

# COMPAGNIE DE FINANCEMENT FONCIER

## Registration document 2014

Including the annual Financial report







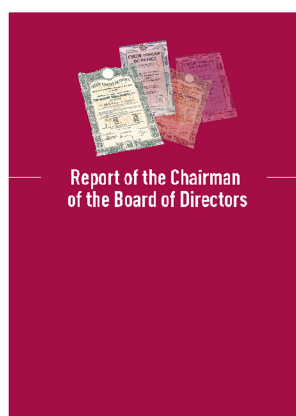
Activity report 2014



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 2014 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 13 April 2015, in accordance with Article 212-13 of its general regulation and registered under the number D.15-0329 and represents the French "Document de référence" of Compagnie de Financement Foncier.

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

# Table of contents

## **Activity report 2014** **4**

Profile	5
Chairman's message	6
Message from the Chief Executive Officer and the Deputy Chief Executive Officer	7
History	8
Key figures	10
Increasing synergies with Groupe BPCE	13
Covered bonds: legal and regulatory framework	14
Business model of Compagnie de Financement Foncier	26

## **Financial report** **42**

2014 Management report	43
Financial statements	73

## **Risk management report** **132**

1. Foreword	133
2. Organisational overview: risk management information	133
3. Risk factors	140
4. Regulatory capital and prudential ratios	143
5. Management of credit risk and counterparty risk	146
6. Analysis of delinquencies	152
7. Risk mitigation techniques	153
8. Recommendations from the Financial Stability Forum	163
9. Market and asset & liability management risks	164
10. Operating risks	168
11. Settlement risk	171
12. Non-compliance risk	171

## **Report of the Chairman of the Board of Directors** **174**

Report of the Chairman of the Board of Directors	175
Statutory Auditors' report	184

## **Legal information** **186**

1. Corporate governance	187
2. General information concerning the Company	188
3. General information concerning the share capital	193
4. Resolutions submitted to the General Meeting	194
5. Bylaws	196
6. General information	202
Appendix	204
Statement from the person who assumes responsibility for the registration document	206
AMF Cross-reference Table	207

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



# Activity report 2014

## PROFILE

## CHAIRMAN'S MESSAGE

## MESSAGE FROM THE CHIEF EXECUTIVE OFFICER AND THE DEPUTY CHIEF EXECUTIVE OFFICER

## HISTORY

## KEY FIGURES

## INCREASING SYNERGIES WITH GROUPE BPCE

Crédit Foncier at a glance

Groupe BPCE at a glance

Synergies

5

6

7

8

10

13

13

13

13

## COVERED BONDS: LEGAL AND REGULATORY FRAMEWORK

Covered bonds

French covered bonds: *obligations foncières*

## BUSINESS MODEL OF COMPAGNIE DE FINANCEMENT FONCIER

Assets selection, management rules and control

Refinancing through the issuance of *obligations foncières*

14

14

16

26

26

38

# Profile

Compagnie de Financement Foncier is a credit institution company approved as a financial company and a *société de crédit foncier* (a French legal covered bonds issuer). As a wholly-owned subsidiary of Crédit Foncier (A-/A2/A)<sup>(1)</sup>, and as an affiliate of BPCE (A<sub>(neg. outlook)</sub>/A2/A)<sup>(1)</sup>, the company's sole purpose is to finance the mortgage and public-sector lending activities of both its parent company and Groupe BPCE as a whole, through the issuance of *obligations foncières*.

Compagnie de Financement Foncier's *obligations foncières* (AAA/Aaa/AA)<sup>(1)</sup> are French legal covered bonds that comply with the European directives UCITS 52-4<sup>(2)</sup> and CRD<sup>(3)</sup> and with the Article 129 of the European Capital Requirements Regulation CRR<sup>(4)</sup>. All *obligations foncières* of Compagnie de Financement Foncier are eligible for ECB<sup>(5)</sup> refinancing operations and grant preferential treatment in own funds to investors.

Since 2012, Compagnie de Financement Foncier is a member of the ECBC<sup>(6)</sup> Covered Bond Label. This label was created in order to meet the expectations of covered bonds market players for improving standards and increasing transparency, especially by providing investors with a regular and harmonized information.

Firmly supported by its parent, Crédit Foncier, which has been issuing French *obligations foncières* since 1852, Compagnie de Financement Foncier continued to be a major player in its market in 2014, with a total outstanding of €71.1 bn as of 31 December 2014, and an issuance volume of €6.1 bn.

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

(2) UCITS: Undertakings for Collective Investment in Transferable Securities, directive on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities.

(3) CRD: Capital Requirements Directive.

(4) CRR: Capital Requirements Regulation.

(5) ECB: European Central Bank.

(6) ECBC: European Covered Bond Council.



# Chairman's message

**Bruno Deletré**  
Chairman

***"Compagnie de Financement Foncier: a prime refinancing tool available to Groupe BPCE entities."***

2014 was a year of transition for the European banking sector in a challenging economic (geopolitical crises, low eurozone inflation, the ECB's expansionary monetary policy) and regulatory (Basel III) environment. The AQR<sup>(7)</sup> and the stress test carried out by the ECB and the EBA<sup>(8)</sup> confirmed the strength of Groupe BPCE as a whole and hence of groupe Crédit Foncier, of which Compagnie de Financement Foncier is a wholly owned subsidiary. Groupe BPCE's Common Equity Tier 1 ratio is 11.9% at 31 December 2014. These results show the financial resilience of Groupe BPCE under the adverse stress scenario, having a very significant impact on the French economy, assuming, in particular, a sharp decline in real-estate prices. The completion of this comprehensive exercise, which involved significant human resources both within the supervisory bodies reporting to the ECB and within Groupe BPCE itself, represents a major step forward in the implementation of the European Banking Union.

The implementation of Crédit Foncier's 2014-2017 strategic plan, which is incorporated into Groupe BPCE's 2014-2017 strategic plan "Growing differently", is going smoothly and particularly regarding synergies with other Groupe BPCE entities. A part of Compagnie de Financement Foncier's funding activities is now dedicated to financing other group's entities. Since the plan was launched, Compagnie de Financement Foncier has refinanced more than €6bn on the Group's behalf long-term loans originated by Banques Populaires and Caisses d'Epargne, or co-produced by them and Crédit Foncier.

In addition to its activities for Crédit Foncier, Compagnie de Financement Foncier is fully integrated into Groupe BPCE's strategy and demonstrated again in 2014 its ability to raise long-term funds in the market at very competitive levels thanks to the relevance of its business model.

<sup>(7)</sup> AQR: Asset quality review, conducted by the European central bank (ECB).

<sup>(8)</sup> EBA: European banking authority.



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

**Thierry Dufour**  
Chief Executive Officer

**Sandrine Guérin**  
Deputy Chief Executive Officer

***"Compagnie de Financement Foncier's obligations foncières can be considered as high-quality liquid assets (level-1 assets) for the LCR ratio."***

Covered bonds remain an attractive asset class for investors, regarding the latest Basel III regulatory developments, in particular concerning the solvency and liquidity standards. From now on, covered bonds are explicitly excluded from the bail-in procedure and meet the eligibility criteria for inclusion in the liquidity reserve that banks will be required to establish from 2015 under the LCR<sup>(9)</sup>. Covered bonds are also eligible for ECB's refinancing operations and enjoy preferential treatment for the various investment banks.

In a reinforced regulatory framework with the adoption of the CRR/CRD IV regulation, the ECB's monetary policy (cuts in key interest rates, TLTRO<sup>(10)</sup>, covered bonds and ABS purchase programmes)<sup>(11)</sup> supported the primary covered bonds market. Compagnie de Financement Foncier was able to benefit from this favourable environment to issue significantly over-subscribed issuances to an ever-broader investors base, in particular among central banks.

Compagnie de Financement Foncier's creditworthiness, rated Aaa/AAA/AA, gives it a key role in funding long-term assets for groupe Crédit Foncier and other Groupe BPCE entities.

***"In 2014, Compagnie de Financement Foncier is the leading issuer of euro benchmark covered bonds."***

For Compagnie de Financement Foncier, 2014 was marked by four public issuances on the middle and long end of the curve with two five-year, one seven-year and one ten-year issuances. These issuances of *obligations foncières* were very well received by investors looking for high-quality papers.

The two last issuances with a five-year and seven-year tenors (September and November) were placed at the lowest levels ever since the financial crisis, representing the tightest spreads on these maturities in 2014 amongst covered bond issuers. Compagnie de Financement Foncier's spreads tightened sharply throughout the year, and are now trading at levels close to French sovereign bonds (OAT).

In 2014, Compagnie de Financement Foncier was able to strengthen its position as the world's leading covered bond issuer<sup>(12)</sup> in terms of outstandings and its central position at the heart of Groupe BPCE's strategy.

(9) LCR: Liquidity coverage ratio.

(10) TLTRO: Targeted longer term refinancing operations.

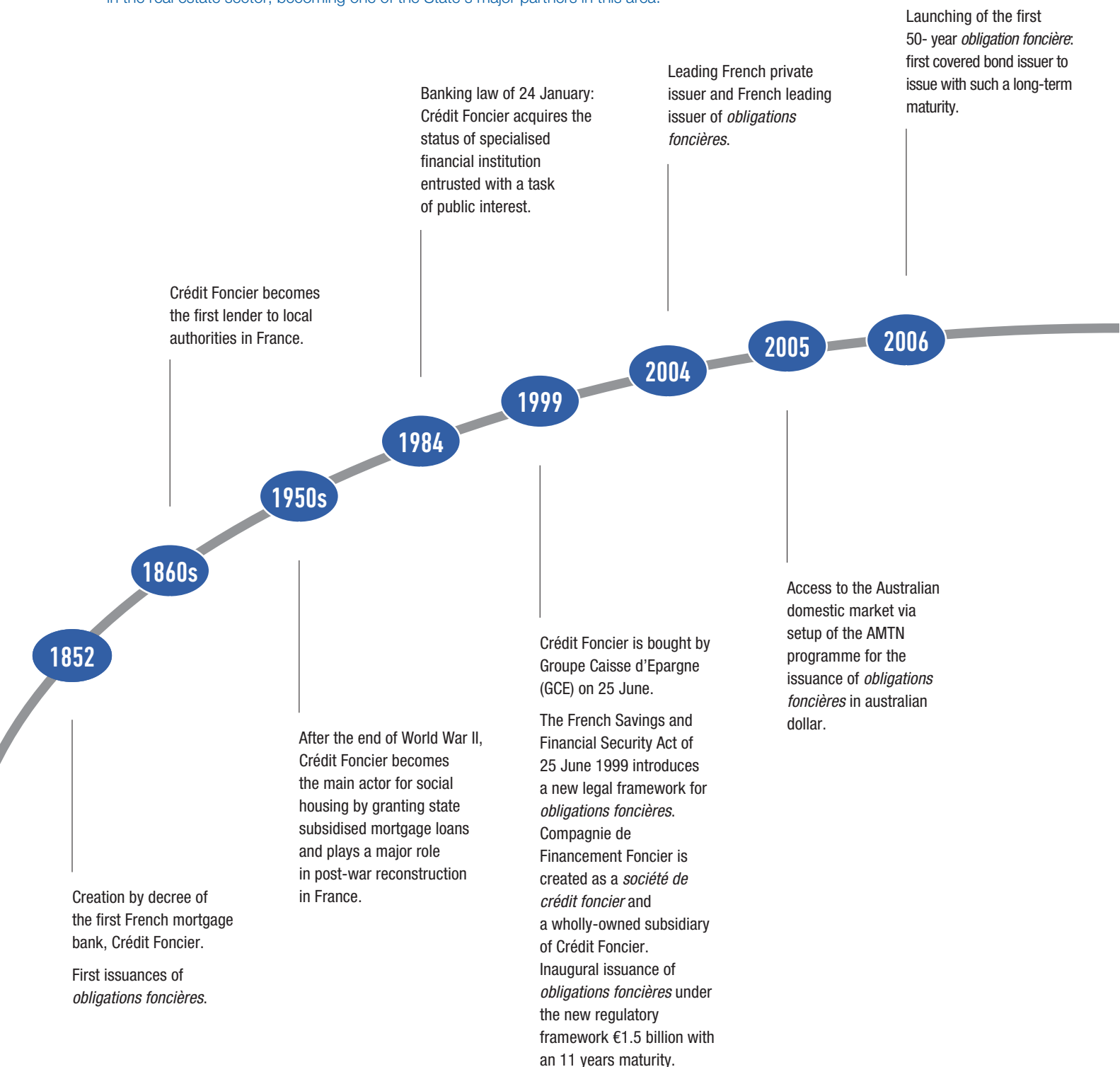
(11) ABS: Asset-backed securities.

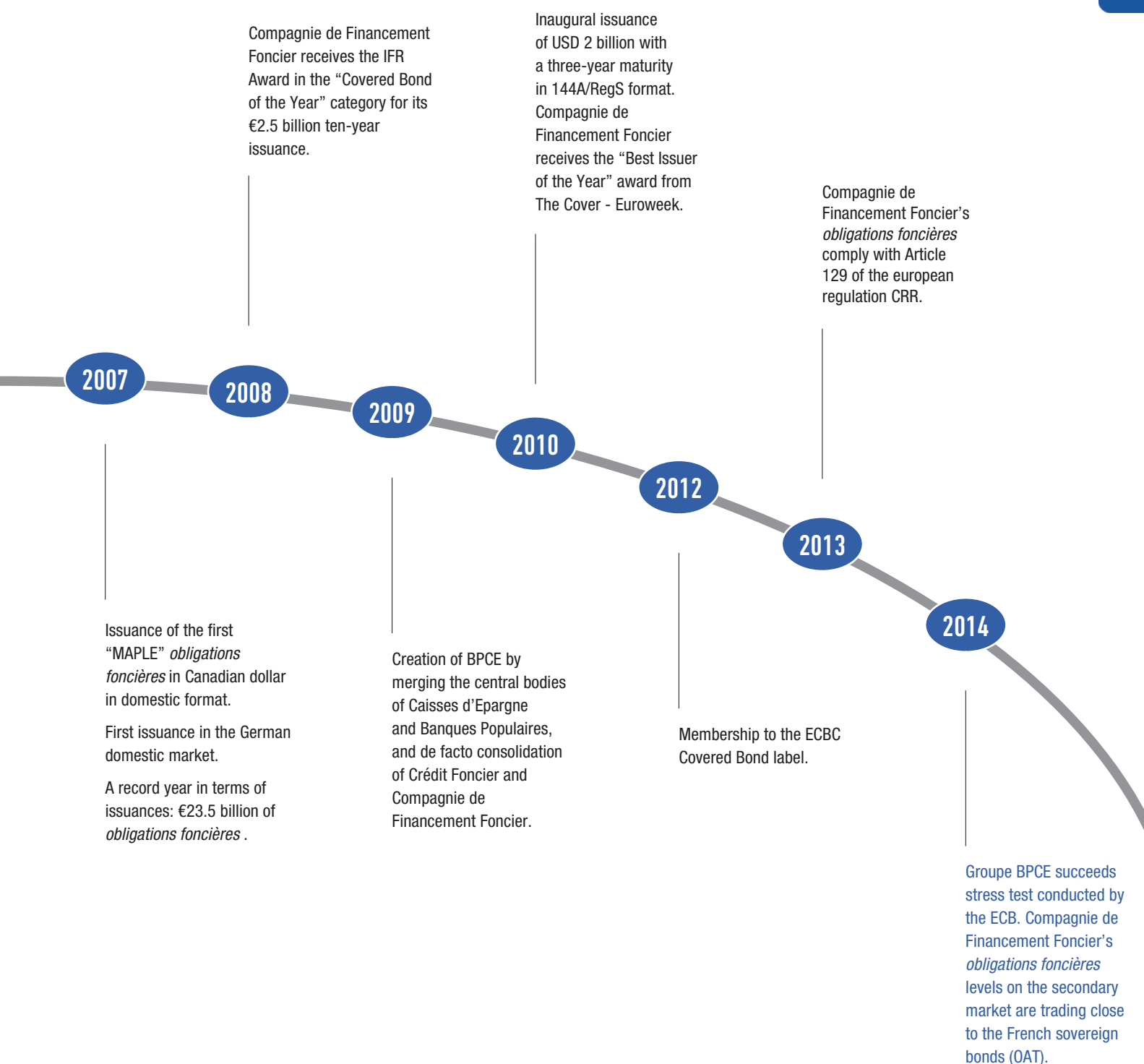
(12) Natixis Research – "Tour d'horizon des programmes d'obligations sécurisées" (Overview of covered bonds programs) – July 2014.

# History

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

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





# Key figures

## ISSUER INFORMATION

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

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

**Type of bonds issued:** *obligations foncières*

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

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

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

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

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

## SIMPLIFIED ECONOMIC BALANCE SHEET

### ASSETS (by type of exposure)

	At 12/31/14		At 12/31/13	
	€bn	%	€bn	%
<b>Mortgage loans</b>	<b>40.4</b>	<b>45.9%</b>	<b>38.5</b>	<b>42.9%</b>
Mortgage loans or equivalent	40.4	45.9%	38.5	42.9%
<b>Public sector exposures</b>	<b>36.4</b>	<b>41.4%</b>	<b>39.6</b>	<b>44.2%</b>
French Public Sector loans *	25.5	29.0%	28.2	31.5%
Securities and loans from the public sector abroad	10.9	12.4%	11.4	12.7%
<b>Replacement values and other assets</b>	<b>11.1</b>	<b>12.7%</b>	<b>11.6</b>	<b>12.9%</b>
Replacement values	6.9	7.9%	7.0	7.8%
Other assets	4.2	4.8%	4.6	5.1%
<b>TOTAL ASSETS</b>	<b>87.9</b>	<b>100.0%</b>	<b>89.7</b>	<b>100.0%</b>

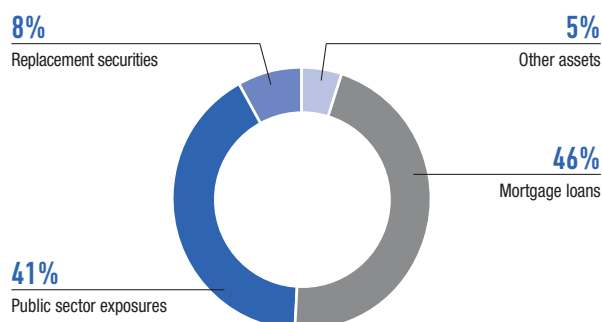
\* Including deposits and short term loans at Banque de France of €1.2 bn in 2014 and €11.4 bn in 2013.

### LIABILITIES

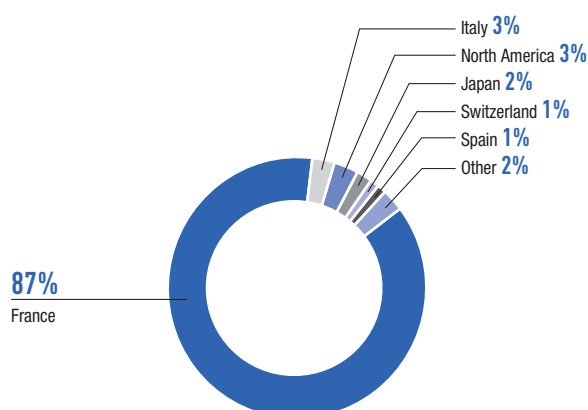
	At 12/31/14		At 12/31/13	
	€bn	%	€bn	%
<b>Privileged resources</b>	<b>70.6</b>	<b>80.3%</b>	<b>75.1</b>	<b>83.7%</b>
<i>Obligations foncières</i>	71.1	80.9%	75.1	83.7%
Foreign exchange rate difference on <i>obligations foncières</i>	-0.8	-0.9%	-0.5	-0.6%
<b>Other privileged resources</b>	<b>0.3</b>	<b>0.3%</b>	<b>0.5</b>	<b>0.6%</b>
<b>Foreign exchange rate difference associated with hedging balance sheet items</b>	<b>1.0</b>	<b>1.2%</b>	<b>0.5</b>	<b>0.6%</b>
<b>Non-privileged resources</b>	<b>16.3</b>	<b>18.6%</b>	<b>14.1</b>	<b>15.7%</b>
Unsecured debt	10.8	12.3%	8.6	9.6%
Subordinated debt or equivalent	3.7	4.2%	3.8	4.2%
– of which redeemable subordinated notes (RSN)	2.1	2.4%	2.1	2.3%
– of which super-subordinated notes	1.4	1.5%	1.4	1.6%
Shareholders' equity, provisions and reserve for general banking risks	1.9	2.1%	1.8	2.0%
(Regulatory capital or equivalent)	(4.9)	(5.6%)	(4.4)	(4.9%)
<b>TOTAL LIABILITIES</b>	<b>87.9</b>	<b>100.0%</b>	<b>89.7</b>	<b>100.0%</b>

## Breakdown of assets: €87.9 bn

### By type of assets

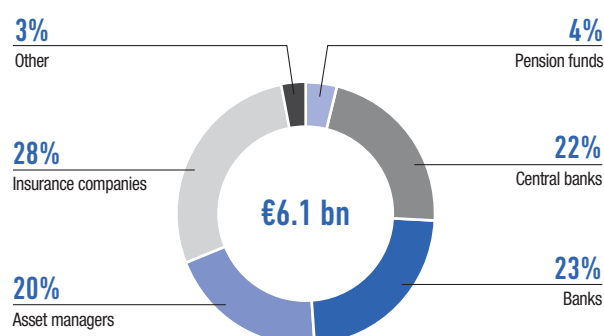


### By region

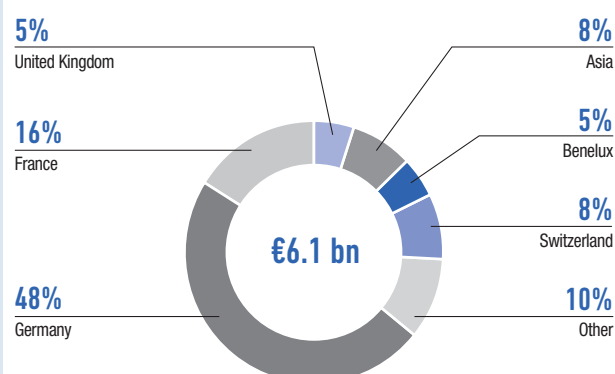


## Breakdown of 2014 issuances: €6.1 bn

### By investor type



### By region



## 2014 HIGHLIGHTS

The Asset Quality Review and Stress Test carried out by the ECB and the EBA confirmed the strength of Groupe BPCE.

Compagnie de Financement Foncier's *obligations foncières* are explicitly excluded from the bail-in procedure and can be considered as highly quality liquid assets under the LCR standard.

For the first time since the financial crisis, Compagnie de Financement Foncier issued *obligations foncières* in the market at negative spreads (against swap), at levels close to French sovereign bonds.

## PERFORMANCE INDICATORS

€6.1 bn

Obligations foncières issued in 2014

€84.3 m

Net income

€359.6 m

Net banking income

€4.9 bn

Regulatory capital

120.0%

Regulatory overcollateralisation ratio

20.4%

Non-privileged resources/privileged resources ratio

73.6%

Average LTV of mortgage loans

10.0%

Common EquityTier-1 ratio

16.2%

Tier-1 ratio

28.4%

Solvency ratio \*

\* Calculated according to the standard method.

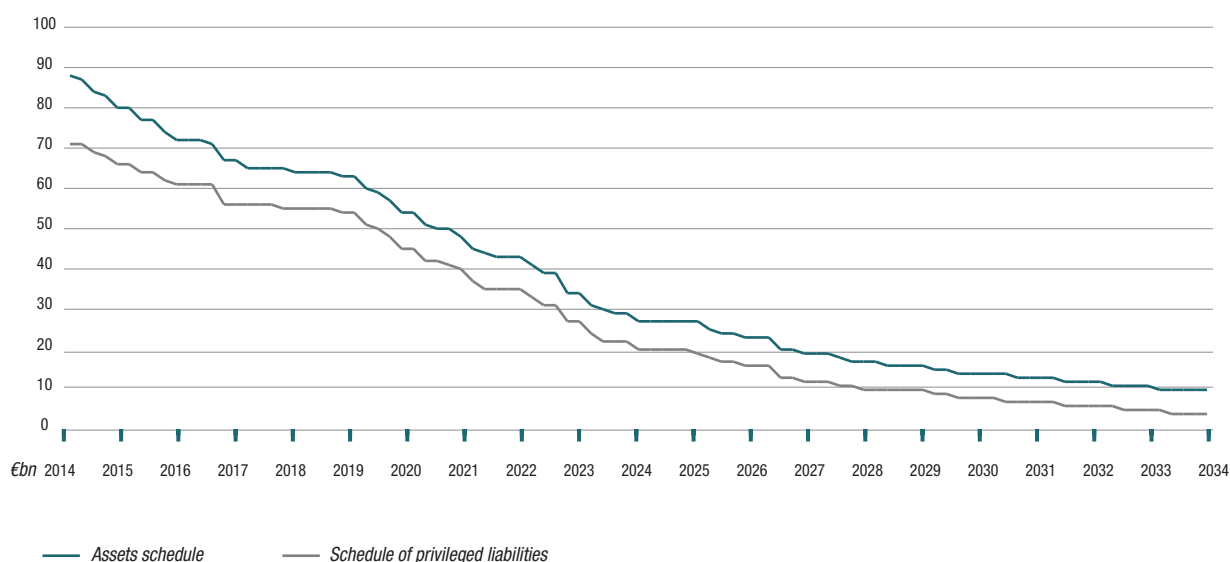
### Outstanding privileged liabilities at 31 December 2014

€71 bn of obligations foncières

### Positioning

One of the leading European covered bond issuers with a total outstanding of €71 bn at 31 December 2014.

## AMORTISATION OF ASSETS AND PRIVILEGED LIABILITIES



# Increasing synergies with Groupe BPCE

## Crédit Foncier at a glance

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

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

## Groupe BPCE at a glance

Groupe BPCE is the second largest banking group in France<sup>(13)</sup>, with over 108,000 employees, serves a total of 36 m customers, 8.9 bn of whom have decided to become cooperative shareholders. Groupe BPCE posted solid performance in 2014, with a moderated risk profile and a strong improvement in solvency. The 2014 net

income attributable to equity holders of the parent increased by 4.4% to €2.9 bn compared with 2013. The Common Equity Tier-1 ratio of the group has strengthened further from 10.3% in 2013 to 11.9% in 2014. The group regulatory capital amounts to €60.5 bn at 31 December 2014.

## Synergies

Synergies have increased between Crédit Foncier and Groupe BPCE, in particular in the individual customer business line (long-term loans provided by Caisses d'Épargne and Banques Populaires, etc.), as well as in the social housing and local authorities financing business lines.

In terms of funding, Compagnie de Financement Foncier's activities, as a wholly owned subsidiary of Crédit Foncier, are now extending

to other Groupe BPCE entities as well. In 2014, Compagnie de Financement Foncier thus refinanced, more than €6 bn on the Group's behalf, long-term loans originated by Banques Populaires and Caisses d'Épargne, or jointly produced by them and Crédit Foncier, in line with the targets set in Groupe BPCE's 2014-2017 strategic plan "Growing differently".

<sup>(13)</sup> N°2 by market share of customer savings and customer loans (source: Banque de France Q3-2014), N°2 in terms of penetration rate among professional customers and individual entrepreneurs (source: Pépites CSA 2013-2014 survey).



# Covered bonds: legal and regulatory framework

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

govern the legal framework of covered bonds: the UCITS and the CRD directives. These European directives are transposed into French law in the CMF <sup>(14)</sup>.

## Covered bonds

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

In the European Union, covered bond features are defined by Article 52-4 of the European UCITS directive

(2009/65/EC amended), according to the following criteria:

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

### UCITS directive - Article 52-4

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

[...]

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

[...]

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

The second European piece that provides a definition of covered bonds is the Capital Requirements Directive (CRD) on regulatory

capital adequacy which transposes the new global standards through a regulation and a directive. Covered bond holders benefit, particularly European banks, from a favourable regulatory framework. Indeed, covered bonds with the highest rating receive a favourable risk weighting for banks and insurance holders.

<sup>(14)</sup> CMF: Code monétaire et financier (Monetary and Financial Code).

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

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

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

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

a) exposures to or guaranteed by central governments, ESCB<sup>(15)</sup> central banks, public sector entities, regional governments or local authorities in the Union;

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

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

[...]

d) loans secured by:

i) residential property [...]

[...]

4. Covered bonds for which a credit assessment by a nominated ECAI<sup>(16)</sup> is available shall be assigned a risk weight according to Table 6a which corresponds to the credit assessment of the ECAI in accordance with Article 136.

**■ Tableau 6a**

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

The main feature of covered bonds is the specific mechanism established to protect bondholders. Indeed, bondholders benefit from a special legal privilege on the underlying assets of the cover pool in case of the issuer's default, giving them the right to be paid prior to all other creditors. To ensure a sufficient level of quality, said assets are strictly defined in the appropriate legislation (mainly real estate and claims on central or regional governments, or local authorities).

The European Covered Bond Council, an association representing mainly issuers whose members account for over 95% of outstanding covered bonds, established the Covered Bond Label in 2012, who performs its own governance in which French issuers are represented. For investors, regulators and key market players, the label promotes access to relevant, uniform and transparent information on 70 issuers and 81 cover pools in 13 European countries. This quality label is based on a convention, which defines the core characteristics and criteria for a covered bond programme to qualify.

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

The new LCR (Liquidity Coverage Ratio) regulation enable the inclusion of covered bonds that comply with certain criteria in the liquidity reserve.

Compagnie de Financement Foncier complies with all the label requirements, and has therefore renewed its membership for 2015. All information and reports are available on the website [www.coveredbondlabel.com](http://www.coveredbondlabel.com).

(15) ESCB: European System of Central Banks.

(16) ECAI: External Credit Assessment Institution.

## French covered bonds: *obligations foncières*

### THE BASICS OF *OBLIGATIONS FONCIÈRES*

#### FRENCH LAW AND COMPLIANCE WITH EUROPEAN REGULATIONS

In 1999, the French government passed legislation on the modernisation of the *obligations foncières* framework. This law provides the French financial markets with a category of bond instruments, which are competitive and uniform in terms of risks and liquidity, controlled by the *Autorité de contrôle prudentiel et de résolution* (ACPR)<sup>(17)</sup> and by a Specific Controller. Until then, the legislation of 1852 on *sociétés de crédit foncier* allowed only Crédit Foncier de France or Crédit Foncier et Communal d'Alsace et de Lorraine to issue *obligations foncières*. Since 1999, *société de crédit foncier*'s business activities have been governed by the French Monetary and Financial Code (CMF).

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

- *sociétés de crédit foncier* are credit institutions having their registered office in a Member State of the European Union, France. They are legally subject to specific supervision protecting the holders of those bonds, via a Specific Controller, whose appointment is approved by the ACPR;
- bondholders of *obligations foncières* are protected by a pool of underlying assets (whose eligibility criteria are defined by law) towards which they have priority recourse in the event of the issuer's default: this is the legal privilege granted to bondholders.

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

The Decree of 23 May 2014 and the Order of 26 May 2014 strengthened the regulatory framework applicable to *sociétés de crédit foncier* and *sociétés de financement de l'habitat*.

The measures introduced by this legislation, most of which had immediate effect, were the subject of two orders from the *Autorité de contrôle prudentiel et de résolution* (ACPR – French Prudential Supervisory and Resolution Authority) in December 2014.

The main changes were:

- an increase of the regulatory cover ratio from 102% to 105%;
- the introduction for this ratio of a limit for non-collateralised exposures in the respective group, equal to 25% of non-privileged resources;
- removing the possibility of having refinancing agreements to cover cash requirements at 180 days;
- implementation of a maximum maturity gap between assets and liabilities: the average maturity for assets held to maintain a cover ratio of 105% may not exceed the average maturity of outstanding privileged liabilities by more than 18 months (with a deadline of 31 December 2015 if compliance is not ensured by 30 June 2014);
- an estimate based on a yearly plan approved by the decision-making body and submitted to the ACPR of the privileged resources' cover ratio up to their maturity, considering the available eligible assets and the forecasted new production based on conservative assumptions (with a deadline of 31 December 2015 if compliance is not ensured by 30 June 2014);
- identification of staff and resources required to recover receivables and to enforce contracts entered into by the company, as well as the drafting of a plan defining the conditions for transferring all of the required technical resources and data to execute recovery actions (pending a new order specifying the corresponding implementation conditions);
- drafting of quarterly statements containing the items included to calculate the coverage rate, the items included to calculate the resources necessary to cover cash requirements for a period of 180 days, the difference in average maturity between assets and liabilities as defined above and an estimate of the provisional cover of privileged resources with eligible assets, these statements being supplemented by a textual report detailing the assumptions and conventions used to prepare these results.

All these documents together with their certification by the Company's Specific Controller must be sent to the ACPR within 90 days of the end of each quarter.

<sup>(17)</sup> French Prudential Supervisory and Resolution Authority which is an administrative authority that supervises the activity of financial institutions. For further details, please refer to the paragraph on the *Autorité de contrôle prudentiel et de résolution* (ACPR - French Prudential Supervisory and Resolution Authority) under "Regulatory bodies" on page 21.

## SOCIÉTÉS DE CRÉDIT FONCIER

*Sociétés de crédit foncier* are credit institutions whose sole purpose is defined in Article L.513-2 of the French Monetary and Financial Code: granting or acquiring guaranteed loans i.e. loans that are backed by first-rank mortgages or real property collateral conferring

at least an equivalent guarantee, or exposures to public entities, and financing them by issuing *obligations foncières*. The business activities of a *société de crédit foncier* are restricted by law: they are not allowed to hold equity interests or share portfolios.

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

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

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

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

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

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

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

[...]

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

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

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

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

## INVESTOR PROTECTION

### LEGAL PRIVILEGE OF HOLDERS OF OBLIGATIONS FONCIÈRES

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

**Article L.513-11 (formerly Art. L.515-19)****Notwithstanding any contrary legislative provisions, including those of Book VI of the French Commercial Code:**

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

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

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

[...]

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

- **Overcollateralisation**

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

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

Article R.513-8 of the CRBF (French Banking and Financial Regulatory Committee) regulation sets the minimum legal overcollateralisation ratio at 105%. One of the Specific Controller's duties is to monitor compliance with this

overcollateralisation rule. The regulatory overcollateralisation ratio of *Compagnie de Financement Foncier* was 120.0% at 31 December 2014 and has always exceeded 108% since the establishment of *Compagnie de Financement Foncier* in 1999.

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

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

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

Article 12 of CRBF No. 99-10 requires that matching of maturity and interest rates of assets and liabilities has to be respected in the *société de crédit foncier*'s balance sheet management. It is subject to very close scrutiny by the Specific Controller, who instructs the executives and the ACPR if he or she determines that the matching of interest rates and maturity could create excessive risks for privileged creditors (decree of 23 February 2011). The decree of 23 May 2014 then the order of 26 May 2014 established a maximum duration gap between assets and liabilities. The average maturity for assets held to maintain a cover ratio of 105% and used by transparency in the case of

collateralised assets such as mortgage notes or mobilisations pursuant to Article L.211-38, may not exceed the average maturity of outstanding privileged liabilities by more than 18 months.

- **180-day liquidity buffer**

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

#### Article R.513-7 (formerly Art. L.515-7-1)

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

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

### NON-EXTENSION OF THE PARENT'S INSOLVENCY TO ITS SOCIETE DE CREDIT FONCIER SUBSIDIARY

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

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

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

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

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

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

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

### IMMUNITY OF OBLIGATIONS FONCIÈRES HOLDERS

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

#### Repayment schedule of privileged debt is maintained

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

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

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

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

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

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

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



**Article L.612-34**

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

[...]

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

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

**Affiliation to a central body**

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

**Article L.511-31**

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

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

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

**Article L.512-107**

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

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

[...]

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

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

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

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



## REGULATORY BODIES

### THE EUROPEAN CENTRAL BANK

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

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

The tasks of the *Autorité de contrôle prudentiel et de résolution* are defined by Article L.612-1 of the French Monetary and Financial Code.

The ACPR is responsible for three main tasks:

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

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

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

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

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

- internal control (Articles 258 to 270 of the Decree of 3 November 2014 on internal control of the banking sector; replacing Articles 42 and 43 of the CRBF regulation 97-02 that it largely reflects);
- liquidity, via the liquidity and observation ratios.

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

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

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

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

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

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

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

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

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

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

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

**Order of 3 November 2014 regarding the internal control of the banking industry****Article 262 (formerly Article 43 of regulation 97-02 as amended)**

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

[...]

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

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

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

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

**Article 264 (formerly Article 43 of regulation 97-02 as amended)****The report referred to in Article 262 shall also include:**

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

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

**Risk assessment and monitoring**

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

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

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

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

**Documentation and information**

Credit institutions are required to document the following:

- their organisation and the role of their staff;

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

The following supervisory and control bodies must be kept informed:

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

**STATUTORY AUDITORS****Appointment of the Statutory Auditors**

As a French public limited company, *sociétés de crédit foncier's* financial statements must be audited by Statutory Auditors. Article L.51138 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 the General Meeting and not by the Company's Executive Directors.

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

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

#### AUDIT AND CERTIFICATION

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

#### GENERAL REPORT

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

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

Liability of the Statutory Auditors

#### Liability of Statutory Auditors and Specific Controller

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

- civil, according to Article L.513-22 of the French Monetary and Financial Code concerning the Specific Controller and Article L.82217 of the French Commercial Code concerning Statutory Auditors specifying that they are responsible vis-à-vis the Company as well as third parties; for the damaging consequences that may arise due to errors and negligence committed by them while performing their duties;
- disciplinary liability, pursuant to Article R.822-32 of the French Commercial Code, because the Specific Controller is a registered statutory auditor;
- criminal liability, pursuant to Articles L.820-6 and L.820-7 of the French Commercial Code.

#### SPECIFIC CONTROLLER

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

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

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

#### SPECIFIC VERIFICATIONS

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

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

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

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

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

- prepare, for management and decision-making entities, an annual report on the achievement of its assignment, a copy of which is sent to the ACPR.

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

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

- verify the asset-liability matching in maturities and interest rates of the *société de crédit foncier* (Article 12 of French Banking and Financial Regulatory Committee (CRBF) regulation No. 99-10);
- appraise the valuation and periodic review procedures of the underlying assets backing the eligible loans, pursuant to Article 5 of CRBF regulation No. 99-10;
- certify on a quarterly basis reportings introduced by the new texts from May 2014.

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

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

##### Specific Controller

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

[...]

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

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

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

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

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

##### Specific Controller

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

[...]

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

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

### Prospectus directive

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

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

*Sociétés de crédit foncier* who choose Paris as the place of registration must submit to the approval of the French Financial Markets Authority (AMF), in its capacity as the regulatory authority for issuers who register their programme in Paris, a prospectus that

contains information intended for the public pursuant to the AMF's general regulation and Articles L.412-1 and L.621-8-1 of the French Monetary and Financial Code.

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

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

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

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

#### Transparency directive

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

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

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

#### Article L.412-1

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

[...]

#### Article L.621-8-1

##### The French Financial Markets Authority

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

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

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

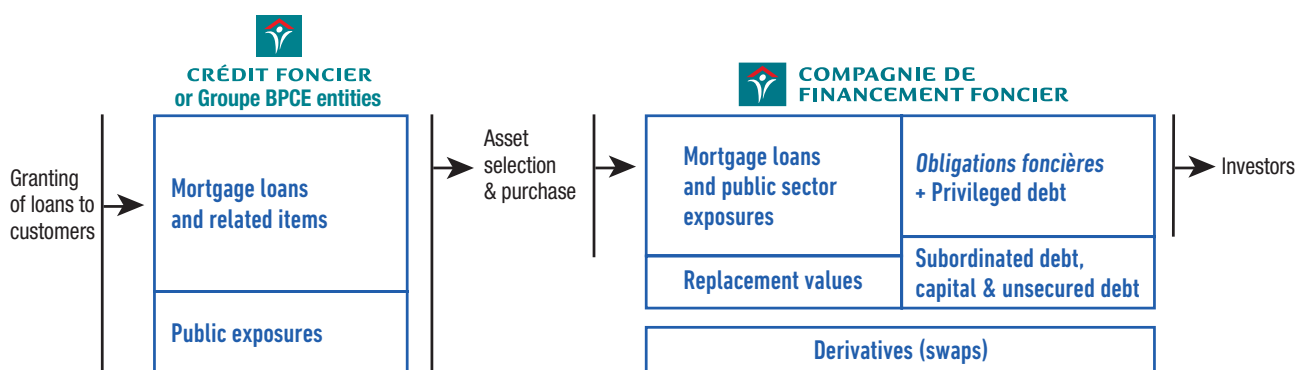
[...]

# Business model of Compagnie de Financement Foncier

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

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

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



## Assets selection, management rules and control

### MARKET AND OPERATING CONTEXT

#### THE FRENCH HOUSING MARKET

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

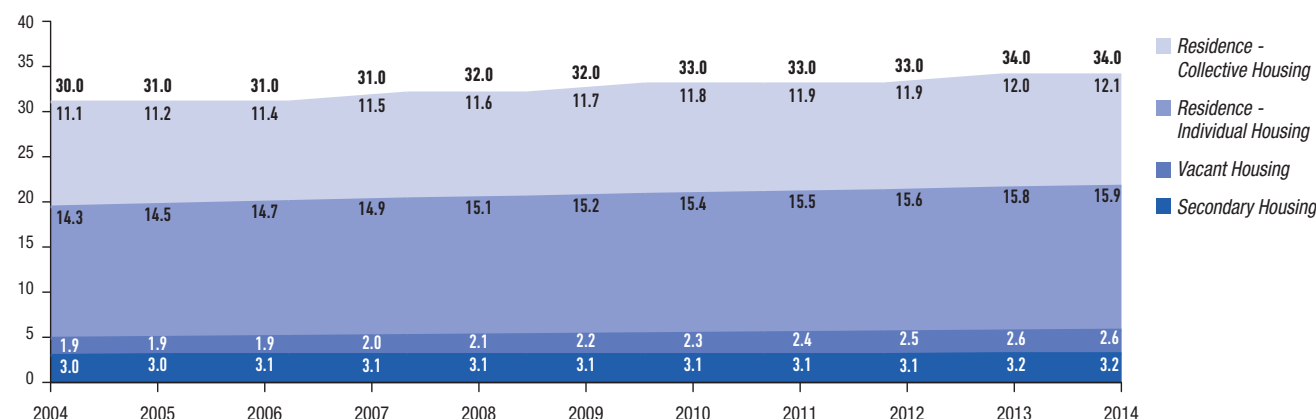
Most housing, whether new or existing, is in the private sector. However there is also a system of social housing for low-income households, which receive subsidies from the French government <sup>(18)</sup>.

