Regulation 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 99-10 and a decision by the Chairman of Crédit Foncier de France'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 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 amount of capital outstanding under 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 amount of capital outstanding under 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 ⁽¹⁾	Appraisal	Appraisal

⁽¹⁾ Property for professional use means all properties other than residential and multiple-use properties where the value allocated to the residential part is less than 75% of the total value of the entire property.

An appraisal is made of all collateral underlying authorised loans (i.e. signed by the parties) during the year regardless of whether or not they are implemented.

Other collateral (underlying loans authorised before 2012 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 2012.

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.
- Statistical 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:

- i) The 110 urban areas with more than 50,000 inhabitants as per the postal code groups established by the Insee (French National Institute for Statistics and Economic Studies); The list of these metropolitan areas and their composition change as the urban fabric and the real estate markets evolve.
- ii) 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 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 2012, the S2 revaluation method consisted in applying the annual change in the rental index for residential property to 2011 values, i.e. +1.5% (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 €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
RESIDENTIAL	If private individual customer: S1 method			
	If Professional customer: S1 method	If Professional customer: S2 method		
NON RESIDENTIAL	Outstanding principal/initial principal < 30%	Outstanding principal/initial principal > 30%		Specific individual appraisal
	and total authorised amount ≤ €480K	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 870 guarantees associated with 870 loans for a total outstanding value of €75 million.

Revaluation was conducted based on the PBK Index developed by the Netherlands land registry. In 2012, the index average fell -8.3%.

VI. The special features of Belgian guarantees

Crédit Foncier proceeded to a revaluation of the guarantees of its branch through its servicer named Stater: 5,556 guarantees representing a global valuation amount of €1,151 million i.e. a decrease in the value of the guarantees of 4.7% in average.

This valuation was made thanks to the indices provided by the Stadim company for an annual change as of 30 September 2012.

Appendix 1 – Changes in real estate indices 2011/2012

Towns and cities with more than 200,000 inhabitants

Region	Dept No.	Department	Town/city	Apartment Index 2011-2012	House Index 2011-2012
ALSACE	67	BAS-RHIN	Strasbourg	0.990	1.008
ALSACE	68	HAUT-RHIN	Mulhouse	0.980	0.993
AQUITAINE	33	GIRONDE	Bordeaux	1.035	1.009
AUVERGNE	63	PUY-DE-DÔME	Clermont-Ferrand	1.012	1.012
BOURGOGNE	21	CÔTE D'OR	Dijon	1.000	1.000
BRETAGNE	29	FINISTÈRE	Brest	1.012	1.014
BRETAGNE	35	ILLE-ET-VILAINE	Rennes	1.020	1.021
CENTRE	45	LOIRET	Orléans	0.989	0.992
CENTRE	37	INDRE-ET-LOIRE	Tours	0.988	0.990
CHAMPAGNE	51	MARNE	Reims	1.002	1.005
HAUTE-NORMANDIE	76	SEINE-MARITIME	Le Havre	1.000	0.974
HAUTE-NORMANDIE	76	SEINE-MARITIME	Rouen	0.990	0.994
LANGUEDOC-ROUSSILLON	34	HÉRAULT	Montpellier	1.000	1.000
LORRAINE	54	MEURTHE-ET-MOSELLE	Nancy	1.000	0.988
LORRAINE	57	MOSELLE	Metz	0.993	0.977
MIDI-PYRÉNÉES	31	HAUTE-GARONNE	Toulouse	1.000	1.000
NORD	59	NORD	Valenciennes	1.012	0.997
NORD	59	NORD	Lille	1.009	1.017
NORD	62	PAS-DE-CALAIS	Douai-Lens	1.021	1.003
NORD	62	PAS-DE-CALAIS	Béthune	1.020	0.991
PACA	13	BOUCHES-DU-RHÔNE	Marseille-Aix-en-Provence	1.015	1.022
PACA	6	ALPES-MARITIMES	Nice	1.059	1.000
PACA	84	VAUCLUSE	Avignon	1.030	1.029
PACA	83	VAR	Toulon	1.033	1.000
PAYS DE LA LOIRE	44	LOIRE-ATLANTIQUE	Nantes	1.036	1.000
PAYS DE LA LOIRE	49	MAINE-ET-LOIRE	Angers	1.000	1.000
RHÔNE-ALPES	69	RHÔNE	Lyon	1.016	1.031
RHÔNE-ALPES	38	ISÈRE	Grenoble	0.983	0.985
RHÔNE-ALPES	42	LOIRE	Saint-Étienne	0.993	1.000
AVERAGE				1.008	1.002

Towns and cities with between 100,000 and 199,999 inhabitants

Region	Dept No.	Department	Town/city	Apartment Index 2011-2012	House Index 2011-2012
AQUITAINE	64	PYRÉNÉES-ATLANTIQUES	Bayonne	0.948	1.000
AQUITAINE	64	PYRÉNÉES-ATLANTIQUES	Pau	0.946	0.978
BASSE-NORMANDIE	14	CALVADOS	Caen	0.986	1.000
BRETAGNE	56	MORBIHAN	Lorient	1.012	1.017
CHAMPAGNE	10	AUBE	Troyes	0.987	1.000
FRANCHE-COMTÉ	25	DOUBS	Besançon	1.023	0.976
FRANCHE-COMTÉ	25	DOUBS	Montbéliard	0.983	0.991
LANGUEDOC-ROUSSILLON	66	PYRÉNÉES-ORIENTALES	Perpignan	1.000	1.000
LANGUEDOC-ROUSSILLON	30	GARD	Nîmes	1.000	1.000
LIMOUSIN	87	HAUTE-VIENNE	Limoges	0.987	1.000
LORRAINE	57	MOSELLE	Thionville	1.000	0.988
NORD	59	NORD	Dunkerque	1.018	1.011
NORD	62	PAS-DE-CALAIS	Calais	0.995	0.997

PAYS DE LA LOIRE	44	LOIRE-ATLANTIQUE	Saint-Nazaire	1.000	0.981
PAYS DE LA LOIRE	72	SARTHE	Le Mans	1.000	1.000
PICARDIE	80	SOMME	Amiens	0.984	1.006
POITOU-CHARENTES	17	CHARENTE-MARITIME	Rochelle	1.040	1.035
POITOU-CHARENTES	86	VIENNE	Poitiers	1.013	1.000
POITOU-CHARENTES	16	CHARENTE	Angoulême	1.000	0.967
RHÔNE-ALPES	26	DRÔME	Valence	1.023	1.000
RHÔNE-ALPES	74	HAUTE-SAVOIE	Annecy	1.007	1.026
RHÔNE-ALPES	74	HAUTE-SAVOIE	Genève-Annemasse	1.053	1.050
RHÔNE-ALPES	73	SAVOIE	Chambéry	0.991	0.976
AVERAGE				1.000	1.000