France has always sought to foster free choice regarding occupancy status (home-ownership, social housing rental, private buy-to-let). A balanced split between the various modes of occupation, combined with limited levels of household indebtedness, helps to provide stability and safety for the market.

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

<sup>(18)</sup> State subsidies: "housing subsidies" or "personal subsidies". The system has a specific financing system, managed by a state-owned bank (Caisse des Dépôts et Consignations, CDC) and interest rates subsidised by the State.

## ■ Distribution by type of housing (millions of units) <sup>(19)</sup>



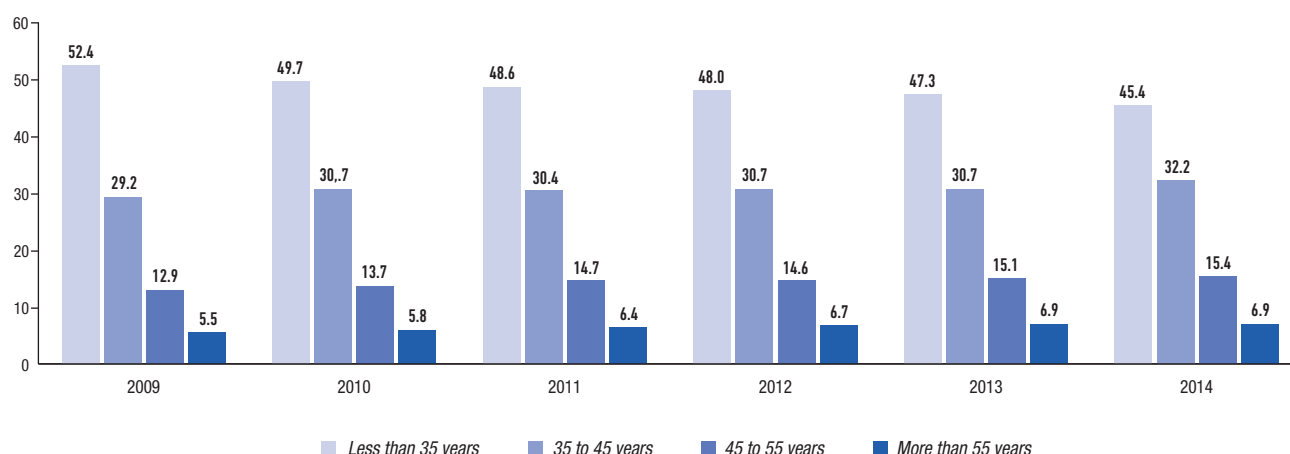
## The structural features of the French housing market

### PROFILE OF BORROWERS

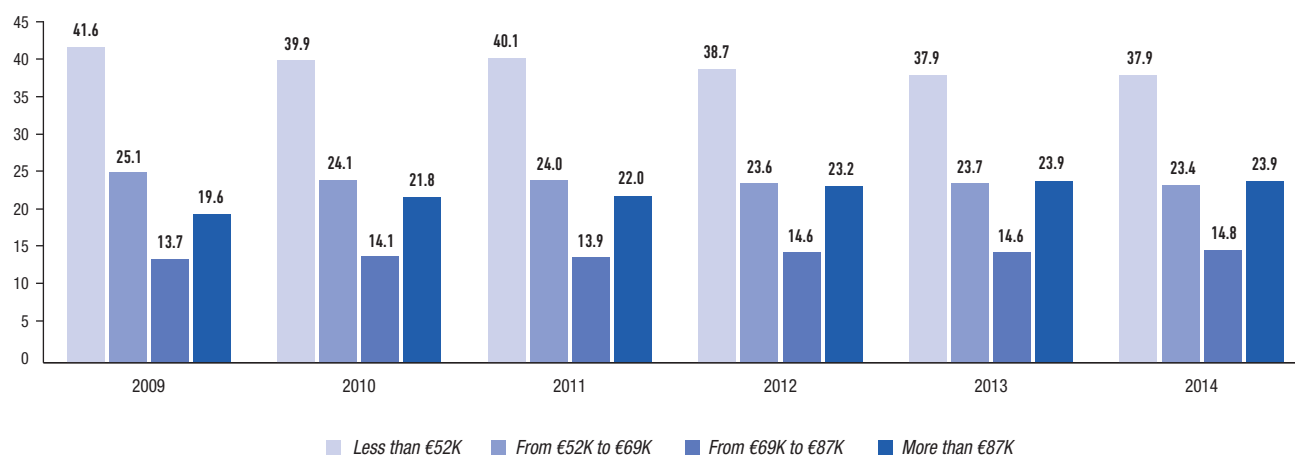
The profile of homebuyers has changed over the past decade, with the unprecedented economic crisis (2007-2008) leading in particular, both in France and in most European countries, to an increase in unemployment rates.

This increase in unemployment naturally led to a reduction in the proportion of younger homebuyers over the same period. Furthermore, the proportion of borrowers holding intermediate occupations, employees and workers also declined over the period.

## ■ Distribution of borrowers by age class (%) <sup>(20)</sup>



## ■ Distribution of borrowers by annual household income (%) <sup>(20)</sup>



(19) INSEE – Annual estimate of housing stock.

(20) Observatoire du Financement des Marchés Résidentiels (French Residential Market Financing Observatory) – Observatoire Crédit Logement/CSA (Crédit Logement Observatory) – October 2014.



## Trends of the French housing market

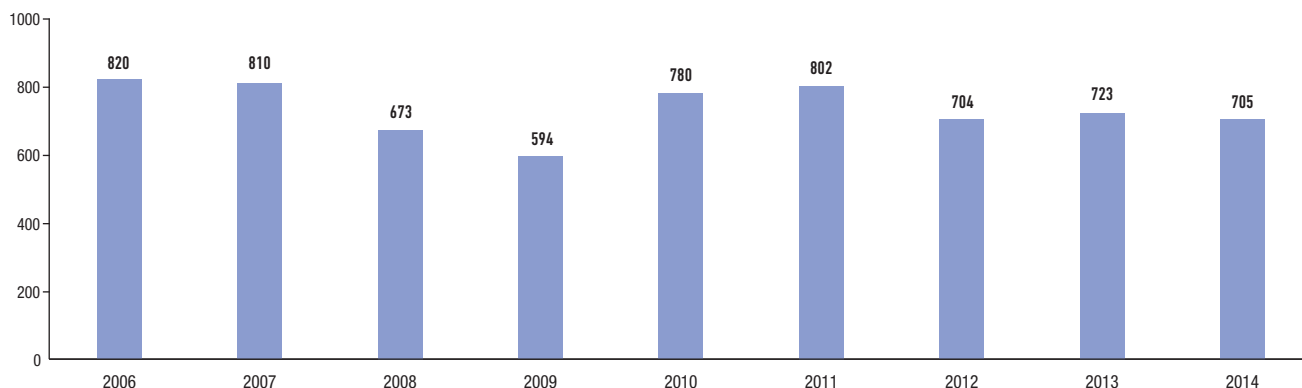
### A DECLINING HOUSING DEMAND

France continues to have substantial housing needs, and this will continue in the long-term. A study by the Commissioner-General for Sustainable Development estimated that housing demand in France will average between 300,000 and 400,000 units per annum up to 2030 <sup>(21)</sup>.

In 2013, France appeared divided into two parts: dynamic cities where prices are holding steady, and demographic areas in decline where prices still show a decreasing trend. In 2014, prices of existing properties are slightly decreasing on the whole, including in Paris where they were down by 1.9% <sup>(22)</sup>.

The existing property market contracted slightly with 705,000 transactions in 2014 compared with 723,000 in 2013.

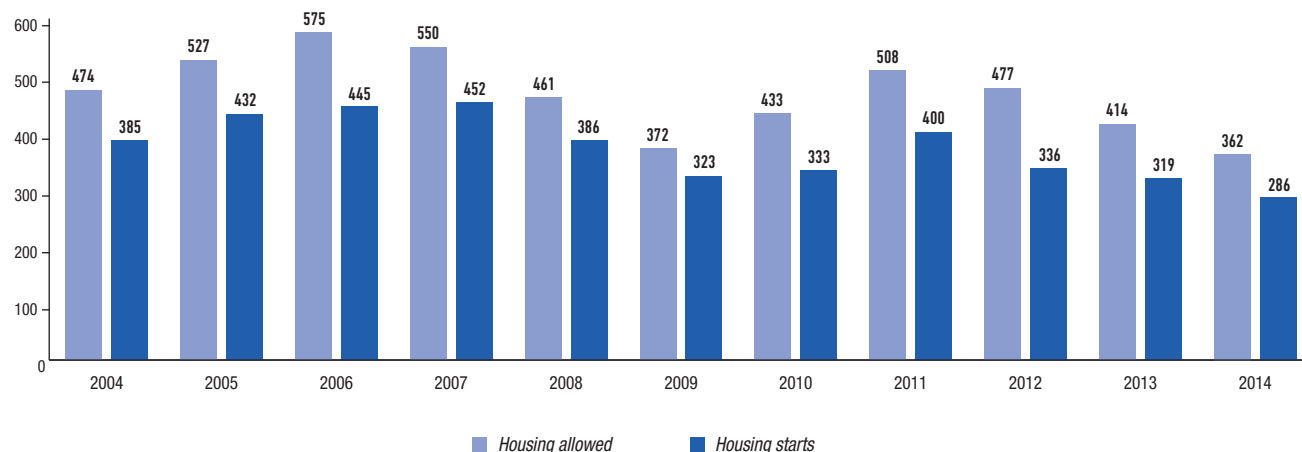
### ■ Number of transactions in existing property (in thousands) <sup>(22)</sup>



The new property market also slightly decreased in 2014. There were a total of 286,000 housing starts <sup>(23)</sup> at 31 December 2014, slightly down compared with 2013. The reforming of public

subsidies in 2014 led to a "wait-and-see" approach amongst eligible populations. The recovery will mainly depend on the implementation of these measures in satisfactory delays <sup>(22)</sup>.

### ■ Number of housing authorised and started (in thousands) <sup>(23)</sup>



## THE FRENCH HOME LOANS

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

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

- Mortgage: right granted to a creditor on a real property as security for a debt, without dispossessing the owner of his right to the property. In the case of non-compliance with the commitment guaranteed by the mortgage, the beneficiary of this guarantee can require the sale of the property and be paid on the amounts due. The lending institution has other legal remedies against the borrower in addition to the mortgage, such as the foreclosure of the property.

<sup>(21)</sup> Commissariat général au développement durable (French Commission on sustainable development) – n°135, August 2012.

<sup>(22)</sup> Crédit Foncier Immobilier study - Real estate markets: appraisal 2014 and outlooks for 2015.

<sup>(23)</sup> INSEE - Statistical bulletin. Nombre de logements commencés France métropolitaine (Number of housing started metropolitan France).

- Surety: personal guarantee given by a third party (mutual guarantee company, insurance company, private person...) who undertakes to pay to the lending institution the amounts due if the borrower defaults.

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

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

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

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

#### Conditions for granting loans in France: a very secure system

In France, loans are granted after an examination of the borrower's situation. This review covers both the amount of the borrower's income and his or her non-inclusion on the *Banque de France* register of payment incidents among individuals. This study also ensures that the customer has a sufficient residual income<sup>(24)</sup>. In practice, French lenders agree to cap the maximum indebtedness ratio of individual borrowers at one third of their disposable income. The down payment is usually set at a minimum of 10% of the total cost of the transaction.

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

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

#### Real estate financing in 2014

Given the lack of recovery in property transactions in 2014, the volume of home loans granted in 2014, excluding repurchases and renegotiations, should be slightly down at €119 bn in 2014 from the €129 bn in 2013<sup>(25)</sup>.

The amounts committed are steady primarily because of the very favourable borrowing terms, with interest rates reaching an average historic low of 2.63%<sup>(26)</sup>. This improvement is still not uniform, the structure of the financing market having seen a sharply lower proportion of first-time buyers and low-income households.

The number of loans in the existing property market was down by 5% compared with end-December 2013, in particular due to the "wait-and-see" approach adopted by homebuyers. However, the number of loans in the new property market rose by 2.4% over the same period. The latter was driven in particular by the strong performance in the forth quarter, as a result of the progressive implementation of new stimulus packages announced by the government in the course of 2014<sup>(27)</sup>.

The average loan term was 210 months in December 2014<sup>(27)</sup>.

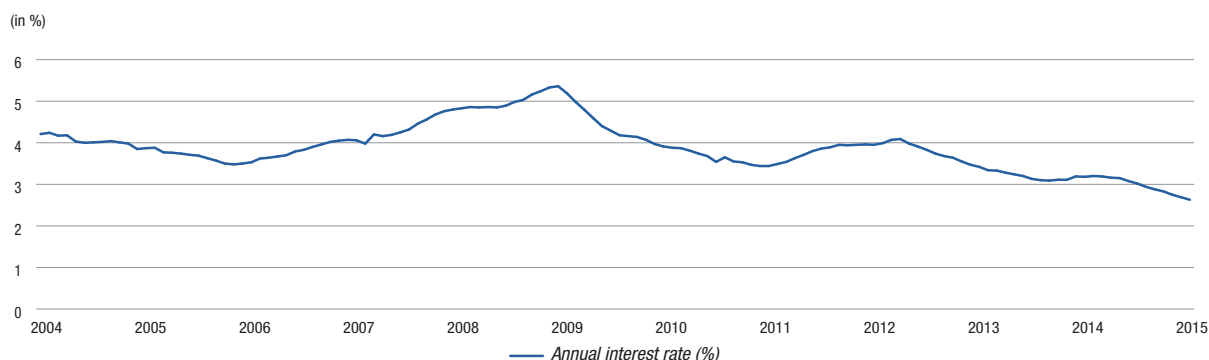
(24) The residual income is the remaining amount at the disposal of the borrower after payment of all his recurring expenses (mainly rents, taxes pensions and loan repayments).

(25) Crédit Foncier Immobilier quarterly studies – January 2015.

(26) Source Banque de France : Crédits nouveaux à l'habitat des particuliers, taux d'intérêt annuel (New housing loans for individuals customers, annual interest rate), all amounts, all maturities, new contracts.

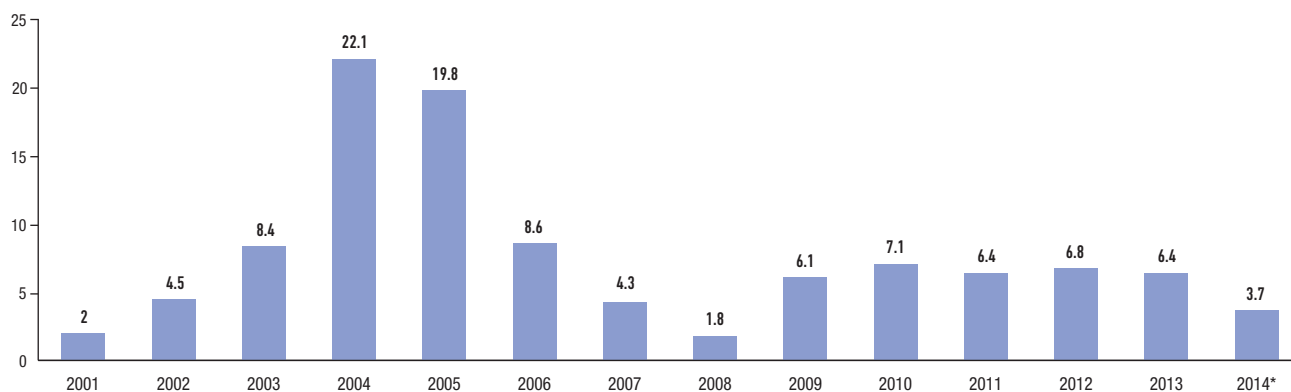
(27) Observatoire du financement des marchés résidentiels (French Residential Market Financing Observatory) – Crédit Logement CSA – December 2014.

## ■ Annual interest rate on new housing loans to individuals (in %) <sup>(26)</sup>



The low interest rate environment also led to a strong decline of variable rate loans.

## ■ Share of floating rate loan production (in %) <sup>(27)</sup>



\* Estimated data for 2014.

### THE FRENCH MORTGAGE MARKET

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

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

A mortgage is defined by the following features:

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

It exists two types of mortgage loans:

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

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

<sup>(26)</sup> Source Banque de France : "Crédits nouveaux à l'habitat des particuliers, taux d'intérêt annuel" (New housing loans for individuals customers, annual interest rate).

<sup>(27)</sup> Observatoire du financement des marchés résidentiels (French Residential Market Financing Observatory) – Crédit Logement CSA – December 2014.

Regarding the property value, it is valued through objective criteria and excluding fluctuations of value due to economic environment and speculative events. French mortgage lending loans are approved on the basis of the borrower's ability to repay, and not only on the value of the property. It is no longer possible in France to reload a residential mortgage loan if the value of the property increases.

Mortgage loans granted to first time homebuyers can benefit from an additional guarantee provided by FGAS <sup>(28)</sup>.

- FGAS provides services to banks which distribute subsidised loans established by the French government in order to promote home-ownership for low-income households (0% mortgage loans, 0% Eco-loans and first-time home buying loans).
- The assumptions of responsibility by the FGAS depend on the level of loan losses.
- The French State intervenes as ultimate guarantor.

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

## THE FRENCH PUBLIC SECTOR

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

- contrary to State administration, they are endowed with legal personality. As they are decentralised, they have administrative autonomy. Thus, they have their own staff and budget;
- they have their own competences, entrusted to them by Parliament and, as such, by the legislative authority;

- they have regulatory decision-making authority that is exercised by deliberation within a council of elected representatives. The decisions are then applied by local executive authorities.

## Organisation

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

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

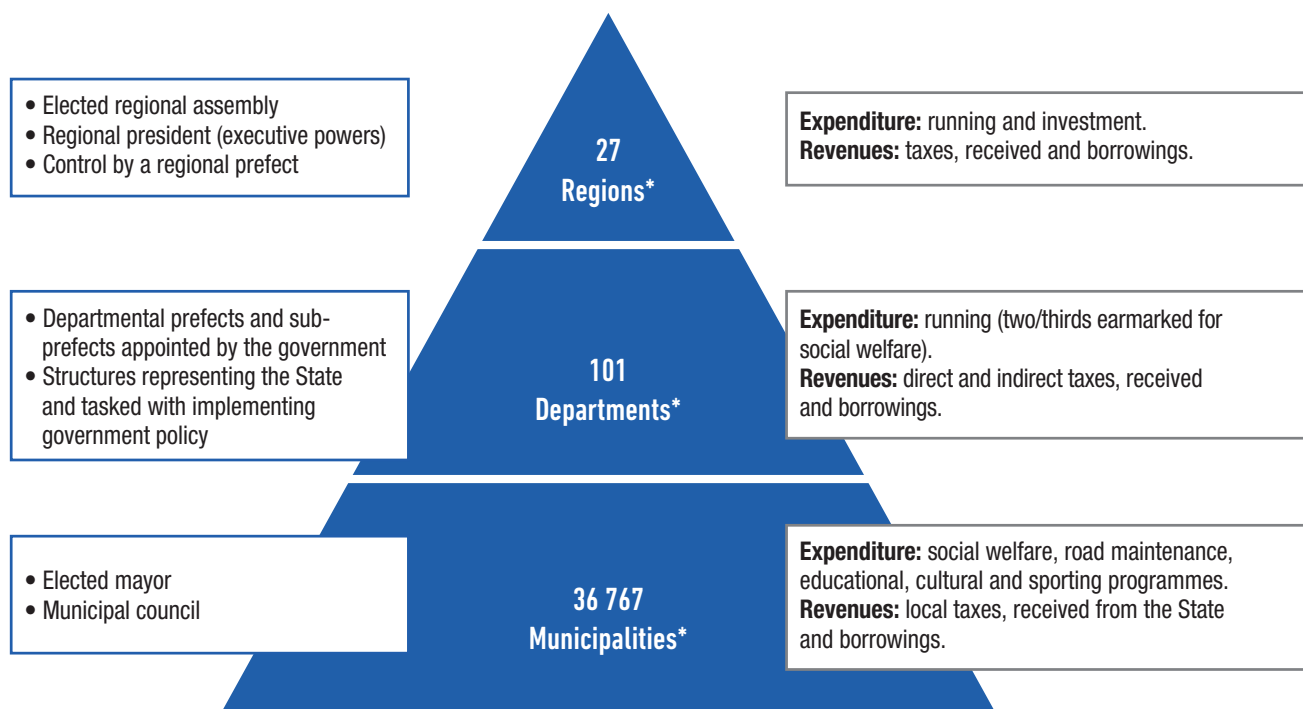
Operating expenses and investment make up the lion's share of spending by the region. Its revenues include taxes, incoming transfers <sup>(29)</sup> and borrowings.

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

<sup>(28)</sup> FGAS: Fonds de Garantie à l'Accession Sociale. (Government fund promoting access to home ownership). A financial body financed 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 institution.

<sup>(29)</sup> Transfers: local taxes rebates, transferred taxes, global operations endowment, collected revenues, etc.

## ■ The public sector is subject to controls and managed with balanced budgets <sup>(30)</sup>



\* Including mainland France: 22 regions, 96 departments and 36 552 municipalities.

The French Public Sector underwent significant reform in January 2014 with the enactment of the act to modernise public local and regional action and reaffirm the cities (*loi dite de modernisation de l'action publique territoriale et d'affirmation des métropoles*). This act seeks in particular to streamline the structure of the public sector by clarifying and strengthening the powers at each level, with the goal of cutting public expenditure and better understanding the needs of citizens. In particular, this reform reduces the 22 metropolitan regions to 13 and groups together municipalities into inter-municipalities of at least 20,000 inhabitants <sup>(31)</sup>.

### Public sector financing

The French legislative framework makes the public sector a highly controlled sector. The 1984 finance law<sup>(32)</sup> endowed public structures with management autonomy. As they are responsible for investment decisions to which they commit, they are required to repay their debts and fulfil their commitments at any time.

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

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

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

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

### Market and environment

The economic and social environment remained sluggish in 2014 with a slow recovery associated with a high unemployment rate. A return to balanced public finances also remains a priority for the French State which involved local authorities through heightened budgetary oversight rules, encouraging elected officials to engage in increasingly rigorous management. In 2014, local authorities also contributed to the effort to restore the country's public finances. For the first time ever, the general operating grants provided annually by the State to local authorities were cut by €1.5 bn in 2014 <sup>(33)</sup>. The decrease in financial resources led the local authorities to have greater recourse to debt over the past number of years.

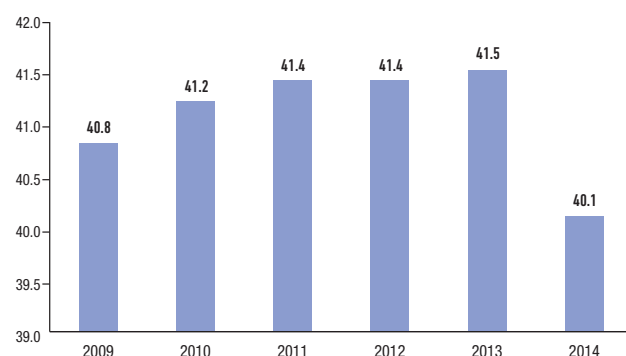
<sup>(30)</sup> Executive Management of local authorities – "Les collectivités locales en chiffre, 2014" (2014, local authorities in figures).

<sup>(31)</sup> French government website, territorial reform (<http://www.gouvernement.fr/action/la-reforme-territoriale>).

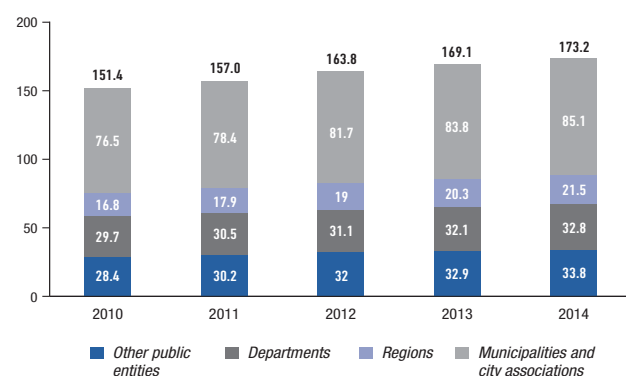
<sup>(32)</sup> Law No. 83-1179 of 29 December 1983, on the 1984 budget.

<sup>(33)</sup> Observatoire des finances locales (Local Finance Observatory) – Les finances des collectivités locales en 2014 (the local authorities finance in 2014).

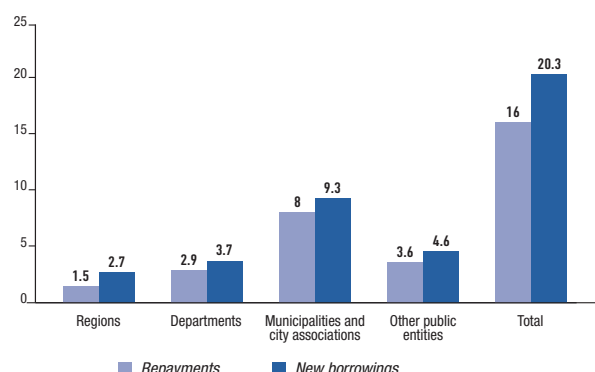
### The overall operating grant from the State to local authorities (in €bn) <sup>(33)</sup>



### Debt of local authorities (in €bn) <sup>(34)</sup>



### Repayments and local authorities borrowings in 2014 (in €bn) <sup>(33)</sup>



In 2014, the authorities' funding requirements remained stable compared with 2013 at approximately €20 bn <sup>(34)</sup>. Compagnie de Financement Foncier, as Groupe BPCE's prime funding instrument, continued to finance local authorities by relying in particular on the local establishment of Caisse d'épargne and Banques Populaires, as well as on the recognised expertise of Crédit Foncier.

## COMPAGNIE DE FINANCEMENT FONCIER'S ASSETS

### COMPOSITION OF ASSETS, SELECTION AND MANAGEMENT RULES

#### Assets composition

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

- the assets must be eligible pursuant to the law governing the business of *sociétés de crédit foncier*;
- 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 in order to ensure Compagnie de Financement Foncier's profitability at all times.

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

#### Asset selection

In addition to legal eligibility criteria and guarantees required before acquisition, Compagnie de Financement Foncier's business model

is characterised by its rigorous asset selection process based on specific know-how, building on the expertise of Crédit Foncier's experienced teams dedicated to these activities.

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

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

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

#### Management of payment defaults

Loan management is assigned to Crédit Foncier by an agreement.

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

<sup>(33)</sup> Observatoire des finances locales (Local Finance Observatory) - Les finances des collectivités locales en 2014 (the local authorities finance in 2014).

<sup>(34)</sup> Market report - Local public finance - 2014 trends and forecast (Note de conjoncture - Les finances locales - Tendances 2014 et perspectives) ; La banque postale, October 2014

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

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

### Changes in assets

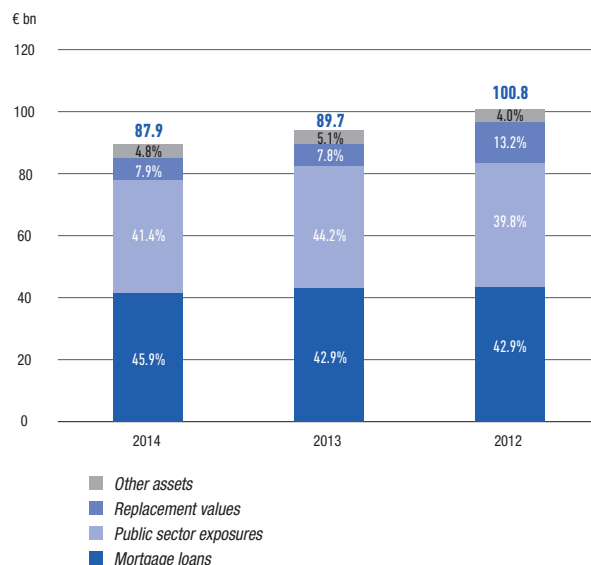
In 2014, Compagnie de Financement Foncier acquired almost €15 bn of assets, notably through the refinancing of:

- €6.0 bn in mortgage loans granted by Crédit Foncier to its private individual customers;
- €5.0 bn in facilities granted by Crédit Foncier to local authorities through mobilisation under Article L.211-38 of the French Monetary and Financial Code;
- €4.0 bn in Public sector loans previously granted by different entities of Groupe BPCE, by direct acquisition or mobilisation.

In the meantime, Compagnie de Financement Foncier bought back and cancelled €0.3 bn of its own *obligations foncières*.

Taken together, loans with direct or indirect public guarantees represent 41.4% of Compagnie de Financement Foncier's total assets and those benefiting from a mortgage guarantee account for 45.9%, 18.2% of which are benefiting from an additional public guarantee.

### Changes in assets



### MANAGEMENT RULES

#### Overcollateralisation

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

Overcollateralisation, defined by law (Article L.513-12), requires that the total weighted assets amount of *sociétés de crédit foncier* (in accordance with the regulations set by CRBF<sup>(35)</sup>) is always at least 105% of the total amount of liabilities benefiting from the legal privilege. One of the Specific Controller's duties is to monitor compliance with this regulatory overcollateralisation rule.

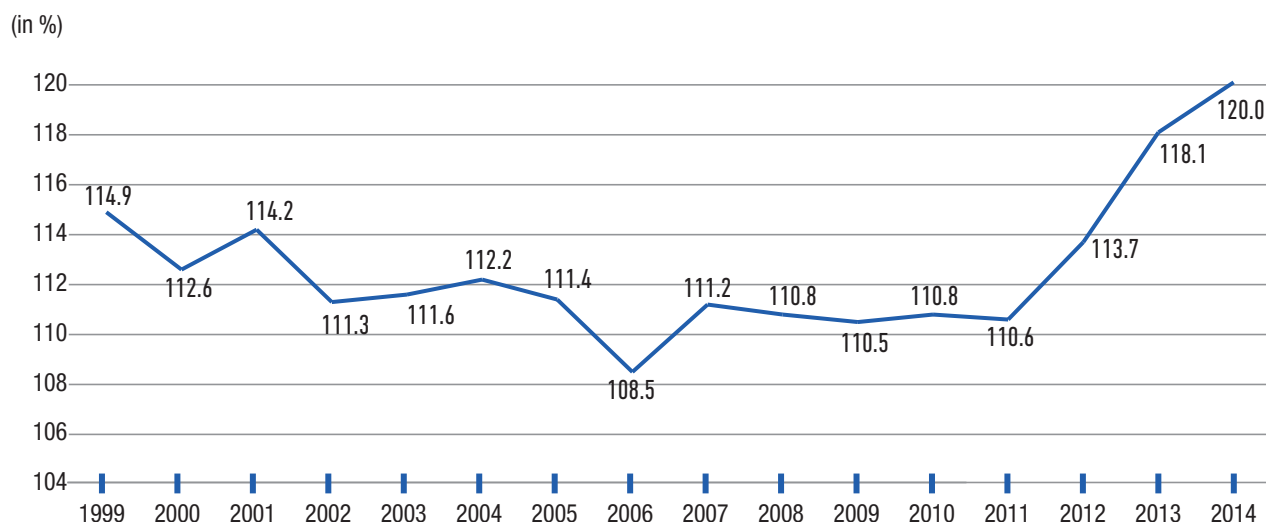
With €1.9 bn in capital, €3.7 bn in subordinated debt and €10.8 bn in unsecured debt, Compagnie de Financement Foncier's overcollateralisation is well above the legal minimum ratio of 105%, and is 120.0% at 31 December 2014.

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

<sup>(35)</sup> Regulation n° 99-10 of 9 July 1999 concerning *sociétés de crédit foncier* and *sociétés de financement de l'habitat* amended by regulations no. °2001-02 of 26 June 2001 and n° 2002-02 of 15 July 2002 and orders of 7 May 2007 and 23 February 2011.



## Overcollateralisation ratio since 1999



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

In addition to the safety provided by the institutional framework and to ensure the best ratings from the major rating agencies, Compagnie de Financement Foncier has initiated additional management measures since 1999.

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

In particular, since 2009, it set up measures to maintain at all times a volume of non-privileged liabilities at least equal to 5% of the liabilities that benefit from the legal privilege. At 31 December 2014, this ratio was at 20.4%.

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

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

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

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

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

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

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

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

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

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

- three early repayment assumptions: no early repayment, probable early repayment rate and a stressed early repayment rate that is three times greater than the probable 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 results calculated is used to calculate the overcollateralisation ratio for the interest rate risk.

As from 31 December 2014, the indicator of the net present value of the results over the next 10 years is removed and no longer serve as a reference for the calculation of the overcollateralisation necessary to cover the global interest rate risk. These is equal to 0.5% of Compagnie de Financement Foncier's balance sheet.

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

#### Continuous monitoring of overcollateralisation levels

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

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

The LTV ratio on residential mortgage loans (€33 bn owned directly and €7 bn in mortgage notes at end 2014) is the ratio of the outstanding principal over the value of the underlying real estate asset. The present value of the asset is revalued annually to monitor compliance with this ratio.

The regulatory annual valuation of assets, as required by the regulation, is based on a prudent assessment of the property's long-term characteristics, local market conditions, the current use of the property and other possible uses. All of this information is provided by Foncier Expertise, Crédit Foncier's wholly-owned subsidiary, Veritas-certified, of which experts are either certified by a court and/or qualified as Chartered Surveyors (MRICS)<sup>(36)</sup>.

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

On the basis of these rules, at 31 December 2014, Compagnie de Financement Foncier's average LTV ratio on its mortgage portfolio was relatively stable at 73.6% vs. 72.6% at 31 December 2013.

#### 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 sets up 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 Compagnie de Financement Foncier's criteria are then purchased at a price determined by the previous study.

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

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

#### Limiting market counterparty risk

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

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

<sup>(36)</sup> MRICS: Members accredited by the Royal Institution of Chartered Surveyors (RICS). The RICS is a professional organisation whose mission is to regulate and promote the real estate profession.

## Managing balance sheet risks

### MANAGING INTEREST RATE RISK

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

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

### Liquidity risk hedging

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

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

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

In accordance with regulatory provisions, Compagnie de Financement Foncier limits the difference between the duration of its total assets and its total liabilities. At 31 December 2014, the asset duration was 7.3 years and the liability duration was 7.5 years.

As from 2015, this limit will no longer be calculated with duration but with the average maturity of assets and liabilities. The maximum difference will still be limited to 2 years.

## No foreign exchange risk

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

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

## ORGANISATION OF CONTROLS

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

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

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

## Refinancing through the issuance of *obligations foncières*

### THE MARKET ENVIRONMENT

The primary and secondary covered bond markets pursued their positive trends in 2014, in particular with the impact of regulatory initiatives (CRR/CRD IV, LCR, bail-in, etc.) and the ECB's expansionary monetary policy (TLTRO, CBPP3), which pushed spreads towards pre-crisis levels in 2014.

### ECONOMIC AND REGULATORY BACKGROUND

The ECB introduced a range of actions in June and September to tackle low eurozone inflation, in particular in reducing its main interest rates, targeted credit easing and other measures to boost liquidity (quantitative easing). During 2014, the ECB provided banks with €212 bn in four-year liquidity (TLTRO) <sup>(37)</sup>, launched two asset purchase programmes for covered bonds (CBPP3) for close to €30 bn <sup>(37)</sup> and asset-backed securities (ABSPP) for close to €2 bn <sup>(37)</sup>. In addition, the ECB expressed readiness to use other unconventional measures if needed within the framework of its mandate. Accordingly, on 22 January 2015 the ECB announced the launch of a quantitative easing programme, involving the purchase of €60 bn in bonds every month, intended to be carried out from March 2015 until at least September 2016 including sovereign debts, covered bonds and ABS. These measures resulted in a sharp tightening of covered bond spreads across all segments.

The asset quality review (AQR) and stress tests carried out by the ECB in 2014 on eurozone banks had only a limited impact on the secondary market: covered bonds spreads remained stable, except in Italy where they widened slightly.

Lastly, the European Commission adopted the delegated act introducing the liquidity coverage ratio for banks (LCR). The

publication of the LCR was welcome in the covered bond market, as the rules are more favourable than what had been initially anticipated. In fact, covered bonds may satisfy the criteria to be considered as high quality liquid assets (HQLA) and hence qualify for inclusion in the liquidity buffer that banks will be required to establish from 2015.

### THE COVERED BONDS MARKET

A total of €115 bn in euro benchmark covered bonds was issued in 2014, i.e. an increase of 21% <sup>(38)</sup> compared with 2013. Net supply of covered bonds (difference between issuances and redemptions), remained negative for the second year in a row with a total euro benchmark outstanding of €931 bn <sup>(38)</sup> versus €954 bn <sup>(39)</sup> at the end of last year. In 2014, the LCR and the search for yields have driven issuers' choice in terms of maturities. In this regard, maturities of ten years and more represented 24% of issuances in 2014, versus approximately 14% <sup>(38)</sup> in 2013.

The German Pfandbriefe issuances dominated the covered bond market (16.5%), followed by France (15.3%), Canada (10.9%), Italy (8.3%), Spain (7.6%), Australia (5.7%) and other countries (35.7%) <sup>(38)</sup>. By type of collateral, 88.2% of covered bonds issued in 2014 were secured by mortgage loans, 9.7% by public sector assets, 1.7% backed by mixed assets (corresponding to Compagnie de Financement Foncier's issuances) and 0.4% <sup>(38)</sup> by aircraft assets.

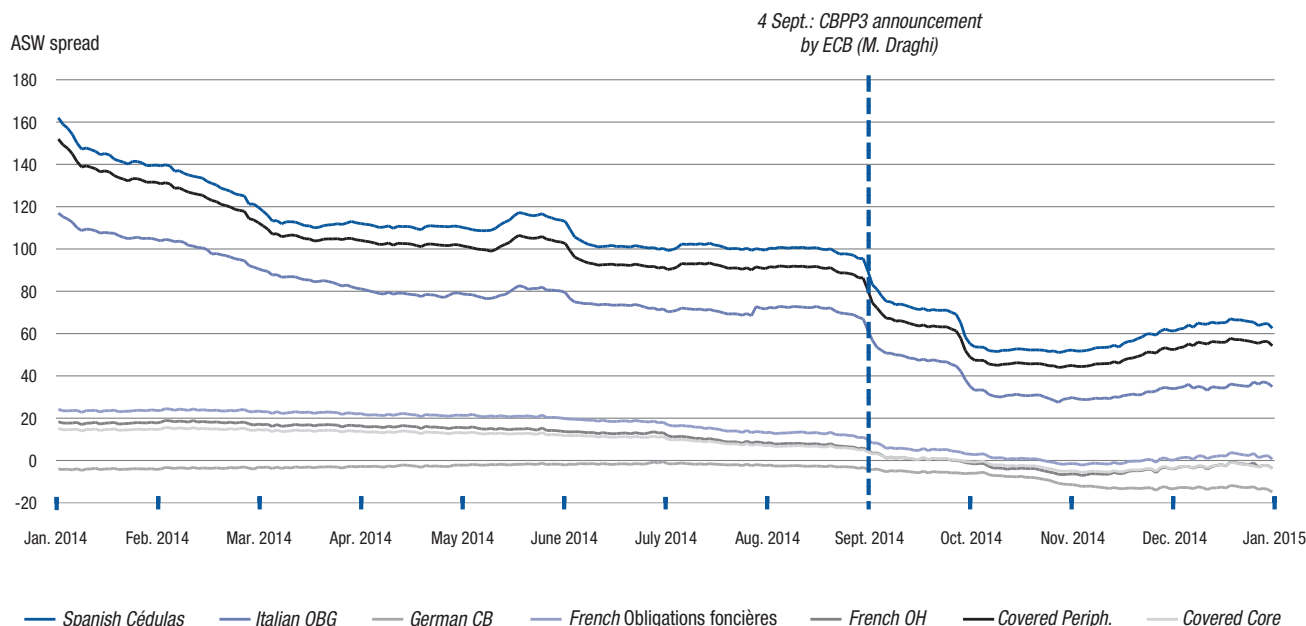
In 2014, the covered bond market continued to diversify in terms of new issuers and jurisdictions. This market segment will continue to expand in 2015, across all currencies, with the possible arrival of new issuers from Turkey, Poland and Singapore.

<sup>(37)</sup> European central bank ([www.ecb.europa.eu](http://www.ecb.europa.eu)).

<sup>(38)</sup> Natixis Research – Spreads & credits – Covered Bond outlook – November 2014.

<sup>(39)</sup> Natixis Research – Spreads & credits – Covered Bond outlook – November 2013.

## 2014 covered bond spreads developments - major segments <sup>(38)</sup>



## COMPAGNIE DE FINANCEMENT FONCIER BOND ISSUANCES IN 2014

Compagnie de Financement Foncier benefited from a favourable market environment in 2014 to issue €6.1 bn of *obligations foncières* at competitive levels and at the long-end of the curve to a broad investor base. 75% of its *obligations foncières* were placed with institutional investors through public issuances and 25% through private placements.

Furthermore, under its parent company's 2014-2017 strategic plan, part of Compagnie de Financement Foncier's refinancing activities is realised for other Groupe BPCE entities. Since the plan was launched, over €6 bn in long term assets originated by Banques Populaires and Caisses d'Epargne, or jointly originated by Crédit Foncier with them, has been refinanced by Compagnie de Financement Foncier at 31 December 2014.

On the public primary market, 2014 was marked by four euro benchmark issuances representing €4.5 bn and two Swiss-Franc (CHF) denominated issuances for a total of CHF175 m. During the first semester, two issuances of €1 bn each were placed with a 5-year and a 10-year maturity. In the second semester, Compagnie

de Financement Foncier issued €1 bn with a 5-year tenor in September. Lastly, in November, Compagnie de Financement Foncier placed a new €1.5 bn 7-year *obligation foncière* at the same level as in September, once again representing the tightest spread obtained in 2014 on this maturity among all issuers of covered bonds.

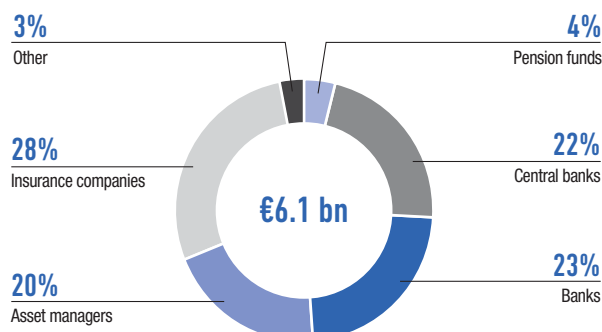
Private placements remained substantial in 2014, amounting to €1.5 bn with an average maturity of 19.2 years. 2014 was driven by a spread tightening against swaps as well as an increase of the average maturity of transactions compared with 2013. Private placements thus enabled Compagnie de Financement Foncier to optimise its funding costs by maintaining a lower spread than secondary levels and by raising funds mainly at the long end of the curve.

The percentage of French investors in Compagnie de Financement Foncier's issuances decreased in 2014 (around 16% of the total issuance volume), whereas German investors represented close to half of allocations (48%). The percentage of central banks and public institutions increased, in particular following the launch of the ECB's covered bond purchase programme.

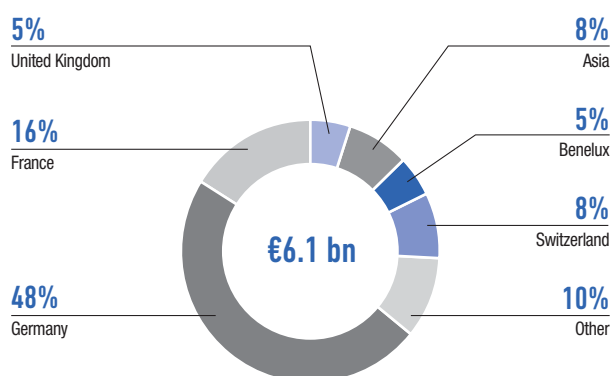
<sup>(38)</sup> Natixis Research – Spreads & credits – Covered Bond outlook – November 2014.

## ■ Breakdown of Compagnie de Financement Foncier's *obligations foncières* issued in 2014: €6.1 bn

### ■ By investor type



### ■ By region



At the same time, Compagnie de Financement Foncier bought back and cancelled a total of €348 m of its *obligations foncières* in 2014.

Coupled with net negative supply and the ECB's purchase programme, investors' demand should remain sustained in 2015, especially since covered bonds (>€500 m) may qualify as high quality liquid assets (HQLA) for the purposes of the Liquidity Coverage Ratio (LCR) under Basel III.

## ■ MANAGEMENT OF DERIVATIVES

Compagnie de Financement Foncier, for hedging purposes, shall conclude a framework agreement with each of its counterparties, with asymmetrical collateralisation and other specific terms set forth in an appendix to this agreement. In accordance with the commitment made on 28 December 2012 and regarding new S&P criteria with respect to the use of financial derivative contracts, the negotiations with counterparties led to a reduction of the framework agreement outstanding still to be implemented in accordance with S&P methodology below 5% of the total outstanding at the end of 2014. At the beginning of 2013, corresponding derivatives represented 48% of the total outstanding of the *société de crédit foncier* derivatives; whereas it represented €3.2 bn at the end of 2014, i.e. 4% of total outstanding.

Furthermore, as part of new groupe Crédit Foncier's financial management policy, which provides a reduction of its derivatives

portfolio, an intragroup derivatives compression operation was carried out in mid-July 2014 for a total outstanding of €4.3 bn.

The European regulation known as EMIR (European Market Infrastructure Regulation), which is the translation into European law of commitments made by the G20 at the Pittsburgh summit (September 2009), aims to make the derivatives markets safer and more transparent. EMIR notably requires credit institutions an obligation for all over-the-counter (OTC) derivatives to be centrally cleared. Covered bond issuers, including Compagnie de Financement Foncier, benefit from a waiver granted by the European securities and markets authority (ESMA) and, as such, are excluded from this central clearing obligation.

## ■ COMPAGNIE DE FINANCEMENT FONCIER'S RATINGS

After having placed France's IDR on negative watch on 14 October 2014, Fitch Ratings downgraded the sovereign rating from AA+ to AA on 12 December 2014. The downgrade is driven by the rating agency's analysis of the fiscal efforts and the economic outlook for France in 2015.

On 16 December 2014, in line with its methodology, Fitch revised the rating of Compagnie de Financement Foncier's *obligations foncières* from AA+ to AA, with a stable outlook. This downgrade is driven by the cover pool's large exposure to the French Public Sector assets.

As a simple mechanical consequence of its recently amended methodology, this new rating by Fitch Ratings questions neither the security nor the robustness of Compagnie de Financement Foncier's business model, nor the quality of its asset cover pool.

Compagnie de Financement Foncier's AAA/Aaa/AA<sup>(40)</sup> with stable outlook ratings reflect both the strength of the French legal framework (ensuring the level of security offered to holders of *obligations foncières*) and the additional commitments of Compagnie de Financement Foncier towards the market, which are taken into account by the rating agencies.

## ■ STANDARD & POOR'S METHODOLOGY

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

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

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

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

<sup>(40)</sup> Standard & Poor's/Moody's/Fitch Ratings, updated as of the registration document's filing date.

### FITCH RATINGS METHODOLOGY

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

Since January 2013, Fitch has added an additional criterion to its methodology, strengthening the link between the rating of the eurozone Sovereign and covered bond issuances. This methodology provides for the rating of the covered bonds to be maintained above that of the sovereign, extreme default scenarios of the latter and all local authorities, with significant potential losses for their creditors.

### MOODY'S METHODOLOGY

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

In addition, Moody's has also established the Timely Payment Indicator (TPI). This indicator states how many notches the issuer can be downgraded before the TPI rating of the covered bonds will also be downgraded.





# Financial report

## 2014 MANAGEMENT REPORT

1. Regulatory developments
2. Main operations of the financial year
3. Changes in assets
4. Changes in liabilities
5. Prudential ratios
6. Analysis of net income
7. Credit risk analysis

43

43  
44  
45  
46  
47  
48  
49

8. Financial risk analysis

9. Outlook

10. Social, environmental and societal information

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

## FINANCIAL STATEMENTS

53

54

54

72

73

# 2014 Management report

In a still fragile economic environment (uneven global recovery, a persistent low inflation, geopolitical crises), Compagnie de Financement Foncier's activity remained dynamic with substantial acquisitions of mortgage loans and French public sector loans from its parent company and other Groupe BPCE's entities.

In 2014, Compagnie de Financement Foncier also issued €6.1 bn of obligations foncières that benefit, as all of its privileged debts, from

a AAA/Aaa/AA ratings at 31 December 2014. Rating agencies acknowledge the security features of the *société de crédit foncier* status and the additional commitments made by the Company regarding financial management and risk monitoring.

At 31 December 2014, Compagnie de Financement Foncier had a total balance sheet of €88 bn and a net income of €84 m.

## 1. Regulatory developments

The Decree of 23 May 2014 and the Order of 26 May 2014 strengthened the regulatory framework applicable to *sociétés de crédit foncier* and *sociétés de financement de l'habitat*.

The measures introduced by this legislation, most of which had immediate effect, were the subject of two orders from the *Autorité de contrôle prudentiel et de résolution* (ACPR – French Prudential Supervisory and Resolution Authority) in December 2014.

The main changes were:

- an increase of the regulatory cover ratio from 102% to 105%;
- the introduction for this ratio of a limit for non-collateralised exposures in the respective group, equal to 25% of non-privileged resources;
- removing the possibility of having refinancing agreements to cover cash requirements at 180 days;
- implementation of a maximum maturity gap between assets and liabilities: the average maturity for assets held to maintain a cover ratio of 105% may not exceed the average maturity of outstanding privileged liabilities by more than 18 months (with a deadline of 31 December 2015 if compliance is not ensured by 30 June 2014);

- an estimate based on a yearly plan approved by the decision-making body and submitted to the ACPR of the privileged resources' cover ratio up to their maturity, considering the available eligible assets and the forecasted new production based on conservative assumptions (with a deadline of 31 December 2015 if compliance is not ensured by 30 June 2014);
- identification of staff and resources required to recover receivables and to enforce contracts entered into by the Company, as well as the drafting of a plan defining the conditions for transferring all of the required technical resources and data to execute recovery actions (pending a new order specifying the corresponding implementation conditions);
- drafting of quarterly statements containing the items included to calculate the coverage rate, the items included to calculate the resources necessary to cover cash requirements for a period of 180 days, the difference in average maturity between assets and liabilities as defined above and an estimate of the provisional cover of privileged resources with eligible assets, these statements being supplemented by a textual report detailing the assumptions and conventions used to prepare these results.

All these documents together with their certification by the Company's Specific Controller must be sent to the ACPR within 90 days of the end of each quarter.

## 2. Main operations of the financial year

### ACQUISITIONS AND DISPOSALS

In 2014, Compagnie de Financement Foncier's activity was very intense, purchasing €15 bn in mortgage loans and receivables as well as Public Sector loans originated by Groupe BPCE, the deleveraging targets (reduction of balance sheet through disposal of international assets) having been mainly realised over the two previous financial years.

In accordance with the strategic guidelines of Crédit Foncier and of Groupe BPCE's plan "Growing differently", Compagnie de Financement Foncier refinanced:

- €6 bn in mortgage loans granted by Crédit Foncier to its private individual customers, half of which were also guaranteed by the French State via the FGAS;
- €5 bn in facilities granted by Crédit Foncier to local authorities through mobilisation under Article L.211-38 of the French Monetary and Financial Code;
- €4 bn in Public Sector loans previously granted by different entities of Groupe BPCE. Twelve Banques Populaires or Caisses d'Epargne have refinanced part of their portfolio through direct disposals or mobilisation under Article L.211-38 directly to Compagnie de Financement Foncier.

All these investments are located in France, excluding mortgage loans granted in Belgium by Crédit Foncier and mobilised with Compagnie de Financement Foncier for €0.4 bn.

To facilitate the Group's funding while managing the size of its balance sheet, Compagnie de Financement Foncier transferred €0.7 bn in mortgage loans to the CFHL-1 2014 securitisation fund. The other disposals concerned a small number of International Public Sector assets limited to €0.1 bn.

### FUNDING AND CASH MANAGEMENT

In parallel, Compagnie de Financement Foncier issued €6.1 bn in *obligations foncières*, broken down as follows:

- €4.6 bn through public issuances, essentially with four new benchmark issuances: two of €1 bn at 10-years, one of €1 bn at 5-years and one of €1.5 bn at 7 years;  
These four transactions were authorised by the Specific Controller responsible for verifying compliance with prudential regulations for any issuance above €0.5 bn or its equivalent in foreign currencies;
- €1.5 bn through private placements with longer maturity (23 years average maturity or 19 years if all call/put options are exercised at their next contractual exercise date).

With the exception of small-sized issuances in Swiss francs, 2014 issuances were all denominated in euros. In 2014, as it was the case in 2013, German investors were the most active investors in Compagnie de Financement Foncier's issuances, as well as a strengthened presence of central banks, especially from Asia.

In order to create momentum for its securities on the secondary market, Compagnie de Financement Foncier also bought back and then cancelled its own *obligations foncières* for a total amount of €348 m.

In terms of cash, the main change affected the deposits placed with the Banque de France, which decreased from €11.4 bn at the end of 2013 to €1.2 bn at end-2014. Substantial amounts of cash resources had in fact been built up in 2013 relating to the disposal of the ABS portfolio in order to comply with new eligibility rules of covered bonds for ECB refinancing operations of 28 November 2012. Cash was primarily used to meet the repayments of *obligations foncières* maturing in the first quarter for close to €6 bn.

In addition, Compagnie de Financement Foncier transferred a portion of its international securities portfolio to its parent company under repurchase agreements, representing €2 bn in additional cash resources.

This cash plus the proceeds of issuances allowed the realisation of a significant investment programme during the year.

### RESTRUCTURING OF THE DERIVATIVES PORTFOLIO

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

In July, an intragroup derivatives compression operation was realised with Crédit Foncier; which involved 34 lines for a notional amount of €4.3 bn resulting in the payment of a net termination balance of €7.2 m. These transactions are neutral with respect to Compagnie de Financement Foncier's net income; the termination balances are spread for accounting purposes over the remaining life of the balance sheet items that were hedged by these derivatives.

The legal documentation was brought into compliance with the criteria established by the rating agencies, followed by the restructuring of contracts entered into with a number of active external counterparties. This review of major contracts led to a reduction of non-compliant swaps with S&P methodology below 5% of the privileged liabilities as defined in the commitments set out on 9 January 2013.

### 3. Changes in assets

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

- secured loans, as defined under Articles L.513-3, L.513-5 and L.513-6 of the French Monetary and Financial Code, backed by a first-rank mortgage (or equivalent real estate security or, to a lesser extent, a surety);

- exposure to public entities, as defined under Articles L.513-4 and L.513-5; and
- replacement values as defined in Article L.513-7, limited to 15% of the nominal value of the privileged resources.

#### ■ Breakdown of assets by guarantee

	31 December 2014		31 December 2013	
	€m	% balance sheet	€m	% balance sheet
<b>Secured loans Articles L.513-3, L.513-5 and L.513-6</b>	<b>40,390</b>	<b>45.9%</b>	<b>38,527</b>	<b>42.9%</b>
State-subsidised mortgage loans	196	0.2%	261	0.3%
Mortgage loans secured by the FGAS	15,818	18.0%	13,810	15.4%
Other mortgage loans	16,133	18.3%	16,021	17.9%
Mortgage notes	7,323	8.3%	8,226	9.2%
Guaranteed loans	920	1.0%	209	0.2%
<b>Exposures to public authorities Articles L.513-4 and L.513-5</b>	<b>36,399</b>	<b>41.4%</b>	<b>39,630</b>	<b>44.2%</b>
State-subsidised public loans	123	0.1%	150	0.2%
Other public loans *	26,819	30.5%	29,530	32.9%
Public entity securities	9,457	10.8%	9,950	11.1%
Other assets (interests on IFAT, adjustment accounts, etc.)	4,214	4.8%	4,552	5.1%
<b>Replacement values Article L.513-7</b>	<b>6,946</b>	<b>7.9%</b>	<b>7,010</b>	<b>7.8%</b>
<b>TOTAL ASSETS</b>	<b>87,949</b>	<b>100.0%</b>	<b>89,720</b>	<b>100.0%</b>

\* Including deposits and short-term loans at Banque de France of €11.4 bn at end-2013 and €1.2 bn at end-2014.

The transactions concluded during the year resulted in a slight decrease of the balance sheet, which amounted to €87.9 bn at end-2014 compared with €89.7 bn a year earlier.

The mortgage loans and receivables portfolio increased by close to €2 bn, mainly driven by the increase in outstanding mortgage loans which, in addition to the mortgage, are guaranteed by the French State via the FGAS. This growth is the result of the strong market share built up by Crédit Foncier in this product, which promotes loans for low-income families.

Assets invested for the long-term on the Public Sector, i.e. excluding cash resources placed with Banque de France, recorded

in this table under "Other public loans", increased by €5 bn due primarily to new providers belonging to Groupe BPCE.

In return, other short-term assets fell sharply. Cash surpluses deposited with Banque de France, and built up in part at end-2013 in anticipation of the upcoming repayments of *obligations foncières*, were limited to €1.2 bn at end-2014. The remaining cash recorded in replacement values remained stable at €7 bn. It mainly included €6.6 bn in short-term deposits (under two months) with BPCE, more than 80% of which were guaranteed by loans pursuant to Article L.211-38.

Moreover, the breakdown of assets by region remained almost unchanged during the year, as most international asset disposals took place beforehand. At end-2014, 87% of the assets on the balance sheet had an underlying located in France, very slightly down compared with end-2013 as a result of the reduction in deposits with Banque de France.

At 31 December 2014, international assets, mainly from the Public Sector, amounted to €11.7 bn, broken down in three categories:

- three countries with the highest exposures, including Italy (€3.0 bn), the United States (€1.8 bn) and Japan (€1.4 bn);

- five countries with lower exposure, with outstanding loans around a billion, i.e. Switzerland (€1.2 bn), Spain (€0.9 bn), Belgium (€0.7 bn), Canada (€0.6 bn) and Germany (€0.5 bn);
- 10 other countries with outstanding loans below 0.5% of the total balance sheet, primarily corresponding to government bond exposures in European countries, of which Austria (€429 m before impairment), Poland (€318 m), Slovenia (€206 m), Ireland (€141 m), Portugal (€133 m), Slovakia (€112 m), The Netherlands (€67 m), Cyprus (€52 m), Hungary (€36 m) and Iceland (€15 m).

## 4. Changes in liabilities

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

- privileged resources that legally protect bondholders by guaranteeing priority repayment and compliance with repayment schedules, even in the event of issuer default or default of its parent company;

- other resources that help reinforce the security of privileged debt holders. These resources which come after the privileged resources in terms of debt ranking priority are consisting of unsecured debts with different counterparties, subordinated debts and lastly equity which is mainly provided by Crédit Foncier.

### ■ Breakdown of liabilities by guarantee rank

	31 December 2014		31 December 2013	
	€m	% balance sheet	€m	% balance sheet
<b>Privileged liabilities</b>	<b>70,579</b>	<b>80.3%</b>	<b>75,081</b>	<b>83.7%</b>
<i>Obligations foncières</i> at the reporting date	71,135	80.9%	75,104	83.7%
Foreign exchange difference on <i>obligations foncières</i>	-804	-0.9%	-523	-0.6%
Other privileged resources	248	0.3%	500	0.6%
<b>Foreign exchange difference relating to hedging of balance sheet items*</b>	<b>1,012</b>	<b>1.2%</b>	<b>533</b>	<b>0.6%</b>
<b>Non-privileged resources</b>	<b>16,357</b>	<b>18.6%</b>	<b>14,106</b>	<b>15.7%</b>
Unsecured debt	10,810	12.3%	8,563	9.5%
Subordinated debt and similar debt	3,696	4.2%	3,756	4.2%
• of which redeemable subordinated notes (RSN)	2,100	2.4%	2,100	2.3%
• of which super-subordinated notes	1,350	1.5%	1,350	1.5%
Shareholders' equity, provisions and FRBG	1,852	2.1%	1,787	2.0%
<b>TOTAL LIABILITIES</b>	<b>87,949</b>	<b>100.0%</b>	<b>89,720</b>	<b>100.0%</b>
<i>Regulatory capital according to CRR/CRD IV (Data 2013 on a pro forma basis)</i>	4,923	5.6%	4,933	5.5%
• of which Common Equity Tier-1 capital	1,728	2.0%	1,739	1.9%
• of which Additional Tier-1 capital	1,080	1.2%	1,080	1.2%
• of which Tier-2 capital	2,116	2.4%	2,114	2.4%

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

The reduction in liabilities recognised over the financial year was even more marked in the portion enjoying legal protection. Thus, the nominal amount of *obligations foncières*, after taking account of currency swaps, fell by over €4 bn during the year from €72.7 bn to €68.6 bn. This change was due to:

- issuances of obligations foncières for €6.1 bn;
- contractual amortisations registered on the outstanding privileged debts for €10.0 bn;
- debt cancellations realised by Compagnie de Financement Foncier for €0.3 bn following their buyback in the market.

In parallel, non-privileged resources increased by €2.3 bn mainly due to a) repurchase transactions entered into with Crédit Foncier

for €2 bn and b) the change in deposits received from swap counterparties, which increased by €0.7 bn.

Very long-term subordinated debt remained stable at approximately €3.7 bn, while equity increased in line with the net income for the period; these resources, which represented 6.3% of the balance sheet at 31 December 2014, constitute an important final security for holders of *obligations foncières* throughout their investment.

Capital calculated in accordance with the CRD IV directive and the CRR regulation since the beginning of 2014 was stable over the year at €5 bn, of which €1.7 bn are retained for the common equity Tier-1 capital ratio (CET1), €1.1 bn for additional Tier-1 capital ratio and €2.1 bn for the Tier-2 solvency ratio.

## 5. Prudential ratios

The regulations applicable to *sociétés de crédit foncier* require the monitoring of specific prudential ratios that must be respected at any time.

First, Compagnie de Financement Foncier measures the coverage ratio that corresponds to the ratio between weighted assets and privileged debt, which must remain above 105% at all times (102% until the decree of 23 May 2014).

In the case of Compagnie de Financement Foncier and since end-2013, the restatements for 2014 concerned a) the mortgage loans held directly or through mobilisation by mortgage notes for the portion exceeding the LTV threshold and b) the assets sold under repurchase agreements.

Regulations limit outstanding loans financed with *obligations foncières* to the fraction of outstanding loans with an LTV ratio (equal to the outstanding principal in relation to the updated value of the collateral) lower than 100% for loans guaranteed by FGAS, lower than 80% for residential loans granted to individuals and lower than 60% for other mortgage loans.

At end-2014, overruns of the LTV threshold amounted to €537 m, the same level seen at end-2013, still significantly lower than overruns for non-privileged liabilities, standing at €16 bn as of that date.

In addition, assets used to secure other transactions are deducted from the assets recognised on the balance sheet. Thus, at 31 December 2014, the outstanding amount of securities sold to Crédit Foncier under repurchase agreements in Q4, representing €1.7 bn at 31 December 2014, was not included for the purposes of calculating the ratio.

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

As a result, the overcollateralisation ratio was 120.0% at end-2014, including any associated currency hedging for assets and liabilities. At 31 December 2013, this ratio was 118.1% ; this slight improvement in the cover ratio for *obligations foncières* results from a faster decrease of market resources in comparison with the one from assets held.

Regardless of the minimum ratio required by law and recently raised to 105%, Compagnie de Financement Foncier already committed to maintain at any time a level of non-privileged liabilities in excess of 5% of privileged liabilities (both considered after currency swaps). At 31 December 2014, this ratio was 20.4%, significantly higher than the compulsory minimum ratio and slightly up from the 18.8% posted at the end of 2013.

As part of its risk monitoring and management rules, Compagnie de Financement Foncier sets the LTV of mortgage loans that it holds directly or through mobilisation by mortgage notes. This LTV is also the ratio of the present value of the collateral to the outstanding principal. Every year, Compagnie de Financement Foncier, like every *société de crédit foncier*, re-examines the value of this collateral using procedures that are checked for compliance by the Specific Controller. This certification and a description of the methods used to value and re-value property together with their results are presented in the risk management report.

For 2014, the revaluation resulted in a 1.8% average reduction in housing values and hence an upward revision in current loan-to-value ratios. This overall trend is the result of the fact that most outstanding loans are in the Paris region and major metropolitan areas where price falls in 2014 were more limited, in contrast to less densely populated regions where falls in excess of 4% were seen.



Taking into account all outstanding mortgage loans, both directly-held and used to guarantee mortgage notes, the average LTV at the end of 2014 came to 73.6% for a total outstanding amount of €40.1 bn, breaking down as follows:

- 80.5% on loans guaranteed by FGAS amounting to €18.4 bn;
- 68.8% on other mortgage loans to individuals, with €21.0 bn outstanding;
- 37.7% on mortgage loans to corporates amounting to €0.8 bn.

At end-2013, the €38 bn in outstanding loans to individuals had an average LTV of 72.6%.

Compliance with the various holding limits applicable to certain assets is also verified. At 31 December 2014:

- guaranteed loans amounted to 3.0% of total assets, still well below the legal limit of 35% of the balance sheet; this calculation includes directly-held guaranteed loans (1.0%) as well as loans used to guarantee mortgage notes (1.9%);
- mortgage notes, which may not exceed more than 10% of the balance sheet, represent 8.3% of assets;

- replacement values have an outstanding volume equal to 5.1% of the nominal amount of privileged resources, below the mandatory legal limit of 15%;
- the hedging of cash requirements, taking into account cash flow forecasts, is secured over a period of 180 days.

Moreover, as a credit institution, Compagnie de Financement Foncier monitors its liquidity ratios, which remain well above the minimum requirements set by banking regulations, largely as a result of its commitment to maintain enough liquid assets to cover one year's equivalent of debt liabilities. In addition, Compagnie de Financement Foncier has in excess of €39 bn of eligible assets in the Eurosystem (excluding repurchase agreements) that would provide it with an estimated additional €15 bn in cash resources after haircut and on the basis of the ECB's current rules, while keeping its coverage rate above the legal minimum of 105%.

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

## 6. Analysis of net income

### NET BANKING INCOME

Net banking income came to €360 m in 2014, compared with €356 m the previous year.

Net banking income mainly consists of the net interest margin, which amounted to €327 m at end 2014 compared with €302 m at end 2013.

Net interest includes capital gains or losses on securities arising from buybacks of *obligations foncières*, and the related termination balances on associated swaps used to hedge interest rates or exchange rates. The outstanding amounts of liabilities bought back in the market and subsequently cancelled have varied considerably in recent financial years. In 2013, disposals of international assets offset buybacks, generating income of €30 m; in 2014, given that the asset disposal programme had been completed, buybacks were solely carried out to improve liquidity in the secondary market for these liabilities, and were therefore more limited, generating a gain of €12 m.

Stripping out these transactions, the net interest margin rose sharply from €270 m to €315 m year-on-year, mainly as a result of higher margins on new acquisitions compared with those on assets that have been disposed.

Conversely, the other components of net banking income, notably early repayment penalties on loans to private individuals, were revised down during the year. These penalties amounted to €45 m in 2014, equivalent to an annual early repayment rate of 6.5%, compared with €60 m in 2013, representing a historic peak of 8.3%.

Furthermore, Compagnie de Financement Foncier decided to recognise in its accounts closed on 31 December 2014 the impact of the moratorium applying on a significant part of the debt of Heta Asset Resolution AG, formerly called Hypo Alpe Adria Bank International AG, which was decreed by the Austrian Financial Market Authority on 01 March 2015.

Compagnie de Financement Foncier held an outstanding amount of €260 m in nominal value in securities concerned by this decision; moreover this outstanding amount benefits from the guarantee granted by the State of Carinthia. Consequently, as from the financial year 2014, Compagnie de Financement Foncier decided to reclassify the whole exposure as doubtful and provisioned 40% of the nominal, as well as all the risks associated with the related receivables and hedging swaps. It has thus been recognised as a charge of €10.7 m corresponding to the early extinction of the swaps concluded at the acquisition of the securities in order to hedge against movements in interest rates. The depreciation of the securities in capital of €104 m is recognised in cost of risk.

It has to be noted that the disposal of mortgage loans and receivables to a securitisation fund CFHL-1 2014, amounting to €0.7 bn, had no impact on Compagnie de Financement Foncier's net banking income.



## GROSS OPERATING INCOME

Operating expenses were up slightly in 2014, from €104 m to €105 m on the back of twin effects that in fact partly offset each other:

- on the one hand, an increase in fees and commissions paid to Crédit Foncier for its supply of services to Compagnie de Financement Foncier, mainly in respect of assets and liabilities management, and the Company's administrative, accounting and financial management, due to the more granular nature (lower loan amounts) of loans purchased recently compared with those sold in 2013. These expenses amounted to €69 m in 2014 compared with €63 m in 2013;
- on the other hand, the reduction in the fees paid to Crédit Foncier of a portion of the early repayment penalties received on loans to individuals. These payments amounted to €13 m in 2014 compared with €17 m in 2013, in line with the early repayment trend.

Thus, gross operating income recorded €254 m at 31 December 2014, compared with €252 m at 31 December 2013.

## COST OF RISK

The cost of risk has significantly increased during the year notably due to the depreciation recognised on HETA securities, amounting to €128 m for 2014, of which €104 m recorded in this provision.

Concerning the remaining balance, the recurring cost of risk has slightly increase during the year and remains low considering the outstanding volume. It rose from €15.2 m in 2013 to €23.8 m in 2014.

This increase, which mainly relates to provisions for doubtful loans to private individuals, was mainly due to a change in the treatment of loans in litigation, with the establishment of a systematic write-down of the loan collateral when the litigation process is launched. A review of outstanding loans in accordance with this new principle led to the recording of impairments of €3 m at the end of 2013, and a further €10 m at the beginning of 2014. Moreover, these impairments were also made, although to a lesser extent, in recognition of the increase in doubtful loans and the decrease in collateral value.

The amount of impairment recorded for doubtful loans to private individuals thus rose from €37 m to €58 m year-on-year.

The overall risk expenses include both the share in capital recorded as cost of risk and the share of interests recorded as net banking income.

The total risk charge thus came to €140.6 m for 2014, of which €115.1 m was attributable to the depreciation of HETA securities (risk in capital, in interest and in associated hedging swaps), compared with €16.0 m for 2013.

These risk factors are analysed by asset type in the management report, in the section related to credit risk.

## NET INCOME

In addition to operating income, it is necessary to include gains or losses on asset disposals. Disposals of securities from the International Public Sector were mainly carried out in the two previous financial years (2012 and 2013), and the costs were partly offset by the gains from the related buybacks of *obligations foncières*.

Losses in the 2013 financial year thus amounted to €135 m; in 2014, as the deleveraging objectives defined in the Crédit Foncier 2012-2016 strategic plan had already been carried out, the volume of disposals was very small, generating a gain of €1 m.

After deducting income tax, which takes into account the decision adopted in 2010 to recognise deferred taxes, the net income of Compagnie de Financement Foncier for 2014 was €84 m versus €160 m before taking into account the provision on HETA securities, compared with €33 m in 2013, reflecting a high volume of international sales during the financial year.

## SUPPLIER PAYMENT TERMS

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

Most of the Compagnie de Financement Foncier's management is subcontracted and invoiced by Crédit Foncier. The other trade payables at 31 December 2014 do not represent significant amounts and are usually all due within 30 days.

# 7. Credit risk analysis

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

- loans granted to individuals and loans to professional customers that are mainly related to the Public Sector:

These loans are acquired either directly by Compagnie de Financement Foncier or mobilised through Crédit Foncier or any other entity of Groupe BPCE, in the form of mortgage notes or loans guaranteed under Article L.211-38 for Public Sector loans. Subsidised loans which benefit from the guarantee of the French State were transferred to Compagnie de Financement Foncier when it was created in 1999; with no new loans of this type being granted, their value at the end of 2014 was very low at €0.3 bn.

The unsubsidised loans category amounted to €67 bn, equivalent to 76% of the balance sheet at end-2014. With the exception of an outstanding amount of €1.8 bn, all of these assets are located in France.

The assessment of credit risk is performed through Basel ratings, with the main indicators being the amount of doubtful loans and provisions;

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

These securities amounted to €9.5 bn, equivalent to 11% of the balance sheet at end-2014, following a large volume of disposals in the last two financial years, notably including the transfer of the securitisation portfolio comprising RMBS and public ABS at the end of 2013.

These securities, are notably qualified by their external ratings obtained from the authorised credit rating agencies Standard & Poor's, Moody's and Fitch Ratings;

- replacement values composed of investments with credit institutions that have the highest external rating:

For Compagnie de Financement Foncier, this category is composed of loans with maturities of less than two months granted to Groupe BPCE, 80% of which are secured by a portfolio of assets provided as collateral. At 31 December 2014, this item amounted to €7 bn, equivalent to 8% of the balance sheet, including loans to BPCE amounting to €6.6 bn and fully secured by real estate loans or Public Sector loans in France.

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

## OVERALL ANALYSIS

In summary, the main credit risk indicators for Compagnie de Financement Foncier's core business portfolio, comprising loans to the unsubsidised sector (excluding the subsidised sector) and the securities portfolio, showed some deterioration over the financial year, mainly because of the impact of the provisions recognised on HETA exposures.

### Analysis of the unsubsidised sector

	31 December 2014				31 December 2013			
	Outstanding loans (€m)	Doubtful loans (€m)	Rate of doubtful loans	Cost of risk (basis points)	Outstanding loans (€m)	Doubtful loans (€m)	Rate of doubtful loans	Risk charge (basis points)
Loans to Individuals and related	39,550	1,054	2.7%	6.4	37,620	910	2.4%	4.2
• of which mortgage notes	7,323				8,226			
Exposures on public entities	35,383	281	0.8%	32.6	38,240	12	0.0%	0.0
• of which securities *	9,561	263	2.8%	120.4	9,950			
Loans to social housing	1,725	1	0.1%	0.1	1,916	4	0.2%	-0.4
Loans to commercial property	21	3	15.2%	-102.5	8	3	37.0%	137.1
<b>TOTAL</b>	<b>76,679</b>	<b>1,339</b>	<b>1.7%</b>	<b>18.3</b>	<b>77,784</b>	<b>929</b>	<b>1.2%</b>	<b>2.1</b>

\* Outstandings before €104 m impairment on HETA securities.

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

Excluding HETA outstandings, the doubtful loans rates increased from 1.2% to 1.4% over the year, outstandings remain at a low level and are concentrated in the loans to individuals category, as the risks on other categories are negligible.

Of the commercial property loans totalling a non-material €21 m at end-December 2014, almost half represents commercial property loans acquired upon transfer at the outset in 1999 and which are in run-off mode. The remaining half consists of home loans to professionals which were previously accounted for in loans to social housing category.

The risk charge which includes interest payments and capital represented 18.3 basis points at end-2014. Excluding the provisions on HETA securities, the risk charge represented 3.3 basis points compared with 2.1 basis points the previous financial year. The unfavourable trend was largely due to the provisions recorded following the introduction of a stricter treatment of loans in litigation, which was applied to all loans in this category in order to bring previous entries into line.

However, this risk charge is still very low considering the volume of loans outstanding.

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

## LOANS AND SIMILAR ITEMS

The full amount of loans represents a significant portion of the balance sheet of Compagnie de Financement Foncier, and the sharp increase as a proportion of global assets reflects the refocusing of the Group's activities on exposure in France.

Restated for very short-term investments with the Banque de France, which are recognised under "loans to public entities", the portfolio outstanding amounted to €66 bn at 31 December 2014, equivalent to 75% of the balance sheet, a year-on-year increase of more than €9 bn.

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

## ■ Risk indicators on outstanding loans and similar items

31 December 2014	Outstanding loans (€m)	Percentage of total outstanding loans	Of which doubtful loans	Doubtful loans (%)	Of which compromised doubtful	Compromised doubtful (%)	Provisions (€m)
<b>Subsidised sector (run-off)</b>	<b>319.2</b>	<b>0.5%</b>	<b>115.4</b>	<b>36.1%</b>	<b>0.0</b>	<b>0.0%</b>	<b>0.2</b>
<b>Private sector</b>	<b>67,118.3</b>	<b>99.5%</b>	<b>1,075.7</b>	<b>1.6%</b>	<b>292.8</b>	<b>0.4%</b>	<b>74.8</b>
Loans to Individuals and mortgage notes	39,550.4	58.6%	1,053.9	2.7%	289.6	0.7%	73.4
• of which mortgage notes	7,323.4	10.9%	0.0	0.0%	0.0	0.0%	0.0
• of which loans guaranteed by FGAS	15,817.5	23.5%	512.7	3.2%	0.0	0.0%	0.0
• of which other mortgage loans	16,409.4	24.3%	541.2	3.3%	289.6	1.8%	73.4
Loans to public entities	25,822.0	38.3%	17.6	0.1%	0.0	0.0%	0.2
• of which deposits at Banque de France	1,200.1	1.8%	0.0	0.0%	0.0	0.0%	0.0
Loans to social housing	1,725.0	2.6%	1.0	0.1%	0.8	0.0%	0.1
Loans to commercial property	20.9	0.0%	3.2	15.2%	2.4	11.7%	1.0
<b>TOTAL</b>	<b>67,437.5</b>	<b>100.0%</b>	<b>1,190.0</b>	<b>1.8%</b>	<b>292.8</b>	<b>0.4%</b>	<b>75.0</b>

31 December 2013	Outstanding loans (€m)	Percentage of total outstanding loans	Of which doubtful loans	Doubtful loans (%)	Of which compromised doubtful	Compromised doubtful (%)	Provisions (€m)
<b>Subsidised sector (run-off)</b>	<b>411.0</b>	<b>0.6%</b>	<b>95.0</b>	<b>23.1%</b>	<b>0.0</b>	<b>0.0%</b>	<b>0.1</b>
<b>Private sector</b>	<b>67,834.4</b>	<b>99.4%</b>	<b>929.2</b>	<b>1.4%</b>	<b>176.5</b>	<b>0.3%</b>	<b>52.6</b>
Loans to Individuals and mortgage notes	37,620.2	55.1%	909.9	2.4%	173.6	0.5%	51.0
• of which mortgage notes	8,226.1	12.1%	0.0	0.0%	0.0	0.0%	0.0
• of which loans guaranteed by FGAS	13,810.1	20.2%	420.8	3.0%	0.0	0.0%	0.0
• of which other mortgage loans	15,584.0	22.8%	489.1	3.1%	173.6	1.1%	51.0
Loans to public entities	28,290.3	41.5%	12.0	0.0%	0.0	0.0%	0.1
• of which deposits at Banque de France	11,399.8	16.7%	0.0	0.0%	0.0	0.0%	0.0
Loans to social housing	1,916.1	2.8%	4.5	0.2%	0.8	0.0%	0.4
Loans to commercial property	7.7	0.0%	2.8	37.0%	2.1	27.9%	1.0
<b>TOTAL</b>	<b>68,245.3</b>	<b>100.0%</b>	<b>1,024.3</b>	<b>1.5%</b>	<b>176.5</b>	<b>0.3%</b>	<b>52.7</b>

The sectors that may appear of highest risk because they have a high level of doubtful loans, e.g. the subsidised sector and that of commercial property, in fact have a negligible impact. First, these are run-off sectors, which has the mechanical effect of increasing their proportion of non-performing debts over time. Second, the outstandings in these sectors have become marginal and the risk of final loss in the subsidised sector is taken over by the State.

In reality, the most sensitive portfolio comprises mortgage loans to private individuals that are not covered by an additional guarantee

from the government (i.e. excluding subsidised loans and loans guaranteed by FGAS), which represented outstandings of €16.4 bn at 31 December 2014, and for which there was a relative increase in risk, with 3.3% of doubtful loans, compared with 3.1% a year earlier.

The amount of provisions was adjusted accordingly and accounted for 13.6% of doubtful loan outstandings in this category at end-2014, compared with 10.4% at 31 December 2013.

## ■ Analysis of the risk charge

	2014			2013		
	Outstanding loans (€m)	Cost of risk (€m)	Cost of risk (basis points)	Outstanding loans (€m)	Cost of risk (€m)	Cost of risk (basis points)
<b>Subsidised sector (run-off)</b>	<b>319.2</b>	<b>0.28</b>	<b>8.9</b>	<b>411.0</b>	<b>0.04</b>	<b>1.0</b>
<b>Private sector</b>	<b>67,118.3</b>	<b>25.16</b>	<b>3.7</b>	<b>67,834.4</b>	<b>15.95</b>	<b>2.4</b>
Loans to Individuals and mortgage notes	39,550.4	25.23	6.4	37,620.2	15.82	4.2
Loans to public entities	25,822.0	0.13	0.1	28,290.3	0.09	0.0
Loans to social housing	1,725.0	0.01	0.1	1,916.1	-0.07	-0.4
Loans to commercial property	20.9	-0.21	-102.5	7.7	0.11	137.1
<b>TOTAL</b>	<b>67,437.5</b>	<b>25.44</b>	<b>3.8</b>	<b>68,245.3</b>	<b>15.99</b>	<b>2.3</b>

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

In view of the volume of loans, the risk charge remains low: €25 m at 31 December 2014, equivalent to 3.8 basis points of total outstandings, it still shows a relative increase of €16 m (2.3 basis points) in comparison with the previous financial year. This charge only concerns loans to individuals.

The risk charge for the financial year mainly comprised net allocations to provisions and impairments of €24.5 m; non-hedged losses of €6.0 m were largely offset by recovery of loans written off amounting to €5.0 m

## ■ INTERNATIONAL PUBLIC SECTOR OUTSTANDINGS

There was little change over the financial year; its outstandings of €11 bn remained broadly flat, with few contractual payments and few disposals. At 31 December 2014, this consisted of:

- securities issued or guaranteed by foreign public entities, with outstandings of €9.2 bn;
- loans granted to foreign public entities for €1.8 bn.

There was little change in the distribution of this portfolio during the half-year period, in terms of volume or geographical breakdown, with the main disposals on the markets and transfer to Crédit Foncier taking place before 2014.

The international portfolio can be broken down as follows on 31 December 2014:

- €3.6 bn benefiting from a step one rating as granted by the rating agencies (rating superior to AA-) of which €1.2 bn rated AAA. Assets are mainly located in North America (USA and Canada) for an amount of €1.7 bn, Switzerland for €1 bn, and Germany for €0.5 bn;

- €3.1 bn benefiting from a step two rating (ratings between A+ and A-), including exposures to Japan for €1.3 bn, to the United States for €0.6 bn and to various European countries;
- €3.3 bn benefiting from a step three rating (ratings between BBB+ and BBB-), mainly covering positions in Italy for €2.5 bn and in Spain for €0.6 bn;
- €0.8 bn benefiting from a step four rating (ratings between BB+ and BB-) also corresponding to positions in Italy and Spain;
- less than €0.1 bn of lower ratings comprising two lines in Portugal and Cyprus;
- €0.2 bn unrated, mainly in Switzerland.

At 31 December 2014, outstandings on HETA still had a A2 rating from Moody's due to the guarantee granted by the state of Carinthia. On 6 March 2015 this rating has been downgraded to Baa3.

In 2014, the main changes in rating steps impacted a €1.1 bn exposure to loans granted to Japanese public entities that were downgraded from step one to step two following their downgrading of one notch by a rating agency. On the contrary, some exposures to Portugal, Ireland and Cyprus, amounting to €0.3 bn, were upgraded.

A portion of this portfolio (€1.6 bn) is counter-guaranteed by monoline insurers. However, the strong deterioration of these companies means that their guarantee is less effective as the transaction's intrinsic credit rating is higher than the one of the credit enhancer. However, Assured Guaranty Municipal Corp. (ex-FSA) rated AA by S&P and A2 by Moody's continues to provide effective protection against credit risk for a total guaranteed outstanding amount of €1.1 bn; as well as National Public Finance Guarantee Corp (ex MBIA), rated AA- by S&P and A3 by Moody's, which provides a protection on a €0.2 bn outstanding.

## 8. Financial risk analysis

### INTEREST RATE AND FOREIGN EXCHANGE RISK

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 at the very moment of their execution.

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

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

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

All of the counterparties to these currency or interest rate swaps have concluded collateralisation agreements with Compagnie de Financement Foncier that require them to provide a security deposit to the benefit of the Compagnie de Financement Foncier depending on their debt position and rating. These requests for funds are made on a daily basis if the rating of the counterparty falls below F1+ or AA- at Fitch Ratings, P1 or Aa3 at Moody's, A1+ or AA- at Standard & Poor's. If the opposite situation occurs, these agreements stipulate that Compagnie de Financement Foncier shall not deposit any collateral. As of 31 December 2014, the amount of deposits received was €3.5 bn.