Towns and cities with between 50,000 and 99,999 inhabitants

Region	Dept No.	Department	Town/city	Apartment Index 2011-2012	House Index 2011-2012
ALSACE	67	BAS-RHIN	Haguenuau	0.995	0.993
ALSACE	68	HAUT-RHIN	Colmar	0.990	1.002
AQUITAINE	33	GIRONDE	Arcachon	1.000	1.000
AQUITAINE	24	DORDOGNE	Périgueux	0.987	1.000
AQUITAINE	24	DORDOGNE	Bergerac	0.987	0.971
AQUITAINE	47	LOT-ET-GARONNE	Agen	1.000	1.000
AUVERGNE	3	ALLIER	Vichy	1.006	1.000
AUVERGNE	3	ALLIER	Montluçon	0.984	0.989
BASSE-NORMANDIE	50	MANCHE	Cherbourg	0.985	1.000
BOURGOGNE	71	SAÔNE-ET-LOIRE	Chalon-sur-Saône	0.993	0.983
BOURGOGNE	58	NIÈVRE	Nevers	0.985	0.964
BRETAGNE	35	ILLE-ET-VILAINE	Saint-Malo	1.024	1.011
BRETAGNE	22	CÔTES D'ARMOR	Saint-Brieuc	1.013	1.000
BRETAGNE	29	FINISTÈRE	Quimper	1.040	0.985
BRETAGNE	56	MORBIHAN	Vannes	1.019	1.017
CENTRE	18	CHER	Bourges	0.988	0.985
CENTRE	41	LOIR-ET-CHER	Blois	1.000	1.000
CENTRE	45	LOIRET	Montargis	0.997	0.978
CENTRE	36	INDRE	Châteauroux	0.990	0.992
CENTRE	28	EURE-ET-LOIR	Chartres	0.996	0.995
CHAMPAGNE	51	MARNE	Châlons-en-Champagne	1.000	0.986
CHAMPAGNE	8	ARDENNES	Charleville-Mézières	0.989	0.978
FRANCHE-COMTÉ	90	TERRITOIRE DE BELFORT	Belfort	0.986	0.986
HAUTE-NORMANDIE	76	SEINE-MARITIME	Elbeuf	0.993	0.986
HAUTE-NORMANDIE	27	EURE	Évreux	1.012	0.993
LANGUEDOC-ROUSSILLON	30	GARD	Alès	1.000	1.000
LANGUEDOC-ROUSSILLON	34	HÉRAULT	Béziers	1.000	1.000
LANGUEDOC-ROUSSILLON	34	HÉRAULT	Sète	1.000	1.000
LIMOUSIN	19	CORRÈZE	Brive-la-Gaillarde	1.000	1.006
LORRAINE	88	VOSGES	Épinal	0.990	0.978
LORRAINE	57	MOSELLE	Forbach	0.985	0.966
MIDI-PYRÉNÉES	81	TARN	Albi	1.000	1.000
MIDI-PYRÉNÉES	81	TARN	Castres	0.985	0.987
MIDI-PYRÉNÉES	65	HAUTES-PYRÉNÉES	Tarbes	0.997	0.997
MIDI-PYRÉNÉES	82	TARN-ET-GARONNE	Montauban	0.991	0.994
NORD	62	PAS-DE-CALAIS	Arras	1.000	1.000
NORD	59	NORD	Armentières	1.000	1.000
NORD	59	NORD	Maubeuge	1.023	1.012
NORD	62	PAS-DE-CALAIS	Saint-Omer	1.000	0.988
NORD	62	PAS-DE-CALAIS	Boulogne-sur-Mer	1.018	0.994

PACA	83	VAR	Fréjus	1.025	1.012
PACA	6	ALPES-MARITIMES	Menton-Monaco	1.030	1.000
PACA	13	BOUCHES-DU-RHÔNE	Salon-de-Provence	1.000	0.983
PACA	13	BOUCHES-DU-RHÔNE	Arles	1.018	1.020
PAYS DE LA LOIRE	49	MAINE-ET-LOIRE	Cholet	0.958	0.942
PAYS DE LA LOIRE	53	MAYENNE	Laval	0.928	0.930
PICARDIE	2	AISNE	Saint-Quentin	1.000	0.987
PICARDIE	60	OISE	Creil	1.019	1.019
PICARDIE	60	OISE	Beauvais	1.022	1.014
PICARDIE	60	OISE	Compiègne	1.014	1.010
POITOU-CHARENTES	79	DEUX-SÈVRES	Niort	1.014	0.985
RHÔNE-ALPES	69	RHÔNE	Villefranche-sur-Saône	1.015	0.994
RHÔNE-ALPES	42	LOIRE	Roanne	1.009	0.990
RHÔNE-ALPES	1	AIN	Bourg-en-Bresse	1.015	0.988
RHÔNE-ALPES	26	DRÔME	Romans-sur-Isère	1.000	0.986
RHÔNE-ALPES	42	LOIRE	Saint-Chamond	0.987	0.993
RHÔNE-ALPES	74	HAUTE-SAVOIE	Thonon-les-Bains	1.017	0.986
RHÔNE-ALPES	74	HAUTE-SAVOIE	Cluses	1.024	0.983
AVERAGE				1.001	0.992

Non-urban

Region	House Index 2011-2012
ALSACE	0.974
AQUITAINE	0.967
AUVERGNE	0.964
BASSE-NORMANDIE	0.966
BOURGOGNE	0.967
BRETAGNE	0.964
CENTRE	0.956
CHAMPAGNE	0.972
FRANCHE-COMTÉ	0.966
HAUTE-NORMANDIE	0.967
LANGUEDOC-ROUSSILLON	0.985
LIMOUSIN	0.957
LORRAINE	0.932
MIDI-PYRÉNÉES	0.993
NORD	0.930
PACA	0.987
PAYS DE LA LOIRE	0.920
PICARDIE	0.952
POITOU-CHARENTES	0.929
RHÔNE-ALPES	0.971
AVERAGE	0.961

Paris and Île-de-France

Region	Dept No.	Department	Apartment Index 2011-2012	House Index 2011-2012
ÎLE-DE-FRANCE	91	ESSONNE	0.979	0.998
	92	HAUTS-DE-SEINE	0.997	0.998
	75	PARIS	1.008	
	77	SEINE-ET-MARNE	0.985	1.002
	93	SEINE-SAINT-DENIS	0.986	0.984
	94	VAL-DE-MARNE	0.990	0.993
	95	VAL D'OISE	0.980	1.000
	78	YVELINES	0.987	0.998
AVERAGE			0.988	0.996

Appendix 2 – Compagnie de Financement Foncier scope

Collateral items and valuations of collateral using the periodic review approach

(in billions of euros)

		TOTAL	S1	S2	E1	E2
Review 12/31/12	Collateral valuation	61.307	58.512	2.792		0.003
	Collateral items	352,402	351,840	561		1
2012 Valuation	Collateral valuation	2.614	2.607	0.004		0.003
	Collateral items	15,001	14,999	1		1
Total 2012	Collateral valuation	63.921	61.119	2.796	ns	0.006
	Collateral items	367,403	366,839	562		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	802.25	1.31
AQUITAINE	4,017.97	6.57
AUVERGNE	714.49	1.17
BASSE-NORMANDIE	973.72	1.59
BOURGOGNE	1,209.49	1.98
BRETAGNE	2,341.31	3.83
CENTRE	1,788.96	2.93
CHAMPAGNE-ARDENNE	579.07	0.95
CORSICA	142.07	0.23
OVERSEAS DEPARTMENTS AND TERRITORIES	563.49	0.92
FRANCHE-COMTÉ	791.26	1.29
HAUTE-NORMANDIE	2,164.22	3.54
ÎLE-DE-FRANCE (EXCLUDING PARIS)	14,219.57	23.27
LANGUEDOC-ROUSSILLON	3,371.59	5.52
LIMOUSIN	442.32	0.72
LORRAINE	1,377.30	2.25
MIDI-PYRÉNÉES	3,488.94	5.71
NORD PAS-DE-CALAIS	2,525.92	4.13
PACA	6,933.22	11.34
PARIS ⁽¹⁾	1,323.33	2.17
PAYS DE LA LOIRE	2,698.69	4.42
PICARDIE	1,979.36	3.24
POITOU-CHARENTES	1,174.92	1.92
RHÔNE-ALPES	5,495.63	8.99
GRAND TOTAL	61,119.09	100.00

⁽¹⁾ Because of the unique nature of the Parisian market, the City of Paris is separate from the Île-de-France region.

5.2. 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 €27.8 billion of directly held loan receivables from individuals secured by prime mortgages or the equivalent (lender's ⁽¹⁾ liens), €12.5 billion also carry a personal guarantee.

Details on the individuals segment

The table below presents the breakdown of the various guarantees associated with the Individuals portfolio:

(in millions of euros)

Schemes	Individuals		
	12/31/11	12/31/12	
Regulated schemes	FGAS (100% - State guarantee)	9,555	11,293
	Subsidised sector (State guarantee)	346	549
Mortgage insurance companies	CRÉDIT LOGEMENT ⁽¹⁾	325	191
	CRESERFI ⁽²⁾	340	362
International financial organisations	European public guarantee ⁽³⁾	78	75
A - Guaranteed receivables in addition to the mortgage guarantee or equivalent		10,644	12,470
B - Receivables guaranteed by first-ranking mortgages or equivalent (lender's liens)		15,259	15,337
(A+B) collateral + prime mortgage		25,903	27,808
C - Outstanding French mortgage loans		25,903	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 2012, exposure including off balance sheet commitments (excluding mortgage notes).