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

In 2014, Compagnie de Financement Foncier continued to enter into such financial instruments along with its acquisition, issuance and ALM activities. In parallel, the Company continued to restructure its derivatives portfolio with in particular the compression of €4 bn in outstanding swaps with Crédit Foncier, following two years (2012 and 2013) of significant reductions in this portfolio.

Lastly, at 31 December 2014, outstandings in micro and macro hedging instruments consisted of €57 bn in interest rate swaps and €27 bn in currency swaps; they were respectively €56 bn and €32 bn at end-2013.

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

These loans amounted to €24 bn at 31 December 2014, up during the year, as Crédit Foncier's recent home loan production is mainly at fixed rate. Moreover, the nominal rate of these loans constitutes an additional protection against the risk of early repayment and renegotiation. 14% of the loans are interest-free loans and over half of the total outstanding have an interest rate of less than 4%.

In 2014, the total amount of loans to individuals at fixed or variable rate saw an early repayment rate of 6.5% compared with 8.3% in 2013.

### LIQUIDITY RISK

The very prudent liquidity management policy continued in 2014, with Compagnie de Financement Foncier still committed to maintaining sufficient available cash flow to meet the contractual maturities on all of its privileged debt, for one year, without recourse to new resources.

At 31 December 2014, Compagnie de Financement Foncier had available cash of €8 bn, including €1.5 bn on demand mainly deposited with Banque de France and €6.6 bn granted to BPCE with a term of less than two months, fully guaranteed by a loans portfolio originated by Crédit Foncier.

Furthermore, Compagnie de Financement Foncier has a very large volume of assets that are eligible for the ECB's refinancing operations. As at 31 December 2014, the outstandings amounted to €41 bn in nominal value, divided into:

- €7 bn in Public Sector loans;
- €4 bn in securities; and
- €30 bn in mortgage loans to individuals, meeting the criteria set out by the Banque de France after the ECB's decision of 9 February 2012 to expand, on a temporary and national basis, the conditions under which a receivable may be accepted as a guarantee for refinancing operations by the Eurosystem.

€1.7 bn of these securities have currently been sold under repurchase agreements. Taking into account the available eligible outstandings of €39 bn, and after applying a cautious haircut calculation, the additional financing that could be provided by the ECB can be estimated at €15 bn, while keeping the overcollateralisation ratio above its regulatory limit of 105%.

The liquidity situation can also be measured by the maturity gap between assets and liabilities.

Since the Order of 26 May 2014, the average maturity for assets used to calculate the overcollateralisation ratio must not exceed those of privileged liabilities by more than 18 months, in order to ensure a minimum overcollateralisation ratio of 105% of outstanding privileged liabilities. At 31 December 2014, all assets of Compagnie de Financement Foncier, without limiting them to the regulatory threshold, had an average duration of 7.5 years, exceeding that of the outstanding privileged liabilities by 0.5 year.

Similarly, the maturity of balance sheet items closely matched each other: 7.3 years for all assets versus 7.5 years for all liabilities, whether or not privileged.

---

## 9. Outlook

---

In 2015, Compagnie de Financement Foncier intends to continue its development, while respecting the strategic directions of the medium-term plan of Crédit Foncier and Groupe BPCE:

- rigorous selection of acquisitions and active management of its outstandings in order to maintain assets' high quality;
- continuing its activity, both in terms of mortgage loans and receivables and exposures on public entities;
- funding of Crédit Foncier or other Groupe BPCE entities by purchases and mobilisations of loan portfolio;
- optimisation of financial risk hedging;
- diversification of funding sources.

---

## 10. Social, environmental and societal information

---

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

Compagnie de Financement Foncier has neither premises nor own resources and depends entirely on Crédit Foncier's assets. This

implies that social, environmental and societal issues are totally under shareholder control and are provided in its own management report. No specific information is available in Compagnie de Financement Foncier's registration document.

All social, environmental and societal information for groupe Crédit Foncier can be found in the registration document 2014 of Crédit Foncier, in section Corporate Social Responsibility (CSR) <sup>(41)</sup>.

<sup>(41)</sup> La version intégrale du Document de référence 2014 du Crédit Foncier, intégrant la section RSE, est disponible sur le site internet [www.creditfoncier.com](http://www.creditfoncier.com) dans la rubrique Finance/Documents de référence/2014.



Below is presented a summary of Crédit Foncier's approach to corporate social responsibility (CSR)

### 10.1. THE CSR POLICY AT THE CORE OF CRÉDIT FONCIER'S BUSINESS: BUILDING TOGETHER

For more than 160 years, Crédit Foncier has specialised in real estate financing and services in France. Drawing on the solidity of its parent company Groupe BPCE, of which it is a wholly owned subsidiary, Crédit Foncier implements its expertise *via* a consistent and sustainable initiative. As such, Crédit Foncier is committed to Groupe BPCE's approach to financing the real economy.

Crédit Foncier's CSR Department reports to the External Communications Department, where it draws its resources to meet Crédit Foncier and Groupe BPCE's commitments. In 2014, 43 employees and officers, who came from a wide array of departments, coordinated and trained by the CSR team have contributed to the Crédit Foncier's sustainable development reporting.

### 10.2. A FRAMEWORK FOR ACTION: GROUPE BPCE'S COMMITMENT

Crédit Foncier is fully in line with Groupe BPCE's sustainable development practices, and has set three priorities for the 2014-2017 period:

- supporting green and responsible growth;
- banking and financial inclusion;
- reducing its carbon footprint.

Groupe BPCE's sustainable development strategy complies with international standards. As such, the group has adhered to the principles of the UN's Global Compact since 2007, and in 2012 it renewed its participation by extending these principles to all its entities. By signing this Compact, the companies committed to aligning their operations and strategies with the ten universally accepted principles in the areas of human rights, labour standards, the environment and anti-corruption. As the largest voluntary corporate responsibility initiative in the world, with more than 12,000 participants in over 145 countries, the main goal of the Global Compact is to promote corporate and market legitimacy. The objectives of the Global Compact are compatible with those of ISO 26000 as well as those of the Global Reporting Initiative (GRI). In 2013, Groupe BPCE achieved the GC active level. The group's CSR programme is also based on the work of the UN, OECD and the ILO.

### 10.3. CRÉDIT FONCIER'S INNOVATIVE FINANCING

Crédit Foncier is the leading specialist in real estate financing and services in France. It works with all types of players (individuals, professionals, investors as well as local authorities), seeking solutions to their real estate needs. Crédit Foncier offers all these

players its innovative capacity and more than 160 years of experience on the market in which it operates.

Crédit Foncier's refinancing is mainly funded through covered bond issuances on the market *via* its subsidiary, Compagnie de Financement Foncier. Due to the implementation of new banking regulations intended primarily to control the size of bank balance sheets, Crédit Foncier has also developed alternative funding tools, in particular securitisation, compliant with the regulatory standards.

Furthermore, Crédit Foncier's approach complies with Groupe BPCE's policy of excluding certain types of financing, in particular financing the armament's industry. As Crédit Foncier does not have the status of an investment firm, it does not operate in the Socially Responsible Investment (SRI) sector. Crédit Foncier does not perform any proprietary trading, and does not speculate on commodities markets (agricultural, energy, etc.). Crédit Foncier uses vanilla derivatives, solely intended to hedge its business-related foreign exchange and interest rate risks. These risks are strictly monitored in compliance with the regulations in force.

### 10.4. CSR: A KEY TO CRÉDIT FONCIER'S ECONOMIC PERFORMANCE

From social integration to energy savings, Crédit Foncier is committed to a resolutely CSR-oriented approach, particularly in terms of social or environmental loans.

In France, it is the number one lender to low income families and promotes first-time home buyers with the Loan for low-income families (PAS) and the Interest-free loan (PTZ+). It also promotes financing of senior citizens with the Reverse mortgage loan (PVH). In response to the French government's energy transition commitments, Crédit Foncier has also developed dedicated products.

Due to a significant local presence, Crédit Foncier is a key player in financing social economy organisations and housing. Furthermore, Crédit Foncier set up a Housing Division, whose aim is to assist the public authorities (regional, departmental, inter-municipality, towns, etc.) in implementing their regional housing policy, especially for financing low-income homeownership, thermal renovation of public housing stock or making renovations for an aging population.

### 10.5. CRÉDIT FONCIER'S HUMAN RESOURCES POLICY

The Human Resources Department works with the managerial teams to guide and train Crédit Foncier's employees. As part of a supportive foundation for employee relations, a number of projects have thus been rolled out to ensure good working conditions.

The following were among the most significant initiatives:

- resizing the headcount and job retention measures;
- training policy;
- a quality of life policy including the prevention of psychosocial risks.



The anti-discrimination policies is an integral part of management's priorities, whether it concerns the disability policy and particularly the awareness-raising of all employees about this issue, or actions promoting gender equality in the workplace focused on three critical efforts: hiring, training and professional promotion.

All Crédit Foncier employees fall under an AFB (Association française des banques) collective bargaining agreement. Furthermore, a certain number of corporate contractual provisions, in particular those provided for under the 2008 Company social

foundation, are intended to improve conditions in the workplace and to foster better work-life balance, notably with a flexible working time adjustment policy.

*For further information, the cross-reference index with CSR issues regarding Article 225 of the Grenelle II environment law, is available pages 95 and 96 in the Crédit Foncier's 2014 registration document.*

## NOTES TO THE MANAGEMENT REPORT

### NOTE 1. INFORMATION ON CORPORATE OFFICERS

For the year ending 31 December 2014, pursuant to Article L.225-102-1 of the French Commercial Code, the list below shows the total compensation as well as all benefits paid by the Company to each of the corporate officers during the year.

Information regarding compensation received is in euros and is limited to the following scope: Crédit Foncier, the subsidiaries of Crédit Foncier, and BPCE as the controlling company. The compensation paid in 2014 by Compagnie de Financement Foncier to executives and corporate officers amounted to €120,000 excluding social security charges.

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

(in euros)

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

	2013	2014
Annual remuneration due during the year (outlined in table below)	528,787	565,716
Value of options attributed over the course of the year	-	-
Value of performance shares attributed over the course of the year	-	-
<b>TOTAL</b>	<b>528,787</b>	<b>565,716</b>

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

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

	2013	2014
Annual remuneration due during the year (outlined in table below)	523,906	568,076
Value of options attributed over the course of the year	-	-
Value of performance shares attributed over the course of the year	-	-
<b>TOTAL</b>	<b>523,906</b>	<b>568,076</b>

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

#### SUMMARIES OF REMUNERATION OF EACH EXECUTIVE CORPORATE OFFICER

(in euros)

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

	2013		2014	
	Total due	Total paid	Total due	Total paid
Base Salary	354,720	354,720	354,720	354,720
Variable pay	135,000	79,021 <sup>(a)</sup>	165,600	97,649 <sup>(b)</sup>
Banco Primus remuneration	20,000	20,000	20,000	20,000
Exceptional remuneration	-	58	4,719	4,719
Supplemental retirement plan	13,787	13,787	15,397	15,397
Director's fees	-	-	-	-
Benefits in kind	5,280	5,280	5,280	5,280
<b>TOTAL</b>	<b>528,787</b>	<b>472,866</b>	<b>565,716</b>	<b>497,765</b>

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

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

■ Sandrine GUÉRIN, Deputy Chief Executive Officer, Director

	2013		2014	
	Total due	Total paid	Total due	Total paid
Base Salary	297,344	297,344	296,815	296,815
Variable pay	205 168	100,662 <sup>(a)</sup>	252,742	128,988 <sup>(b)</sup>
Exceptional remuneration	4,000	4,138	-	-
Supplemental retirement plan	13,194	13,194	14,319	14,319
Director's fees	-	-	-	-
Benefits in kind	4,200	4,200	4,200	4,200
<b>TOTAL</b>	<b>523,906</b>	<b>419,538</b>	<b>568,076</b>	<b>444,322</b>

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

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

### BASE SALARY

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

### HOW VARIABLE PAY IS DETERMINED

There is no variable pay at the Company level. The variable pay of the CEO is set by the Crédit Foncier Board of Directors as proposed by the Remuneration Committee and can equal as much as 50% of his fixed pay. The criteria for the variable portion are based on qualitative and quantitative indicators of the groupe Crédit Foncier (Financial performance for 25%, operational performance for 30% and commercial performance for 25%) as well as on an indicator from the Groupe BPCE (group results for 20%).

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

The variable pay of the Deputy CEO is entirely paid by Crédit Foncier and may reach 100% of his fixed pay. For 2014, it is based on qualitative and quantitative indicators of Crédit Foncier (financial performance with Net Banking Income, Net Income and cost/income ratio; commercial performance with new Net Banking Income and operational performance with the implementation of ACPR's recommendations and the achievement of external securitisation of real estate loans).

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

### EXCEPTIONAL REMUNERATION

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

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

### DIRECTORS' FEES

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

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

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

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

(in euros)	For 2013	For 2014
Mr. Bruno DELETRÉ		7,500 <sup>(1)</sup>
Mr. Thierry DUFOUR	7,500 <sup>(1)</sup>	3,750 <sup>(1)</sup>
Ms. Sandrine GUÉRIN	1,500 <sup>(1)</sup>	3,750 <sup>(1)</sup>
Crédit Foncier (represented by Mr Éric FILLIAT)	6,750 <sup>(1)</sup>	6,750 <sup>(1)</sup>
BPCE (represented by Mr Roland CHARBONNEL until 03/25/14 and by Mr Olivier IRISSON since then)	5,750 <sup>(3)</sup>	5,750 <sup>(3)</sup>
Mr. Cédric MIGNON (since 03/25/14)	-	2,250 <sup>(3)</sup>
Ms. Christine FABRESSE (since 03/25/14)	-	5,750
Mr. Dominique GARNIER (since 03/25/14)	-	3,250
Mr. Pascal CHABOT (since 03/25/14)	-	2,250
Mr. Jean CHEVAL (since 03/25/14)	-	3,000
Mr. Francis DELACRE (since 03/25/14)	-	3,750
Ms. Pascale PARQUET (until 03/25/14)	5,000 <sup>(2)</sup>	1,250 <sup>(3)</sup>
Ms. Christine JACGLIN (jusqu'au 25/03/14)	5,750	-

(1) Directors' fees paid to Crédit Foncier.

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

(3) Directors' fees paid to BPCE.

## BENEFITS IN KIND

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

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

## IMPLEMENTATION OF THE "TEPA" LAW

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

The Crédit Foncier Board of Directors at its meeting of 31 July 2012, upon a proposal by the Remuneration Committee approved the compensation package of Thierry Dufour, Chief Executive

Officer of Compagnie de Financement Foncier and Deputy Chief Executive Officer of Crédit Foncier.

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

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

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

## SUMMARY OF REMUNERATION OF EACH NON-EXECUTIVE DIRECTOR

(in euros)

### NON-EXECUTIVE DIRECTORS FROM CRÉDIT FONCIER

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

	2013		2014	
	Total due	Total paid	Total due	Total paid
Base Salary	464,720	464,720	464,720	464,720
Variable pay	282,000	126,606 <sup>(1)</sup>	345,920	174,209 <sup>(2)</sup>
Exceptional remuneration	-	-	-	-
Supplemental retirement plan	19,875	19,875	21,460	21,460
Director's fees	-	8,572	-	-
Benefits in kind	5,520	5,520	5,520	5,520
<b>TOTAL</b>	<b>722,115</b>	<b>625,293</b>	<b>837,620</b>	<b>665,909</b>

(1) Amount paid in 2013 to 50% of the variable portion for the year 2012 is €126,606. There is no deferred for prior years fraction.

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

■ **Éric FILLIAT, Permanent Representative of Crédit Foncier**

	2013		2014	
	Total due	Total paid	Total due	Total paid
Base Salary	185,925	185,925	203,425	203,425
Variable pay	79,018	55,500	93,575	79,018
Banco Primus remuneration	20,000	15,000	20,000	20,000
Exceptional remuneration	7,344	7,425	5,141	5,141
Supplemental retirement plan	8,414	8,414	9,706	9,706
Director's fees	-	-	-	-
Benefits in kind	3,900	3,900	3,900	3,900
<b>TOTAL</b>	<b>304,601</b>	<b>276,164</b>	<b>335,747</b>	<b>321,190</b>

**NON-EXECUTIVE DIRECTORS FROM BPCE**

■ **Roland CHARBONNEL, permanent representative of BPCE (until 19 March 2014)**

	2013		2014	
	Total due	Total paid	Total due	Total paid
Base Salary	186,603	186,603	186,603	186,603
Variable pay	n/a	59,339	n/a	63,816
Exceptional remuneration	n/a	-	-	17,039 <sup>(1)</sup>
Director's fees	n/a	-	-	-
Benefits in kind	n/a	4,160	4,101	4,101
<b>TOTAL</b>	<b>186,603</b>	<b>250,102</b>	<b>190,704</b>	<b>271,559</b>

n/a: not applicable to the person concerned.

(1) Amount corresponding to the 2013 gross incentive scheme paid in 2014.

■ **Olivier IRISSON, permanent representative of BPCE (since 19 March 2014)**

	2013		2014	
	Total due	Total paid	Total due	Total paid
Base Salary	n/a	n/a	225,000	225,000
Variable pay	n/a	n/a	n/a	101,813
Exceptional remuneration	n/a	n/a	-	42,039 <sup>(1)</sup>
Director's fees	n/a	n/a	-	-
Benefits in kind	n/a	n/a	442	442
<b>TOTAL</b>	<b>N/A</b>	<b>N/A</b>	<b>225,442</b>	<b>369,294</b>

n/a: not applicable to the person concerned

(1) Amount including the 2013 gross incentive scheme paid in 2014.

■ **Cédric MIGNON (since 25 March 2014)**

	2013		2014	
	Total due	Total paid	Total due	Total paid
Base Salary	n/a	n/a	220,000	220,000
Variable pay	n/a	n/a	n/a	89,056
Exceptional remuneration	n/a	n/a	-	17,039 <sup>(1)</sup>
Director's fees	n/a	n/a	-	-
Benefits in kind	n/a	n/a	4,066	4,066
<b>TOTAL</b>	<b>N/A</b>	<b>N/A</b>	<b>224,066</b>	<b>330,161</b>

n/a: not applicable to the person concerned

(1) Amount corresponding to the 2013 gross incentive scheme paid in 2014.

■ **Pascale PARQUET (until 25 March 2014)**

	2013		2014	
	Total due	Total paid	Total due	Total paid
Base Salary	232,845	232,845	240,000	240,000
Variable pay	n/a	69,238	n/a	21,706
Exceptional remuneration	n/a	-	-	4,295 <sup>(1)</sup>
Director's fees	n/a	-	-	-
Benefits in kind	5,035	5,035	3,617	3,617
<b>TOTAL</b>	<b>237,880</b>	<b>307,118</b>	<b>243,617</b>	<b>269,618</b>

n/a: not applicable to the person concerned

(1) Amount corresponding to the 2013 gross incentive scheme paid in 2014.

## NON-EXECUTIVE DIRECTORS FROM CAISSES D'EPARGNE

■ **Christine FABRESSE (since 25 March 2014)**

	2013		2014	
	Total due	Total paid	Total due	Total paid
Director's fees <sup>(1)</sup>	n/a	n/a	13,250	n/a
Other remuneration	n/a	n/a	n/a	n/a
<b>TOTAL</b>	<b>N/A</b>	<b>N/A</b>	<b>13,250</b>	<b>N/A</b>

n/a: not applicable to the person concerned

(1) Total Directors's fees amount of groupe Crédit Foncier.

■ **Pascal CHABOT (since 25 March 2014)**

	2013		2014	
	Total due	Total paid	Total due	Total paid
Director's fees	n/a	n/a	2,250	n/a
Other remuneration	n/a	n/a	n/a	n/a
<b>TOTAL</b>	<b>N/A</b>	<b>N/A</b>	<b>2,250</b>	<b>N/A</b>

n/a: not applicable to the person concerned

## NON-EXECUTIVE DIRECTORS FROM BANQUES POPULAIRES

■ **Dominique GARNIER (since 25 March 2014)**

	2013		2014	
	Total due	Total paid	Total due	Total paid
Director's fees <sup>(1)</sup>	n/a	n/a	14,750	n/a
Other remuneration	n/a	n/a	n/a	n/a
<b>TOTAL</b>	<b>N/A</b>	<b>N/A</b>	<b>14,750</b>	<b>N/A</b>

n/a: not applicable to the person concerned

(1) Total Directors's fees amount of groupe Crédit Foncier.

■ Francis DELACRE (since 25 March 2014)

	2013		2014	
	Total due	Total paid	Total due	Total paid
Director's fees	n/a	n/a	3,750	n/a
Other remuneration	n/a	n/a	n/a	n/a
<b>TOTAL</b>	<b>N/A</b>	<b>N/A</b>	<b>3,750</b>	<b>N/A</b>

n/a: not applicable to the person concerned

NON-EXECUTIVE DIRECTORS FROM NATIXIS

■ Jean CHEVAL (since 25 March 2014)

	2013		2014	
	Total due	Total paid	Total due	Total paid
Director's fees	n/a	n/a	3,000	n/a
Other remuneration	n/a	n/a	n/a	n/a
<b>TOTAL</b>	<b>N/A</b>	<b>N/A</b>	<b>3,000</b>	<b>N/A</b>

n/a: not applicable to the person concerned

	Job contract		Supplemental retirement plan		Indemnities or advantages due or likely to be due resulting from a termination or change in position		Indemnity relative to a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
<b>Executive corporate officers</b>								
<b>Mr. Thierry DUFOUR</b> Chief Executive Officer Start of term: 14/12/07 Start of term: 18/12/98		X		X	X			X
Ms. Sandrine GUÉRIN Deputy Chief Executive Officer Start of term: 10/15/01 Director Start of term: 25/03/02		X		X		X		X

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

At 31 December 2014, Compagnie de Financement Foncier did not have its own employees, with the exception of its corporate officers.

As such, there was no incentive scheme or profit-sharing plan in the Company. In addition, there were no stock option or stock purchase plans as of 31 December 2014.

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

**DIRECTORS FROM CREDIT FONCIER, SINGLE SHAREHOLDER OF COMPAGNIE DE FINANCEMENT FONCIER**

■ Thierry DUFOUR, Chief Executive Officer

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

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

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



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

Company	Position
COMPAGNIE DE FINANCEMENT FONCIER – SA	Chief Executive Officer, Director
CRÉDIT FONCIER DE FRANCE – SA	Deputy Chief Executive Officer
BANCO PRIMUS (Portugal)	Chairman of the Board of Directors
FINANCIÈRE DESVIEUX - SA	Director (until 04/14/14)
FONCIER PROJECT SOLUTIONS (Saudi Arabia)	Director
VAUBAN MOBILISATION GARANTIES (VMG) – SACS	Permanent representative of Credit Foncier, Member of the Supervisory Board
LOCINDUS – SA	Chairman of the Board of Directors (since 10/16/14)

### ■ Sandrine GUÉRIN, Deputy Chief Executive Officer

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

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

Company	Position
COMPAGNIE DE FINANCEMENT FONCIER – SA	Deputy Chief Executive Officer – Director
CRÉDIT FONCIER DE FRANCE – SA	Chief Executive Officer in charge of the Financial Transactions
FINANCIÈRE DESVIEUX – SA	Chairman of the Board of Directors (until 04/14/14)
SWISS PUBLIC FINANCE SOLUTIONS – SA (SUISSE)	Director
VMG – SACS	Chairman of the Management Board

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

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

Bruno DELETRÉ, alumnus of the École polytechnique and of the École nationale d'administration (ENA), started his career in French Inspectorate General of Finances (IGF) in 1987. After a stint at the Treasury Division and in the office of the Minister of Finance and the Economy, in 2001 he joined the Management Board of Dexia Crédit Local, taking over international, structured financing, accounting and management control. He left the Dexia group in July 2008 to take on a mission of financial supervision assigned by Christine Lagarde. In June 2009, Bruno Deletré became Chief Executive Officer of BPCE International et Outre-mer and a member of the BPCE's Executive Committee. He took up his duties at Crédit Foncier in July 2011.

Company	Position
CRÉDIT FONCIER DE FRANCE – SA	Chief Executive Officer
COFACE – SA	Director (until 06/27/14)
COMPAGNIE DE FINANCEMENT FONCIER – SA	Chairman of the Board of Directors Chairman of the Appointments Committee (since 12/16/14)
CRÉDIT FONCIER IMMOBILIER – SA	Chairman of the Board of Directors Chief Executive Officer (from 10/16/14 until 12/08/14) Chairman of the Compensation and Nomination Committee
ENFI – SAS	Chairman
IT-CE – GIE	Permanent representative of Crédit Foncier Member of the Supervisory Board
LA MONDIALE PARTENAIRE – SA	Permanent representative of Crédit Foncier, Director
SOCFIM – SACS	Chairman of the Supervisory Board
CREDIT LOGEMENT – SA	Permanent representative of Crédit Foncier, Director (since 10/21/14)
FEDERATION HYPOTHECAIRE EUROPEENNE	Chairman of the Board (since 01/01/15)

## ■ **Crédit Foncier, Administrateur**

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

<b>Company</b>	<b>Position</b>
ARTHURIMMO.COM – SA	Director
BTP CAPITAL INVESTISSEMENT – SA	Director
CFCO – SAS	Chairman
CFG – COMPTOIR FINANCIER DE GARANTIE	Director
COFIMAB – SAS	Chairman
COMPAGNIE DE FINANCEMENT FONCIER – SA	Director and Chairman of the Audit and risks Committee
CRÉDIT FINANCIER LILLOIS – SA	Director
CRÉDIT LOGEMENT – SA	Director
ECOLOCALE – GIE	Director
ECUFONCIER – SCA	Managing partner – Sponsor
EURO-MARNE PARTICIPATIONS – SAS	Chairman ( <i>until 11/ 28/14</i> )
EUROPEAN DATAWAREHOUSE (Germany)	Member of the Supervisory Board
FONCIER FOREIGN 2008 – SAS	Chairman
FONCIER PARTICIPATIONS – SAS	Chairman
FONCIER TITRISATION – SA	Director
FONCIÈRE D'ÉVREUX – SAS	Chairman
IT-CE – GIE	Member of the Supervisory Board
GRAMAT-BALARD – SAS	Chairman
H&T CONSEIL – SA	Director
LA MONDIALE PARTENAIRE – SA	Director
LOCINDUS – SA	Director
SAF ENVIRONNEMENT – SA	Director
SCAFR – TERRES D'EUROPE – SACS	Member of the Supervisory Board
SELECTINVEST 1 – SACS	Member of the Supervisory Board
SEM YVELINES AMÉNAGEMENT – SEM	Director
SGFGAS – SA	Director
SIA HABITAT – SACS	Member of the Supervisory Board
SIPARI – SAS	Chairman
SOCFIM – SACS	Member of the Supervisory Board
SOFIPAR LOGEMENT – SNC	Managing Partner
SOFONEG – SNC	Managing Partner
VENDÔME INVESTISSEMENTS – SAS	Chairman
VMG – SACS	Member of the Supervisory Board

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

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

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

Company	Position
COMPAGNIE DE FINANCEMENT FONCIER – SA	Permanent representative of Crédit Foncier, Director, Permanent representative of Crédit Foncier, Chairman of the Audit and risks Committee
CRÉDIT FONCIER DE FRANCE – SA	Deputy Chief Executive Officer, Finance, Member of the General Management Committee, Member of the Executive Board
BANCO PRIMUS (PORTUGAL)	Director, Member of the Audit Committee
BPCE ACHATS – GIE	Director
CRÉDIT FONCIER IMMOBILIER – SA	Director
FINANCIERE DESVIEUX – SA	Director (until 04/14/14)
FONCIER PARTICIPATIONS – SAS	Permanent representative of Crédit Foncier, Chairman
FONCIER TITRISATION – SA	Permanent representative of Foncier Participations, Director
MFCG – SAS	Permanent representative of CFCE, Chairman
SOCFIM – SACS	Member of the Supervisory Board
VMG – SACS	Vice-Chairman of the Supervisory Board

## DIRECTORS FROM BPCE, SINGLE SHAREHOLDER OF CRÉDIT FONCIER

### ■ BPCE, Director

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

Company	Position
ACTIF IMMO EXPLOITATION – SA	Director
ALBIANT-IT – SA	Director
ALLIANCE ENTREPRENDRE – SA	Member of the Management Board
ALPHA DEMETER – SA	Director
ANDROMÈDE – SAS	Chairman
ANUBIS – SNC	Manager
ARSES – SNC	Manager
ASSOCIATION DES BANQUES POPULAIRES POUR LA CRÉATION	Director
ASSURANCE BP IARD – SA	Director
AXELTIS EX NGAMP – NATIXIS GLOBAL AM PARTICIPATIONS 4 - SA	Director
BANQUE DES ANTILLES FRANÇAISES BDAF – SA	Director
BP CREATION – FCP	Chairman
BANQUE PALATINE – SACS	Member of the Supervisory Board
BANQUE POPULAIRE IMAGES 10 – BPI 10 – 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
BEHANZIN – SA	Chairman
BPCE ASSURANCES – SA	Director
BPCE SERVICES – SA	Director
BPCE SFH – SA	Director
BPCE TRADE – SA	Director
CAPE 1158 GIE	Director
CAPE 1159 GIE	Director
CASSIOPEE – SAS	Chairman
CB INVESTISSEMENT – SA	Director
CE HOLDING PROMOTION – SA	Director
CEPHEE – SA	Chairman
CE SYNDICATION RISQUE – SACS	Chairman of the Supervisory Board

<b>Company</b>	<b>Position</b>
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
CIRRA – SA	Director
CLICK AND TRUST – SA	Director
CLYMENE – SAS	Chairman
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
COFIMAGE 25 – SA	Director
COMPAGNIE DE FINANCEMENT FONCIER – SA	Director and Member of the Audit and Risks Committee
CRÉDIT FONCIER DE FRANCE – SA	Director
CRÉDIT LOGEMENT – SA	Director
CRH – CAISSE DE REFINANCEMENT DE L'HABITAT – SA	Director
DELPHOS – SAS	Chairman
DRENNEC – GIE	Director
DV HOLDING – SACS	Member of the Supervisory Board
ECOLOCALE – SA	Director
ECUFONCIER – SCA	Managing partner – Sponsor
ÉCUREUIL CRÉDIT – SA	Director
ÉCUREUIL VIE DÉVELOPPEMENT – SA	Director
FAG – FRANCE ACTIVE GARANTIE – SA	Director
FLCP – SAS	Member
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 (BASAK 2) – SASU	Chairman
HOUNI (BASAK 3) – SASU	Chairman
IDES INVESTISSEMENTS – SA	Director
INFORMATIQUE BANQUES POPULAIRES – SA	Director
INGEPAR – SA	Director
ISIS (BASAK 4) – SASU	Chairman
ISSORIA – SA	Chairman
ISSORIA INTERNATIONAL TRADING – SA	Chairman
IT-CE – SAS	Chairman of the Supervisory Board
LBPAM OBLI REVENUS SICAV – SA	Director
LE LIVRET BOURSE INVESTISSEMENT SICAV	Director
LE LIVRET PORTEFEUILLE SICAV	Director
LES EDITIONS DE L'ÉPARGNE – SA	Director
LOTUS 1 – SA	Chairman
MADIBA – SAS	Chairman
MAISON FRANCE CONFORT (MFC) – SA	Director

Company	Position
MENELIK – SAS	Chairman
MENES – SNC	Manager
MIHOS – SASU	Chairman
MUGE 2 – SA	Chairman
MUGE 3 – SA	Chairman
MURACEF – 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
NORSCUT (Portugal) – SA	Director
OSIRIS (TARAH RAJ) – 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 (until 12/31/14)
RAMSES – SASU	Chairman
SALITIS – SASU	Chairman
SATIS – SASU	Chairman
SEA 1 GIE	Director
SEDAR – SAS	Chairman
SE MAP (EX M. A BANQUE) – SACS	Member of the Supervisory Board
SEPAMAIL.EU – SA	Director
SER2S	Member of the Supervision Board
SETH – SASU	Chairman
SGFGAS – SA	Director
SIAMON – SASU	Chairman
SIFA – SA	Director
SOCRAM BANQUE – SA	Director

Company	Position
STET – SACS	Member of the Supervisory Board
SURASSUR – SA	Director
T2S AFRICA – SA	Director
TADORNE AVIATION GIE	Director
TAFARI – SAS	Chairman
TEOS – SASU	Chairman
TEVEA INTERNATIONAL – SA	Director
TREVIGNON GIE	Director
T2S OUTRE MER – SA	Director
TS2 MED – SA	Director
TS2 PACIFIQUE – SA	Director
TURBO SA – SA	Director
VIGEO – SA	Director
VISA EUROPE LTD – SA	Director

### ■ Olivier IRISSON, permanent representative of BPCE

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

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

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

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

### ■ Cédric MIGNON, Director

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

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

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

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

Company	Position
COMPAGNIE DE FINANCEMENT FONCIER – SA	Administrateur (since 03/25/14)
LOGIREM – SA	Member of the Supervisory Board, Permanent representative of Habitat en région services
BPCE ASSURANCES	Permanent representative of BPCE, Director
NATIXIS FINANCEMENT	Director
NATIXIS GLOBAL ASSET MANAGEMENT	Administrateur

Company	Position
GIE IT-C	Member of the Supervisory Board
BANQUE 1818	Director
ALPHA DEMETER	Permanent representative of BPCE, Director
ERILIA	Permanent representative
ERIXEL	Chairman of the Board of Directors
HABITAT EN REGION	Permanent representative of BPCE, Director
HABITAT EN REGION SERVICES	Chairman of the Supervisory Board
SIA HABITAT	Permanent representative of HRS, Member of the Supervisory Board
SIFA	Permanent representative of BPCE – Director
SOCFIM	Member of the Supervisory Board
AXENTIA	Permanent representative of BPCE – Director
SOFARI	Permanent representative of BPCE – Director
GIE CAISSE D'EPARGNE SYNDICATION RISQUE	Chairman of the Supervisory Board
NATIXIS LEASE	Permanent representative of BPCE – Director
GCE CAPITAL	Director
GIE BPCE TRADE	Permanent representative of BPCE – Director
CONSEIL NATIONAL DE L'HABITAT	Director
NATIXIS CONSUMER FINANCE	Director
FRANCE ACTIVE	Permanent representative of BPCE – Director
ASSOCIATION CE EPARGNE	Director

## DIRECTORS FROM CAISSES D'EPARGNE

### ■ Christine FABRESSE, Director

*Caisse Epargne Languedoc Roussillon – 254, rue Michel Teule – 34184 Montpellier Cedex 4*

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

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

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

Company	Position
CAISSE D'EPARGNE LANGUEDOC ROUSSILLON – SACS	Chairman of the Management Board
COMPAGNIE DE FINANCEMENT FONCIER – SA	Director and Member of the Audit and risks Committee ( <i>since 03/25/14</i> )
CREDIT FONCIER – SA	Director
FEDERATION NATIONALE DES CAISSES D'EPARGNE	Director
GIE IT-CE	Permanent representative of CEP Languedoc Roussillon, Member of the Supervisory Board
NEXITY – SA	Director

### ■ Pascal CHABOT, Director

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

Pascal CHABOT, who has a post-graduate degree in finance control, began his career at Compagnie d'Assurance pour le Commerce extérieur in 1982, as Finance Controller and Head of Treasury. In 1990, Pascal CHABOT joined Caisse Nationale des Caisses d'Epargne as Head of the SME Market unit, and later Head of the SME Professional Department and Head of the Corporations Department.



In 2005, he joined Caisse d'Epargne des Pays de la Loire and became a Member of the Management Board responsible for Specialised Markets at Caisse d'Epargne des Pays de la Loire before becoming a Member of the Management Board with responsibility for the regional development bank Division in 2008.

Since October 2013, Pascal CHABOT has been a Member of the Management Board responsible for the Regional Development Bank, Organisation and Information Systems at Caisse d'Epargne Ile-de-France.

<b>Company</b>	<b>Position</b>
COMPAGNIE DE FINANCEMENT FONCIER – SA	Director (since 03/25/14)
CAISSE D'EPARGNE ET DE PREVOYANCE ILE DE FRANCE (CEIDF) – SA	Member of the Management Board
GIE CAISSE D'EPARGNE SYNDICATION RISQUES	Permanent representative of CEIDF Member of the Supervisory Board
VALOPHIS SAREPA	Permanent representative of CEIDF Member of the Supervisory Board (since 04/22/14)
LOGIREP – SA HLM	Permanent representative of CEIDF Member of the Supervisory Board (since 04/22/14)
ALLIANCE ENTREPRENDRE – SASU	Permanent representative of CEIDF Member of the Supervisory Board (since 05/30/14)
REVITAL'EMPLOI – ASSOCIATION	Permanent representative of CEIDF Member of the Supervisory Board (since 06/19/14)
CE CAPITAL – SASU	Permanent representative of CEIDF Member of the Supervisory Board (since 06/30/14)
SOCFIM	Permanent representative of CEIDF Member of the Supervisory Board (since 07/17/14)
LA MANCELLE D'HABITATION	Director (since 06/24/14)
SCI DE LA FORET – SCI	Manager

## **DIRECTORS FROM BANQUES POPULAIRES**

### **■ Dominique GARNIER, Director**

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

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

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

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

<b>Company</b>	<b>Position</b>
COMPAGNIE DE FINANCEMENT FONCIER – SA	Director and Member of the Audit and risks Committee (since 03/25/14)
BANQUE POPULAIRE AQUITAINE CENTRE ATLANTIQUE (BPACA) – SA	Chief Executive Officer
BORDEAUX PLACE FINANCIERE ET TERTIAIRE (ASSOCIATION)	Chairman (until 12/01/14)
BP DEVELOPPEMENT – SA	Permanent representative of OUEST CROISSANCE SCR, Director
BPCE DOMAINES – SAS	Permanent representative of BPACA, Director (until 05/19/14)
BPSO TRANSACTIONS – SAS	Permanent representative of BPACA, Director (until 06/06/14)
CAISSE REGIONALE DE CREDIT MARITIME MUTUEL DU LITTORAL DU SUD-OUEST – SA	Full Member (as Chief Executive Officer of BPACA)
CREDIT COMMERCIAL DU SUD OUEST – SA	Permanent representative of BPACA, Vice-Chairman
CRÉDIT FONCIER DE FRANCE – SA	Director, Member of the Audit Committee
INFORMATIQUE BANQUE POPULAIRE – SA	Permanent representative of BPACA, Director
NATIXIS COFICINE – SA	Director
NATIXIS FACTOR -SA	Director

Company	Position
OUEST CROISSANCE GESTION – SA	Permanent representative of BPACA, Director
OUEST CROISSANCE SCR – SA	Permanent representative of BPACA, Chairman
PARTICIPATIONS BPSO – SAS	Permanent representative of BPACA, Director (until 09/29/14)
SOCAMA SO – SCM	Permanent representative of BPACA, Director
SOCAMI CA – SCM	Permanent representative of BPACA, Director
SOCAMI SO – SCM	Permanent representative of BPACA, Director
SOCIETARIAT BPCA – SAS	Permanent representative of BPACA, Director (until 06/20/14)
SOCIETARIAT BPSO – SAS	Permanent representative of BPACA, Director (until 09/29/14)
SOPROLIB SO – SCM	Permanent representative of BPACA, Director
IAE DE BORDEAUX (Pôle de recherche et d'enseignement supérieur)	Director (since 11/18/14)

### ■ Mr Francis DELACRE, Director

Banque Populaire – 847, avenue de la République – 59700 Marcq-en-Baroeul

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

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

### DIRECTOR FROM NATIXIS

### ■ Mr Jean CHEVAL, Director

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

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

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

Company	Position
COMPAGNIE DE FINANCEMENT FONCIER – SA	Director, Member of the Appointments Committee
COMPAGNIE FRANCAISE D'ASSURANCE POUR LE COMMERCE EXTÉRIEUR	Permanent representative of NATIXIS, Director
CUBE INFRASTRUCTURE FUND	Director
NATIXIS	Executive Director
NATIXIS PFANDBRIEFBANK AG	Member of the Supervisory Board
NATIXIS BANK ZAO	Member of the Supervisory Board
NATIXIS IMMO DEVELOPPEMENT	Chairman of the Board
NATIXIS ASSET MANAGEMENT – NAM	Permanent representative of NATIXIS, Director
NGAM – NATIXIS GLOBAL ASSET MANAGEMENT	Permanent representative of NATIXIS, Director
HOLDING D'INFRASTRUCTURES DES METIERS DE L'ENVIRONNEMENT	Member of the Supervisory Board , Member of the Appointments and Remunerations Committee
CHAMONIX PARTNERS CAPITAL MANAGEMENT LLC	Member of the Board of managers (since 06/25/14)
VALLEE BLANCHE HOLDINGS LLC	Member of the Board of managers (since 06/25/14)

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

For the year ended 31 December 2014

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

To the Shareholders,

In our capacity as Statutory Auditor of COMPAGNIE DE FINANCEMENT FONCIER appointed as independent third party and certified by COFRAC under number 3-1060<sup>(1)</sup>, we hereby present our report on the environmental, labour, and social information (hereinafter the "CSR Information") for the year ended 31 December 2014, presented in the management report, in accordance with Article L.225-102-1 of the French Commercial Code (Code de commerce).