⁽¹⁾ Crédit Logement: a credit institution rated Aa2 by Moody's and AA- 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: €75M in NHG (Dutch State) guarantees on the GMAC portfolio, as at 31 December 2012.

5.3. 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 if need be.

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 national standards. Any framework agreement is negotiated by the operators and the lawyers of the Front Office in coordination with the Risk Division.

⁽¹⁾Lien: the nature of this type of loan grants a lender a preferential claim outranking other creditors.

6. 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 2012, 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 2012 of the enhanced portfolio is provided below (face value in millions of euros):

(in millions of euros)

At 12/31/12

Monoline	Monoline rating	AA	A	BBB	Non-investment grade	Not available	TOTAL	
AMBAC	Not available		11	385			396	18%
CIFG	Not available			139			139	6%
FGIC	Not available					102	102	5%
FSA ⁽¹⁾	AA-	307	874	145			1,326	61%
MBIA ⁽²⁾	BBB		81			133	214	10%
TOTAL		307	966	669		235	2,177	
%		14%	44%	31%		11%		100%

⁽¹⁾ Assured Guaranty 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 2012. 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 rating. This monoline was rated Aa3 (Moody's) and AA- (S&P) at 31 December 2012. Likewise, those wrapped by MBIA are now assigned the rating of the National Public Finance Guarantee Corporation (Baa2 rating by Moody's and BBB by S&P at 31 December 2012), the entity now guaranteeing North American local governments.

The 10% classified as "Unavailable" do not have a Basel II intrinsic rating but are assessed by Crédit Foncier as being investment grade (i.e. \geq BBB-).

7. Market and asset & liability management risks

Compagnie de Financement Foncier's activities in the markets are limited to the banking book and financial compartments relating to asset/liability hedges and medium-to-long and short-term investments. It does not engage in proprietary trading and does not have any positions in a trading book. Consequently Compagnie de Financement Foncier is not exposed to market risk.

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

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. Simultaneously, derivative portfolio reduction transactions were also carried out in 2012, taking care to ensure compliance with the internal regulatory limits and rating agencies' constraints. Moreover a review of the contractual terms of the framework agreements has been completed.

Much of the framework agreements (with external or internal counterparties) have been revised to meet the new requirements of rating agencies in terms of counterparty risk on derivatives.

7.1. Organisation of ALM risk monitoring and methodology used for assessing liquidity, interest rate, and exchange rate risks

7.1.1. Organisation of ALM risk monitoring

Interest rate, liquidity and foreign exchange risk management is the responsibility of four decision-making bodies.

The Asset and Liability Management (ALM) Committee specific to Compagnie de Financement Foncier is the decision-making body responsible for managing financial risks within the framework of the risk policy and limits established by Compagnie de Financement Foncier's executive management based on proposals by the Risk Committee and in accordance with Crédit Foncier Group rules. It meets on a quarterly basis and is chaired by Compagnie de Financement Foncier's Chairman and Chief Executive Officer. Its members include the Crédit Foncier Chief Risk Officer and other senior executives.

Operational monitoring of the various Asset and Liability Management risks is performed by the Interest Rate Committee. This committee is coordinated by Crédit Foncier's Financial Management Department, an independent unit of Crédit Foncier's Financial Transaction Department. The Treasury Derivatives Department and the Risk Division are members of this committee. 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 Transactions Department.

Liquidity monitoring is performed on a continuing basis by the Financial Committee and the BCP Liquidity Committee.

7.1.2. Methodology used for assessing liquidity, interest rate, and exchange rate risks

Interest rate, liquidity and foreign exchange 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, where 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.

Liquidity is constantly monitored dynamically for short-term cash needs.

A Medium-Term Plan has been devised that integrates dynamic modelling over this time horizon across the Crédit Foncier Group and is declined at Compagnie de Financement Foncier level.

Under these two approaches, the main assumptions used are the propensity of customers to pay back the loan before maturity (prepayment) or to renegotiate the terms of the loan. 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.

Asset & Liability Management has thus set up back testing procedures for retrospective verification of the actual flow of these data to validate agreements adopted.

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.

For more information on the amortization of financial assets and liabilities, please refer to note 30 of the individual accounts.

7.2. Liquidity risk monitoring

7.2.1. Organisation of Compagnie de Financement Foncier's refinancing

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

Its additional resources consist of a significant asset portfolio amounting to €46.5 billion mobilisable (including €26.2 billion in residential housing loans eligible on a transitory basis since 9 February 2012) and could use in an amount estimated at €20 billion after haircut and based on the ECB's current rules.

At year-end 2012, Compagnie de Financement Foncier refinanced €1.6 billion worth of securities of which €1 billion was refinanced with the ECB (refinancing received, net of the haircut of mobilised assets).

7.2.2. Liquidity risk monitoring

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

In addition, some of its assets, known as replacement securities, consist of safe and liquid investments as required by law for *sociétés de crédit foncier*. As at 31 December 2012, Compagnie de Financement Foncier held €13.3 billion in replacement securities, which include €13 billions of exposures on BPCE collateralised by €10.5 billions of collateral. The cash position of Compagnie de Financement Foncier is represented in addition to this amount of €3.7 billions of deposits in Banque de France and holding of assets mobilizable to the ECB repo system.

7.2.3. Compliance with limits

Liquidity ratio

As of 31 December 2012, Compagnie de Financement Foncier had a liquidity ratio of 653%.

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. At 31 December 2012, this rule was still complied with, as the average duration was 6.6 years for assets and 7.0 years for liabilities, the assets including:

- financed assets;
- replacement values, retained for their contractual maturity;
- mortgage notes, treated in transparency.

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.

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 R515-7-1).

7.3. Monitoring of overall interest rate risk

7.3.1. 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. 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). Compagnie de Financement Foncier's strict interest rate risk management rules require that its asset acquisitions and transactions with customers are systematically covered by variable-rate

hedges in euro of funds raised. 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 Treasury Unit of Crédit Foncier's Financial Transactions Department, which is the only point of entry to the market available to Compagnie de Financement Foncier.

Special efforts, occurring mainly in 2012 and aiming at simplifying the derivatives portfolio, are subject to impact analysis to ensure ALM balance.

7.3.2. Interest rate risk monitoring

Compagnie de Financement Foncier has adopted a static approach for measuring risk and the sensitivity of results. The two main indicators used are the overall and the partial fixed interest-rate gap. Risks are managed using limits on fixed interest rates and alert thresholds for adjustable interest rates. 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. Every quarter, Compagnie de Financement Foncier also analyses changes in the net present value of estimated earnings over the next 10 years under different stress scenarios.

7.3.3. Compliance with limits

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.

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%

All of these indicators are monitored quarterly by the Balance sheet management Committee and Risk Committee.

At 31 December 2012, all limits associated with overall interest rate risk monitoring were adhered to.

7.4. Monitoring foreign exchange risk

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

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

They are monitored by the Middle Office of Crédit Foncier's Financial Transactions Department, which centralises month-end foreign exchange positions, by currency and by total amounts of foreign currencies.

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

Regarding such exposure, in 2012 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 2012.

For more information on the schedule of foreign exchange positions, please refer to note 29 of the individual accounts.

8. Operational 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 2012.

8.1. General approach

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

8.2. 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.

8.3. Management environment

8.3.1. 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 supervisor, with a functional link to the Risk Division. At the end of 2012, the end-to-end operational supervision and management of Crédit Foncier's operational risk system included 197 people.

8.3.2. Methods and tools

The risk approach is based on three key elements that are part of an iterative, interactive method: identification and assessment by each business line of its vulnerability to the main operational risks, frequency and evaluation, determination of existing or necessary preventive 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 (ORIS): 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.

Through BPCE's ORIS application, the Crédit Foncier Group also has access to reporting facilities and an operational risk scorecard generated quarterly based on data drawn from the database.

Lastly, for calculating capital adequacy requirements the Crédit Foncier Group currently applies the Basel II standard approach (see Section 3).

8.4. 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.

8.5. Information technology risk

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

Crédit Foncier is committed to sizing available resources to carry out the missions entrusted to it by Compagnie de Financement Foncier in a normal environment as well as when it is exposed to a risk or to an unusual situation as it does for its own needs.

8.6. 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;
- liability of senior executives and corporate officers.

8.7. 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 of overseas department 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, subsidized 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. Three of them referred to the courts. Debates have not yet been able to find a solution to these disputes amicably being understood that a negotiated solution has been implemented in a case.

9. 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 settlement risk monitoring 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.

10. 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.

10.1. 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 Compagnie de Financement Foncier's range of activities.

10.2. 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 ORIS 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 2012, risk mapping was updated in cooperation with the Compliance Department.

10.3. 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.

10.4. 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.

10.5. 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.

10.6. 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.

10.7. 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.

10.8. Outsourced services

Essential Outsourced Services within the meaning of Article 37 of CRBF Regulation 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. Outsourced services monitoring and well as the monitoring of on-going services and the adequate monitoring of new services have been incorporated into Groupe BPCE's PILCOP application.

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



Chairman's report established pursuant to Article L. 225-37 of the French Commercial Code

Conditions for preparing and organising the work of the Board of Directors

Members of the Board

At 31 December 2012, the Board of Directors of Compagnie de Financement Foncier is composed of eight members, including the Chairman of the Board of Directors (who has also been the Company's Chief Executive Officer since 14 December 2007) 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, depending on the agenda.

Board Meetings

The legal secretary to the Board of Directors is provided by the General Secretariat of Crédit Foncier and it establishes, in consultation with the 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 contract these transactions;
- 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;
- information intended for publication concerning the quality of the assets as well as the congruence of maturity and rates for the company's assets and liabilities in accordance with Article 13 of CRBF Regulation No. 99-10 as amended;
- 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 2012.

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 and is paid only if they actually attend the meetings. The amount is also subject to an annual cap.

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 and 29 June 2011.

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;
- opinions on the appointments of corporate officers;
- examination of the annual report by the Specific Controller.

As of 31 December 2012, the Audit Committee was composed of six members:

- Mr Bruno DELETRÉ, Chairman;
- Mr Roland CHARBONNEL;
- Mr Éric FILLIAT;
- Ms Christine JACGLIN;
- Ms Pascale PARQUET;
- Mr Christophe PINAULT.

Mr Thierry DUFOUR, Chairman and 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.

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.

Internal control procedures established by the Company

The regulatory environment and its development within the context of belonging to 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 the specific provisions set forth in Articles L. 515-13 to L. 515-33 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 for *sociétés de crédit foncier* was revised and modernised in 2010, and the changes came into force with effect from 2011.

This framework requires the company to appoint a Specific Controller approved by the French Prudential Control 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 Specific Controller drafts an annual report which is then submitted to the French Prudential Control 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.

Compagnie de Financement Foncier 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. Executive management is responsible for ensuring that controls be 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 as well as on that of ongoing operational control entities and, finally, on the arrangements made for periodic controls.

Corporate Governance

Compagnie de Financement Foncier's executive management is responsible for managing the company. It is in charge of 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 indicator developments. 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 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 and staff managers, system of delegation, reporting structures, and separation of functions) which are detailed below.

The different levels of permanent control

The Risk Department, Compliance Department and Permanent Controls Coordination Department are grouped into a single division under the responsibility of a deputy managing director of Crédit Foncier. The Permanent Controls Coordination Department has close functional links with permanent control teams of Crédit Foncier.

The structure of permanent control was revised on 1 October 2012. The reorganisation is based on three principles:

- simplification of the organisational structure around two levels of control: first-level permanent control performed by operational and support departments reporting to their management, and second-level control performed by agents exclusively dedicated to such controls and hierarchically independent of the controlled units;
- harmonisation of controls performed by the Risk Department, Middle Offices and units in charge of permanent control through the creation of a reinforced ALM control unit, with optimisation of the Corporate and Financial Operations control tools, now grouped together into single entities enabling deployment over processes in their entirety (front-to-back). The permanent control of Commercial Development was refocused onto the Individual Customers Network while the control of Individual Customer Operations was reassigned to the Individual Customer Operations Department;
- strong functional connection between the heads of the second-level control units and the Risk and Compliance Division, which oversees the coherence and effectiveness of the overall system (appointment, annual objectives and remuneration items submitted to the Divisional Manager for validation).

Operational permanent control

Operational permanent controls 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 the necessity for frequent reformulation of instructions.

Permanent controls performed by units that are independent from the operating structures

These units verify that the procedures are properly applied and that risk is managed efficiently.

They may report either to a Corporate Officer (Network control) or to executive business directors, in all cases with a strong functional connection to the Risk and Compliance Division of Crédit Foncier.

Moreover, the "SCF Monitoring and Control Department" is responsible for control of all the procedures that affect Compagnie de Financement Foncier (specifically procedure quality control).

Crédit Foncier's Information Systems Security Officer reports directly to the Deputy Chief Executive Officer in charge of the Risk and Compliance Division. He has three main duties: to define the information systems security policy, coordinate a network of correspondents within the various group entities, and support and advise the IT Department on security issues.

Crédit Foncier's Business Continuity Plan Manager also reports to the Deputy Managing Director of the Risk and Compliance Division. His duty is to ensure that Crédit Foncier's post-disaster business continuity plan is updated and maintained in good operating condition.

Crédit Foncier's Investment Services Compliance Director (RCSI) is Head of Compliance. He holds a professional licence issued by the French Financial Markets Authority (AMF). He operates within the Risk and Compliance Division to monitor Crédit Foncier's compliance, in the exercise of its investment services, with the French Monetary and Financial Code and the AMF's General Regulations. His powers include applying the rules of professional conduct in both the establishment's internal operation and the marketing of investment products and services.

The permanent control units may also take the form of dedicated central structures.

- Risk Department: this unit measures, controls and oversees credit and counterparty risk, as well as financial and operational risks.
- Compliance Department: this unit is responsible for controlling the risk of non-compliance and investment services. It also covers mediation, ethics and financial security (prevention of money laundering and fraud).
- Permanent Control Department: permanent controls within Crédit Foncier Group are now coordinated by a specific unit within the Risk and Compliance Division, which holds all the Group's permanent controls. These three departments report directly to the Deputy Managing Director in charge of the Risk and Compliance Division.
- "Accounting Audit" Department: this unit reports to the Accounting Department but has no operational duties. It is responsible for auditing the accounting and regulatory data produced by Crédit Foncier and its subsidiaries.

The primary 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 deficiencies identified by the General Inspection Department and the implementation of recommendations.

Chaired by the Chief Executive Officer of Crédit Foncier, it meets monthly and brings together representatives of control functions. It reports periodically on its work to the Audit Committee of Crédit Foncier.

Periodic control

Periodic control is the responsibility of Crédit Foncier's Internal Audit department.

The Audit Committee attends meetings of the main committees that contribute to the Company's risk management: the Audit Committee, the Risk Committee, the Balance Sheet Management Committee and the Internal Control Committee.

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, control by line management is usually ensured:

- by analysing the incident reports, supervisory reports and financial reports that enable the managers to oversee the activities of their units;
- by a system of delegations, to a large extent incorporated into the IT procedures (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 of Crédit Foncier 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:

- the National Commitment Committee: authorises commitments exceeding the powers delegated to the operating units and Business Committees;
- the Risk Committee specific to Compagnie de Financement Foncier: monitors overall trends in counterparty, financial and operational risk and taking the relevant decisions (scoring rules, delegations, limits);
- the National Committee of Sensitive Operations: manages strategy and decisions regarding substantial debts that are either in difficulty or exposed to risk;
- Crédit Foncier's New Products Committee: launches new types of loan products;
- the stand-alone Asset and Liability Management Committee for Compagnie de Financement Foncier: reviews ALM indicators and makes decisions and guidelines as a result; complies with limits set with the rating agencies; a dedicated committee implements the guidelines set in 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;
- 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, for itself and its subsidiaries, 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 risks 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 of Crédit Foncier oversees counterparty, financial and operational risk;
- accounting control is performed by the Accounting Department of Crédit Foncier and its specific unit;
- compliance and ethics is 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 assignments are carried out by the General Inspection 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.

Periodic control and the work of the 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 system of Crédit Foncier Group.

It reports on its audits to the Chief Executive Officer of Crédit Foncier, to the Audit Committee of Crédit Foncier and if necessary to the Management and the Audit Committee of Compagnie de Financement Foncier.

At the end of 2012, the Internal Audit department employed 24 people, all university-educated and collectively spanning a broad range of skills (accounting, financial, legal and business).