### RESPONSIBILITY OF THE COMPANY

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

### INDEPENDENCE AND QUALITY CONTROL

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

### RESPONSIBILITY OF THE STATUTORY AUDITOR

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

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

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

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

Accordingly:

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

### CONCLUSION

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

Neuilly-sur-Seine, 10 April 2015

One of the Statutory Auditors  
**PricewaterhouseCoopers Audit**

Anik Chaumartin  
Partner

Sylvain Lambert  
Partner in the Sustainable Development Department

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

# Financial statements

## BALANCE SHEET (in thousands of euros)

■ ASSETS	Notes	12/31/14	12/31/13	12/31/12
Cash and amounts due from central banks		1,200,069	7,399,719	3,705,503
Treasury bills and equivalent *	3	3,175,674	3,468,599	
Loans and receivables due from credit institutions	1	20,790,892	17,694,558	18,244,086
• Demand		346,995	410,223	216,953
• Term		20,443,897	17,284,335	18,027,133
Customers transactions	2	44,963,602	41,897,635	41,343,429
• Other facilities granted to customers		44,963,602	41,897,635	41,343,429
Bonds and other fixed-income securities	3	13,604,518	14,707,398	33,418,447
Intangible assets and property, plant and equipment				
Other assets	4	92,195	19,128	5,603
Accrual accounts	5	4,122,040	4,533,088	4,065,221
<b>TOTAL ASSETS</b>		<b>87,948,990</b>	<b>89,720,126</b>	<b>100,782,289</b>

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

■ LIABILITIES	Notes	12/31/14	12/31/13	12/31/12
Central banks				
Amounts due to credit institutions	6	5,034,721	3,139,452	3,853,303
• Demand		3,621	321	22,141
• Term		5,031,100	3,139,131	3,831,162
Amounts due to customers	7	19,967	14,755	19,805
• Demand		19,967	14,755	19,805
Debt securities	8	71,288,157	75,256,376	84,594,979
• Interbank market instruments and negotiable debt securities		152,882	152,836	153,932
• Bonds (obligations foncières)		71,135,275	75,103,541	84,441,047
Other liabilities	9	3,610,586	2,963,253	4,641,898
Accrual accounts	10	2,693,545	3,109,133	2,342,426
Provisions	11	26,334	15,328	15,384
Subordinated debt	12	3,450,258	3,450,305	3,450,137
Fund for general banking risks		20,000	20,000	20,000
Equity excluding fund for general banking risks	13	1,805,423	1,751,524	1,844,356
• Subscribed capital		1,187,460	1,187,460	1,187,460
• Additional paid-in capital		343,002	343,002	343,002
• Reserves		103,626	101,997	95,367
• Regulated provisions and investment subsidies				
• Retained earnings		87,007	86,472	85,946
• Income to be allocated				
• Net income for the period		84,328	32,593	132,581
<b>TOTAL LIABILITIES</b>		<b>87,948,990</b>	<b>89,720,126</b>	<b>100,782,289</b>

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

	Notes	12/31/14	12/31/13	12/31/12
<b>COMMITMENTS GIVEN</b>	<b>14</b>			
Financing commitments				
• <i>Commitments given to credit institutions</i>				
• <i>Commitments given to customers</i>		1,704,582	1,791,991	1,808,158
• <i>Other securities pledged as collateral</i>		1,673,247	1,668,153	1,585,009
Guarantee commitments				
• <i>Commitments given to credit institutions</i>				
• <i>Commitments given to customers</i>				
Commitments on securities				
• <i>Other commitments given</i>				
<b>COMMITMENTS RECEIVED</b>	<b>15</b>			
Financing commitments				
• <i>Commitments received from credit institutions</i>		4,468,030	4,464,512	4,106,460
• <i>Other securities received as collateral from the group</i>		26,560,675	20,977,883	23,126,518
Guarantee commitments				
• <i>Commitments received from credit institutions</i>		5,482,474	5,044,145	7,216,584
• <i>Commitments received from customers</i>		36,194,828	35,199,643	34,322,018
Commitments on securities				
<b>RECIPROCAL COMMITMENTS</b>				
• <i>Sale and purchase of foreign currencies</i>	16	27,186,282	32,455,405	40,678,758
• <i>Other financial instruments</i>	17	59,637,169	58,721,884	92,252,489

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

	Notes	12/31/14	12/31/13	12/31/12
Interest and similar income	18	3,446,672	3,893,673	5,099,457
Interest and similar expenses	18	-3,119,359	-3,591,466	-4,649,350
<b>Net interest margin</b>		<b>327,313</b>	<b>302,207</b>	<b>450,107</b>
Fees and commissions income	19	45,555	60,447	29,581
Fees and commissions expenses	19	-4,225	-4,043	-5,124
Net gains or losses on trading book transactions	20	-10,341	-2,283	-577
Net gains or losses on available-for-sale securities and equivalent	21			1,087
Other banking income	22	1,307	122	399
Other banking expenses	22	-57	-137	-350
<b>Net banking income</b>		<b>359,551</b>	<b>356,313</b>	<b>475,123</b>
Payroll costs	23	-233	-187	-191
Taxes	23	-15,080	-15,824	-19,928
External services and other expenses	23	-90,052	-87,990	-84,145
Amortisation				
<b>Total operating expenses</b>		<b>-105,366</b>	<b>-104,001</b>	<b>-104,263</b>
<b>Gross operating income</b>		<b>254,185</b>	<b>252,313</b>	<b>370,860</b>
Cost of risk	24	-127,816	-15,153	-10,699
<b>Operating income</b>		<b>126,369</b>	<b>237,160</b>	<b>360,161</b>
Gains or losses on long-term investments	25	1,362	-135,366	-140,371
<b>Income before tax</b>		<b>127,731</b>	<b>101,794</b>	<b>219,790</b>
Non-recurring income				
Income tax	26	-43,403	-69,200	-87,209
<b>NET INCOME</b>		<b>84,328</b>	<b>32,593</b>	<b>132,581</b>
Earnings per share * (in euros)		1.14	0.44	1.79
Diluted earnings per share (in euros)		1.14	0.44	1.79

\* Earnings per share are calculated by dividing net income by the average number of shares during the fiscal year 2014.  
The notes on the following pages are part of the separate financial statements.

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

### 1. GENERAL FRAMEWORK

Compagnie de Financement Foncier is approved to operate as a *société de crédit foncier* under the Act of 25 June 1999, which deals with savings and financial security. As such, it is subject to Articles L. 513-2 to L. 513-33 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 regulation 99-10 of the French Banking and Financial Regulation Committee (*Comité de la réglementation bancaire et financière* or CRBF) as amended, which specifically concerns *sociétés de crédit foncier* and notably:

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

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

### 2. SIGNIFICANT EVENTS OF 2014

#### 2.1. COMMERCIAL ACTIVITY

During 2014, Compagnie de Financement Foncier acquired €6,299.1 m in loans from Crédit Foncier, including related receivables, plus €488.6 m in unreleased loans recognised as "Financing commitments given". It also purchased a claim on the French Treasury for €10.1 m (€989.9 m in unreleased funds).

Under the Groupe BPCE "Growing differently" strategic plan, Compagnie de Financement Foncier also acquired local authorities receivables from Caisses d'Épargne, Banques Populaires or Crédit Coopératif amounting to €1,423.9 m, including related receivables.

Pursuant to Article L. 211-38 of the French Monetary and Financial Code, which allows one financial institution to grant a loan that is secured by a pool of receivables to another financial institution, Compagnie de Financement Foncier established several lines of credit with its parent company, Crédit Foncier, amounting to €9,059.8 m at 31 December 2014, excluding related receivables, and with certain Caisses d'Épargne or Banques Populaires for €237.5 m, excluding related receivables. Receivables used as collateral consist of loans to French public sector. In addition, Compagnie de Financement Foncier also granted a €993 m credit facility to its parent company, Crédit Foncier, whose receivables used as collateral are amounts due from the French Treasury as

part of tax credit mechanisms. Similar exposures, of short duration, and classified in the replacement values are also granted to BPCE SA for a total amount of €6,600 m at 31 December 2014, excluding related receivables. Receivables used as collateral consist of French public sector and mortgage loans. All of these exposures are collateralised to a total of €26.6 bn at 31 December 2014.

Replacement values of Compagnie de Financement Foncier, defined according to Decree 2007-745 of 9 May 2007 on the solvency of credit institutions, investment firms and *sociétés de crédit foncier* and amending the French Monetary and Financial Code, amounted to €6,946.2 m. In addition to cash, replacement values are mainly composed of short-term guaranteed notes pledged as collateral under L. 211-38 of the French Monetary and Financial Code (€6,600 m).

Regarding funding activities, Compagnie de Financement Foncier issued €6,149.8 m of *obligations foncières* in 2014, in Euro equivalent at issuance date, within the limit of the annual issuance programme. It also has the option to access the refinancing facilities of the *Banque de France* under the comprehensive guarantee management mechanism or *Gestion globale des garanties* (3G pool). This facility is not used as of 31 December 2014.

#### 2.2. TRANSFER OF RECEIVABLES

Following its parent company diversification policy of sources of funding, Compagnie de Financement Foncier transferred receivables to a securitisation fund during the first half of 2014. This transfer concerned outstanding loans to individuals amounting to €663.3 m, excluding related receivables. The cancellation of associated hedging swaps as well as the acceleration of the amortisation of initial acquisition premiums and still due have been paid in full by Crédit Foncier for an amount of €96.6 m. These transactions with no impact on net income are recorded as "Interest and similar expenses".

#### 2.3. MARKET DISPOSALS

Regarding the tightening of prudential standards, in application of the European directive CRD 3 as well as the implementation of the Basel 3 regulation (CRD 4 directive and CRR European regulation), Groupe Crédit Foncier continued to reduce its international exposure, initiated in its 2011 strategic plan, by disposing of a number of securities.

The disposal of securities concerned an outstanding volume of €79.1 m, in exchange value at initial fixing date, and related to International Public Sector securities.

These disposals together with the cancellation of associated hedging swaps generated net gains before tax of €1.36 m, recognised in the income statement as "Gains or losses on fixed assets". For reminder, the disposals of securities realised in 2013 and the cancellation of associated hedging swaps had generated net losses before tax of €135.4 m



## 2.4. BUYBACK OF OBLIGATIONS FONCIÈRES

In order to improve the liquidity on the secondary market, Compagnie de Financement Foncier repurchased during the year some of its own bonds issued in the market. These notes, repurchased for €348.1 m, have been cancelled, reducing the funding programme accordingly. All premiums or discounts arising from these bond buybacks were recognised directly in income as "Interest and similar income" or "Interest and similar expenses" in compliance with regulations. Gains or losses arising out of the cancellation of hedging associated swaps were recognised directly in profit or loss under the same headings.

The net impact before taxes arising out of these bond buybacks in 2014 was a gain of €12.2 m.

## 3. POST BALANCE SHEET EVENTS

On the 1st of March 2015, the Austrian Financial Market Authority (FMA – Finanzmarktaufsicht), in accordance with the federal act on the recovery and resolution of banks (Bundesgesetz über die Sanierung und Abwicklung von Banken), in force since the 1 January 2015; published a decree announcing the adoption of resolution measures, consisting of a temporary moratorium until the 31 May 2016 on a significant part of the debt (principal and interest) of Heta Asset Resolution AG, formerly called Hypo Alpe Adria Bank International AG, and in charge of the management of Hypo Alpe Adria's assets in a run-off mode.

Compagnie de Financement Foncier takes note of this decision and precises that the nominal value of its exposures to Heta Asset Resolution AG, concerned by the moratorium, amounts to €260m. These exposures benefit from a guarantee granted by the state of Carinthia.

Without waiting for the conclusions of the FMA that will amend the decree of the 1st of March 2015, particularly by defining the haircut applicable to the concerned exposures, and taking into account the uncertainties on Heta Asset Resolution AG's abilities to honour its commitments; Compagnie de Financement Foncier decided to recognise this event in its accounts closed on December 31, 2014. The entire net exposure, amounting to €263.1m including related receivables, has been classified as doubtful. A provision, calculated on the basis of available information at closing date and representing a total amount of €115,1m of which €104m are recognised as an increase in cost of risk; has been recorded to cover a portion of the nominal, the accrued interest and the associated hedging swaps.

Compagnie de Financement Foncier is currently considering the actions to be taken in answer to the FMA's decision.

## 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, in accordance with regulation n°2014-07 of the French accounting standards authority (ANC).

### 4.2. CHANGES IN ACCOUNTING METHODS

No changes were made to the accounting methods used to prepare the 2014 annual financial statements.

The texts adopted by the ANC that became compulsory as of 2014 had no significant impact on the Compagnie de Financement

Foncier financial statements. The latter is not subject to Recommendation No. 2013-02 of 7 November 2013 on the accounting and valuation methods applied to pension obligations and other related obligations.

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

### 4.3. ACCOUNTING PRINCIPLES AND VALUATION METHODS

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

- going concern basis;
- consistency of accounting methods over time;
- independence of fiscal years;

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

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

The main methods used are the following:

#### 4.3.1. Foreign exchange transactions

Income and capital gains or losses on foreign exchange transactions are calculated in accordance with regulation n°2014-07 of the French accounting standards authority (ANC)

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

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

Premiums and discounts on foreign exchange forward and futures contracts used for hedging purposes are recognised in income on a *pro rata* basis. Other foreign exchange contracts and forward and futures instruments denominated in foreign currencies are marked to market. Outright foreign exchange forward and futures contracts, and those hedged by forward and 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 regulation n°2014-07 of the French accounting standards authority (ANC).

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

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

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

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

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

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

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

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

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

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

### RESTRUCTURED LOANS

Restructured loans under the regulation n°2014-07 of the French accounting standards authority (ANC) are doubtful loans whose initial contractual characteristics (term and interest rate) have been modified to ensure repayment by the counterparty.

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

A restructured loan may be reclassified as performing when the new payment due dates are respected. When a loan that has been

reclassified becomes overdue, regardless of the restructuring terms agreed, the loan is downgraded to doubtful.

### DOUBTFUL LOANS AND RECEIVABLES

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

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

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

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

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

### IMPAIRMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### 4.3.3. Securities

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

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

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

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

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

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

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

### AVAILABLE FOR SALE SECURITIES

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

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

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

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

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

In accordance with Article 2414-1 of the regulation No 2014-07 of the French accounting standards authority, gains and losses from hedging instruments are taken into account when calculating impairment. Provisions are made to cover unrealised losses. Unrealised gains are not recognised.

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

### HELD TO MATURITY SECURITIES

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

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

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

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

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

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

#### RECLASSIFICATION OF FINANCIAL ASSETS

In order to harmonise accounting practices and ensure compliance with IFRS, the regulation n°2014-07 of the French accounting standards authority incorporates the provisions of notice 2008-19 of 8 December governing the reclassification of securities out of the “trading securities” and the “available for sale securities” categories.

The reclassification out of the “trading securities” category to the “available for sale securities” and “debt securities held to maturity” is now allowed under either of the following conditions:

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

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

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

Compagnie de Financement Foncier did not reclassify any “available for sale securities” as “debt securities held to maturity” in 2014, or in previous financial years.

#### REPURCHASE AGREEMENTS

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

The collateralised assets under repurchase agreements remain on the transferor's balance sheet. The transferor records the amount received under liabilities, representing its debt vis-a-vis the purchaser. The purchaser records the amount paid, representing its claim against the transferor, as an asset. At the balance sheet date, the collateralised assets, as well as the debt vis-a-vis the purchaser

and the claim against the transferor are valued according to the rules that apply to each.

#### 4.3.4. Debt securities

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

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

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

#### 4.3.5. Subordinated debt

Subordinated debt comprises proceeds from the issuance 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.

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

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

#### 4.3.7. 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.

#### 4.3.8. Futures contracts

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

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

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

#### FORWARD TRANSACTIONS

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

- micro-hedging (specific transactions);
- macro-hedging (overall asset and liability management);



- speculative positions/isolated open positions;
- specialised management of a trading book.

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

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

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

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

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

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

Termination balances or transfers are recognised as follows:

- transactions classified under specialised asset management or isolated open positions are recognised immediately in income;
- For micro-hedging and macro-hedging transactions, balances are amortised over the remaining term of the initially hedged item or reported immediately in the income statement.

## OPTIONS

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

For transactions involving interest rate, foreign exchange, or equity options, the premiums paid or received are recognised in a temporary account. At the balance sheet date, these options are valued through profit or loss in the case of products quoted on organised markets or other markets considered as organised. For

over-the-counter (OTC) options, provisions are recognised for capital losses but unrealised capital gains are not recognised. When an option is sold, repurchased, or exercised, or when an option expires, the corresponding premium is recognised immediately in income.

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

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

At 31 December 2014, 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.

Commissions and fees for granting or acquiring a loan are treated as additional interest and spread over the effective life of the loan, on a *prorata* basis according to the outstanding principal amount.

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

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

## 4.3.10. Income tax

Compagnie de Financement Foncier has opted for accounting of deferred taxes on an unconsolidated basis. According to the principle of universality, this option applies to all temporary differences recognised in assets and liabilities.

The tax charge recorded in the income statement corresponds to corporate tax charges, deferred tax expenses liabilities and changes in tax reserves.

Compagnie de Financement Foncier is included in BPCE's tax consolidation group, in Crédit Foncier subgroup. Pursuant to the tax consolidation agreement signed on 18 November 2014, the tax charge payable is calculated and recognised as if there were no tax consolidation. In case of fiscal deficit, Compagnie de Financement Foncier will receive from Crédit Foncier a tax revenue equalling the income tax saving given to Crédit Foncier through the use of its fiscal deficit and will be deprived of the deferred losses for the determination of its future corporate tax expense.

As of 31 December 2014, Compagnie de Financement Foncier has recognised an income tax deferred revenue of €8.9 m.

## **5. OTHER DISCLOSURES**

### **5.1. CONSOLIDATION**

According to article 4111-1 of regulation n°2014-07 of the French accounting standards authority, pursuant to §1000 in fine of the regulation No. 99-07 of the Regulatory accounting committee, Compagnie de Financement Foncier doesn't provide consolidated financial statements.

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

### **5.2. REMUNERATION, ADVANCES**

Remuneration paid in 2014 to management bodies amounted to €120 K excluding social security charges.

### **5.3. OPERATIONS IN NON-COOPERATIVE COUNTRIES**

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

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

At 31 December 2014, Compagnie de Financement Foncier had no activities or offices in non-cooperative countries.

## NOTES TO THE FINANCIAL STATEMENTS

<b>NOTE 1.</b>	Loans and receivables due from credit institutions	84	<b>NOTE 14.</b>	Commitments given	103
<b>NOTE 1A.</b>	Breakdown of outstanding term loans and receivables due from credit institutions	85	<b>NOTE 15.</b>	Commitments received	104
<b>NOTE 2.</b>	Loans and receivables due from customers	86	<b>NOTE 16.</b>	Foreign exchange transactions	105
<b>NOTE 2A1.</b>	Impairment and provisions for credit risks	87	<b>NOTE 18.</b>	Interest and similar income and expenses	107
<b>NOTE 2A2.</b>	Premiums/discounts on acquired receivables	87	<b>NOTE 19.</b>	Net fees and commissions	109
<b>NOTE 2B.</b>	Breakdown of outstanding customer loans	88	<b>NOTE 20.</b>	Net Gains/losses on trading portfolio transactions	109
<b>NOTE 2C.</b>	Breakdown of outstanding doubtful loans	89	<b>NOTE 21.</b>	Gains or losses on available-for-sale portfolio transactions	110
<b>NOTE 3.</b>	Available for sale and held to maturity securities	92	<b>NOTE 22.</b>	Other banking income and expenses	110
<b>NOTE 3A.</b>	Sovereign risk	93	<b>NOTE 23.</b>	General operating expenses	111
<b>NOTE 3B.</b>	Premiums – Discounts	94	<b>NOTE 24.</b>	Cost of risk	112
<b>NOTE 3C.</b>	Financial fixed assets	94	<b>NOTE 25.</b>	Gains/losses on long-term investments	112
<b>NOTE 4.</b>	Other assets	94	<b>NOTE 26.</b>	Income tax	113
<b>NOTE 5.</b>	Accrual accounts - Assets	95	<b>NOTE 27.</b>	Transactions with related credit institutions	114
<b>NOTE 5A.</b>	Deferred expenses	95	<b>NOTE 28.</b>	Statement of foreign exchange positions	115
<b>NOTE 6.</b>	Amounts due to credit institutions	96	<b>NOTE 29.</b>	Statement of liquidity position	116
<b>NOTE 7.</b>	Amounts due to customers	97	<b>NOTE 30.</b>	Financial results of the Company over the last five years	117
<b>NOTE 8.</b>	Debt securities	97	<b>NOTE 31.</b>	Summary balance sheets for the last five years	118
<b>NOTE 9.</b>	Other liabilities	97	<b>NOTE 32.</b>	Main balances for the subsidised sector	119
<b>NOTE 10.</b>	Accrual accounts - Liabilities	98	<b>NOTE 33.</b>	Statement of cash flows	120
<b>NOTE 11.</b>	Provisions	98	<b>1.</b>	Principles	120
<b>NOTE 12.</b>	Subordinated debt	99	<b>2.</b>	Cash flow statement	121
<b>a)</b>	Additional information	99	<b>NOTE 34.</b>	Fees of Statutory Auditors and members of their networks	122
<b>b)</b>	Possibility and conditions for early repayment	100		Statutory auditor's report on the financial statements	123
<b>c)</b>	Conditions relating to interest rate payable	100			
<b>NOTE 13.</b>	Changes in equity	101			
<b>NOTE 13A.</b>	Proposed allocation of income	102			



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

<i>(in thousands of euros)</i>	12/31/14	12/31/13	12/31/12
<b>Demand loans to credit institutions</b>	<b>346,995</b>	<b>410,223</b>	<b>216,953</b>
Current accounts with overdrafts	240,691	239,527	216,950
Overnight loans			
Unallocated items	106,304	170,697	3
Related receivables			
<b>Term loans to credit institutions</b>	<b>20,443,897</b>	<b>17,284,335</b>	<b>18,027,133</b>
Term accounts and loans	1,186,995	5,198,396	1,675,749
Loans guaranteed <sup>(2)</sup>	19,210,340	12,050,740	16,323,118
Securities bought under repurchase agreements			
Subordinated loans and participating loans			
Related receivables	46,563	35,199	28,266
<b>Doubtful loans and receivables</b>			
<b>GROSS AMOUNT OF LOANS AND RECEIVABLES</b>	<b>20,790,892</b>	<b>17,694,558</b>	<b>18,244,086</b>
Impairment of doubtful loans			
<b>Impairment of doubtful loans</b>			
<b>NET AMOUNT OF LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS <sup>(1) (3)</sup></b>	<b>20,790,892</b>	<b>17,694,558</b>	<b>18,244,086</b>
<i>(1) Of which subsidised sector</i>	<i>40</i>	<i>154</i>	<i>284</i>
<b>BREAKDOWN OF TERM ACCOUNTS (GROUP /NON-GROUP)</b>			
Term accounts and loans			
• of which group transactions	460	377	48,413
• of which non-group transactions	1,186,535	5,198,018	1,627,336
Loans guaranteed by securities received under repurchase agreements			
• of which group transactions <sup>(2)</sup>	19,210,340	12,050,740	16,323,118
• of which non-group transactions			
Related receivables			
• of which group transactions	21,213	9,270	
• of which non-group transactions	25,349	25,929	28,266
<b>Group loans</b>	<b>19,232,013</b>	<b>12,060,387</b>	<b>16,371,531</b>
<b>Non-group loans</b>	<b>1,211,884</b>	<b>5,223,947</b>	<b>1,655,602</b>
<b>TOTAL</b>	<b>20,443,897</b>	<b>17,284,335</b>	<b>18,027,133</b>
<b>BREAKDOWN OF DEMAND ACCOUNTS (GROUP/NON-GROUP)</b>			
Demand accounts and loans			
• of which group transactions	236,626	238,113	213,253
• of which non-group transactions	4,065	1,414	3,697
Related receivables			
• of which group transactions			
• of which non-group transactions			
Unallocated items			
• of which group transactions (at Crédit Foncier's scope)	106,292	170,697	
• of which non-group transactions	12		3
<b>Group loans</b>	<b>342,918</b>	<b>408,810</b>	<b>213,253</b>
<b>Non-group loans</b>	<b>4,077</b>	<b>1,414</b>	<b>3,700</b>
<b>TOTAL</b>	<b>346,995</b>	<b>410,223</b>	<b>216,953</b>

(2) Replacement values issued by Groupe BPCE entities with guarantees under L211-38 (see note 1A).

(3) Including €4 bn of loans and receivables eligible to ECB's refinancing operations as of 31 December 2013.

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

	12/31/14			12/31/13	12/31/12
	Gross amount	Write-downs	Net amount	Net amount	Net amount
<i>(in thousands of euros)</i>					
<b>TERM LOANS</b>					
Refinancing of subsidised residential property	40		40	154	284
Refinancing of unsubsidised residential property	272		272	480	730
Public entities	1,211,572		1,211,572	5,223,313	1,654,588
Other loans to credit institutions <sup>(1)</sup>	19,232,013		19,232,013	12,060,387	16,371,531
Doubtful term loans					
<b>NET AMOUNT OF TERM LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS</b>	<b>20,443,897</b>		<b>20,443,897</b>	<b>17,284,335</b>	<b>18,027,133</b>
(1) Of which:					
Replacement values pursuant to L. 211-38, in respect of replacement values, with BPCE	6,600,000		6,600,000	6,600,000	13,000,000
Loans guaranteed by local authority receivables pursuant to L. 211-38, with Crédit Foncier	10,052,840		10,052,840	5,290,000	3,210,000
Loans guaranteed by local authority receivables pursuant to L. 211-38, with BPCE, Caisses d'Épargne and Banques Populaires	2,557,500		2,557,500	160,740	107,800
Dedicated funds					48,131
Related and other receivables	21,673		21,673	9,647	5,600
	<b>19,232,013</b>		<b>19,232,013</b>	<b>12,060,387</b>	<b>16,371,531</b>

## NOTE 2. LOANS AND RECEIVABLES DUE FROM CUSTOMERS

	Performing loans			Doubtful loans and receivables			Write-downs			Net amounts		
(in thousands of euros)	12/31/14	12/31/13	12/31/12	12/31/14	12/31/13	12/31/12	12/31/14	12/31/13	12/31/12	12/31/14	12/31/13	12/31/12
<b>Current accounts with overdrafts</b>												
<b>Facilities granted to customers <sup>(1)</sup></b>	<b>43,831,883</b>	<b>40,911,894</b>	<b>40,534,546</b>	<b>1,191,009</b>	<b>1,024,279</b>	<b>833,988</b>	<b>59,291</b>	<b>38,538</b>	<b>25,105</b>	<b>44,963,602</b>	<b>41,897,635</b>	<b>41,343,429</b>
Loans to financial customers												
Export credits												
Short-term credit facilities <sup>(2)</sup>	1,774,422	1,871,546	2,067,140							1,774,422	1,871,546	2,067,140
Equipment loans <sup>(3)</sup>	8,258,705	7,595,597	8,351,579	13,924	12,045	751	241	393	280	8,272,388	7,607,249	8,352,050
Home loans	33,618,998	31,273,163	29,890,953	1,173,446	1,009,208	829,429	58,989	38,099	23,700	34,733,455	32,244,272	30,696,681
Other customer loans	18,008	5,771	41,998	226	226	1,489	62	46	1,125	18,172	5,950	42,362
Unallocated items	14									14		
Subordinated loans												
Related receivables	161,737	165,816	182,876	3,413	2,800	2,319				165,150	168,617	185,195
<b>TOTAL <sup>(1) (4)</sup></b>	<b>43,831,883</b>	<b>40,911,894</b>	<b>40,534,546</b>	<b>1,191,009</b>	<b>1,024,279</b>	<b>833,988</b>	<b>59,291</b>	<b>38,538</b>	<b>25,105</b>	<b>44,963,602</b>	<b>41,897,635</b>	<b>41,343,429</b>
(1) of which subsidised sector:	203,804	315,766	426,776	115,357	95,035	113,840	238	99	80	318,923	410,702	540,535
(1) of which private sector:	43,628,079	40,596,128	40,107,770	1,075,652	929,245	720,148	59,053	38,439	25,025	44,644,679	41,486,933	40,802,893

Restructured loans amounted to €448.9 m at 31 December 2014, of which €159.6 m classified as performing loans.

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

(2) In 2007, the Company purchased the local authority loans of Ixis CIB, now Natixis, which include revolving credit lines of €1,724 m at 31 December 2014, versus €1,708 m at 31 December 2013 and €2,021 m at 31 December 2012.

(3) Equipment loans are loans to local authorities. (4) Customer loans eligible for refinancing with the Central Bank amounted to €7.0 bn at 31 December 2014 in outstanding capital. This amount represents €4.9 bn after haircut and overcollateralisation constraints.

(4) Customer loans eligible for refinancing with the Central Bank amounted to €7.0 bn at 31 December 2014 in outstanding capital. This amount represents €4.9 bn after haircut and overcollateralisation constraints.

## NOTE 2A1. IMPAIRMENT AND PROVISIONS FOR CREDIT RISKS

(in thousands of euros)	12/31/12	Increases	Reversals	12/31/13	Increases	Reversals	Misc. transactions	12/31/14
<b>IMPAIRMENT OF ASSETS</b>								
Customer loans and due from credit institutions *	25,105	26,712	-13,279	38,538	36,267	-15,514		59,291
<b>PROVISIONS RECOGNISED AS LIABILITIES</b>								
Customer loans and due from credit institutions and provisions on securities	14,181	1,797	-1,853	14,125	1,873	-324		15,674
<b>TOTAL</b>	<b>39,286</b>	<b>28,509</b>	<b>-15,132</b>	<b>52,663</b>	<b>38,140</b>	<b>-15,838</b>		<b>74,965</b>

\* Loan impairment is measured at discounted value in accordance with the Regulation n° 2014-07 of the French accounting standards authority.

## NOTE 2A2. PREMIUMS/DISCOUNTS ON ACQUIRED RECEIVABLES

(in thousands of euros)	12/31/12	Reclassification	Additions	Amortisation	12/31/13	Reclassification	Additions	Amortisation	12/31/14
<b>DUE FROM CREDIT INSTITUTIONS</b>									
Premiums	79,075			-10,422	68,653			-10,572	58,081
Discounts									
<b>Net</b>	<b>79,075</b>			<b>-10,422</b>	<b>68,653</b>			<b>-10,572</b>	<b>58,081</b>
<b>CUSTOMER LOANS</b>									
<b>Performing loans and receivables</b>									
Premiums	599,043	-18,844	253,987	-119,911	714,275	-8,300	630,268	-142,620	1,193,623
Discounts	-842,833	22,414	-336,251	79,139	-1,077,531	8,366	-85,993	91,649	-1,063,509
<b>Doubtful loans and receivables</b>									
Premiums		18,844		-1,387	17,457	8,300		-3,663	22,094
Discounts		-22,414		1,174	-21,240	-8,366		3,974	-25,632
<b>Net</b>	<b>-243,790</b>		<b>-82,264</b>	<b>-40,985</b>	<b>- 367,039</b>		<b>544,275</b>	<b>-50,660</b>	<b>126,576</b>
<b>TOTAL</b>	<b>-164,715</b>		<b>-82,264</b>	<b>-51,407</b>	<b>- 298,386</b>		<b>544,275</b>	<b>-61,232</b>	<b>184,657</b>

## NOTE 2B. BREAKDOWN OF OUTSTANDING CUSTOMER LOANS

(in thousands of euros)	12/31/14			12/31/13	12/31/12
	Gross	Impairment	Net		
<b>Individual customers</b>	<b>29,654,571</b>		<b>29,654,571</b>	<b>27,193,295</b>	<b>25,542,632</b>
• Subsidised sector	42,075		42,075	104,814	181,519
• Unsubsidised residential property <sup>(1)</sup>	26,612,289		26,612,289	27,088,091	25,360,688
• Other	207		207	390	425
<b>Self-employed customers</b>	<b>1,564,251</b>		<b>1,564,251</b>	<b>1,406,292</b>	<b>1,390,443</b>
• Subsidised sector	3,686		3,686	6,767	10,788
• Unsubsidised residential property	1,560,565		1,560,565	1,399,525	1,379,655
• Other					
<b>French local authorities and sovereigns</b>	<b>10,434,827</b>		<b>10,434,827</b>	<b>9,936,863</b>	<b>10,963,109</b>
• Subsidised sector	47,641		47,641	58,093	68,154
• Public-private partnership <sup>(1)</sup>	648,799		648,799	656,671	663,924
• Other of which Unsubsidised residential property <sup>(1)</sup>	9,738,387		9,738,387	9,222,099	10,231,031
<b>Providers of social housing</b>	<b>2,152,617</b>		<b>2,152,617</b>	<b>2,351,389</b>	<b>2,593,284</b>
• Subsidised sector	102,476		102,476	135,814	157,162
• Unsubsidised residential property	1,989,211		1,989,211	2,149,750	2,366,846
• Other	60,930		60,930	65,825	69,276
<b>Real estate investors</b>	<b>25,617</b>		<b>25,617</b>	<b>24,055</b>	<b>45,078</b>
• Subsidised sector	7,916		7,916	10,277	9,153
• Unsubsidised residential property <sup>(1)</sup>	10,314		10,314	5,034	10,041
• Other	7,387		7,387	8,744	25,884
<b>Subtotal customer loans</b>	<b>43,831,883</b>		<b>43,831,883</b>	<b>40,911,894</b>	<b>40,534,546</b>
<b>DOUBTFUL LOANS AND RECEIVABLES</b>	<b>1,191,009</b>	<b>59,291</b>	<b>1,131,718</b>	<b>985,741</b>	<b>808,883</b>
of which subsidised sector	115,357	238	115,119	94,936	113,760
of which private sector	1,075,652	59,053	1,016,599	890,806	695,123
<b>TOTAL CUSTOMER LOANS <sup>(2)</sup></b>	<b>45,022,892</b>	<b>59,291</b>	<b>44,963,601</b>	<b>41,897,635</b>	<b>41,343,429</b>
<i>(1) Breakdown of outstanding customer loans was realised in 2014 in order to be more consistent with actual operating activities and their underlying risks. The amounts indicated as of 31 December 2013 and 31 December 2012 are disclosed on a pro forma basis.</i>					
<i>(2) of which subsidised sector</i>	319,151	238	318,913	410,701	540,536
<i>of which unsubsidised sector</i>	44,703,741	59,053	44,644,688	41,486,935	40,802,893

## NOTE 2C. BREAKDOWN OF OUTSTANDING DOUBTFUL LOANS

At 12/31/14 (in thousands of euros)	Total doubtful loans			Of which compromised doubtful loans		
	Gross	Impairment	Net	Gross	Impairment	Net
<b>Individual customers</b>	1,035,135	54,918	980,218	272,149	42,356	229,793
• Subsidised residential property	22,425	102	22,323			
• Unsubsidised residential property	1,012,486	54,752	957,734	271,925	42,293	229,632
• Other	224	64	160	224	63	161
<b>Self-employed customers</b>	<b>44,918</b>	<b>3,103</b>	<b>41,815</b>	<b>17,471</b>	<b>2,825</b>	<b>14,646</b>
• Subsidised residential property	3,711	11	3,700			
• Unsubsidised residential property	41,181	3,088	38,093	17,455	2,821	14,624
• Other	26	4	22	26	4	22
<b>French local authorities and sovereigns</b>	<b>17,932</b>	<b>227</b>	<b>17,705</b>			
• Subsidised residential property	376	1	375			
• Public-private partnership						
• Other of which Unsubsidised residential property	17,556	226	17,330			
<b>Providers of social housing</b>	<b>13,968</b>	<b>127</b>	<b>13,841</b>	<b>781</b>	<b>92</b>	<b>689</b>
• Subsidised residential property	12,961		12,961			
• Unsubsidised residential property	1,007	127	880	781	92	689
• Other						
<b>Real estate investors</b>	<b>79,056</b>	<b>916</b>	<b>78,140</b>	<b>2,448</b>	<b>805</b>	<b>1,643</b>
• Subsidised residential property	75,884	124	75,760			
• Unsubsidised residential property	1,115	376	739	1,063	376	687
• Other	2,057	416	1,641	1,385	429	956
<b>TOTAL <sup>(1)</sup></b>	<b>1,191,009</b>	<b>59,291</b>	<b>1,131,718</b>	<b>292,849</b>	<b>46,078</b>	<b>246,771</b>
(1) Of which subsidised sector	115,357	238	115,119			
Of which unsubsidised sector <sup>(2)</sup>	1,075,652	59,053	1,016,599	292,849	46,078	246,771

(2) Doubtful loans outstanding in the unsubsidised sector includes €512.7 m in loans guaranteed by SGFGAS.

In accordance with the Regulation n°2014-07 of the French national accounting standards authority, irrecoverable doubtful loans do not include loans with a guarantee covering nearly all of the risks. These are mainly subsidised sector loans and loans with a FGAS guarantee.

At 12/31/13 (in thousands of euros)	Total doubtful loans			Of which compromised doubtful loans		
	Gross	Impairment	Net	Gross	Impairment	Net
<b>Individual customers</b>	<b>882,234</b>	<b>34,337</b>	<b>847,897</b>	<b>162,583</b>	<b>24,064</b>	<b>138,519</b>
• Subsidised residential property	11,227	42	11,185			
• Unsubsidised residential property	870,662	34,129	836,533	162,257	23,898	138,359
• Other	345	166	179	326	166	160
<b>Self-employed customers</b>	<b>43,485</b>	<b>2,762</b>	<b>40,723</b>	<b>11,051</b>	<b>2,326</b>	<b>8,725</b>
• Subsidised residential property	4,571	17	4,554			
• Unsubsidised residential property	38,888	2,739	36,149	11,043	2,324	8,719
• Other	26	6	20	8	2	6
<b>French local authorities and sovereigns</b>	<b>12,306</b>	<b>105</b>	<b>12,201</b>			
• Subsidised residential property	289		289			
• Public-private partnership						
• Other of which Unsubsidised residential property	12,017	105	11,912			
<b>Providers of social housing</b>	<b>3,002</b>	<b>148</b>	<b>2,854</b>	<b>90</b>	<b>49</b>	<b>41</b>
• Subsidised residential property						
• Unsubsidised residential property	2,684	146	2,538	90	49	41
• Other	318	2	316			
<b>Real estate investors</b>	<b>83,253</b>	<b>1,186</b>	<b>82,067</b>	<b>2,806</b>	<b>1,065</b>	<b>1,741</b>
• Subsidised residential property <sup>(1)</sup>	78,948	40	78,908			
• Unsubsidised residential property <sup>(1)</sup>	2,334	765	1,569	1,633	716	917
• Other <sup>(1)</sup>	1,971	381	1,590	1,173	349	824
<b>TOTAL <sup>(2)</sup></b>	<b>1,024,280</b>	<b>38,538</b>	<b>985,742</b>	<b>176,530</b>	<b>27,504</b>	<b>149,026</b>

(1) Breakdown of outstanding doubtful customer loans was realised in 2014 in order to be more consistent with actual operating activities and their underlying risks. The amounts indicated as of 31 December 2013 are disclosed on a pro forma basis.

(2) Of which subsidised sector	95,035	99	94,936			
Of which unsubsidised sector <sup>(3)</sup>	929,245	38,439	890,806	176,530	27,504	149,026

(3) Doubtful loans outstanding in the unsubsidised sector includes €420,8 m in loans guaranteed by SGFGAS.  
In accordance with CRC regulation 2005-03, irrecoverable doubtful loans do not include loans with a guarantee covering nearly all of the risks. These are mainly subsidised sector loans and loans with an FGAS guarantee.



At 12/31/12 (in thousands of euros)	Total doubtful loans			Of which compromised doubtful loans		
	Gross	Impairment	Net	Gross	Impairment	Net
<b>Individual customers</b>	<b>704,876</b>	<b>21,631</b>	<b>683,245</b>	<b>107,147</b>	<b>20,144</b>	<b>87,003</b>
• Subsidised residential property	25,242	42	25,200			
• Unsubsidised residential property	678,026	20,347	657,679	105,563	18,902	86,661
• Other		1,242	366	1,584	1,242	342
<b>Self-employed customers</b>	<b>37,021</b>	<b>2,258</b>	<b>34,763</b>	<b>8,208</b>	<b>1,946</b>	<b>6,262</b>
• 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
<b>French local authorities and sovereigns</b>	<b>1,583</b>	<b>16</b>	<b>1,567</b>			
• Subsidised residential property	385		385			
• Public-private partnership						
• Other of which Unsubsidised residential property	1,198	16	1,182			
<b>Providers of social housing</b>	<b>2,250</b>	<b>119</b>	<b>2,131</b>	<b>86</b>	<b>50</b>	<b>36</b>
• Subsidised residential property						
• Unsubsidised residential property	2,054	117	1,937	86	50	36
• Other	196	2	194			
<b>Real estate investors</b>	<b>88,258</b>	<b>1,081</b>	<b>87,178</b>	<b>2,700</b>	<b>997</b>	<b>1,703</b>
• Subsidised residential property <sup>(1)</sup>	82,920	38	82,882			
• Unsubsidised residential property <sup>(1)</sup>	3,254	638	2,616	1,445	624	821
• Other <sup>(1)</sup>	2,084	405	1,680	1,255	373	882
<b>TOTAL<sup>(2)</sup></b>	<b>833,988</b>	<b>25,105</b>	<b>808,883</b>	<b>118,141</b>	<b>23,137</b>	<b>95,004</b>

(1) Breakdown of outstanding doubtful customer loans was realised in 2014 in order to be more consistent with actual operating activities and their underlying risks. The amounts indicated as of 31 December 2012 are disclosed on a pro forma basis.

(2) Of which subsidised sector	113,840	80	113,760			
Of which unsubsidised sector <sup>(3)</sup>	720,148	25,025	695,123	118,141	23,137	95,004

(3) Doubtful loans outstanding in the unsubsidised sector includes €327.9 m in loans guaranteed by SGFGAS. In accordance with CRC regulation 2005-03, irrecoverable doubtful loans do not include loans with a guarantee covering nearly all of the risks. These are mainly subsidised sector loans and loans with an FGAS guarantee.

## NOTE 3. AVAILABLE FOR SALE AND HELD TO MATURITY SECURITIES

(in thousands of euros)	12/31/14			12/31/13			12/31/12		
	Securities available for sale	Securities held to maturity	Total	Securities available for sale	Securities held to maturity	Total	Securities available for sale	Securities held to maturity	Total
Treasury bills and equivalent <sup>(1) (3)</sup>	44	3,116,314	3,116,358	250	3,407,813	3,408,063	462	3,711,270	3,711,732
Related receivables	1	59,315	59,316	5	60,531	60,536	9	65,020	65,029
<b>Subtotal</b>	<b>45</b>	<b>3,175,629</b>	<b>3,175,674</b>	<b>255</b>	<b>3,468,344</b>	<b>3,468,599</b>	<b>471</b>	<b>3,776,290</b>	<b>3,776,761</b>
Bonds <sup>(3)</sup>		6,053,694	6,053,694		6,400,031	6,400,031	25,000	8,445,865	8,470,865
Interbank market instruments (mortgage notes) <sup>(3)</sup>	7,317,500		7,317,500	8,217,000		8,217,000	9,263,000		9,263,000
Negotiable debt securities									
Securitisation units <sup>(3)</sup>								11,721,258	11,721,258
Related receivables	5,943	68,762	74,705	9,127	81,240	90,367	12,686	173,877	186,563
<b>Subtotal</b>	<b>7,323,443</b>	<b>6,122,456</b>	<b>13,445,899</b>	<b>8,226,127</b>	<b>6,481,271</b>	<b>14,707,398</b>	<b>9,300,686</b>	<b>20,341,000</b>	<b>29,641,686</b>
Doubtful loans and securities including related receivables <sup>(2)</sup>		263,067	263,067						
<b>GROSS AMOUNTS</b>	<b>7,323,488</b>	<b>9,561,152</b>	<b>16,884,640</b>	<b>8,226,382</b>	<b>9,949,615</b>	<b>18,175,997</b>	<b>9,301,157</b>	<b>24,117,290</b>	<b>33,418,447</b>
Impairment on fixed-income securities <sup>(2) (3)</sup>		-104,448	-104,448						
<b>NET AMOUNTS <sup>(2)</sup></b>	<b>7,323,489</b>	<b>9,456,704</b>	<b>16,780,192</b>	<b>8,226,382</b>	<b>9,949,615</b>	<b>18,175,997</b>	<b>9,301,157</b>	<b>24,117,290</b>	<b>33,418,447</b>

(1) At 31 December 2014, the market value of short-term investment securities amounted to €45 K including €1 K of unrealised capital gains. Interbank market securities, issued at floating rates and subscribed by the parent company, are valued at their carrying amount. There is no unrealised capital loss.