The Internal Audit department draws up an annual audit plan in collaboration with the General Management of Crédit Foncier and in agreement with BPCE's Internal Audit department. The plan is approved by General Management and presented to the Audit Committee of Crédit Foncier. It covers the Internal Audit Department's scope with a long-term plan based on an audit cycle of at most three years;

intrinsically risky activities are audited more frequently. Specific audits or reviews may be requested by the Chief Executive Officer or by the Audit Committee of Crédit Foncier and of Compagnie de Financement Foncier during the year.

Reports on the audits performed are presented to Crédit Foncier's General Management, the Audit Committee and, if appropriate, the Audit committee and the Board of Compagnie de Financement Foncier. A summary report on the follow-up of recommendations is also presented to the above-mentioned bodies as well as to the Executive Committee and the Internal Control Committee of Crédit Foncier.

Audits performed in 2012

Crédit Foncier's Internal Audit department performed a total of 29 audits in 2012.

Most of these were audits scheduled in the annual audit plan approved by the Crédit Foncier's Audit Committee at its meeting of 9 December 2011 and concerned Crédit Foncier Group's different business sectors (loans to individuals (including Belgian office), corporate loans, support activities and subsidiaries) as well as two providers of outsourced essential services.

Follow-up of recommendations arising from previous audits

As previously, monitoring the implementation of audit recommendations is based on reports presented by the audited entity's management, indicating the percentage of completion and including, if necessary, an action plan and a new deadline. The reports are input by the audited entities using an intranet application provided to them. These reports must be accompanied by supporting documentation provided by the audited entity and containing all the necessary proof. Based on these items, checks to see whether the recommendations have been effectively implemented are performed when the completion rate reaches 100%.

A detailed statistical report is prepared each quarter to provide the General Management, Executive Committee and Audit Committee with a clear summary report. This information is also reported to the Audit Committee of Compagnie de Financement Foncier if concerned.

Supervision of implementation is further strengthened by periodic progress briefings at the Executive Committee level, where the pending recommendations are examined to determine appropriate measures.

When re-audited, the status of previous recommendations is systematically examined and the recommendations repeated if necessary.

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 accounting and generic operating forms and are summarised in a manual used by all the Group's institutions. This manual is updated regularly based on changes in accounting regulations. 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 among 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 Crédit Foncier Group's accounting function

Accounting at the Crédit Foncier Group is performed by the General Accounting Department. It is directly responsible for preparing the income statements and statutory reports of Compagnie de Financement Foncier as an entity of the Group which does not have an Accounting Department on its own.

Crédit Foncier's General Accounting Department is organised as follows:

Functions	Main responsibilities in accounting system operations	Main responsibilities in compiling and summarising data
<i>Reporting and summarising</i>	<p>Individual financial statements:</p> <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 • regulatory disclosures at company level (SURFI, etc.) • calculation of regulatory ratios at company level (liquidity) and of specific ratios for Compagnie de Financement Foncier <p>Consolidated financial statements:</p> <ul style="list-style-type: none"> • centralisation of consolidation packages • preparation of the consolidated financial statements • definition and implementation of consolidation procedures (use of BPCE's Magnitude software application) • prudential disclosure at consolidated level to the ACP (via BPCE, the central institution), in collaboration with the Risk Department and Cash Management Department 	<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, Compagnie de Financement Foncier) • Balance sheets, income statements and notes for Crédit Foncier Group • Consolidated quarterly results for the Group • Consolidated monthly results under French GAAP • Reporting to the ACP (via BPCE, the central institution)
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 • Configuration of accounting forms • Documentation of detailed accounting forms 	<ul style="list-style-type: none"> • Reports on outstanding loans and loan flows
Accounting and Regulatory Audit Department	<ul style="list-style-type: none"> • Permanent accounting controls 	<ul style="list-style-type: none"> • Controls summary reports

Accounting and regulatory audit

The principles of accounting control organisation, 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.

These controls give rise to summary reports, which are circulated to the Accounting Department, the Permanent Controls Coordination Department, the Compagnie de Financement Foncier Monitoring and Control Department and the Statutory Auditors.

The consolidation packages, prepared by the subsidiaries and certified by their Statutory Auditors, are reviewed in detail and checked for consistency by the Consolidation Unit.

All 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 to third parties (regulatory restitutions intended specifically for the French Prudential Supervisory Authority and registration documentation submitted to the French Financial Markets Authority, etc.) are carefully audited by the competent departments (Management Control, ALM, General Accounting).

For Compagnie de Financement Foncier more specifically, the SCF Monitoring and Control Department 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 2012

Range of the number of members: 3 to 18

Actual number of members: 8

Number of Board meetings: 6

Average attendance rate: 75%

Director's fees: yes for Directors outside the consolidation sub-group of Crédit Foncier.

Last name/first Company name + Permanent Representative	Position on the Board/in the Company	Appointment date	Term expires on	Comments
Mr Thierry DUFOUR	Chairman and Chief Executive Officer	Director since 18 December 1998 Chairman since 31 July 2007 Chairman and Chief Executive Officer since 14 December 2007	OGM 2013	
Ms Sandrine GUÉRIN	Director Deputy Chief Executive Officer	Director since 25 March 2002 Deputy Chief Executive Officer since 17 May 2002	OGM 2018	Renewal by OGM of 4 May 2012 of expired term
Crédit Foncier de France represented by Mr Bruno DELETRÉ	Director	25 June 1999	OGM 2017	
BPCE, represented by Mr Roland CHARBONNEL	Director	28 March 2011	OGM 2014	
Mr Éric FILLIAT	Director	28 March 2011	OGM 2013	Replacing Mr Nicolas DARBO, resigned
Ms Christine JACGLIN	Director	29 September 2011	OGM 2014	
Ms Pascale PARQUET	Director	29 September 2011	OGM 2014	
Mr Didier PATAULT	Director	26 September 2008	OGM 2014	

Statutory Auditors' report, prepared in accordance with Article L. 225-235 of the French Commercial Code on the report prepared by the Chairman of the Board of Directors of Compagnie de Financement Foncier

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

To the Shareholders,

In our capacity as Statutory Auditors of Compagnie de Financement Foncier 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 2012.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report describing the internal control and risk management procedures implemented by the company and providing the other information required by Article L. 225-37 of the French Commercial Code in particular relating to corporate governance.

It is our responsibility:

- to report to you on the information set out in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information; and
- to attest that the report sets out the other information required by Article L. 225-37 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

Information concerning the internal control and risk management procedures relating to the preparation and processing of financial and accounting information

The professional standards require that we perform procedures to assess the fairness of the information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report. These procedures mainly consisted of:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly described in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, set out in the Chairman of the Board's report, prepared in accordance with Article L. 225-37 of the French Commercial Code.

Other information

We attest that the Chairman's report sets out the other information required by Article L. 225-37 of the French Commercial Code.

Paris-La Défense and Neuilly-sur-Seine, 29 March 2013

The Statutory Auditors

KPMG Audit

Division of KPMG S.A.

Jean-François DANDÉ

PricewaterhouseCoopers Audit

Jean-Baptiste DESCHRYVER

Legal information



Corporate governance

Members of the Board of Directors in 2012 and their professional addresses at 31 December 2012.

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 since 31 July 2007

Chief Executive Officer since 14 December 2007

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

Caisse d'Épargne Bretagne Pays de Loire

4 place Graslin – 44000 Nantes

Mr Éric FILLIAT

since 28 March 2012

Director replacing Nicolas DARBO, resigned

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

Crédit Foncier de France

Director

Represented by Mr Bruno DELETRÉ

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

BPCE

Director

Represented by Mr Roland CHARBONNEL

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

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

26/28, rue Neuve Tolbiac – 75013 Paris

General information concerning the company

Registered office

The registered office of Compagnie de Financement Foncier is located at 19, rue des Capucines, 75001 Paris – Tel: +33 (0)1 57 44 92 05.

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. 515-13 to L. 515-33 of the French Monetary and Financial Code.

Pursuant to Article 110 of this law, Crédit Foncier transferred to Compagnie de Financement Foncier, on 21 October 1999, assets and liabilities covered by the specific legislative and regulatory requirements that applied to it before its transfer.

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. 515-19 of the French Monetary and Financial Code.

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;
- renewal of the agreement for introductory source (between BPCE, Caisses d'Épargne and Crédit Foncier);
- an agreement relating to the fiscal integration between Crédit Foncier, Compagnie de Financement Foncier and BPCE.

With the exception of Directors and Officers and the Secretary General appointed by Crédit Foncier, Compagnie de Financement Foncier does not directly employ any salaried personnel.

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. 515-13 to L. 515-33 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. 515-19 of the French Monetary and Financial Code, which establishes a "privilege" for bondholders of covered bonds;
- Article L. 515-27 of the French Monetary and Financial Code, which stipulates that the legal receivership or liquidation of a company holding shares of a *société de crédit foncier* cannot be extended to the *société de crédit foncier*;
- furthermore, Article L. 515-28 of the French Monetary and Financial Code stipulates that, notwithstanding any legal or regulatory requirements to the contrary, notably those of Section II of Volume VI of the Commercial Code, contracts for servicing and recovering loans of a *société de crédit foncier* can be immediately terminated in the event that a company responsible for the servicing of such loans is placed in legal receivership or liquidation.

Compagnie de Financement Foncier is affiliated with BPCE SA, central body of Groupe BPCE to which Crédit Foncier belongs.

Period

The company was incorporated on 22 December 1998 for a period of 99 years.

Corporate purpose (Article 2 of the 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° carrying out all transactions referred to in Articles L. 515-13 et seq. of the French Monetary and Financial Code and without any restriction as to the countries in which it can operate, other than those set out in such laws and regulations.

These transactions include:

- granting or acquiring secured loans, exposures to public authorities and securities as defined in Articles L. 515-14 to L. 515-17 of the French Monetary and Financial Code;
- financing these types of loans, exposures, investments and securities by issuing covered bonds benefiting from the “privilege” defined in Article L. 515-19 of the French Monetary and Financial Code and by raising other resources whose issuance or subscription contract 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 can issue promissory notes referred to in Articles L. 313-42 to L. 313-48 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 privileged claim to assets defined in Article L. 515-19 of the French Monetary and Financial Code and are not booked pursuant to Article L. 515-20 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 covered bonds 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. 515-32-1 of the French Monetary and Financial Code.

The company cannot hold equity investments;

2° contracting, with any credit institution, all agreements necessary:

- 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 balances 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 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 Directors and Officers;

5° in connection with its own activity, or on behalf of other companies, provide customers with and manage payment processes, in particular:

- for the payment of funds or the receipt of all sums arising from loan activities;
- for holding any account of financial relations with any other credit 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, 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 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 outsourcing services.

Trade and Companies Registry Number

Compagnie de Financement Foncier is registered in the Paris Trade and Companies Registry under number 421 263 047 RCS PARIS.

Location where legal documents concerning the Company may be consulted

Legal documents concerning Compagnie de Financement Foncier may be consulted at 4, quai de Bercy, 94220 Charenton-le-Pont.

Financial year

The financial year begins on 1 January and ends on 31 December.

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.

Shareholders 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.

General Meetings

General Meetings shall be called and shall deliberate under the conditions stipulated by law. An Ordinary 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 corporate offices 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. 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.

General information concerning the capital stock

Capital stock

As of 31 December 2012, 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.

Share capital 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.

Ownership of capital and voting rights

Principal shareholders as of 31 December 2012	Number of shares	%
Crédit Foncier de France	74,216,239	100.00
Directors	7	
TOTAL	74,216,246	100.00

Changes in capital over the last five years

Following the use of the delegation of competency granted by the General Meeting on 26 May 2008, the Board of Directors, in its meeting on 30 June 2008, noted the increase in capital from €154,000,000 to €924,000,000, which was definitively carried out on 27 June 2008.

The Board of Directors, in its meeting on 30 June 2009, noted that, following 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, in its meeting on 29 June 2011, noted that, following payment of the dividend in shares for the financial year, the capital was increased by €85,459,926 due to the creation of 5,341,246 new shares with a par value of €16, fully subscribed by Crédit Foncier de France. 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.

Individuals or companies that exercise control over the company

Crédit Foncier de France – 19, rue des Capucines – 75001 Paris – 542 029 848 RCS PARIS

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 responsible for distributing French state subsidised loans, following the real estate crisis in the 1990s and the government's elimination of subsidised loans, in 1999 Crédit Foncier joined the private sector after its 90% acquisition by the Groupe Caisse d'Épargne.

In the context of legislation 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 of 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 Caisse d'Épargne and Groupe Banque Populaire. 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.

Resolutions submitted to the General Meeting

Combined General Meeting of 27 May 2013.

Draft resolutions

First resolution

The General Meeting, after having heard the reports of the Board of Directors and the Auditors for the financial period ending 31 December 2012, approves the accounts as presented.

Second resolution

The shareholders, having noted the existence of distributable earnings of €218,527,241.89 corresponding to the net income for the financial period of €132,581,093.44 plus the retained earnings of €85,946,148.45, allocates said distributable earnings in the following manner:

Legal reserve: €6,630,000.00

Dividend: €125,425,455.74

Retained earnings: €86,471,786.15

As a consequence, the amount of dividend that goes to each of the 74,216,246 shares constituting the share capital is fixed at €1.69.

Pursuant to Article 243b 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 date on which the remaining dividend will be made available for payment is set at 30 June 2013.

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. The date as from which they will have dividend rights shall be set at 1 January 2013.

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 at 31 December 2012 approved by the General Meeting in the first resolution set forth above, divided by the number of existing shares. It amounts to €23.16 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 price thus calculated. 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 2013 and 15 June 2013.

The shareholder that has not exercised their option by 15 June 2013 at the latest will receive their dividend payment in cash on 30 June 2013.

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 Articles 47 of the Act of 12 July 1965 and 243b of the General Tax Code, as a reminder, the dividend and the overall remuneration per share have evolved as follows over the last three financial periods:

Financial year	Number of shares	Overall remuneration per share	Dividend distributed ⁽¹⁾
2009	63,000,000	-	-
2010	63,000,000	€3.50	€3.50
2011	74,216,246	€1.38	€1.38

⁽¹⁾ Eligible for the 40% discount provided for in Article 158-3 of the General Tax Code.

Third resolution

The General Meeting, pursuant to the Article 24 of the bylaws and the Articles L. 232-12, L. 232-18 and L. 232-20 of the Commercial code, empowers the Board to decide on the possibility for shareholders to receive in shares all or part of the possible interim dividend payments for fiscal year 2012 and to determine the terms thereof, pursuant to 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, note the terms of the report and approve the transactions entered into during the financial period.

Fifth resolution

The General Meeting, having acknowledged that the term of office for Chairman Thierry DUFOUR has expired, 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 2018.

Sixth resolution

The General Meeting, having acknowledged that the term of office for Mr Éric FILLIAT has expired, 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 2018.

Seventh 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.

Title I: form – purpose – corporate name – registered offices – term of the Company

Article 1 - Purpose

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 the transactions mentioned in Articles L. 515-13 et seq. of the French Monetary and Financial Code, with no restrictions other than those resulting from said articles, as to the countries in which it does business.

These transactions include:

- granting or acquiring secured loans, exposures to public authorities and securities as defined in Articles L. 515-14 to L. 515-17 of the French Monetary and Financial Code;
- financing these types of loans, exposures, investments and securities by issuing covered bonds benefiting from the “privilege” defined in Article L. 515-19 of the French Monetary and Financial Code and by raising other resources whose issuance or subscription contract 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 can issue promissory notes referred to in Articles L. 313-42 to L. 313-48 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 privileged claim to assets defined in Article L. 515-19 of the French Monetary and Financial Code and are not booked pursuant to Article L. 515-20 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 covered bonds 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. 515-32-1 of the French Monetary and Financial Code.

The company cannot hold equity investments;

2° contracting, with any credit 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 balances 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 third party any agreement related to the acquisition, ownership, management, maintenance and disposal of such assets.

4° contracting with any insurance company any agreement, which serves the corporate purpose, notably to hedge risks related to borrowers, risks related to both assets securing the loans and assets owned by the company, and the liability risks of the company or its Directors and Officers.