(2) See section 3 "Post balance-sheet events" of the notes to the financial statements.

(3) Of which:

	12/31/14	12/31/13	12/31/2012
Listed securities	8,847,391	9,201,552	19,629,728
Unlisted securities	7,899,500	8,823,542	13,602,147
<b>TOTAL</b>	<b>16,746,891</b>	<b>18,025,094</b>	<b>33,231,875</b>

Under the Regulation n°2014-07 of the French national accounting standards authority, the aggregate fair value of the investment portfolio amounts to €10,579.3 m at 31 December 2014, excluding related receivables.

Unrealised capital gains on Held-to-maturity securities amounted to €1,454.4 m at 31 December 2014. At 31 December 2013, unrealised capital gains on Held-to-maturity securities amounted to €727.3 m.

Unrealized capital losses on Held-to-maturity securities amounted to €304.5 m at 31 December 2014. At 31 December 2013, unrealised capital losses on Held-to-maturity securities amounted to €146.7 m.

The Company did not reclassify any securities to the "Held-to-maturity securities" portfolio either during the 2014 financial year or in previous years.

## NOTE 3A. SOVEREIGN RISK

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

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

At 31 December 2014, the net exposures of the Compagnie de Financement Foncier sovereign risk in these countries are:

Investment securities (in millions of euros)	At 31 December 2014			At 31 December 2013			At 31 December 2012		
	Carrying amount	Nominal value	Market value	Carrying amount	Nominal value	Market value	Carrying amount	Nominal value	Market value
Cyprus	50,0	50.0	49.1	50.0	50.0	41.6	50.0	50.0	31.1
Hungary	35,0	35.0	37.5	35.0	35.0	36.6	35.0	35.0	34.4
Ireland	135,0	135.0	174.7	135.0	135.0	152.9	135.0	135.0	138.5
Italy	1,585.1	1,581.7	2,021.1	1,622.2	1,618.7	1,703.5	1,627.7	1,624.0	1,653.3
Slovenia	198.4	197.0	222.0	198.6	197.0	197.7	232.7	229.9	221.8
<b>TOTAL</b>	<b>2,003.5</b>	<b>1,998.7</b>	<b>2,504.4</b>	<b>2,040.8</b>	<b>2,035.7</b>	<b>2,132.3</b>	<b>2,080.4</b>	<b>2,073.9</b>	<b>2,078.8</b>

The values given above exclude related receivables.

The maturity dates of net exposures in nominal value as of 31 December 2014 are presented below:

	Residual maturity				
	3 years	5 years	6 years	> 8 years and < 10 years	>10 years
Cyprus		50.0			
Hungary	35.0				
Ireland					135.0
Italy	62.4			242.0	1277.3
Slovenia		137.0	10.0		50.0
<b>TOTAL</b>	<b>97.4</b>	<b>187.0</b>	<b>10.0</b>	<b>242.0</b>	<b>1462.3</b>

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

## NOTE 3B. PREMIUMS – DISCOUNTS

### Balance at 12/31/14

(in thousands of euros)

	Gross amount	Redemption value	Difference +/-
<b>AVAILABLE FOR SALE SECURITIES</b>			
Bonds	44	44	
Other fixed income securities	7,317,500	7,317,500	
<b>HELD TO MATURITY SECURITIES</b>			
Bonds	9,429,348	9,412,150	-17,198
Other fixed income securities			

## NOTE 3C. FINANCIAL FIXED ASSETS

(in thousands of euros)	Gross 12/31/12	Acquisitions	Disposals/Redemptions *	Reclassifications	Change in pre-miums/dis-counts	Currency differences	Gross 12/31/13	Acquisitions	Disposals/Redemptions <sup>(1)</sup>	Reclassifications	Change in pre-miums/-discounts	Currency differences	Gross 12/31/14
Held to maturity securities	23,943,413		-13,523,019		-9,143	-603,407	9,807,844		-702,334		-2,424	326,261	9,429,347
<b>TOTAL</b>	<b>23,943,413</b>		<b>-13,523,019</b>		<b>-9,143</b>	<b>-603,407</b>	<b>9,807,844</b>		<b>-702,334</b>		<b>-2,424</b>	<b>326,261</b>	<b>9,429,347</b>
Related receivables	173,877				-32,147	41	141,771				-10,047	81	131,805
<b>TOTAL</b>	<b>24,117,290</b>		<b>-13,523,019</b>		<b>-41,290</b>	<b>-603,366</b>	<b>9,949,615</b>		<b>-702,334</b>		<b>-12,471</b>	<b>326,342</b>	<b>9,561,152</b>

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

## NOTE 4. OTHER ASSETS

(in thousands of euros)	12/31/14	12/31/13	12/31/12
Options bought	174	648	1,518
Securities settlement accounts			
Other receivables	92,021	18,480	4,085
Deposits on collateralisation transactions			
Other deposits and guarantees	22	22	22
Tax consolidation receivables <sup>(1)</sup>	90,119		
Other non-trade receivables	1,880	18,458	4,063
Special bonus account			
<b>TOTAL</b>	<b>92,195</b>	<b>19,128</b>	<b>5,603</b>

(1) Tax consolidation receivables corresponds to corporate income tax advance paid in 2014 that will be repaid because of the negative fiscal result as of 31 December 2014.

**NOTE 5. ACCRUAL ACCOUNTS - ASSETS**

<i>(in thousands of euros)</i>	12/31/14	12/31/13	12/31/12
<b>Collection accounts</b>			
<b>Deferred expenses</b>	<b>270,991</b>	<b>312,310</b>	<b>387,728</b>
Issue and redemption premiums on fixed income securities (See note 5A)	270,991	312,310	387,728
Other deferred expenses			
<b>Prepaid expenses</b>	<b>1,801,096</b>	<b>1,932,787</b>	<b>1,125,682</b>
Termination balances of paid swaps to be amortised	1,801,096	1,932,051	1,125,594
Other prepaid expenses		736	88
<b>Accrued income</b>	<b>877,749</b>	<b>1,064,829</b>	<b>1,582,496</b>
Accrued interest on swaps	875,223	1,061,505	1,578,842
Other accrued income	2,527	3,324	3,654
<b>Other accrual accounts - assets</b>	<b>1,172,204</b>	<b>1,223,162</b>	<b>969,314</b>
Cash in domiciliation	244,189	239,195	211,308
Deferred tax assets <sup>(1)</sup>	676,689	729,013	322,006
Currency adjustment accounts <sup>(2)</sup>	21,628	82,382	56,037
Other accrued income <sup>(3)</sup>	229,698	172,572	379,964
<b>TOTAL</b>	<b>4,122,040</b>	<b>4,533,088</b>	<b>4,065,221</b>

(1) Deferred tax assets mainly consist of temporary differences and do not involve any uncertainty about their use.

The main types of deferred taxes are as follows:

Swaps termination balance	626,285	719,389	315,368
Provisions including customer credit risk provisions	12,263	9,310	7,400
Other temporary differences	38,141	314	-762

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

(3) Of which borrowers (payments to be applied to loan accounts) and release of loan funds on behalf of Crédit Foncier: €39,096K at 31 December 2014 compared to €14,039K at 31 December 2013 and €96,063K at 31 December 2012.

**NOTE 5A. DEFERRED EXPENSES**

<i>(in thousands of euros)</i>	12/31/14	12/31/13	12/31/12
<b>ISSUANCE OR REDEMPTION PREMIUMS</b>			
<b>Debt securities</b>			
<i>Obligations foncières</i>			
• Subsidised sector		370	957
• Unsubsidised sector	270,991	311,940	386,771
Negotiable debt securities (BMTN)			
<b>Total issuance or redemption premiums</b>	<b>270,991</b>	<b>312,310</b>	<b>387,728</b>
<b>TOTAL DEFERRED EXPENSES</b>	<b>270,991</b>	<b>312,310</b>	<b>387,728</b>

The unamortised balance is the difference between the initial amount and the repayment price of the debt securities.

## NOTE 6. AMOUNTS DUE TO CREDIT INSTITUTIONS

<i>(in thousands of euros)</i>	12/31/14	12/31/13	12/31/12
<b>Due to credit institutions – on demand</b>	<b>3,621</b>	<b>321</b>	<b>22,141</b>
Current accounts of credit institutions			125
Demand loans to credit institutions			
Other amounts due to credit institutions	3,621	321	22,016
Related payables			
<b>Due to credit institutions – at maturity</b>	<b>5,031,100</b>	<b>3,139,131</b>	<b>3,831,162</b>
Term deposits and loans *	3,025,424	3,121,811	3,201,507
Values sold under repurchase agreements			
Securities sold under repurchase agreements	1,991,918		597,829
Related payables	13,758	17,320	31,827
<b>TOTAL</b>	<b>5,034,721</b>	<b>3,139,452</b>	<b>3,853,303</b>
<b>Details on due to credit institutions – on demand (group/non-group)</b>	<b>3,621</b>	<b>321</b>	<b>22,141</b>
Of which group			882
- Other amounts due to credit institutions			882
- Demand loans to credit institutions			
- Related payables			
Of which non-group	3,621	321	21,259
- Other amounts due to credit institutions	3,621	321	21,259
<b>Details on due to credit institutions – at maturity (group/non-group)</b>	<b>5,031,100</b>	<b>3,139,131</b>	<b>3,831,162</b>
Of which group	5,023,668	3,107,002	2,763,524
- Due and accounts at maturity	3,031,509	3,107,002	2,164,938
- Securities sold under repurchase agreements	1,992,159		598,587
Of which non-group	7,432	32,129	1,067,638
- Banque de France refinancing (Overall collateral management pool – 3G pool)			1,000,000
- Other term loans	7,223	31,371	56,730
- Values sold under repurchase agreements			
- Related payables	209	758	10,908
<b>Due to group credit institutions</b>	<b>5,023,668</b>	<b>3,107,002</b>	<b>2,764,406</b>
<b>Due to non-group credit institutions</b>	<b>11,053</b>	<b>32,450</b>	<b>1,088,897</b>
<b>TOTAL</b>	<b>5,034,721</b>	<b>3,139,452</b>	<b>3,853,303</b>
* Of which subsidised sector	22,945	25,009	22,128

**NOTE 7. AMOUNTS DUE TO CUSTOMERS**

<i>(in thousands of euros)</i>	12/31/14	12/31/13	12/31/12
<b>Current accounts</b>			
<b>Other demand and term deposits</b>	<b>19,967</b>	<b>14,755</b>	<b>19,805</b>
Other amounts due	19,967	14,755	19,805
Other term loans to customers			
Term accounts in credit			
Related payables			
<b>TOTAL</b>	<b>19,967</b>	<b>14,755</b>	<b>19,805</b>

**NOTE 8. DEBT SECURITIES**

<i>(in thousands of euros)</i>	12/31/14	12/31/13	12/31/12
Negotiable debt securities	150,000	150,000	150,000
Related payables	2,882	2,836	3,932
<b>Negotiable debt securities and related payables</b>	<b>152,882</b>	<b>152,836</b>	<b>153,932</b>
<i>Obligations foncières <sup>(1)</sup></i>	69,427,903	73,238,414	82,456,423
Related payables	1,707,372	1,865,126	1,984,624
<b>Obligations foncières and related payables</b>	<b>71,135,275</b>	<b>75,103,541</b>	<b>84,441,047</b>
<b>TOTAL</b>	<b>71,288,157</b>	<b>75,256,376</b>	<b>84,594,979</b>
<i>(1) Of which subsidised sector</i>		29,987	61,267

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

**NOTE 9. OTHER LIABILITIES**

<i>(in thousands of euros)</i>	12/31/14	12/31/13	12/31/12
<b>Options sold</b>			
<b>Other payables</b>	<b>3,539,352</b>	<b>2,877,760</b>	<b>4,545,512</b>
Deposits on collateralisation transactions	3,470,733	2,777,058	4,450,353
Margin calls on repurchase agreements			
Trade payables			
Tax consolidation liabilities <sup>(1)</sup>		50,896	59,220
Other fiscal and social debts	14	15	18
Other payables accounts	68,605	49,791	29,564
Special bonus account			6,357
<b>Allocated public funds <sup>(2)</sup></b>	<b>71,234</b>	<b>85,492</b>	<b>96,386</b>
<b>TOTAL</b>	<b>3,610,586</b>	<b>2,963,253</b>	<b>4,641,898</b>
<i>(1) Corporate tax due to Crédit Foncier (tax consolidation)</i>		50,896	59,220
<i>(2) Of which subsidised sector</i>	51,053	54,011	55,823



## NOTE 10. ACCRUAL ACCOUNTS - LIABILITIES

<i>(in thousands of euros)</i>	12/31/14	12/31/13	12/31/12
<b>Collection accounts</b>	<b>48</b>	<b>2,252</b>	<b>3,433</b>
<b>Unearned income</b>	<b>2,277,552</b>	<b>2,590,603</b>	<b>1,654,933</b>
Subsidies on loans for low-income families and former interest-free loans	106,009	141,449	181,737
Balances of swaps received to be amortised	2,068,454	2,319,312	1,344,035
Other unearned income	103,089	129,842	129,161
<b>Accrued expenses</b>	<b>290,330</b>	<b>324,221</b>	<b>580,208</b>
Accrued interest on derivatives (swaps)	277,835	312,693	567,208
Other accrued expenses	12,495	11,528	13,000
<b>Other accrual accounts</b>	<b>125,616</b>	<b>192,057</b>	<b>103,852</b>
Currency adjustment accounts <sup>(1)</sup>		10,486	19,678
Other items	125,615	181,571	84,174
<b>TOTAL</b>	<b>2,693,544</b>	<b>3,109,133</b>	<b>2,342,426</b>

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

## NOTE 11. PROVISIONS

<i>(in thousands of euros)</i>	12/31/14	12/31/13	12/31/12
<b>Provisions for counterparty risks</b>	<b>15,674</b>	<b>14,125</b>	<b>14,181</b>
Provisions for potential risks on performing loans <sup>(1)</sup>	15,674	14,125	14,181
Sectoral provisions			
<b>Provisions for litigation</b>		<b>1,203</b>	<b>1,203</b>
Tax litigation			
Other litigation		1,203	1,203
<b>Other provisions</b>	<b>10,660</b>		
Other provisions <sup>(2)</sup>	10,660		
<b>TOTAL</b>	<b>26,334</b>	<b>15,328</b>	<b>15,384</b>

(1) Cf. section 4.3.2 of the notes to the financial statements.

(2) Impact of the reclassification of HETA's securities on the associated hedging swaps

Changes in the period <i>(in thousands of euros)</i>	Changes in 2014				Other changes	12/31/14
	12/31/13	Reversals		Not used		
		Charges	Used			
<b>Provisions for counterparty risks</b>	<b>14,125</b>	<b>1,873</b>		<b>- 324</b>		<b>15,674</b>
Provisions for counterparty risks on performing loans <sup>(1)</sup>	14,125	1,873		- 324		15,674
Sectoral provisions						
<b>Provisions for litigation</b>	<b>1,203</b>			<b>- 1,203</b>		
Tax litigation						
Other litigation	1,203			- 1,203		
<b>Other provisions</b>		<b>10,660</b>				<b>10,660</b>
Other provisions <sup>(2)</sup>		10,660				10,660
<b>TOTAL</b>	<b>15,328</b>	<b>12,533</b>		<b>- 1,527</b>		<b>26,334</b>

(1) Cf. section 4.3.2 of the notes to the financial statements.

(2) Impact of the reclassification of HETA's securities on the associated hedging swaps

## NOTE 12. SUBORDINATED DEBT

(in thousands of euros)	12/31/14	12/31/13	12/31/12
Redeemable subordinated notes <sup>(1)</sup>	2,100,000	2,100,000	2,100,000
Perpetual super-subordinated notes <sup>(2)</sup>	1,350,000	1,350,000	1,350,000
Related payables	258	305	137
<b>TOTAL</b>	<b>3,450,258</b>	<b>3,450,305</b>	<b>3,450,137</b>

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

(2) Eligible for inclusion in the Compagnie de Financement Foncier Tier-1 solvency ratio until the end of 2013. No longer eligible since 1 January 2014 following the CRDIV implementation, however it is recognised as part of the Additional Tier One ratio for a decreasing amount during a phasing period ending on 1 January 2022.

## a) Additional information

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

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

## b) Possibility and conditions for early repayment

### ON REDEEMABLE SUBORDINATED NOTES "RSN"

The RSNs were placed privately with Crédit Foncier and therefore, from a prudential point of view, are not deemed to represent shareholders' equity of groupe Crédit Foncier. They are eligible for Tier Two capital of Compagnie de Financement Foncier. Compagnie de Financement Foncier has undertaken not to perform early repayments of RSNs 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 and Resolution Authority (Autorité de contrôle prudentiel et de résolution- ACPR).

### ON PERPETUAL SUPER-SUBORDINATED NOTES

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

## c) Conditions relating to interest rate payable

### ON REDEEMABLE SUBORDINATED NOTES "RSN"

Any interest not paid is carried over as unsecured debt.

### ON PERPETUAL SUPER-SUBORDINATED NOTES

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

the interest were to be less than €10 m, 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 m, but would fall below €10 m following the interest payment, the interest due shall be reduced by the appropriate amount and the interest over and above the resulting reduced amount shall not be carried over to subsequent years.

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

## NOTE 13. CHANGES IN EQUITY

(in thousands of euros)	Opening balance at 01/01/13	Changes in capital and reserves			Balance at 12/31/13	Changes in capital and reserves			Balance at 12/31/14
		Alloca- tions	Dividends paid in shares	Other		Alloca- tions	Dividends paid in shares	Other	
Share capital *	1,187,460				1,187,460				1,187,460
Share premiums *	343,002				343,002				343,002
Reserves									
Legal reserve	39,849	6,630			46,479	1,630			48,109
General reserve	55,517				55,517				55,517
Regulated reserves									
Of which:									
• Regulated reserves for revaluation									
• Special reserve for long-term capital gains									
Retained earnings	85,946	526			86,472	535			87,007
<b>Net equity before net income for the year</b>	<b>1,711,775</b>				<b>1,718,931</b>				<b>1,721,095</b>
Net income for the year before distributions	132,581	-132,581			32,593	-32,593			84,328
<b>Equity after net income for the year</b>	<b>1,844,356</b>				<b>1,751,524</b>				<b>1,805,423</b>
Dividends paid		125,425				30,429			

(in thousands of euros)	Opening balance at 01/01/13	Changes in provisions			Balance at 12/31/13	Changes in provisions			Balance at 12/31/14
		Allocation	Additions	Reversals		Allocation	Additions	Reversals	
Special revaluation provision									
Other regulated provisions									
Regulated provisions									
<b>Equity before distributions</b>	<b>1,844,356</b>				<b>1,751,524</b>				<b>1,805,423</b>

(in thousands of euros)	Opening balance at 01/01/13	Changes in the reserve for general banking risks (RGBR)			Balance at 12/31/13	Changes in the reserve for general banking risks (RGBR)			Balance at 12/31/14
		Allocation	Additions	Reversals		Allocation	Additions	Reversals	
Reserve for general banking risks	20,000				20,000				20,000
<b>TOTAL</b>	<b>1,864,356</b>				<b>1,771,524</b>				<b>1,825,423</b>

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

## NOTE 13A. PROPOSED ALLOCATION OF INCOME

<i>(in thousands of euros)</i>	12/31/14
<b>SOURCES</b>	
Retained earnings	87,007
Net income for the year	84,328
Deposit on dividends	
Transfer from reserves	
<b>ALLOCATION</b>	
Allocation to reserves	
• Legal reserve	4,217
• Special long-term capital gains reserves	
• Other reserves	
Dividends	74,216
Other distributions	
Retained earnings	92,902
<b>TOTAL</b>	<b>171,335</b>

## NOTE 14. COMMITMENTS GIVEN

(in thousands of euros)	12/31/14		12/31/13		12/31/12	
	Net Authorisations	Amounts not drawn down	Net Authorisations	Amounts not drawn down	Net Authorisations	Amounts not drawn down
<b>Financing commitments</b>	<b>236,697</b>	<b>1,467,886</b>	<b>244,597</b>	<b>1,547,394</b>	<b>155,329</b>	<b>1,652,829</b>
<b>Subsidised sector</b>						
Non-group commitments						
• Credit institutions						
• Customers						
<b>Unsubsidised sector</b>	<b>236,697</b>	<b>1,467,886</b>	<b>244,597</b>	<b>1,547,394</b>	<b>155,329</b>	<b>1,652,829</b>
Non-group commitments	236,697	1,467,886	244,597	1,547,394	155,329	1,652,829
• Customers <sup>(2)</sup>	236,697	1,467,886	244,597	1,547,394	155,329	1,652,829
<b>Group commitments</b>						
• Credit institutions						
<b>Guarantee commitments</b>	<b>1,673,247</b>		<b>1,668,153</b>		<b>1,585,009</b>	
<b>Non-group commitments</b>	<b>1,673,247</b>		<b>1,668,153</b>		<b>1,585,009</b>	
Other values used as collateral <sup>(1)</sup>	1,673,247		1,668,153		1,585,009	
<b>Commitments on securities</b>						
Other commitments given						
<b>TOTAL <sup>(3)</sup></b>	<b>3,377,829</b>		<b>3,460,145</b>		<b>3,393,167</b>	

Unreleased amounts represent the unreleased fractions that remain 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 Gestion globale des garanties (3G) of which:

(in thousands of euros)	12/31/14	12/31/13	12/31/12
Securities			1,021,640
Receivables	1,673,247	1,668,153	563,369

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

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

(in thousands of euros)	12/31/14	12/31/13	12/31/12
Permanent credit lines (outstanding transferred from Ixis CIB)	517,842	546,839	698,346
State housing savings accounts (primes d'épargne logement)	949,532	1,000,000	953,649

(in thousands of euros)	12/31/14	12/31/13	12/31/12
(3) Of which doubtful commitments	511	555	833

## NOTE 15. COMMITMENTS RECEIVED

<i>(in thousands of euros)</i>	12/31/14	12/31/13	12/31/12
<b>Financing commitments</b>			
<b>Non-group commitments</b>			
Credit institutions <sup>(1)</sup>	1,468,030	1,464,512	1,106,460
<b>Subtotal</b>	<b>1,468,030</b>	<b>1,464,512</b>	<b>1,106,460</b>
<b>Group commitments</b>			
Repurchase guarantee			
Credit institutions <sup>(2)</sup>	3,000,000	3,000,000	3,000,000
Other assets received as collateral from the group <sup>(3)</sup>	26,560,675	20,977,883	23,126,518
<b>Subtotal</b>	<b>29,560,675</b>	<b>23,977,883</b>	<b>26,126,518</b>
<b>TOTAL</b>	<b>31,028,705</b>	<b>25,442,395</b>	<b>27,232,978</b>
<b>Guarantee commitments</b>			
<b>Non-group commitments</b>			
Credit institutions and similar institutions <sup>(4)</sup>	2,792,312	2,075,676	2,732,217
Customers <sup>(5)</sup>	36,192,884	35,199,643	34,322,018
<b>Subtotal</b>	<b>38,985,196</b>	<b>37,275,319</b>	<b>37,054,235</b>
<b>Group commitments <sup>(6)</sup></b>			
Credit institutions and similar items <sup>(7)</sup>	2,690,162	2,967,708	4,482,873
Customers <sup>(7)</sup>	1,944	760	1,493
<b>Subtotal</b>	<b>2,692,106</b>	<b>2,968,468</b>	<b>4,484,366</b>
<b>TOTAL</b>	<b>41,677,302</b>	<b>40,243,787</b>	<b>41,538,601</b>
<b>Commitments on securities</b>			
Other securities to be received			
<b>TOTAL</b>			
<b>TOTAL COMMITMENTS RECEIVED</b>	<b>72,706,007</b>	<b>65,686,182</b>	<b>68,771,580</b>

(1) Non-group financing commitments refer to the commitment received from the Banque de France in relation to the collateral management mechanism, including an amount of €1,468 m at 31 December 2014, compared with €1,464.5 m at 31 December 2013. At 31 December 2012, this item also included a commitment to purchase units in RMBS for €694 m, these securities were sold in April 2013.

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

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

<i>(in thousands of euros)</i>	12/31/14	12/31/13	12/31/12
• Guarantees received from Crédit Foncier for loans to French local authorities (L. 211-38)	10,082,140	5,300,385	3,235,946
• Guarantees received from BPCE SA as replacement values (L. 211-38 Short-term guaranteed notes)	6,600,000	7,297,400	10,515,859
• Guarantees received from Caisses d'Epargne and Banques Populaires for loans to French local authorities (L. 211-38)	2,560,013	162,344	109,898
• Guarantees received from Crédit Foncier for mortgage notes	7,318,522	8,217,754	9,264,814
(4) Mainly includes guarantees received from Crédit Logement rated Aa3/A+	872,813	211,973	191,717
• Guarantees received from Créserfi	357,075	354,233	361,946
• Security enhancement guarantees received from insurance companies	1,562,424	1,509,470	2,178,554

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



These guarantees are broken down as follows:

(in thousands of euros)	12/31/14	12/31/13	12/31/12
• Government guarantees on loans, mainly to the subsidised sector	404,081	506,709	727,074
• Guarantees from the SFGAS on FGAS-eligible loans and covered by the government	15,994,297	13,989,344	11,300,637
• Mortgage guarantees for mortgage loans that are only covered by this guarantee	15,566,209	15,950,029	16,599,502
• Guarantees given by local authorities and other organisations	2,124,901	2,247,868	2,319,053
• Security enhancement guarantees given by governments	2,103,396	2,505,693	3,375,752

(6) At 31 December 2014, guarantee commitments received from the group included a guarantee received from BPCE in connection with French local authority loans purchased from Ixis CIB for €2,154 m, compared with €2,425 m at 31 December 2013, as well as a guarantee received from Crédit Foncier on securities and loans amounted to €70,5 m. It is clarified that the guarantee received from Crédit Foncier which amounted to €1,170 m at 31 December 2012, on a portion of the portfolio of RMBS tranches recorded in the assets of Compagnie de Financement Foncier, was cancelled following the transfer of these securities in the 2013 financial year.

(7) Amounts recorded in 2012 and 2013 for information, "pro forma" 2014.

## NOTE 16. FOREIGN EXCHANGE TRANSACTIONS

(in thousands of euros)	12/31/14		12/31/13		12/31/12	
	Currencies receivable	Currencies for delivery	Currencies receivable	Currencies for delivery	Currencies receivable	Currencies for delivery
<b>Forwards (nominal amount) <sup>(1)</sup></b>	<b>13,603,955</b>	<b>13,582,327</b>	<b>16,263,651</b>	<b>16,191,754</b>	<b>20,357,558</b>	<b>20,321,200</b>
Over-the-counter markets						
<b>Hedging transactions</b>	<b>13,603,955</b>	<b>13,582,327</b>	<b>16,263,651</b>	<b>16,191,754</b>	<b>20,357,558</b>	<b>20,321,200</b>
Financial swaps						
<b>Micro-hedging transactions</b>						
Subsidised sector			29,987	40,473	61,267	80,945
Unsubsidised sector	13,603,955	13,582,327	16,233,664	16,151,282	20,296,291	20,240,254
Macro-hedging transactions						
Subsidised sector						
Unsubsidised sector						
Other forward transactions						
<b>Forwards (fair value) <sup>(2)</sup></b>	<b>- 686,146</b>		<b>-254,701</b>		<b>618,410</b>	
<b>Spot transactions</b>						
<b>Total foreign currency transactions</b>	<b>13,603,955</b>	<b>13,582,327</b>	<b>16,263,651</b>	<b>16,191,754</b>	<b>20,357,558</b>	<b>20,321,200</b>
<b>TOTAL</b>	<b>27,186,282</b>		<b>32,455,405</b>		<b>40,678,758</b>	

(1) Compagnie de Financement Foncier does not carry out any forward foreign currency transactions on organised markets.

(2) Data disclosed in accordance with Regulation n°2014-07 of the French national accounting standards authority.

## NOTE 17. COMMITMENTS ON FORWARDS AND OPTIONS CONTRACTS

	12/31/14		12/31/13		12/31/12	
(in thousands of euros)	Euros <sup>(1)</sup>	Other currencies <sup>(2)</sup>	Euros <sup>(1)</sup>	Other currencies <sup>(2)</sup>	Euros <sup>(1)</sup>	Other currencies <sup>(2)</sup>
<b>OVER-THE-COUNTER MARKETS</b>						
<b>Options (nominal amounts)</b>	2,450,387		2,617,841		2,895,460	
<b>Micro-hedging transactions</b>						
Purchases						
Sales						
<b>Macro-hedging transactions</b>						
Purchases	2,450,387		2,617,841		2,895,460	
Sales						
<b>Other options</b>						
Purchases						
Sales						
<b>Options (fair value)</b>	16,497		41,857		21,338	
<b>Forward transactions (nominal amounts)</b>	56,846,843	339,939	55,782,689	321,354	89,029,125	327,904
<b>Micro-hedging transactions</b>	41,995,851	339,939	43,257,750	321,354	68,491,965	327,904
Interest rate instruments	41,995,851	339,939	43,257,750	321,354	68,491,965	327,904
Currency instruments						
Other instruments						
<b>Macro-hedging transactions</b>	14,850,992		12,524,939		20,537,160	
Interest rate instruments	14,850,992		12,524,939		20,537,160	
Currency instruments						
Other instruments						
<b>Other transactions</b>						
Interest rate instruments						
Currency instruments						
Other instruments						
<b>Forward transactions (fair value) <sup>(3)</sup></b>	2,485,418	85,074	1,949,683	55,831	4,420,065	103,509
<b>Forward and conditional transactions</b>	59,297,230	339,939	58,400,530	321,354	91,924,584	327,904
<b>TOTAL <sup>(4)</sup> (NOMINAL AMOUNTS)</b>	59,637,169		58,721,884		92,252,489	
<b>TOTAL (FAIR VALUE)</b>	2,586,989		2,047,371		4,544,912	

(1) Value in euros of IN currencies.

(2) Value in euros of OUT currencies.

(3) Data disclosed in accordance with the Regulation n°2014-07 of the French national accounting standards authority.

(4) There are no doubtful amounts outstanding on forwards and options transactions.

## NOTE 18. INTEREST AND SIMILAR INCOME AND EXPENSES

(in thousands of euros)	12/31/14			12/31/13	12/31/12
	Income	Expenses	Net	Net	Net
<b>Interbank transactions</b>	<b>143,699</b>	<b>-74,304</b>	<b>69,395</b>	<b>2,496</b>	<b>41,066</b>
Interest on Central Bank accounts		-1,986	-1,986		
Interest on current accounts	399	-1	398	47	266
Interest on options	37,576	-49,525	-11,949	-28,946	-55,248
Interest on subordinated loans					
Interest on repo securities (BCTG - Short-term guaranteed notes)	105,635		105,635	54,311	151,333
Interest on securities received/sold under repurchase agreements		-237	-237	-2,193	-7,384
Financing and guarantee commitments					5,597
Other interest income and expenses	89	-804	-715		
Hedging transactions		-21,750	-21,750	-20,723	-53,499
Hedged losses on receivables					
Non-hedged losses on receivables					
Net changes in provisions					
<b>Customers transactions</b>	<b>1,319,165</b>	<b>-5,965</b>	<b>1,313,200</b>	<b>1,364,095</b>	<b>1,028,456</b>
Interest on demand deposits, term deposits and regulated savings accounts					
Interest on loans to customers	1,298,457		1,298,457	1,354,837	1,502,541
Interest on subordinated loans					
Interest on non-performing loans	41,299		41,299	36,562	30,983
Amortisation of additional loans fees (CRC Regulation 2009-03)	-639		-639	-650	-629
Interest on ABS cash collateral					
Other interest income and expenses	-18,245	-5,455	-23,701	-10,175	-16,642
Income on financing and guarantee commitments	55		55	70	564
Hedging transactions (netting)		-510	-510	-15,712	-488,301
Hedged losses on receivables	-444		-444	-1,228	-952
Non-hedged losses on receivables					
Net changes in provisions <sup>(1)</sup>	-1,317		-1,317	390	891
<b>Finance lease transactions</b>					
<b>Securities portfolio transactions</b>	<b>1,956,065</b>	<b>-2,612,449</b>	<b>-656,383</b>	<b>-638,451</b>	<b>-191,969</b>
Interest on investment securities	111,959		111,959	103,017	175,807
Spreading of discounts/premiums on investment securities	-437		-437	-4	-2
Interest on held-to-maturity securities	351,554		351,554	469,461	695,402
Amortisation of discounts/premiums on held-to-maturity securities	-3,317		-3,317	-1,194	4,838
Interest on medium-term notes (BMTN) issued		-3,545	-3,545	-3,711	-5,111
Interest on certificates of deposits issued					
Interest on mortgage notes issued					-650
Interest and expenses on bond issuances		-2,608,904	-2,608,904	-3,005,870	-3,493,999
Interest on doubtful securities					
Hedging transactions (netting)	1,496,754		1,496,754	1,799,851	2,431,747
<b>Net changes of provisions</b>	<b>-448</b>		<b>-448</b>		

	12/31/14			12/31/13	12/31/12
<i>(in thousands of euros)</i>	Income	Expenses	Net	Net	Net
<b>Subordinated debt</b>		<b>-50,453</b>	<b>-50,453</b>	<b>-50,121</b>	<b>-63,603</b>
Payables on subordinated term securities		-50,453	-50,453	-50,121	-63,603
Payables on subordinated debt - credit institutions					
Payables on subordinated debt - customers					
<b>Other interest and similar income and expenses</b>	<b>27,742</b>	<b>-376,188</b>	<b>-348,447</b>	<b>-375,812</b>	<b>-363,843</b>
Income on debt securities	27,376		27,376	40,525	52,294
Fees on credit derivatives					
Commitments received/given on securities		-5,984	-5,984	-6,171	-7,738
Other interest income and expenses	365		365	3,548	7,919
Macro-hedging transactions (netting)		-370,203	-370,203	-413,714	-416,317
Net changes of provisions <sup>(1)</sup>					
<b>TOTAL INTEREST AND SIMILAR INCOME AND EXPENSES <sup>(2)</sup></b>	<b>3,446,672</b>	<b>-3,119,359</b>	<b>327,313</b>	<b>302,207</b>	<b>450,107</b>
<i>(1) Total cost of risk in the net interest margin - customers</i>	-1,317		-1,317	390	891
<i>(2) Including subsidised sector</i>	12,822	-8,286	4,536	8,024	7,547

## NOTE 19. NET FEES AND COMMISSIONS

<i>(in thousands of euros)</i>	12/31/14	12/31/13	12/31/12
<b>Commissions on interbank and cash transactions (net)</b>	<b>-12</b>	<b>-11</b>	<b>-17</b>
Income		309	
Expenses	-12	-320	-17
<b>Commissions on transactions with customers (net) *</b>	<b>45,449</b>	<b>60,110</b>	<b>29,417</b>
Income	45,449	60,110	29,565
Expenses			-148
<b>Commissions on securities transactions (net)</b>	<b>-1,904</b>	<b>-2,827</b>	<b>-3,940</b>
Income			
Expenses	-1,904	-2,827	-3,940
<b>Other commissions (net)</b>	<b>-2,203</b>	<b>-868</b>	<b>-1,003</b>
Income	106	28	16
Expenses	-2,309	-896	-1019
<b>Total income</b>	<b>45,555</b>	<b>60,447</b>	<b>29,581</b>
<b>Total expenses</b>	<b>-4,225</b>	<b>-4,043</b>	<b>-5,124</b>
<b>TOTAL NET COMMISSIONS</b>	<b>41,330</b>	<b>56,404</b>	<b>24,457</b>

\* The level of net commissions on transactions with customers reported at 31 December 2013 relates to an increase in early repayments and the commissions received as a result.

## NOTE 20. NET GAINS/LOSSES ON TRADING PORTFOLIO TRANSACTIONS

<i>(in thousands of euros)</i>	12/31/14	12/31/13	12/31/12
Gains on currency and arbitrage transactions	319	-2,283	-577
Losses on firm Financial forward instruments trading			
Gains on firm Financial forward instruments trading			
Losses on conditional Financial forward instruments trading			
Gains on conditional Financial forward instruments trading			
Losses on other financial instruments			
Gains on other financial instruments			
Charge to provisions for risks on Financial forward instruments <sup>(1)</sup>	-10,660		
Reversals from provisions for risks on Financial forward instruments			
<b>TOTAL NET GAINS/LOSSES ON TRADING BOOK TRANSACTIONS</b>	<b>-10,341</b>	<b>-2,283</b>	<b>-577</b>

(1) Impact of the reclassification of HETA's securities on the associated hedging swaps.

## NOTE 21. GAINS OR LOSSES ON AVAILABLE-FOR-SALE PORTFOLIO TRANSACTIONS

<i>(in thousands of euros)</i>	12/31/14	12/31/13	12/31/12
Capital gains on disposals			
Capital losses on disposals <sup>(1)</sup>			-18,675
Allocations to provisions			
Reversals from provisions <sup>(1)</sup>			19,762
<b>TOTAL NET GAINS/LOSSES ON TRANSACTIONS ON INVESTMENT PORTFOLIO</b>			<b>1,087</b>

(1) Losses in 2012 represent the loss on AYT CEDULAS covered bond disposals; losses offset by the reversals of previous provisions.

## NOTE 22. OTHER BANKING INCOME AND EXPENSES

<i>(in thousands of euros)</i>	12/31/14			12/31/13	12/31/12
	Income	Expenses	Net	Net	Net
<b>Transfers of expenses and income, reallocated expenses</b>		-1	-1	-14	-156
Transfers of expenses					
- Transfers of expenses					
- Other rebilled expenses or retrocessions					
Transfers of income		-1	-1	-14	-156
Reallocated expenses					
<b>Total other banking income and expenses</b>	<b>1,307</b>	<b>-56</b>	<b>1,251</b>	<b>-1</b>	<b>205</b>
Other operating income and expenses (see details)	104	-56	48	-1	205
Additions to and reversals from provisions for other operating income and expenses (see details)	1,203		1,203		
<b>TOTAL</b>	<b>1,307</b>	<b>-57</b>	<b>1,250</b>	<b>-14</b>	<b>50</b>

### DETAILS

<b>Other operating income and expenses</b>	<b>104</b>	<b>-56</b>	<b>48</b>	<b>-1</b>	<b>205</b>
- Transfers to exceptional gains					200
- Other operating income	104		104	122	200
- Losses on deferred interests and variable rate loans		-23	-23	53	-9
- Transfers to exceptional losses				-4	
- Other operating expenses		-34	-34	-172	-185

## NOTE 23. GENERAL OPERATING EXPENSES

<i>(in thousands of euros)</i>	12/31/14	12/31/13	12/31/12
<b>Total payroll costs</b>	<b>-233</b>	<b>-187</b>	<b>-191</b>
Wages and salaries	-169	-120	-120
Costs of defined-contribution plans	-10	-11	-14
Other social security costs and payroll-based taxes	-55	-55	-56
Charges/reversals of provisions for litigation			
<b>Total other administrative expenses</b>	<b>-105,132</b>	<b>-103,814</b>	<b>-104,072</b>
<b>Taxes other than on income</b>	<b>-15,080</b>	<b>-15,824</b>	<b>-19,928</b>
CET (local business tax) and CVAE (tax on company value added)	-4,281	-3,255	-4,811
Social solidarity contribution	-5,222	-5,703	-6,296
Contribution to the supervision expenses of the French Prudential Supervision and Resolution Authority (ACPR)	-596	-759	-940
Systemic banking risk tax	-4,865	-5,751	-7,464
Taxes other than on income	-117	-357	-416
Charges/reversals of provisions for tax disputes			
<b>External services</b>	<b>-90,052</b>	<b>-87,990</b>	<b>-84,181</b>
Leasing			
External services provided by the group	-86,383	-83,835	-79,109
Fees, subcontracting and services	-3,048	-3,536	-4,318
Advertising	-243	-241	-360
Remuneration of intermediaries			
Transport and travel	-3	-20	-26
Maintenance and repairs	-4	-4	-4
Insurance premiums			
Other external services	-371	-354	-363
Additions to/reversals from provisions for disputes relating to external services			
Additions to/reversals from provisions for external services costs			
<b>Other expenses</b>			
<b>Transfers of expenses</b>			<b>36</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>-105,366</b>	<b>-104,001</b>	<b>-104,263</b>

Note: the total amount of remuneration received by governing bodies at 31 December 2014 amounted to €120,000.