5° in connection with its own activity, or on behalf of other companies, providing customers with and manage payment processes, in particular:

- for the payment of funds or the receipt of all sums arising from loan activities;
- for holding any account of financial relations with any other credit 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, as well as in 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 outsourcing services.

Article 3 - Corporate name

The company's name is: "Compagnie de Financement Foncier."

Article 4 – Registered offices

The registered offices are located at 19, rue des Capucines, Paris (75001).

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 its registration in the Trade and Companies Registry, unless the period is extended or the Company is liquidated, in accordance with the legislation in force or these bylaws.

Title 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 euro).

It is divided into 74,216,246 shares with a par value of €16 (sixteen euro) 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 and 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 duties follow the ownership of the share, regardless of holder.

Ownership of a share legally 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.

Title III: administration of the Company

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.

Article 12 – Directors' terms of office

The term of office of Directors is six years.

Each Director reaching the end of his or her term of office may be re-elected; however, the number of Directors over 70 years of age may not be greater than three.

When more than three of the Directors are past the age limit, the terms of office of the eldest Directors expire at the end of the Annual Meeting following the date on which this occurs, whatever the initial term of office of these Directors.

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 offices, 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.

The internal regulations may stipulate that, 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 carries out such controls and verifications that it considers appropriate.

Each Director receives all the information necessary to perform his or her duties and can request all documents that he 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.

Article 15 – Compensation of the Board of Directors

A General Meeting can 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 a General Meeting decides otherwise.

The Board of Directors shall allocate this compensation in the proportions that it considers appropriate.

Article 16 – Compensation of the Board of Directors

The Board of Directors elects, from among its non-corporate members, a Chairman and determines his compensation. It determines his term of office as Chairman, which may not exceed his term as Director. The individual can be re-elected.

The term of the Chairman must end no later than the end of the Ordinary Meeting that follows the date on which the Chairman reaches the age of sixty-five.

The Chairman represents the Board of Directors. He organises and directs the work of the Board, and reports to the General Meetings on such work. He 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/her responsibility, either by the Chairman of the Board, or by another individual appointed by the Board of Directors with the title of Chief Executive Officer. The selection of the individual for this position, which may be changed at any time, is made by the Board of Directors voting with a majority of three quarters of the members present or represented. The Board of Directors reports, in its annual report, on the choice that it has made and explains the reasons for this choice.

The Board of Directors determines the period for which the Chief Executive Officer is appointed.

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-five.

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, unless the Chief Executive Officer is appointed Chairman of the Board of Directors.

If the Chief Executive Officer resigns, or cannot carry out his 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

An Ordinary Meeting may, on the recommendation of the Board of Directors, appoint one or more Non-voting Directors.

The term of office of a non-voting Director is three years. They may be re-appointed.

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 allocated by the General Meeting.

Title IV: Company Audit

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*.

Title V: General Meetings

Article 21 – General Meetings

General Meetings shall be called and shall deliberate under the conditions stipulated by law.

An Ordinary 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 corporate offices 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 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.

Title VI: annual financial statements – distribution of earnings

Article 23 – Financial year

The company year shall begin on 1 January and end on 31 December.

The Board of Directors shall be authorised to 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 ran from the date of registration to 31 December 1998.

Article 24 – Distribution of earnings

If the financial statements for the financial year, as approved by the General Meeting, show distributable earnings as defined by law, the General Meeting shall decide either to allocate them to one or more reserve accounts, the allocation and use of which it determines, to retain 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.

Shareholders 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.

Title 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, the Directors and the company, or among the shareholders themselves, concerning the company's business shall be adjudicated as required by law and shall be subject to the jurisdiction of the competent courts.

General information

Outlook for Compagnie de Financement Foncier

Recent events

The company did not record any recent events that significantly impact the evaluation of its solvency. Compagnie de Financement Foncier has issued €2.1 billion since the beginning of the year 2013, in line with its' annual funding program.

Trends

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

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

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

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

At the end of 2010, Compagnie de Financement Foncier stopped buying securitisations and started, in accordance with the new strategic plan of Crédit Foncier aimed at adjusting to the new Basel III rules, and more especially to the new leverage ratio, to sell a large part of its international portfolio, a large portion of which is composed of securitisations. Consequently, Compagnie de Financement Foncier, which still holds securitisations not originated by Groupe BPCE for €11.4 billion as of 31 December 2012, is concerned by the evolution of the Eurosystem rules. During the 2012, €5.0 billion of securitisations have been sold. These sales will go on in 2013 and 2014. No known other than the above, uncertainty, claim, commitment or event is reasonably liable to influence the company's outlook.

Audit

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

Material events

No significant changes in the financial or commercial situation have occurred between 28 March 2013 - 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 with regard to Compagnie de Financement Foncier and the private interests and/or other duties of members of the Board.
- To the company's knowledge, 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 activity, financial position or results.
- Compagnie de Financement Foncier conducts itself and its corporate entities with respect to the corporate governance framework in practice in France.

Persons responsible for auditing the financial statements

Statutory

KPMG Audit - Department de KPMG SA

Represented by Mr Jean-François DANDÉ

Address: 1, cours Valmy – 92923 La Défense Cedex – 775726417 RCS PARIS

Member of the *Compagnie régionale des Commissaires aux comptes de Versailles* (Regional Association of Statutory Auditors of Versailles)

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 financial year 2016

PricewaterhouseCoopers Audit

Represented by Mr Jean-Baptiste DESCHRYVER

Address: 63, rue de Villiers – 92200 Neuilly-sur-Seine – 302474572 RCS PARIS

Member of the *Compagnie régionale des Commissaires aux comptes de Versailles* (Regional Association of Statutory Auditors of Versailles)

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 financial year 2013

Alternates

KPMG Audit FSI

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 General Meeting called to approve the financial statements for the financial 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 financial year 2013

Specific Controllers

Statutory

Cailliau Dedouit & 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: period remaining in predecessor's term, then renewed for a term of four years

Expiration of term: after submission of the report and certified statements for the financial year ending 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: period remaining in predecessor's term, then renewed for a term of four years

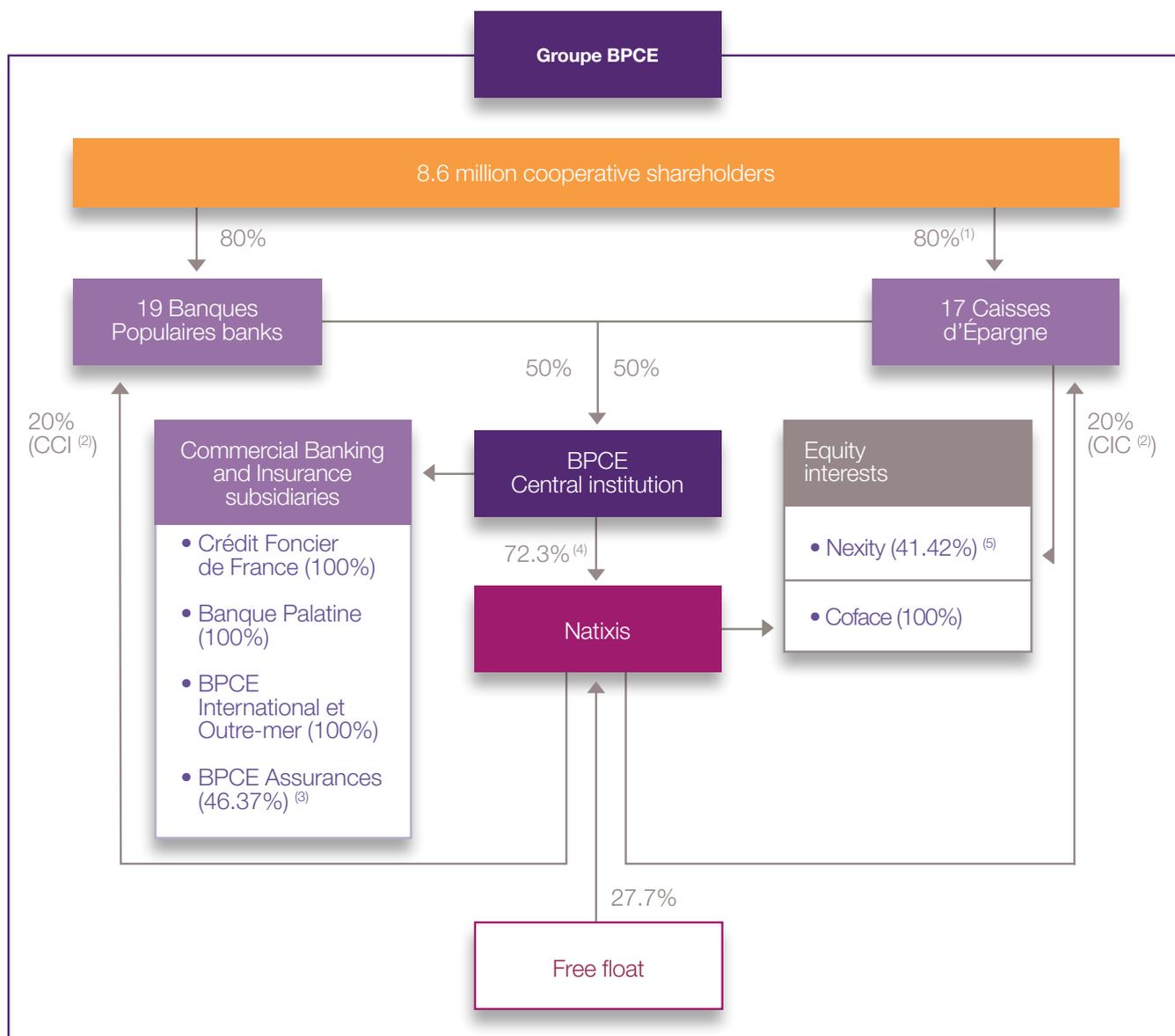
Expiration of term: after submission of the report and certified statements for the financial year ending 31 December 2014

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 2012



■ Commercial Banking and Insurance

■ Wholesale Banking, Investment Solutions and Specialized Financial Services

⁽¹⁾ Indirectly through Local Savings Companies.

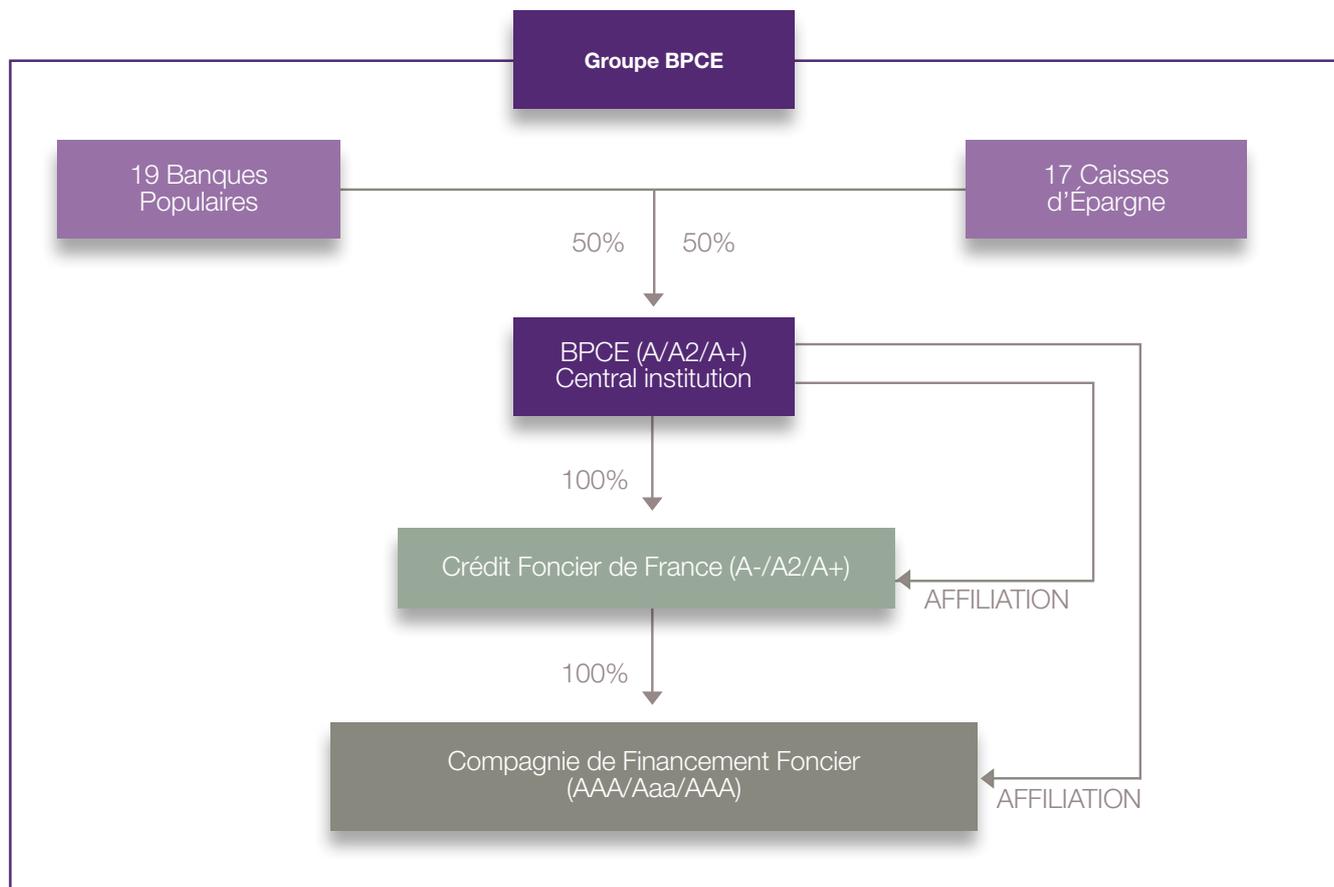
⁽²⁾ CICs: Cooperative Investment Certificates (economic interests, no voting rights). A project aimed at simplifying the Group's organizational structure has been drawn up; this plan will first be the subject of consultations with the employees' representatives before being submitted for approval to the relevant governing bodies. Once this operation has been completed as planned, the cooperative shareholder customers will own 100% of their bank's capital (via the local savings companies in the case of the Caisses d'Épargne).

⁽³⁾ With the equity interest held by the Caisses d'Épargne in BPCE Assurances, the Group owns a 60% stake in the company.

⁽⁴⁾ Percentage of voting rights held by BPCE.

⁽⁵⁾ Via CE Holding Promotion.

Focus on the positioning of Compagnie de Financement Foncier



Significant event since the year end

Groupe BPCE has drafted a significant simplification of its structure, with the planned acquisition, jointly by Banques Populaires and Caisses d'Épargne, of all Cooperative Investment Certificates (CCI) they have issued, currently wholly owned by Natixis. Following the cancellation of CCI and redeemed by each Banque Populaire and Caisse d'Épargne, the capital of these institutions would be fully owned by their members.

This operation would be a new step in the construction of Groupe BPCE.

The transaction, announced on 17 February 2013, will be subject to the approval of the Boards of Banques Populaires and Caisses d'Épargne (equally shareholders of BPCE), BPCE and Natixis which will be called upon to decide, after consultation with the staff representatives. This could be achieved during the third quarter of 2013.

Statement from the person who assumes responsibility for the registration document

Person responsible for financial information

Mr Thierry DUFOUR
Chairman of the board of Directors and CEO

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 certify, to the best of my knowledge, that the financial statements have been prepared in compliance with applicable accounting standards and accurately represent the company's assets, financial situation and its earnings and that the information contained in the management report in volume 2 pages 5 to 31 depicts an accurate representation of company trends, earnings, its financial situation as well as a description of the primary risks and uncertainties the company faces.

I 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 a reading of the entire document.

Signed in Charenton-le-Pont, on 5 April 2013

Chairman of the board of Directors and CEO of Compagnie de Financement Foncier
Thierry DUFOUR

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

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⁽¹⁾ In application of article 28 of Regulation no. 809-2004 on prospectuses, the corporate financial statements for the accounting period ended 31 December 2011 and the Statutory Auditors' report on the corporate financial statements, included in the reference document no. D.12-0265 filed with the *Autorité des marchés financiers* (AMF – French Financial Markets Authority) on 3 April 2012, are incorporated by reference in this document.

The sections of reference document no. D.12-0265 not referred to above are either of no consequence to investors or covered by another section of this reference document.

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