## NOTE 24. COST OF RISK

<i>(in thousands of euros)</i>	12/31/14			12/31/13	12/31/12
	Expenses	Income	Net	Net	Net
<b>Net additions/reversals on held-to-maturity securities</b>	<b>-104,000</b>		<b>-104,000</b>		
<b>Impairment of securities transactions</b>	<b>-104,000</b>		<b>-104,000</b>		
<b>Net additions/reversals on customer transactions</b>	<b>-33,727</b>	<b>11,020</b>	<b>-22,708</b>	<b>-14,753</b>	<b>-10,581</b>
Impairment of customer transactions	-31,854	10,696	-21,158	-14,809	-2,972
Provisions for counterparty risks on performing loans	-1,873	324	-1,549	56	-7,609
Sectoral provisions					
<b>Losses/recoveries on customer transactions</b>	<b>-7,708</b>	<b>6,600</b>	<b>-1,108</b>	<b>-400</b>	<b>-118</b>
Losses on irrecoverable loans and receivables covered by provisions	-1,723	1,723			
Losses on irrecoverable loans and receivables not covered by provisions	-5,986		-5,986	-2,815	-3,783
Recoveries of bad debts written off		4,878	4,878	2,415	3,665
<b>TOTAL COST OF RISK</b>	<b>-145,436</b>	<b>17,620</b>	<b>-127,816</b>	<b>-15,153</b>	<b>-10,699</b>

## NOTE 25. GAINS/LOSSES ON LONG-TERM INVESTMENTS

<i>(in thousands of euros)</i>	12/31/14	12/31/13	12/31/12
Capital gains or losses on disposals of held-to-maturity securities	1,362	-135,366	-140,371
Provisions for impairment on held-to-maturity securities			
Reversals for impairment on held-to-maturity securities			
<b>TOTAL GAINS OR LOSSES ON OTHER ASSETS</b>	<b>1,362</b>	<b>-135,366</b>	<b>-140,371</b>

**NOTE 26. INCOME TAX**

<i>(in thousands of euros)</i>	<b>12/31/14</b>	<b>12/31/13</b>	<b>12/31/12</b>
<b>TAX EXPENSE COMPONENTS</b>			
Current tax expenses (income) *	8,921	-476,207	-340,513
Deferred tax liabilities (income) *	-52,324	407,007	253,305
Provisions for deferred taxes			
Provisions for risks or for tax litigations			
<b>TOTAL</b>	<b>-43,403</b>	<b>-69,200</b>	<b>-87,209</b>

\* In 2012 and in 2013, the increase in current tax expenses and deferred tax assets related to the tax treatment of termination payments was in connection with the dynamic management of off-balance sheet transactions.

<i>(in thousands of euros)</i>	<b>12/31/14</b>	<b>12/31/13</b>	<b>12/31/12</b>
<b>BREAKDOWN OF DEFERRED TAXES FOR THE PERIOD</b>			
Termination swap balance	-93,103	404,021	248,148
Client provisions including credit risk provisions	2,953	1,909	2,134
Provisions on held-to-maturity securities			
Other temporary differences	37,826	1,077	3,023
<b>TOTAL</b>	<b>-52,324</b>	<b>407,007</b>	<b>253,305</b>

## NOTE 27. TRANSACTIONS WITH RELATED CREDIT INSTITUTIONS <sup>(1)</sup>

	12/31/14	12/31/13	12/31/12	12/31/14
<i>(in thousands of euros)</i>				Valuation of assets received as collateral <sup>(3)</sup>
<b>BALANCE SHEET</b>				
<b>Assets items</b>				
<b>Receivables due from credit institutions</b>				
Demand	342,918	408,810	213,253	
Term	460	377	48,413	
Term deposits guaranteed by repo securities	19,231,553	12,060,010	16,323,118	19,018,768
- Loans guaranteed by French local authority loans (SPT) under L. 211-38	12,610,340	5,450,740	3,317,800	12,621,298
- to CFF	10,052,840	5,290,000	3,210,000	10,061,285
- to BPCE	2,320,000			2,315,880
- to other group entities	237,500	160,740	107,800	244,133
- Loans registered as replacement values under L. 211-38:	6,600,000	6,600,000	13,000,000	6,397,470
- to BPCE	6,600,000	6,600,000	13,000,000	6,397,470
- Related receivables	21,213	9,270	5,318	
<b>Customer transactions</b>				
Receivables				
<b>Securities transactions</b>				
Bonds and other fixed income securities	7,395,550	8,294,053	9,345,414	7,315,671
- Mortgage notes	7,317,500	8,217,000	9,263,000	7,315,671
- to CFF	7,317,500	8,217,000	9,263,000	7,315,671
- Other fixed income securities	68,813	64,849	66,818	
- Related receivables	9,237	12,204	15,595	
<b>Other assets <sup>(2)</sup></b>				
Other debtors	90,572	18,882	544	
<b>TOTAL ASSETS</b>	<b>27,061,053</b>	<b>20,781,381</b>	<b>25,930,742</b>	<b>26,334,439</b>
<b>Liabilities items</b>	<b>12/31/14</b>	<b>12/31/13</b>	<b>12/31/12</b>	<b>12/31/14</b>
<b>Amounts due to credit institutions</b>				
Demand			882	
Term	3,031,509	3,107,002	2,164,938	
Securities sold under repurchase agreements	1,992,159		598,587	
<b>Customer transactions</b>				
Demand				
<b>Securities transactions</b>				
Debt securities				
Subordinated debts	3,450,258	3,450,305	3,450,137	
<b>Other liabilities <sup>(2)</sup></b>				
Other creditors	16,231	15,197	15,705	
<b>TOTAL LIABILITIES</b>	<b>6,497,998</b>	<b>6,572,504</b>	<b>5,631,662</b>	

In accordance with the regulation No 2014-07, significant transactions which are not concluded under normal market conditions between related parties are stated in paragraph 2 of the notes to the 2014 registration document.

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

(2) Data pro forma as of 31 December 2013 and 31 December 2012.

(3) Assets received as collateral are valued at their outstanding principal amount fixed at the closing date for the French local authority receivables and at the trade date for the replacement values and the mortgage loan outstandings.

## NOTE 28. STATEMENT OF FOREIGN EXCHANGE POSITIONS

## COB Recommendation 89.01

## ■ At 12/31/2014

HEADING <i>(in thousands of euros)</i>	Australian \$	Canadian \$	US \$	£ Sterling	Swiss Franc	Yen	Hungarian Forint	New Zealand \$	Norwegian Krone	Danish Krone	Total
<b>BALANCE SHEET</b>											
Financial assets	13,603	77,623	2,740,055	143,750	1,368,089	1,706,072	10	37	7,522	7	6,056,768
Financial liabilities	687,901	359,914	2,036,381	739,319	3,836,405	262,674			466,491		8,389,085
<b>Balance sheet differential (I)</b>	<b>-674,298</b>	<b>-282,291</b>	<b>703,674</b>	<b>-595,569</b>	<b>-2,468,316</b>	<b>1,443,398</b>	<b>10</b>	<b>37</b>	<b>-458,969</b>	<b>7</b>	<b>-2,332,317</b>
<b>OFF-BALANCE SHEET</b>											
Commitments received	674,354	408,163	3,183,464	1,083,114	4,576,922	827,791			458,969		11,212,777
Commitments given		125,862	3,887,158	487,659	2,107,945	2,271,157					8,879,781
<b>Off-balance sheet differential (II)</b>	<b>674,354</b>	<b>282,301</b>	<b>703,694</b>	<b>595,455</b>	<b>2,468,977</b>	<b>-1,443,366</b>			<b>458,969</b>		<b>2,332,996</b>
<b>TOTAL DIFFERENTIAL (I)+(II)</b>	<b>56</b>	<b>10</b>	<b>-20</b>	<b>-114</b>	<b>661</b>	<b>32</b>	<b>10</b>	<b>37</b>		<b>7</b>	<b>679</b>

Financial assets are comprised of amounts due from credit institutions and customers.

Financial liabilities are comprised of amounts due to credit institutions, customer deposits, and debt securities.

## NOTE 29. STATEMENT OF LIQUIDITY POSITION

### COB Recommendation 89.01

■ At 12/31/2014

Heading <i>(in thousands of euros)</i>	Remaining maturity					Total <sup>(2)</sup>
	<3 months	3M<T<6M	6M<T<1Y	1Y<T<5Y	>5 years	
BALANCE SHEET						
Financial assets <sup>(1)</sup>	7,766,271	1,177,906	1,929,531	22,514,996	47,150,544	80,539,248
Receivables from credit institutions	6,682,349	361,798	216,211	5,720,439	7,416,538	20,397,335
Receivables from customers	884,883	730,792	1,120,615	9,008,979	31,909,092	43,654,361
Bonds and other fixed-income securities	199,039	85,316	592,705	7,785,578	7,824,914	16,487,552
Subordinated term loans						
Financial liabilities	4,011,311	5,742,573	3,799,326	25,271,682	37,870,353	76,695,245
Due to credit institutions	1,540,060	2,055,328	31,699	244,864	1,145,391	5,017,342
Due to customers						
Debt securities:	2,471,251	3,687,245	3,767,627	25,026,818	34,474,962	69,577,903
– Retails certificates of deposit						
– Interbank market securities						
– Negotiable debt securities					150,000	150,000
– Bonds	2,471,251	3,687,245	3,767,627	25,026,818	34,474,962	69,427,903
– Other debt securities						
Subordinated term debt					2,100,000	2,100,000
Balance sheet differential (I)	3,754,960	-4,564,667	-1,869,795	-2,756,686	9,280,191	3,844,003
OFF-BALANCE SHEET						
Commitments given			1,704,583			1,704,583
Commitments received	1,468,030			3,000,000		4,468,030
Off-balance sheet differential (II)	1,468,030		-1,704,583	3,000,000		2,763,447
TOTAL DIFFERENTIAL (I)+(II)	5,222,990	-4,564,667	-3,574,378	243,314	9,280,191	6,607,450
Conditional positions		6,495	33,000	19,598	2,391,294	2,450,387

(1) The financial assets of Compagnie de Financement Foncier include €9.2 bn of securities (unencumbered assets) that meet the refinancing criteria of the European Central Bank to which are added loans amounting to €29.9 bn meeting the criteria defined by Banque de France, as planned by the temporary acceptance process approved by the ECB on 09 February 2012. The amounts which could be redeemed at the Central Bank are estimated at €15.3 bn after haircut and overcollateralisation constraints.

(2) The difference with the amounts shown on the balance sheet is mainly due to unpaid loans, doubtful loans and related receivables.

## NOTE 30. FINANCIAL RESULTS OF THE COMPANY OVER THE LAST FIVE YEARS

Description (in euros)	2010	2011	2012	2013	2014
<b>I) FINANCIAL SITUATION AT THE END OF THE FINANCIAL YEAR</b>					
a) Share Capital	1,008,000,000	1,187,459,936	1,187,459,936	1,187,459,936	1,187,459,936
b) Number of shares in issue	63,000,000	74,216,246	74,216,246	74,216,246	74,216,246
c) Number of bonds convertible into shares	none	none	none	none	none
<b>II) OVERALL EARNINGS FROM OPERATIONS</b>					
a) Revenue excluding taxes	4,753,535,071	4,534,760,577	5,223,327,050	3,951,959,039	3,483,192,834
b) Profit for the financial year before tax, employee profit sharing and net increase/reversal in amortisation and provisions	257,386,324	219,755,553	462,156,111	522,287,700	211,614,676
c) Income taxes *	101,825,013	100,591,419	340,513,414	476,207,470	-8,920,504
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	143,210,812	108,063,919	132,581,093	32,593,283	84,328,007
f) Amount of profits distributed	220,500,000	102,418,419	125,425,456	30,428,661	74,216,246
<b>III) EARNINGS FROM OPERATIONS PER SHARE **</b>					
a) Profit for the financial year after tax and employee profit sharing but before net increase/reversal in amortisation and provisions	2.47	1.72	1.64	0.62	0.19
b) Profit for the financial year after tax and employee profit sharing and net increase/reversal in amortisation and provisions	2.27	1.57	1.79	0.44	0.07
c) Dividend paid per share	3.50	1.38	1.69	0.41	1.00
<b>IV) STAFF</b>					
a) Number of employees	negligible	negligible	negligible	negligible	negligible
- Management category	negligible	negligible	negligible	negligible	negligible
- Employee and Technician category	none	none	none	none	none
b) Total employee salaries	negligible	negligible	negligible	negligible	negligible
c) Amount paid for social contributions and benefits (social security, other staff benefits, etc.)	negligible	negligible	negligible	negligible	negligible

\* At 31 December 2014, Compagnie de Financement Foncier's fiscal deficit was offset by a compensation for tax savings transferred to tax consolidation group, in compliance with the tax consolidation agreement.

\*\* Starting from fiscal year 2011, earnings per share are determined by the average number of shares for the year concerned.

## NOTE 31. SUMMARY BALANCE SHEETS FOR THE LAST FIVE YEARS

<i>(in thousands of euros)</i>	12/31/14	12/31/13	12/31/12	12/31/11	12/31/10
<b>ASSETS</b>					
Cash, amounts due from central banks and post office accounts	1,200,069	7,399,719	3,705,503	14,697	5,413
Treasury notes and similar securities	3,175,674	3,468,600			
Due from credit institutions	20,790,892	17,694,558	18,244,086	20,609,849	16,493,215
Due from customers	44,963,602	41,897,635	41,343,429	40,660,039	39,709,142
Securities portfolio	13,604,518	14,707,398	33,418,447	41,228,820	44,489,773
Fixed assets					
Other assets	92,195	19,128	5,603	72,965	93,517
Accrued income	4,122,320	4,533,088	4,065,221	3,191,907	3,035,765
<b>TOTAL ASSETS</b>	<b>87,948,990</b>	<b>89,720,126</b>	<b>100,782,289</b>	<b>105,778,277</b>	<b>103,826,825</b>
<b>LIABILITIES</b>					
Central banks, post office accounts					
Due to credit institutions	5,034,721	3,139,452	3,853,303	4,903,513	5,553,791
Due from customers	19,967	14,755	19,805	7,008	14,867
Debt securities	71,288,157	75,256,376	84,594,979	89,923,945	88,372,278
Other liabilities	3,610,586	2,963,253	4,641,898	3,184,632	2,157,642
Accrued expenses	2,693,545	3,109,133	2,342,426	2,466,759	2,636,729
Provisions	26,334	15,328	15,384	7,775	9,119
Subordinated debt	3,450,258	3,450,305	3,450,137	3,450,452	3,450,270
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	1,721,095	1,718,931	1,711,775	1,706,129	1,468,918
Net income for the year	84,328	32,593	132,581	108,064	143,211
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>87,948,990</b>	<b>89,720,126</b>	<b>100,782,289</b>	<b>105,778,277</b>	<b>103,826,825</b>
<b>OFF-BALANCE SHEET</b>					
<b>Commitments given</b>					
- Financing	1,704,582	1,791,991	1,808,158	2,459,785	2,299,029
- Other securities used as collateral	1,673,247	1,668,153	1,585,009	5,325,312	5,581,713
<b>TOTAL COMMITMENTS GIVEN</b>	<b>3,377,829</b>	<b>3,460,145</b>	<b>3,393,167</b>	<b>7,785,097</b>	<b>7,880,742</b>
<b>Commitments received</b>	<b>72,706,007</b>	<b>65,686,182</b>	<b>68,771,580</b>	<b>65,953,827</b>	<b>62,190,462</b>
<b>Reciprocal commitments</b>					
- Sale and purchase of foreign currencies	27,186,282	32,455,405	40,678,758	48,629,166	46,663,767
- Loans to be made or received in foreign currencies					
- Non-unwound futures	59,637,169	58,721,884	92,252,489	110,351,059	109,707,924
<b>TOTAL RECIPROCAL COMMITMENTS</b>	<b>86,823,452</b>	<b>91,177,289</b>	<b>132,931,247</b>	<b>158,980,225</b>	<b>156,371,691</b>



**NOTE 32. MAIN BALANCES FOR THE SUBSIDISED SECTOR****■ Balance sheet**

<i>(in thousands of euros)</i>	12/31/14	12/31/13	12/31/12
<b>ASSETS</b>			
<b>Loans</b>	<b>315,253</b>	<b>410,702</b>	<b>540,535</b>
<b>Other assets</b>			
<i>Special bonus account *</i>			
<b>Accrued income</b>	<b>47,303</b>	<b>35,888</b>	<b>13,785</b>
<i>SBA - Foreign exchange and rate differences</i>			
<i>Asset adjusting accounts</i>	47,303	35,888	13,785
<b>Cash</b>			
<b>TOTAL</b>	<b>362,556</b>	<b>446,589</b>	<b>554,321</b>

\* In 2012, the State collected €60 m from the special bonus account.

<i>(in thousands of euros)</i>	12/31/14	12/31/13	12/31/12
<b>LIABILITIES</b>			
<b>Interbank loans</b>			
<b>Customer deposits</b>	<b>112</b>	<b>141</b>	<b>126</b>
<b>Debt securities</b>		<b>31,122</b>	<b>63,587</b>
<b>Other liabilities</b>	<b>50,166</b>	<b>34,115</b>	<b>19,854</b>
<i>Of which special bonus account</i>	40,110	23,103	6,357
<b>Accrued expenses</b>	<b>389</b>	<b>12,554</b>	<b>23,694</b>
<i>SBA - State guaranteed foreign exchange and rate differences</i>		70	70
<i>Liability adjustment accounts</i>	389	12,484	23,624
<b>Allocated public funds</b>	<b>51,053</b>	<b>54,011</b>	<b>55,823</b>
<i>Subsidies</i>	18,789	22,918	28,033
<i>Guarantee fund</i>	32,264	31,093	27,790
<b>Cash</b>	<b>260,837</b>	<b>314,647</b>	<b>391,237</b>
<b>TOTAL</b>	<b>362,556</b>	<b>446,589</b>	<b>554,321</b>

**■ Off-balance sheet**

<i>(in thousands of euros)</i>	12/31/14	12/31/13	12/31/12
<b>COMMITMENTS RECEIVED</b>			
State guarantees	324,469	425,577	548,026

<i>(in thousands of euros)</i>	12/31/14	12/31/13	12/31/12
<b>COMMITMENTS GIVEN</b>			
Loan amounts not drawn down			

## ■ Reciprocal commitments

(in thousands of euros)	12/31/14	12/31/13	12/31/12
<b>COMMITMENTS ON FORWARD FINANCIAL INSTRUMENTS</b>			
Rate hedging instruments			
– Micro-hedging			
– Macro-hedging	100,000	100,000	100,000
Currency hedging instruments			
– Micro-hedging			
– Foreign exchange receivable		29,987	61,267
– Foreign exchange payable		-40,473	-80,945

## NOTE 33. STATEMENT OF CASH FLOWS

### 1. Principles

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

The Compagnie de Financement Foncier Cash Flow Statement is presented according to Recommendation 2004-R-03 of the French National Accounting Board (CNC), concerning the format of corporate summary documents subject to the supervision of the French Banking and Financial Regulatory Committee (BFRC).

It is prepared using the indirect method: net income for the period is restated for non-monetary items: depreciation allowances for tangible and intangible assets, net provisions, other transactions without cash payments such as expenses payable and accrued income. Cash flows from operating, investing and financing activities are determined by the difference between the items in the annual financial statements for the previous year and for the current year. Capital transactions without cash flow or with no impact on income are neutral: dividend payment in shares, increase in provision by allocating retained earnings.

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

Operating activities include:

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

Financing activities include:

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

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

## 2. Cash flow statement

<i>(in thousands of euros)</i>	12/31/14	12/31/13	12/31/12
<b>OPERATING ACTIVITIES</b>			
Net income for the year	84,328	32,593	132,581
Restatement of earnings related to operating activities			
Tangible and intangible fixed assets, excluding goodwill			
Net provisions/customers and credit institutions	20,753	13,433	1,104
Net provisions/available-for-sale securities			-19,762
Net provisions/held-to-maturity securities	104,448		
Net provisions for risks/loans	12,209	-56	7,609
Net gain on sale of fixed assets			
Other transactions without cash payments	-1,084,999	683,087	-397,909
Cash flows on loans to credit institutions and customers	-6,173,992	-10,498	446,850
Cash flows on short-term investment securities	899,710	1,071,208	25,443
Cash flows on long-term investment securities	1,308,662	13,824,481	7,693,011
Cash flows on other assets	-22,109	-267,373	-261,788
Cash flows on debts/credit institutions and customers	1,904,042	-704,393	-1,040,155
Net borrowing	-3,810,511	-9,218,009	-5,309,374
Cash flows on other liabilities	589,402	-1,582,255	1,323,186
<b>Net cash flows used for operating activities</b>	<b>-6,168,057</b>	<b>3,842,218</b>	<b>2,600,796</b>
<b>INVESTING ACTIVITIES</b>			
Cash flows related to the sale of:			
Financial assets			
Tangible and intangible fixed assets			
Disbursements for the acquisition of:			
Financial assets			
Tangible and intangible fixed assets			
Net cash flows from other investment activities			
<b>Net cash flows used for investment activities</b>			
<b>FINANCING ACTIVITIES</b>			
Cash flows from share issuances			
Dividends paid	-30,429	-125,425	-102,418
Net issuances of subordinated debt			
Other			
<b>Net cash flows from financing activities</b>	<b>-30,429</b>	<b>-125,425</b>	<b>-102,418</b>
<b>NET CHANGE IN CASH POSITION</b>	<b>-6,198,486</b>	<b>3,716,793</b>	<b>2,498,378</b>
Opening cash position	7,639,246	3,922,453	1,424,075
Closing cash position	1,440,760	7,639,246	3,922,453
<b>Net</b>	<b>-6,198,486</b>	<b>3,716,793</b>	<b>2,498,378</b>
Cash: deposits at <i>Banque de France</i>	1,200,069	7,399,719	3,705,503
Due to credit institutions on demand *	240,691	239,527	216,950
<b>TOTAL</b>	<b>1,440,760</b>	<b>7,639,246</b>	<b>3,922,453</b>
* of which:			
BPCE	234,930	235,109	213,248

## NOTE 34. FEES OF STATUTORY AUDITORS AND MEMBERS OF THEIR NETWORKS

	KPMG				PricewaterhouseCoopers			
	Amount (incl. tax)		%		Amount (incl. tax)		%	
(in thousands of euros)	2014	2013	2014	2013	2014	2013	2014	2013
<b>Audit and other services</b>	<b>300</b>	<b>271</b>	<b>100%</b>	<b>100%</b>	<b>300</b>	<b>271</b>	<b>100%</b>	<b>100%</b>
<b>Audit</b>	<b>300</b>	<b>271</b>	<b>100%</b>	<b>100%</b>	<b>300</b>	<b>271</b>	<b>100%</b>	<b>100%</b>
Statutory Auditors, certification, review of individual and consolidated financial statements	201	199	67%	73%	200	199	67%	73%
Other procedures and services directly related to the Statutory Auditor's assignment	99	72	33%	27%	100	72	33%	27%
Other								

*These amounts are included in the income statement.*

*Other services directly related to the mission of the Auditors are fees for the issuance of letters of comfort.*

## Statutory auditor's report on the financial statements

*This is a free translation into English of the statutory auditor's report on the financial statements issued in French and it is provided solely for the convenience of English-speaking users. The statutory auditor's report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditor's assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.*

*This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders.*

*This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

### Compagnie de Financement Foncier S.A.

Registered office: 19, rue des Capucines - 75001 Paris

Share capital: € 1,187,459,936

Year ended 31 December 2014

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 2014, on:

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

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

## I. OPINION ON THE FINANCIAL STATEMENTS

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

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2014 and of the results of its operations for the year then ended in accordance with French accounting principles.

## II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of Article L.823-9 of the French Commercial Code (*Code de commerce*), we bring to your attention the following matters:

### Provisions for credit risks and for securities risks

As indicated in Notes 4.3.2 and 4.3.3 to the financial statements, your Company records impairments and provisions to cover the credit risks inherent in its business. We examined the control procedures put in place by management in relation to the monitoring of credit and counterparty risks, the assessment of the risks of non-recovery as well as the coverage of these risks through impairments and provisions on an individual and collective basis. We also examined the main individual impairments recorded on international public sector securities as mentioned in Note 3 "Post balance sheet events" and we assessed the valuation estimates based on the information available on closing date.

### Valuation of securities and financial instruments

Your Company holds positions on securities and financial instruments. Notes 4.3.3 and 4.3.8 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

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of Article L.225-102-1 of the French Commercial Code (*Code de commerce*) relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

Paris La Défense, on the 10 April 2015

**KPMG Audit**

Jean-François Dandé  
*Partner*

The Statutory Auditors  
French original signed by

Neuilly-sur-Seine, on the 10 April 2015

**PricewaterhouseCoopers Audit**

Anik Chaumartin  
*Partner*

## ■ 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 (in %)	Weighted amounts
<b>1.</b>	<b>Mortgage-backed loans - prime mortgages or equivalent collateral</b>	<b>31,367,810</b>	<b>100%</b>	<b>31,367,810</b>
<b>2.</b>	<b>Promissory notes (Articles L. 313-42 To L. 313-49 of the French Monetary and Financial Code.</b>	<b>7,280,273</b>		<b>7,280,273</b>
2.1.	Of which: Mortgage-backed loans - prime mortgages or equivalent collateral	5,894,872	100%	5,894,872
2.2.	Guaranteed loans	1,385,402		1,385,402
2.2.1.	- Satisfying the conditions of 1-a) in the appendix to regulation No. 99-10: The guarantee company outside the consolidation scope of the <i>société de crédit foncier</i> or housing finance company has a minimum of the second-highest grade of credit quality.	1,385,402	100%	1,385,402
2.2.2.	- Satisfying the conditions of 1-a) in the appendix to regulation No. 99-10: The guarantee company outside the consolidation scope of the <i>société de crédit foncier</i> or housing finance company has the third-highest grade of credit quality.		80%	
2.2.3.	- Satisfying the conditions of 1-b) in the appendix to regulation No. 99-10: The guarantee company within the consolidation scope of the housing finance company has a minimum of the second-highest grade of credit quality.		80%	
2.2.4.	- Satisfying the conditions of 1-b) in the appendix to regulation No. 99-10: The guarantee company within the consolidation scope of the <i>société de crédit foncier</i> or housing finance company has the third-highest grade of credit quality.		60%	
<b>3.</b>	<b>Exposures on public entities</b>	<b>35,079,141</b>	<b>100%</b>	<b>35,079,141</b>
	Of which:			
3.1.	- Exposures set out in paragraph 5 of Article L. 513-4 I of the French Monetary & Financial Code			
3.2.	- Exposures set out in paragraph 5 of Article L. 513-4 I of the French Monetary & Financial Code entered in the balance sheet prior to 31 December 2007			
<b>4.</b>	<b>Fixed assets resulting from the acquisition of property under the application of a guarantee</b>		<b>50%</b>	
<b>5.</b>	<b>Safe securities and deposits, and liquidities coming under Article R. 513-6</b>	<b>6,946,180</b>	<b>100%</b>	<b>6,946,180</b>
5.1.	Receivables and securities from credit institutions and investment firms corresponding to subparagraph 1 of Article R. 513-6	3,475,660	100%	3,475,660
5.2.	Receivables and securities from the management of forward financial instruments corresponding to subparagraph 2 of Article R. 513-6	3,470,520	100%	3,470,520
5.3.	Receivables and securities from credit institutions and investment firms corresponding to subparagraph 3 of Article R. 513-6		100%	
<b>6.</b>	<b>Guaranteed loans</b>	<b>913,633</b>		<b>913,633</b>
6.1.	Satisfying the conditions of 1-a) in the appendix to regulation No. 99-10: The guarantee company outside the consolidation scope of the <i>société de crédit foncier</i> or housing finance company has a minimum of the second-highest grade of credit quality.	913,633	100%	913,633
6.2.	Satisfying the conditions of 1-a) in the appendix to regulation No. 99-10: The guarantee company outside the consolidation scope of the <i>société de crédit foncier</i> or housing finance company has the third-highest grade of credit quality.		80%	
6.3.	Satisfying the conditions of 1-b) in the appendix to regulation No. 99-10: The guarantee company that is within the consolidation scope of the housing finance company has a minimum of the second-highest grade of credit quality.		80%	

	Net book values or amounts eligible for refinancing	Weighting (in %)	Weighted amounts
<b>Assets used to cover privileged resources</b>			
6.4.	Satisfying the conditions of 1-b) in the appendix to regulation No. 99-10: The guarantee company that is within the consolidation scope of the housing finance company has the third-highest grade of credit quality.	60%	
<b>7. Shares, equities and debt securities issued by a securitisation entity</b>			
7.1.	Shares, equities and debt securities issued by a securitisation or similar entity whose assets have been disposed of exclusively by entities belonging to the same consolidation scope as the <i>société de crédit foncier</i> or housing finance company and satisfying the conditions of 2-a) of the appendix to regulation 99-10: shares, equities and debt securities acquired or financed by the <i>société de crédit foncier</i> or housing finance company before 31 December 2011 that have the highest grade of credit quality (until 31 December 2014).	100%	
	Of which:		
7.1.1.-	Assets are at least 90% composed of loans to natural persons to finance housing		
7.1.2.-	Assets are 90% composed of loans mentioned in Article L. 513-3 that do not fall within the scope of R. 513-3 II		
7.1.3.-	Assets are 90% composed of exposures defined in Article L. 513-4		
7.2.	Shares, equities and debt securities issued by a securitisation or similar entity whose assets have been disposed of exclusively by entities belonging to the same consolidation scope as the <i>société de crédit foncier</i> or housing finance company and satisfying the conditions of 2-a) of the appendix to regulation 99-10: shares, equities and debt securities acquired or financed by the <i>société de crédit foncier</i> or housing finance company before 31 December 2011 that have the second-highest grade of credit quality (until 31 December 2014).	80%	
	Of which:		
7.2.1.-	Assets are at least 90% composed of loans to natural persons to finance housing		
7.2.2.-	Assets are 90% composed of loans mentioned in Article L. 513-3 that do not fall within the scope of R. 513-3 II		
7.2.3.-	Assets composed 90% of exposures defined in Article L. 513-4		
7.3.	Shares, equities and debt securities issued by a securitisation or similar entity whose assets have been disposed of exclusively by entities belonging to the same consolidation scope as the <i>société de crédit foncier</i> or housing finance company and satisfying the conditions of 2-b) of the appendix to regulation 99-10: shares, equities and debt securities acquired or financed by the <i>société de crédit foncier</i> or housing finance company after 31 December 2011 and shares, equities and debt securities acquired or financed prior to that date that have the highest grade of credit quality from 1 January 2015.	100%	
	Of which:		
7.3.1.-	Assets composed at least 90% of loans to natural persons to finance housing		
7.3.2.-	Assets composed 90% of loans mentioned in Article L. 513-3 that do not fall within the scope of R. 513-3 II		
7.3.3.-	Assets composed 90% of exposures defined in Article L. 513-4		



Assets used to cover privileged resources		Net book values or amounts eligible for refinancing	Weighting (in %)	Weighted amounts
7.4.	Shares, equities and debt securities issued by a securitisation or similar entity whose assets have been disposed of exclusively by entities belonging to the same consolidation scope as the <i>société de crédit foncier</i> or housing finance company and satisfying the conditions of 2-b) of the appendix to regulation 99-10: shares, equities and debt securities acquired or financed by the <i>société de crédit foncier</i> or housing finance company after 31 December 2011 and shares, equities and debt securities acquired or financed prior to that date that have the second-highest grade of credit quality from 1 January 2015.		50%	
	Of which:			
7.4.1.-	Assets composed at least 90% of loans to natural persons to finance housing			
7.4.2.-	Assets composed 90% of loans mentioned in Article L. 513-3 that do not fall within the scope of R. 513-3 II			
7.4.3.-	Assets composed 90% of exposures defined in Article L. 513-4			
7.5.	Shares, equities and debt securities issued by a securitisation or similar entity some of whose assets have been disposed of by an entity not belonging to the same consolidation scope as the <i>société de crédit foncier</i> or housing finance company and satisfying the conditions of 3-a) of the appendix to regulation 99-10: shares, equities and debt securities acquired or financed by the <i>société de crédit foncier</i> or housing finance company before 31 December 2011 that have the highest grade of credit quality (until 31 December 2014).		100%	
	Of which:			
7.5.1.-	Assets composed at least 90% of loans to natural persons to finance housing			
7.5.2.-	Assets composed 90% of loans mentioned in Article L. 513-3 that do not fall within the scope of R. 513-3 II			
7.5.3.-	Assets composed 90% of exposures defined in Article L. 513-4			
7.6.	Shares, equities and debt securities issued by a securitisation or similar entity some of whose assets have been disposed of by an entity not belonging to the same consolidation scope as the <i>société de crédit foncier</i> or housing finance company and satisfying the conditions of 3-a) of the appendix to regulation 99-10: shares, equities and debt securities acquired or financed by the <i>société de crédit foncier</i> or housing finance company before 31 December 2011 that have the second-highest grade of credit quality (until 31 December 2014).		50%	
	Of which:			
7.6.1.-	Assets composed at least 90% of loans to natural persons to finance housing			
7.6.2.-	Assets composed 90% of loans mentioned in Article L. 513-3 that do not fall within the scope of R. 513-3 II			
7.6.3.-	Assets composed 90% of exposures defined in Article L. 513-4			
7.7.	Shares, equities and debt securities issued by a securitisation or similar entity some of whose assets have been disposed of by an entity not belonging to the same consolidation scope as the <i>société de crédit foncier</i> or housing finance company and satisfying the conditions of 3-b) of the appendix to regulation 99-10: shares, equities and debt securities acquired or financed by the <i>société de crédit foncier</i> or housing finance company after 31 December 2011 and shares, equities and debt securities acquired or financed prior to that date that have the highest grade of credit quality from 1 January 2015.		100%	
	Of which:			
7.7.1.-	Assets composed at least 90% of loans to natural persons to finance housing			

	Net book values or amounts eligible for refinancing	Weighting (in %)	Weighted amounts
<b>Assets used to cover privileged resources</b>			
7.7.2. - Assets composed 90% of loans mentioned in Article L. 513-3 that do not fall within the scope of R. 513- II			
7.7.3. - Assets composed 90% of exposures defined in Article L. 513-4			
<b>8. Other assets</b>	<b>4,821,607</b>	<b>100%</b>	<b>4,821,607</b>
8.1. Other class 1 items	1,201,349	100%	1,201,349
8.2. Other class 2 items	412,448	100%	412,448
8.3. Other class 3 items	3,207,810	100%	3,207,810
8.4. Other class 4 items		100%	
<b>9. Transactions deducted from assets</b>	<b>1,682,949</b>	<b>100%</b>	<b>1,682,949</b>
9.1. Funds received from clients awaiting charging, recorded under liabilities on the balance sheet	19,967	100%	19,967
9.2. Security repurchase agreements: securities sold	1,662,982	100%	1,662,982
9.3. Receivables funded in the conditions set by Articles L. 313-23 to L. 313-34 of the French Monetary & Financial Code		100%	
9.4. Assets deducted following the implementation of Article 9 of Regulation 99-10			
<b>10. TOTAL WEIGHTED AMOUNTS OF ASSETS (1+2+3+4+5+6+7+8-9)</b>	<b>A</b>		<b>84,725,696</b>
Coverage ratio (with 2 decimals) (a/l x 100)			120.04

Resources having the privilege defined in Article L. 515-19 of the French Monetary & Financial Code: liabilities		Amounts
<b>1. Privileged resources from credit institutions</b>		<b>7,432</b>
1.1. of which nominal amount		7,223
<b>2. Privileged resources from clients</b>		
2.1. Financial clients		
2.2. Non-financial clients		
2.3. of which nominal amount		
<b>3. Securities with privilege</b>		<b>71,288,157</b>
3.1. <i>Obligations foncières</i> or housing finance bonds		69,427,903
3.2. Negotiable debt securities		150,000
3.3. Other securities with privilege		
3.4. Debts related to these securities		1,710,254
3.5. To be deducted: <i>obligations foncières</i> or housing finance bonds issued and subscribed for by the credit institution when they are not used as collateral for credit transactions by <i>Banque de France</i>		
3.6. Subtotal		71,288,157
3.7. of which nominal amount		69,577,903
<b>4. Amounts due in respect of the contract provided for by Article L. 515-22 of the French Monetary and Financial Code</b>		<b>18,016</b>
<b>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</b>		<b>-734,535</b>
5.1. of which impact of variations in exchange rate on the nominal amount of privileged resources		-804,122
<b>6. Liabilities resulting from the incidental expenses set out in the last paragraph of Article L. 515-19 of the French Monetary and Financial Code</b>		<b>274</b>
<b>7. Privileged resources (1+2+3+4+5+6)</b>	<b>P</b>	<b>70,579,344</b>
<b>8. NOMINAL AMOUNT OF PRIVILEGED RESOURCES ("1.1"+"2.3"+"3.7"+"5.1")</b>		<b>68,781,004</b>

Audit of the limits applicable to asset classes (ratio with 2 decimals)		Ratios/Amounts
<b>1. Total assets</b>		<b>87,948,990</b>
2.1. Loans guaranteed held directly		920,101
2.2. Guaranteed loans included as assets of securitisation or similar entities, or assigned by promissory notes		1,681,093
2.3. Total guaranteed loans (2.1 + 2.2) / asset (1) ( $\leq 35\%$ except for housing finance companies)		2.96%
3.1. Promissory notes held directly		7,323,443
3.2. Promissory notes included as assets of securitisation or similar entities		
3.3. Total promissory notes (3.1 + 3.2) / asset ( $\leq 10\%$ )		8.33%
4. Total shares, equities and debt securities of securitisation or similar entities satisfying the conditions of Section II of Article R. 513-3 of the French Monetary & Financial Code and not satisfying Section IV of Article R. 513-3/nominal amount of privileged resources ( $\leq 10\%$ )		0.00%
4.1. Total shares, equities and debt securities of securitisation or similar entities held satisfying the conditions of Section II of Article R. 513-3 of the French Monetary & Financial Code and not satisfying Section IV of Article R. 513-3 / nominal amount of privileged resources that cannot be refinanced by privileged resources ( $\leq 10\%$ )		0.00%
5. Total shares, equities and debt securities of securitisation or similar entities satisfying the conditions of Section III of Article R. 513-3 of the French Monetary & Financial Code and not satisfying Section IV of Article R. 513-3/nominal amount of privileged resources ( $\leq 10\%$ )		0.00%
5.1. Total shares, equities and debt securities of securitisation or similar entities held satisfying the conditions of Section III of Article R. 513-3 of the French Monetary & Financial Code and not satisfying Section IV of Article R. 513-3/nominal amount of privileged resources that cannot be refinanced by privileged resources ( $\leq 10\%$ )		
6. Total exposures covered under paragraph 5 of Section I in Article L. 515-15 of the French Monetary & Financial Code/nominal amount of privileged resources ( $\leq 20\%$ )		
7. Safe and liquid assets / nominal amount of privileged resources ( $\leq 15\%$ )		5.05%

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

		Amounts	Weighting	Weighted amounts
		1	2	3
<b>Details of the calculation of the 25% exposure limit to assets of related parties pursuant to the final subparagraph of Article 9 of regulation No. 99-10</b>				
<b>1</b>	<b>Exposures to the entities mentioned in the third subparagraph of Article R. 513-8 of the French Monetary &amp; Financial Code</b>	<b>7,356,771</b>	<b>100%</b>	<b>7,356,771</b>
	Of which:			
1.1	Receivables and securities from credit institutions corresponding to subparagraphs 1 and 3 of Article R. 513-6 of the French Monetary & Financial Code	7,012,197	100%	7,012,197
1.2	Receivables and guarantees corresponding to subparagraph 2 of Article R. 513-6 of the French Monetary & Financial Code (including receivables and guarantees connected with the management of forward financial instruments)	0	100%	0
1.3	Other assets	344,574	100%	344,574
1.3.1	Interest accrued on swaps	223,558	100%	223,558
1.3.2	Accrued income	453	100%	453
1.3.3	Other	120,563	100%	120,563
<b>2</b>	<b>Non-privileged resources</b>	<b>16,357,277</b>	<b>100%</b>	<b>16,357,277</b>
2.1	Amount of the 25% limit of non-privileged resources provided for in Article 9 of CRBF regulation No. 99-10	4,089,319		
<b>3</b>	<b>Assets received in guarantee, as security or outright with respect to 1 pursuant to Articles L. 211-36 to L. 211-40, L. 313-23 to L. 313-35 and L. 342 to L. 313-49 of the French Monetary &amp; Financial Code</b>	<b>4,845,146</b>		<b>4,845,146</b>
3.1	Assets weighted at 100%	4,845,146	100%	4,845,146
3.2	Assets weighted at 80%		80%	0
3.3	Assets weighted at 60%		60%	0
3.4	Assets weighted at 50%		50%	0
4	Amount to be deducted from assets	0		





# Risk management report

<b>1. FOREWORD</b>	<b>133</b>	<b>7. RISK MITIGATION TECHNIQUES</b>	<b>153</b>
<b>2. ORGANISATIONAL OVERVIEW: RISK MANAGEMENT INFORMATION</b>	<b>133</b>	7.1. Valuation and Periodic Review Methods for Real Estate Assets	154
2.1. Transposition of the prudential regulations applicable to sociétés de crédit foncier	133	7.2. Effect of credit risk mitigation techniques	162
2.2. Organisation of the risk, compliance and permanent control coordination divisions	134	7.3. Balance sheet and off-balance sheet netting	163
2.3. Information systems and data consistency	137	<b>8. RECOMMENDATIONS FROM THE FINANCIAL STABILITY FORUM</b>	<b>163</b>
2.4. Risk identification, measurement and monitoring procedure	137	<b>9. MARKET AND ASSET &amp; LIABILITY MANAGEMENT RISKS</b>	<b>164</b>
<b>3. RISK FACTORS</b>	<b>140</b>	9.1. Organisation of ALM risk monitoring and methodology used for assessing liquidity, interest rate, and exchange rate risks	165
3.1. Potential default of International Public Counterparties to which Compagnie de Financement Foncier is exposed	140	9.2. Liquidity risk monitoring	166
3.2. Risks relating to the strategy of groupe Crédit Foncier	141	9.3. Monitoring of global interest rate risk	167
3.3. Risk factors related to Compagnie de Financement Foncier's business activities	141	9.4. Monitoring foreign exchange risk	168
<b>4. REGULATORY CAPITAL AND PRUDENTIAL RATIOS</b>	<b>143</b>	<b>10. OPERATING RISKS</b>	<b>168</b>
4.1. Management of capital and regulatory ratios	143	10.1. General Management	169
4.2. Management of specific ratios	145	10.2. Governance	169
<b>5. MANAGEMENT OF CREDIT RISK AND COUNTERPARTY RISK</b>	<b>146</b>	10.3. Management environment	169
5.1. Breakdown of Compagnie de Financement Foncier's commitments	146	10.4. Organisation of the Contingency and Business Continuity Plan (CBCP)	169
5.2. Risk diversification and concentration risks	151	10.5. Information technology risk	170
<b>6. ANALYSIS OF DELINQUENCIES</b>	<b>152</b>	10.6. Insurance	170
6.1. Delinquencies	152	10.7. Legal risks	170
6.2. Risk charge	153	<b>11. SETTLEMENT RISK</b>	<b>171</b>
		<b>12. NON-COMPLIANCE RISK</b>	<b>171</b>
		12.1. Risk monitoring and measurement systems	171
		12.2. Risk identification and monitoring	172
		12.3. Risk management	172
		12.4. Monitoring of dysfunctions	172
		12.5. Approval of new products or services	172
		12.6. Ethics – Market abuse – Conflicts of interest	172
		12.7. Combating money laundering and financing of terrorism	173
		12.8. Outsourced services	173

# 1. Foreword

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

## 2. Organisational overview: risk management information

Compagnie de Financement Foncier's business model is, by its very nature, highly secure. The legislative framework prevents it from holding a trading book, which protects it against market risks associated with proprietary trading, and from holding interests in affiliates, which, as a result, protects it from difficulties originated outside its own assets.

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

- credit risks;
- financial risks (ALM).

Operating risks are mainly supported by Crédit Foncier (see Section 10).

Risk policy of groupe Crédit Foncier constitutes a framework 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 that secure its profitability, capital and creditors, notably the holders of its *obligations foncières*, a form of French legal covered bond.

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

As a credit institution licensed to operate as a financial institution and a *société de crédit foncier*, Compagnie de Financement Foncier carries out special transactions with a single purpose: granting or purchasing assets guaranteed by first-rank mortgages, public sector loans or loans guaranteed by these public entities. Beyond the safeguards provided by law, Compagnie de Financement Foncier has adopted stringent management rules to optimise the quality of its assets and to further improve its risk profile (AAA/Aaa/AA).

The security of the legal framework relies on the provisions of the French Monetary and Financial Code defining:

- an exclusive purpose as well as asset eligibility criteria (Articles L.513-2 to L.513-7) limiting the origination or the purchase of loans to highly secure assets;
- loan transfer requirements together with the binding character of transfer to the balance sheet (Article L.513-13);
- the overcollateralisation rule (Article L.513-12) requiring the total amount of assets, after weighting if necessary, to exceed 105%;
- the protection of *sociétés de crédit foncier* against the consequences arising from bankruptcy of their shareholders and the continuity of contracts concluded with the company in charge of servicing or recovering loans (Articles L.513-20 and L. 513-21);
- the existence of additional auditing and management control measures, in particular the audit performed by the Specific Controller, whose appointment is subject to approval by the supervisory authorities (Articles L.513-22 to L.513-24);
- a preferential claim granted to investors on the cash flows arising out of assets for the payment of interest and the redemption of covered bonds (*obligations foncières*) (Article L.513-11).

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

- additional criteria on asset selection and acquisition in each applicable sub-category (loans to private individuals, public sector exposures);
- prudential standards that are continuously above the thresholds provided by law 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 that governs the relationship between Compagnie de Financement Foncier and Crédit Foncier, Crédit Foncier acting as a sole service provider, in strict compliance with the provisions set forth in the decree of November 3, 2014. 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 Department of Crédit Foncier, which ensures the service provisions in terms of internal control and compliance for Compagnie de Financement Foncier, is composed of the Risk Division (DRI), the Compliance Division, the Permanent Controls Coordination, the Information System Security (ISS) Division and the Contingency and Business Continuity Plan (CBCP) Division. This division reports to the single Chief Risk Officer of Crédit Foncier. The Director of Compliance is the head of investment services compliance, as declared to the French Financial Market Authority (AMF).

The Compliance Division includes the Financial Security Department, in charge of the prevention and treatment of money laundering, terrorist financing, internal and external frauds risks.

Crédit Foncier's Risk and Compliance Division is an integral part of the risk framework of Groupe BPCE. Compagnie de Financement Foncier relies on the systems and the network organisation set up at Crédit Foncier.

### 2.2.1. ORGANISATION OF GROUPE CRÉDIT FONCIER RISK DIVISION

Crédit Foncier Risk Division, reporting functionally to Groupe BPCE Risk Division, covers all subsidiaries controlled by Crédit Foncier, including Compagnie de Financement Foncier. The institution's risk policy has been formally set out in a document describing its various responsibilities and its organisation, which serves as a framework for the development of its activities, including activities carried out on behalf of Compagnie de Financement Foncier and the management of the equity of groupe Crédit Foncier entities.

In the specific case of Compagnie de Financement Foncier, the Risk Division conducts its activities within the framework of the agreements signed 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 and Risks Committee and its Executive Management.

The General Secretariat of Compagnie de Financement Foncier, which is in charge of monitoring outsourced services of Compagnie de Financement Foncier and, therefore, the proper implementation of the agreements signed with Crédit Foncier, is an integral part of groupe Crédit Foncier's Internal Control arrangement.

As of 31 December 2014, the Risk Division had a workforce of 84 full-time equivalent employees (FTEs).

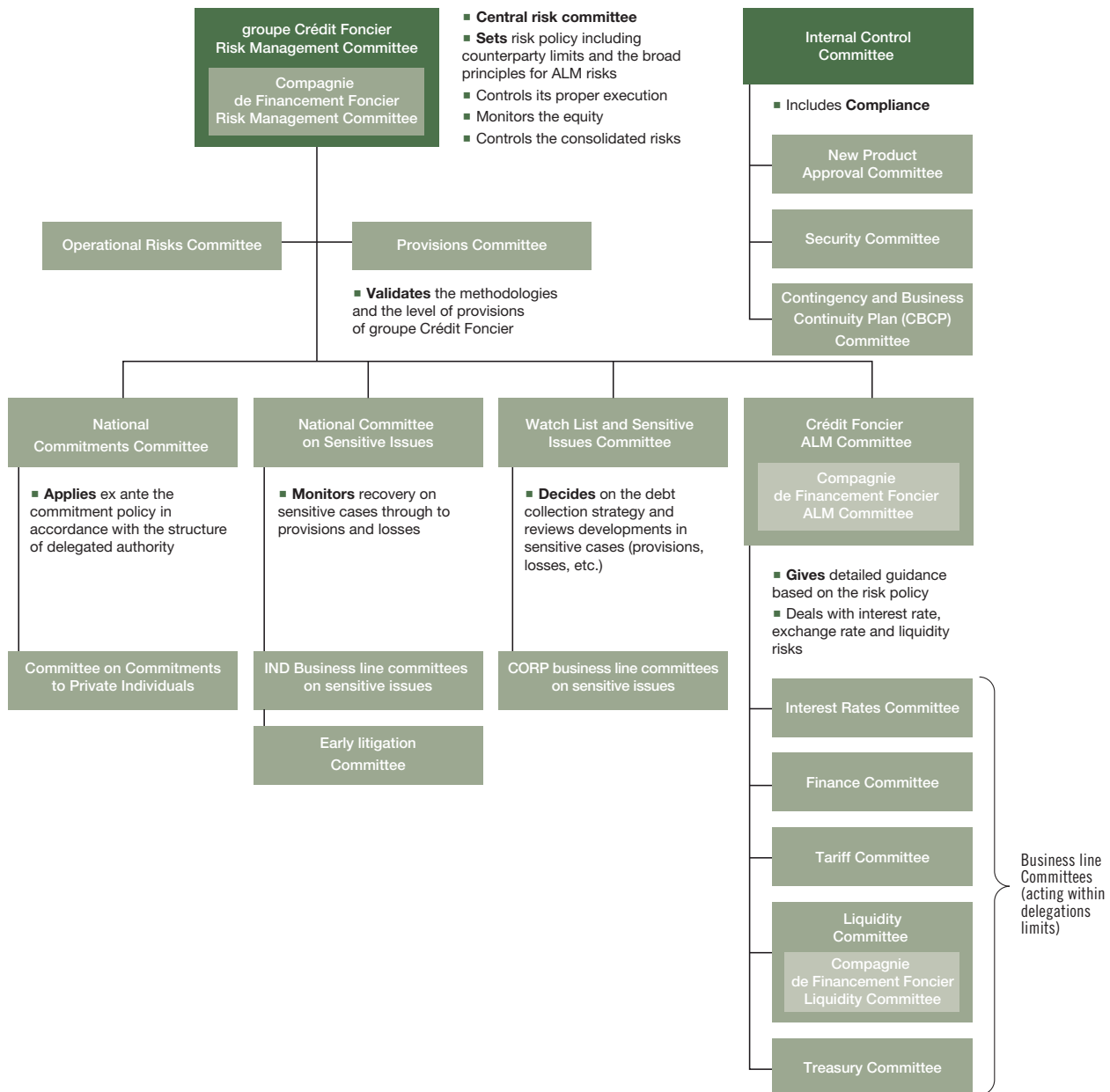
### MAIN RESPONSIBILITIES OF THE RISK COMMITTEES

Compagnie de Financement Foncier is an integral part of Crédit Foncier's overall organisation: Compagnie de Financement Foncier Risk Committee and Crédit Foncier Internal Control Committee are the umbrella committees of this organisation.

Compagnie de Financement Foncier is monitored specifically and to the extent necessary by the other Crédit Foncier's committees represented in the diagram below.



## RISK DIVISION – COMMITTEE STRUCTURE



Furthermore, Compagnie de Financement Foncier has its own Risk Committee, ALM Committee and Liquidity Management Committee.

Compagnie de Financement Foncier's Risk Committee is chaired by its Chief Executive Officer. Meeting at least quarterly, its main responsibilities are to deal with:

- the general risk policy;
- analysing and monitoring the institution's overall risk profile based on the results of the scoring systems, measurement and assessment systems (stress scenarios, etc.) and its largest exposures;
- measuring the quality of its exposure and debt collection efforts on the basis of summary reports;
- monitoring the proper management of the different risk processes and systems;
- risk control: reviewing regulatory and specific ratios, drawing up and analysing stress scenarios and monitoring capital.

The Asset and Liability Management Committee and the Liquidity Committee dedicated to Compagnie de Financement Foncier, are the ALM decision-making body: they are responsible for financial risk management in line with the risk policy and limits established by the Executive Management of Compagnie de Financement Foncier acting on proposals from the Risk Committee in accordance with groupe Crédit Foncier rules. It meets on a quarterly basis and is chaired by Compagnie de Financement Foncier's CEO. Membership notably includes Crédit Foncier's Chief Risk Officer and representatives from the main monitoring functions.

#### **2.2.2. ORGANISATION OF GROUPE CRÉDIT FONCIER COMPLIANCE DIVISION**

The Compliance Division of Crédit Foncier, which is a unit of the Risk and Compliance Division, reports functionally to the Compliance and Security Division (DCSG) of Groupe BPCE.

The Compliance Division is independent of all 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 division is responsible for the implementation of procedures and permanent controls relating to compliance and to banking and finance ethics as well as the prevention of money laundering and the financing of terrorism. It also ensures fraud prevention and fraud processing.

As of 31 December 2014, the division had a workforce of 11 FTEs. It is also supported by the permanent control unit, led by the Permanent Control Coordination Division and quarterly reports to Compagnie de Financement Foncier.

#### **2.2.3. ORGANISATION OF CRÉDIT FONCIER PERMANENT CONTROL COORDINATION DIVISION**

The Permanent Control Coordination Division, which ensures the existence and effectiveness of internal control mechanisms, works in close cooperation with first level internal auditors that report hierarchically to the Deputy Chief Executive Officers and with the General Secretariat of Compagnie de Financement Foncier.

At 31 December 2014, the division had a workforce of 3 FTEs.

#### **2.2.4. ORGANISATION OF THE CONTINGENCY AND BUSINESS CONTINUITY PLAN DIVISION (CBCP)**

Crédit Foncier's Contingency and Business Continuity Plan, which includes Compagnie de Financement Foncier in its scope, is operative and is tested each year since 2008 to ensure that it can be relied upon to address the major risks of employees' unavailability, unavailability of premises 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). Since last year the Head of Information Systems Security has been in charge of the Contingency and Business Continuity Plan. Since 2011, these two functions are under the responsibility of the Deputy Chief Executive Officer in charge of Risks and Compliance.

An update of the plan is handled by a network of 18 CBCP representatives ("CBCPR") who cover all the preserved critical operations. The CBCPR are responsible for repairing all degraded processes and deploying the human and technological resources necessary to resume operations within the specified timeframe at three back-up sites.

Compagnie de Financement Foncier has its own CBCP representative, fully integrated in the groupe Crédit Foncier plan.

#### **2.2.5. ORGANISATION OF THE INFORMATION SYSTEMS SECURITY DIVISION**

Groupe Crédit Foncier, and by extension Compagnie de Financement Foncier, has its own Head of Information Systems Security; who has a departmental budget and a dedicated team (5 FTEs at 31 December 2014, including the manager), which intervenes in the case of any problems related to Information Systems Security.

Governance in terms of Information Systems Security at Crédit Foncier and consequently at Compagnie de Financement Foncier is organised around:

- Information Systems Security Policy (ISSP) specific to Crédit Foncier, coordinated with the Information Systems Security Policy of Groupe BPCE;
- bodies such as the Internal Information Systems Security Committee (ISSIC) chaired by a member of senior management, and plenary meetings on Information Systems Security;
- permanent control mechanism for Information Systems Security, combined with a quarterly security report (security indicators).

## 2.3. Information systems and data consistency

To comply with Basel II and subsequently Basel III, 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 entities thus provide that all data transferred to Group regulatory production systems are checked for accounting consistency at least quarterly.

## 2.4. Risk identification, measurement and monitoring procedure

Compagnie de Financement Foncier's debt selection process takes place in two steps:

- selection by Crédit Foncier during its loan origination process;
- acquisition process during which Compagnie de Financement Foncier uses special filters to screen loans acquired from Crédit Foncier.

The analysis is similar for purchasing loans and receivables to another entity of Groupe BPCE.

### 2.4.1. CRÉDIT FONCIER'S LOAN SELECTION SYSTEM

#### 2.4.1.1. COMMITMENT SELECTION AND MONITORING SYSTEM AT CRÉDIT FONCIER

Commitment selection and monitoring relies on:

- definition of delegations and the implementation of a risk policy, including the establishment of fixed limits, at groupe Crédit Foncier level and Groupe BPCE level for common counterparties;
- 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 leading to the measurement and the prospective management of risks.

#### 2.4.1.2. CREDIT RISK ANALYSIS

Loan assessment tools are organised around two systems:

- counteranalysis system;
- ratings-based creditworthiness assessment system during loan origination and regular monitoring based on the type of loan.

##### 2.4.1.2.1. Counteranalysis system

The counteranalysis system is related to a delegation chain that provides for three levels of review:

- at the distribution channel level with an integrated scoring up to a certain level for the portfolio, with the Risk division attending committees, which have a right of evocation;
- the level of the National Committee on Commitments where a representative of the Risk division expresses an opinion supported by his own counteranalysis. He has no say in the decision; for amounts above a specified limit, the Group Risk Division is asked to approve the execution of the transaction.

Loans are subject to a first analysis by the business lines (commercial and exposure to private individuals), followed by a counteranalysis performed by a special independent unit.

This counteranalysis falls within the exclusive competence of Risk Division and is performed for all requests for financing submitted to the National business lines commitments committees.

##### 2.4.1.2.2. Rating approach

Each counterparty is rated based on an internal or external rating approach that is specific to the asset class to which it belongs.

###### 2.4.1.2.2.1. PRIVATE INDIVIDUALS

The system for rating the creditworthiness of Individuals is specific to Crédit Foncier especially because it has no deposit accounts.

During the origination process, this system relies on a score based on both an expert system and a statistical rating.

Loan portfolio risk monitoring is carried out *via* a monthly rating using the features of the property transaction and of the borrower at the time of origination, as well as information on any potential past due payments.

The rating scales are specific to the type of transaction: home ownership or loans for rental housing.

###### 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 in Groupe BPCE.

The rating of this portfolio relies on internal rating applications developed by Groupe BPCE. For counterparties of legal public entities, the rating approach is based on quantitative and qualitative creditworthiness assessments.

The ratings are reviewed each year and occasionally semi-annually for certain clients.

The internal rating method used by Crédit Foncier for the International Public Sector (IPS) has been validated by Groupe BPCE authorities 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. For better understanding, internal rating scale is similar to the one used by external rating agencies.

#### 2.4.2. ELIGIBILITY CRITERIA FOR THE SOCIÉTÉ DE CRÉDIT FONCIER AND PURCHASING OR MOBILISATION FILTER

The asset acquisition process implemented by Compagnie de Financement Foncier is very prudent and supplements a loan granting system that already ensures quality assets.

##### 2.4.2.1. PRIVATE INDIVIDUALS

Compagnie de Financement Foncier acquires loans:

- that finance home ownership and, to a lesser extent, rental housing; Compagnie de Financement Foncier does not finance commercial real estate

- that are secured by a first-ranking mortgage guarantee or equivalent.

Loan origination is carried out almost exclusively by Crédit Foncier. Compagnie de Financement Foncier can, however, acquire loans from other credit institutions. The *modus operandi* for selecting Crédit Foncier loans described hereunder is then adjusted accordingly.

After loan origination by Crédit Foncier in accordance with existing policies and eligibility criteria, Compagnie de Financement Foncier acquires loans presenting a risk of default below a certain threshold, based on a selection process (which may involve a period of observation).

Eligible collateral are:

- first-ranking mortgages or equivalent;
- State guarantee provided by the guarantee fund for home ownership for low-income households (SGFGAS);
- on a more marginal scale, a guarantee from Crédit Logement, a financial company rated Aa3 by Moody's on 31 December 2014.

In addition, Company de Financement de Foncier uses a rating filter:

#### For all Crédit Foncier entities except the Belgian branch

Filtrer conditions									Disposal
Performing and not considered doubtful over the last 2 years	Segment and sub-segment known	Segment and sub-segment eligible	Age of the loan	≤ 4 years	Rating of outstanding	1 to 7	Origination score	0 to 5	✓
						8, 9, 10, unrated		6 to 9, unrated	✗
			Age of the loan	> 4 years	Rating of outstanding	1 to 7		✓	
						8, 9, 10, unrated		✗	
		Segment or sub-segment not eligible							
	Segment or sub-segment unknown	Segments or sub-segments reconstituted eligible	Age of the loan	≤ 4 years	Rating of outstanding	1 to 7	Origination score	0 to 5	✓
						8, 9, 10, unrated		6 to 9, unrated	✗
			Age of the loan	> 4 years	Rating of outstanding	1 to 7		✓	
						8, 9, 10, unrated		✗	
		Reconstituted segments or sub-segments (using the default rule based on product, postal code, etc.) not eligible							
Doubtful (CX, DX, RX) <u>or</u> Performing and having been doubtful over the last 2 years									✗

## ■ Belgian branch

Filter conditions					Assignment?	
Rating of outstanding	0 to 8	Age	≤ 1 year	Origination score	0 to 2	✓
					3 to 9	✗
			> 1 year			✓
	9, CX, DX, RX					✗
	Unrated					✗

The LTVs applied to the mortgage value allow the determination of the outstanding amount of the loan that can be financed by privileged liabilities:

- 100% for SGFGAS guarantees;
- 80% for home loans granted to private individuals and secured by a first-rank mortgage or equivalent;
- 60% for the others (relating mainly to social housing).

### 2.4.2.2. FRENCH PUBLIC SECTOR

In 2014, Compagnie de Financement Foncier's acquisition criteria on 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 selection.

### 2.4.2.3. INTERNATIONAL PUBLIC FINANCING

Compagnie de Financement Foncier holds exposures to international counterparties that meet the eligibility requirements of the French Monetary and Financial Code. Since the beginning of 2011, no further investment has been made in this segment, as the portfolio has been in run off management. Before the phase-out, the loans selected for grant were concentrated on counterparties with the highest ratings, most of them Step 1 (≥ AA-).

## ■ 2.4.3. ASSIGNING CREDIT LIMITS

Compagnie de Financement Foncier's credit limits 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 followed at groupe Crédit Foncier's level.

## ■ 2.4.4. MANAGING LIMIT BREACHES 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 breaches is submitted to the Risk Committee.

### BANK COUNTERPARTIES

In accordance with the arrangements set out in the management agreements between the two institutions, compliance with limits on the counterparties to the financial transactions of Compagnie de Financement Foncier is monitored by the Permanent Control Unit of the Financial Transactions Department and secondarily by the Risk Division.

These limits are established for Compagnie de Financement Foncier's banking counterparties (primarily for hedging and treasury management requirements) and are regularly reviewed in *ad hoc* committees.

Monitoring of compliance with the limits is carried out on a daily basis by next-day observation. Related usage is updated in real time by the Front Office. It should be noted that the framework contracts with bank counterparties include a systematic margin call for the value of the transactions, based on the counterparty's rating, to be paid only by the counterparties, not by Compagnie de Financement Foncier.

All breaches are reported in real time to the executive management of Compagnie de Financement Foncier and Crédit Foncier.

## ■ 2.4.5. RISK MONITORING

Risk monitoring relies on 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 of individual clients.

Special rules apply to the structured products of the French Public Sector.

**PORTFOLIO REVIEWS**

Regular reviews are conducted to evaluate the quality of the exposures. This implies stringent analysis of the quality of 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 ISSUES**

This kind of monitoring concerns loans considered by the institution to be troubled or likely to encounter trouble in the future. Such monitoring involves ruling on the classification of the concerned loans or their servicing status (performing/doubtful/in litigation).

**Individuals**

This type of monitoring is carried out by the National Committee on Sensitive Issues (CNAS), which meet at least quarterly to review troubled loans and to recommend the potential recognition of a provision for credit loss.

**Public sector and social housing**

This type of monitoring is carried out *via* groupe Crédit Foncier's Watch List. The Watch List is reviewed quarterly. It lists all the counterparties requiring special attention due to the potentially high risk they represent. The Watch List concerns performing or doubtful loans but not loans already in the process of litigation by the Litigation Department. The fact of being placed on the Watch List does not trigger the automatic suspension of credit lines or a downgrade of the counterparty to doubtful.

Additionally, troubled loans are reviewed more frequently in the sensitive cases committees.

In the framework of monitoring the structured products of public sector operators, and in coordination with Groupe BPCE, a

signatory to the Gissler Charter, groupe Crédit Foncier closely monitors these transactions, enabling it to alert customers in advance about the market development impacts.

**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 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 Compagnie de Financement Foncier Risk Committee;
- risk mapping and forward-looking analysis of loan portfolios (stress tests, etc.). The results of this analysis are reported in presentations to the Risk Committee of groupe Crédit Foncier and Compagnie de Financement Foncier;
- 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 these provisions. The committee's scope extends to subsidiaries, and therefore Compagnie de Financement Foncier, and to equity investments;
- monitoring of capital and ratios (see Section 4) by the Risk Committee of Compagnie de Financement Foncier and a quarterly presentation to the Executive Management Committee of Crédit Foncier.

## 3. Risk factors

### 3.1. Potential default of International Public Counterparties to which Compagnie de Financement Foncier is exposed

Compagnie de Financement Foncier is exposed to international public counterparties meeting the eligibility requirements of the French Monetary and Financial Code and of the European Parliament regulation as well as the Council (CRR) as of 26 June 2013: sovereigns, local authorities (cities, regions, provinces, cantons, etc.) and public sector entities. These exposures are located in European Union countries, Switzerland, the United States, Canada and Japan.

Despite an improvement in the economic and budget situation in the world's leading economies, the international environment is still fragile and uncertain in the short and medium term. Significant risks continue to weigh on the health of certain European banks, and in the event of default and in the absence of adequate management, these risks could impact the entire banking sector's funding conditions and undermine sovereign issuers' creditworthiness.

Creditors could potentially also be affected by the terms of any bailout support provided to the banking industry, in an environment of growing supervision from the ECB.

The European Bank Recovery and Resolution Directive (BRRD) on banking crisis management and resolution is applicable as from 01 January 2015 and must be transposed into the legislation of the different Member States by 2016 (introduced by anticipation as from 01 January 2015 in Austria). This Directive provides the creditor contribution under the bank resolution regime.



The creditworthiness of local authorities as a whole remains contingent on the success of structural reforms (recovery of current account balance, privatisations, improved governance, etc.) and a return to economic growth in order to ensure a sustainable improvement in public finances; these factors could impact local authorities' funding conditions. Regarding Compagnie de Financement Foncier's exposures, these challenges are particularly acute for countries that have received international aid or bailed out their banking sector, such as Cyprus (sovereign), Spain (local authorities), Portugal (sovereign and local authorities), Ireland (sovereign) and Slovenia (sovereign).

For further details, refer to Section 5.1 of this report.

Regarding Italy, Compagnie de Financement Foncier seems particularly exposed to changes in the public deficit and the government's funding capacities. Creditors could also be affected by political instability and a slowdown in the reform process, which could once again significantly raise the funding costs of Italian local authorities (as in 2011 and 2012).

## 3.2. Risks relating to the strategy of groupe Crédit Foncier

At the year-end 2011, groupe Crédit Foncier announced its strategic plan for a five-year period. Its implementation was ramped up in November 2013 when the parent company, Groupe BPCE, set in motion its "Another way to grow" strategic plan. Two main reasons were behind this acceleration: tightening of regulatory constraints and an economic and financial environment that prompted international asset disposals.

This plan is defined around five focus areas: (i) the development of the core business in France serving Crédit Foncier clients and those of the group's retail banking networks; (ii) end of international activities and balance sheet deleveraging; (iii) development of new

ways of funding in addition to *obligations foncières*; (iv) cost savings aimed at improving Crédit Foncier's ability to withstand adversity and enabling its business lines to attain a sufficient level of profitability and, (v) strengthening of the synergies with Groupe BPCE.

As part of the strategic plan, groupe Crédit Foncier has announced a number of financial targets, which are based on assumptions but which in no way constitute a projection or forecast of expected earnings. Groupe Crédit Foncier's actual earnings are likely to vary from these targets for various reasons, including the occurrence of one or more of the risk factors described in this chapter.

## 3.3. Risk factors related to Compagnie de Financement Foncier's business activities

### 3.3.1. NATURE OF RISKS RELATED TO COMPAGNIE DE FINANCEMENT FONCIER'S BUSINESS ACTIVITIES

Compagnie de Financement Foncier is exposed to three main risk categories which are presented below. The following risk factors refer to or provide detailed examples of these various types of risks (including the impact of the most recent financial crisis) and describe certain additional risks to which Compagnie de Financement Foncier is exposed.

#### CREDIT AND COUNTERPARTY RISK

For further details, refer to Section 5 of this report.

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

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

- the intrinsic quality of the counterparties concerned: the French and International Public Sector and retail banking (Individuals) in France for first-rank mortgage loans;
- the robustness of the initial loan granting process, based on expert systems and rating and loan selection procedures;
- nature of financings and the size and diversity of the guarantee process, underpinned by a careful selection process when the assets are acquired (see Section 7).

Compagnie de Financement Foncier finances public sector loans originated by Crédit Foncier or Groupe BPCE under the article L.211-38. It also finances the production by Crédit Foncier of mortgage loans for individuals by underwriting mortgage notes issued by the latter. The eligibility criteria of these mobilisations are identical to those applied to the loans held directly by a *société de crédit foncier*.

**FINANCIAL RISKS**

For further details, refer to Section 9 of this report.

Asset and liability management covers three major types of risk: liquidity risk, interest rate risk and foreign exchange risk.

- **Liquidity risk** is the risk of not being able to honour one's commitments or not being able to unwind or offset a position, within a given period and at a reasonable cost, subject to market condition. Compagnie de Financement Foncier's exposure to liquidity risk is assessed by determining a liquidity gap. This gap is measured by taking into account either the run-off at maturity or run-off agreements or renewal assumptions.
- **Interest rate risk** is the risk incurred in the event of interest rate fluctuations stemming from all balance sheet and off-balance sheet transactions, with the exception, were applicable, of transactions subject to market risks (trading book).

Compagnie de Financement Foncier's exposure to interest rate risk is assessed by determining an interest rate gap, which is equal to the difference between fixed-rate outstandings on the liabilities and assets sides of the balance sheet. Depending on the type of rate, transactions are recognised in the gap in different ways:

- for fixed rates, they are recognised until maturity,
- for adjustable rates, they are recognised until the next index adjustment date,
- for variable rates (EONIA and other similar indices), they are not recognised beyond the closing date.
- **Foreign exchange risk** is the risk incurred in the event of exchange rate fluctuations (against Euro) stemming from all balance sheet and off-balance sheet transactions. Monitoring and measurement indicators correspond to measurement of foreign exchange positions by currencies.

**OPERATING RISKS**

For further details, refer to Section 10 of this report.

The operating risk, mainly carried out by Crédit Foncier, is the risk of losses due to mismatches or weaknesses in internal procedures, or external incidents, whether deliberate, inadvertent or of a natural cause. Internal processes include, but are not limited to, human resources and information systems, risk management and internal control mechanisms (including fraud prevention). External incidents include floods, fire, storms, earthquakes and terrorist acts.

### **3.3.2. POTENTIAL IMPACT OF CREDIT RATINGS ON THE PROFITABILITY OF COMPAGNIE DE FINANCEMENT FONCIER**

Credit ratings have an important impact on liquidity for Compagnie de Financement Foncier in the financial markets. A rating downgrade of its assets may limit its access to capital markets, derivatives and collateralised funding. Credit spreads are moving, correlated to the market and sometimes subject to unforeseen and highly volatile changes. Credit spreads are also the result of the markets' perception of the issuer's solvency.

### **3.3.3. POTENTIAL IMPACT OF PROVISIONS ON THE RESULTS OR FINANCIAL POSITION OF COMPAGNIE DE FINANCEMENT FONCIER**

Compagnie de Financement Foncier records provisions for doubtful receivables, which are booked in its income statement under "cost of risk". The overall level of provisions is decided based on historical losses, the volume and types of loans granted, market practices, loan arrears, economic conditions or other factors that reflect the recovery rate of various loans. Although Compagnie de Financement Foncier aims to record sufficient provisions, its lending activities may lead it to increase provisions for loan losses in the event of an increase in non-performing assets, a deterioration in economic conditions which may trigger an increase in counterparty defaults and bankruptcy, or for any other reason. Any significant increase in provisions for losses or a significant change in groupe Crédit Foncier's risk of loss estimates for its unimpaired loan portfolio, or any change in accounting standards, or any losses in excess of provisions recorded for the loans in question, may have an unfavourable impact on groupe Crédit Foncier's results and financial position.

### **3.3.4. POTENTIAL IMPACT OF UNEXPECTED FUTURE EVENTS IN THE FINANCIAL STATEMENTS OF COMPAGNIE DE FINANCEMENT FONCIER**

According to current accounting standards and interpretations, Compagnie de Financement Foncier must base its financial statements on certain estimates, in particular accounting estimates relating to the determination of provisions for doubtful loans and receivables, provisions for potential claims and litigation, and the fair value of certain assets and liabilities. If the values used for these estimates prove to be materially inaccurate, in particular in the event of sharp or unexpected moves in the markets, or if the methods used to calculate these values are modified due to future changes in accounting standards or interpretations, Compagnie de Financement Foncier may be exposed to unexpected losses.



### 3.3.5. POTENTIAL IMPACT OF INTEREST RATES CHANGES ON COMPAGNIE DE FINANCEMENT FONCIER'S NET BANKING INCOME AND RESULTS

Net revenues of interests earned by Compagnie de Financement Foncier during a given period have a material influence on the net banking income and profitability for this period. Moreover, significant changes in credit spreads may have an impact on Compagnie de Financement Foncier's operating income. Interest rates are highly sensitive to various factors. Markets interest rate changes could directly affect loans outstanding, through the observed early repayments level, which have an impact on liquidity and the net banking income. They also have an impact on interest income and expense from assets and liabilities at adjustable rates and through the rates of the new assets and liabilities. Any unfavourable trends in the yield curves may trigger a decline in net interest income from lending activities. Moreover, rises in interest rates at which short-term financing is available and maturity mismatches generally have a negative impact on profitability. As part of its risk management policy, any new operation of Compagnie de Financement Foncier are carried out on a matching principle.

For further details, refer to Section 9 of this report.

### 3.3.6. POTENTIAL IMPACT OF EXCHANGE RATES CHANGES ON COMPAGNIE DE FINANCEMENT FONCIER'S RESULTS

Compagnie de Financement Foncier carries out a large share of its activities in currencies other than Euro, and changes in exchange rates may affect its net banking income and results. As part of its risk management policy, Compagnie de Financement Foncier operates micro-hedging transactions to individually hedge its exposure to exchange rate risk until termination date.

For further details, refer to Section 9 of this report.

### 3.3.7. POTENTIAL IMPACT OF ANY INTERRUPTION OR FAILURE OF THE INFORMATION SYSTEMS BELONGING TO COMPAGNIE DE FINANCEMENT FONCIER OR A THIRD PARTY

Compagnie de Financement Foncier is highly dependent on its communication and information systems, as a large number of increasingly complex transactions are processed in the course of its activities.

Any failure, interruption or malfunction in these systems may cause errors or interruptions in the systems used to manage customer accounts, general accounts, deposits, transactions and/or to process loans. Compagnie de Financement Foncier may also become increasingly exposed to the risk of the operational malfunction of its customers' information systems.

For further details, refer to Section 10.5 of this report.

## 4. Regulatory capital and prudential ratios

Unless otherwise mentioned, the data shown in the tables and charts in this section are adjusted management figures, balance sheet commitments (excluding signed commitments and financial

guarantees given) representing the overall exposure to credit risk, gross figures (performing and doubtful).

### 4.1. Management of capital and regulatory ratios

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

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

#### COMPOSITION OF CAPITAL

Capital is determined in accordance with the CRD IV directive and the CRR regulation, applicable since 1 January 2014, taking into account the national options set by the French Prudential Supervision and Resolution Authority (ACPR). It consists of three broad categories: Common Equity Tier-1, Additional Tier-1 Capital and Tier-2 Capital.

The amount of capital of Compagnie de Financement Foncier was €4.9 bn at 31 December 2014, of which €1.7 bn was core Tier-1 capital.

### CAPITAL REQUIREMENTS

Capital requirements were calculated using the standard Basel III method. Mortgage notes and French Local Authorities (FLA) L. 211-38 outstanding loans in France were treated in a transparent manner, that is, by calculating the requirements based on the underlying loans.

Loans to Groupe BPCE associates are weighted at 0%.

Moreover, in the case of partial transfer of loans originated by Crédit Foncier to Compagnie de Financement Foncier and in connection with the assignment and recovery agreements, collected sums are allocated in their entirety and in priority to Compagnie de Financement Foncier. Under the standard approach, this allows to adjust the level of risk-weighting in order to reflect the priority allocation of collections to Compagnie de Financement Foncier and the resulting lower loss rate.

	12/31/14	
	Capital requirements	RWA
Exposure categories		
Central governments	46	578
Institutions	43	535
Regional governments	436	5,451
Corporations	32	395
Retail customers	121	1,517
Mortgage-backed exposure	550	6,873
Exposure at default	43	535
Other assets	5	57
<b>Requirements for credit risk (A)</b>	<b>1,275</b>	<b>15,941</b>
<b>Requirements for market risk (B)</b>	<b>-</b>	<b>-</b>
<b>Requirements for operational risk (C)</b>	<b>52</b>	<b>655</b>
<b>Credit value adjustment (D)</b>	<b>59</b>	<b>734</b>
<b>CAPITAL REQUIREMENTS (A) + (B) + (C) + (D)</b>	<b>1,386</b>	<b>17,329</b>
<b>CAPITAL REQUIREMENTS AT 12/31/13</b>	<b>1,172</b>	

As a result of the implementation of new Basel III standards at 1 January 2014, the capital requirements breakdown at 31 December 2014 for credit risk is not comparable with the one published at 31 December 2013.

### CAPITAL ADEQUACY RATIOS

Compagnie de Financement Foncier's capital adequacy ratio at 31 December 2014 was determined using the standard approach.

	12/31/14
Capital adequacy ratio	28.4%
Tier-1 ratio	16.2%

Source: COREP (Common solvency ratio Reporting) at 31 December 2014

## 4.2. Management of specific ratios

In addition to their obligations as credit institutions, *sociétés de crédit foncier* are required to comply with specific ratios and limits described in Articles L. 513-2 *et seq.* of the French Monetary and Financial Code. ACPR Order No. 2011-I-06, amended by the decision of 26 May 2014, sets out the rules for calculating specific ratios.

The Specific Controller of Compagnie de Financement Foncier certifies these different ratios every six months.

Crédit Foncier Risk Division performs a second-level check of these different specific ratios on a quarterly basis.

### REGULATORY OVERCOLLATERALISATION RATIO

French law (Article L. 513-12) requires all *sociétés de crédit foncier* to maintain a volume of weighted assets in excess of 105% of the privileged liabilities. This ratio was increased from 102% to 105% by decree No. 2014-526 of 23 May 2014 relating to the prudential regulation of *sociétés de crédit foncier* (SCF) and *sociétés de financement de l'habitat* (SFH).

At 31 December 2014, the overcollateralisation ratio of Compagnie de Financement Foncier was 120.0%, a level that remains well above the new regulatory requirement of 105%. At the end of 2013, this ratio was 118.1%.

Since the foundation 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	12/31/14	12/31/13
Replacement securities (R. 513-6)	15.0% <sup>(1)</sup>	5.05%	5.81%
Promissory notes (L. 513-6)	10.0% <sup>(2)</sup>	8.33%	9.17%
Guaranteed loans (R. 513-5)	35.0% <sup>(3)</sup>	2.96%	2.47%

(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 them (net of cash received as derivatives' collateral) with the nominal value of privileged liabilities. These replacement securities are defined by law (within the meaning of Article L. 513-7 of the French Monetary and Financial Code) as being "sufficiently secure and liquid instruments" and represent a part of Compagnie de Financement Foncier cash position.

Compagnie de Financement Foncier's strict management rules have always enabled it to comply with this ratio's regulatory limit of 15%. Other assets, including promissory notes and guaranteed loans, are also limited by regulations.

### OVERRUN LOAN-TO-VALUE (LTV) RATIO

By calculating the amounts eligible for refinancing by privileged liabilities and comparing them to asset valuations on the balance sheet date, overruns in respect of non-privileged liabilities can be determined and calculated.

In accordance with the instructions of the ACPR, the calculation of the LTV overrun ratio is carried out on Compagnie de Financement Foncier's mortgage loans and guaranteed loans, whether

transferred or mobilised, excluding loans arising from the original transfer.

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 each year.

At 31 December 2014, total LTV overruns on purchased and mobilised loans was (excluding replacement values) €537m (split between €502m in assigned loans and €35m in mobilised loans), versus €517m (split between €446m in assigned loans and €71m in mobilised loans) at 31 December 2013.

Total overruns remain considerably below the amount of non privileged liabilities, standing at €16,422m on the same date.

An LTV overrun stress test run using the assumption of a 10% sudden fall in the collateral value of all property posted as collateral, based on the volume of all loans purchased and refinanced (€39,569m at 31 December 2014), resulted in an LTV overrun of €2,174m. The LTV overrun rises to €3,347m if an assumption of a 15% fall in collateral value is used. These levels are still far below the non-privileged liabilities threshold. These tests attest the excellent quality and the strength of Compagnie de Financement Foncier's portfolio of assets.

# 5. Management of credit risk and counterparty risk

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

### 5.1.1. EXPOSURE ANALYSIS TO CREDIT RISK

The tables below show the breakdown of assets excluding endorsements and financial guarantees given (i.e. a balance sheet total of €87.9 bn at the end of December 2014).

Financed assets are analysed by transparency: the analysis covers the underlyings guaranteeing, on one hand, mortgage notes and,

on the other hand, public sector exposures used as collateral in application of Article L. 211-38.

Replacement values, on the other hand, are analysed by counterparty: loans granted to BPCE (€6.6 bn), essentially in the form of L211.38 Replacement values (RV)<sup>(5)</sup>, collateralised, are considered as an exposure to BPCE.

(in millions of euros) Risk exposures <sup>(1)</sup>	Exposures at 12/31/14	Exposures at 12/31/13
	Balance sheet	Balance sheet
<b>Total mortgage loans</b>	<b>39,632</b>	<b>37,771</b>
French mortgage loans <sup>(2)</sup>	32,309	29,545
French and Belgian mortgage notes <sup>(3)</sup>	7,323	8,226
<b>Public sector</b>	<b>35,471</b>	<b>38,164</b>
<b>French Public Sector</b>	<b>25,436</b>	<b>28,157</b>
Low-income housing	2,156	2,332
French Local Authorities (FLA)	8,949	8,417
FLA L. 211-38 <sup>(4)</sup>	11,639	5,459
Sovereign France	2,692	11,949
<b>Public Private Partnership (PPP)</b>	<b>649</b>	<b>657</b>
International Public Sector	9,386	9,351
International Public Financing	6,474	6,438
International Sovereign	2,475	2,528
Securitisations backed by loans benefiting from State guarantees		
Public sector large corporations	437	384
<b>Commercial mortgage exposures in run-off (resulting from the legal transfer in October 1999) <sup>(7)</sup></b>	<b>109</b>	<b>116</b>
<b>Banking sector exposures</b>	<b>8,653</b>	<b>9,143</b>
of which banks with sovereign guarantees or similar	1,637	2,068
of which other banks	416	474
of which L211.38 RV <sup>(5)</sup>	6,600	6,601
<b>Total risk exposure</b>	<b>83,865</b>	<b>85,194</b>
Miscellaneous accruals and other assets <sup>(6)</sup>	4,084	4,526
<b>TOTAL</b>	<b>87,949</b>	<b>89,720</b>

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

(2) The "French mortgage loans" line item includes a limited amount of outstanding Dutch loans (€67m at 12/31/14 and €73m at 12/31/13).

(3) Of which Belgian mortgage notes for €587m at 12/31/2014

(4) Of which €93m L211.38 with Caisses d'Epargne and €138m with Banque Populaire banks.

(5) Short-term notes, of which the vast majority guaranteed by collateralised assets.

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

(7) Of which €73m under the State guarantee.

Within the scope of groupe Crédit Foncier's strategic plan which includes Compagnie de Financement Foncier subsidiary, the cessation of international activities and deleveraging of the balance sheet are part of the strategic policy shift. Overall, exposures decreased by 2.0% to €87.9 bn during 2014.

Mortgage loans and receivables exposure increased to €39.6 bn. This increase was partly counterbalanced by an external securitisation transaction. As a matter of fact, groupe Crédit Foncier gave new momentum to the public securitisation market with a transaction involving the disposal of a home loans portfolio for the purchase of their main residence for a total of €0.7 bn recorded in Compagnie de Financement Foncier's balance sheet, with all loans being originated by Crédit Foncier.

At the same time, exposure to the French Public Sector decreased from €28.2 bn to €25.4 bn.

This fall is mainly linked to:

- the reduction in deposits held at the Banque de France (classified under Sovereign France) to €1.2 bn at 31 December 2014, versus €11.4 bn at the end of 2013;
- this was partly offset by the mobilisation of Local Authorities loans to Crédit Foncier (€3 bn) and to Groupe BPCE entities, notably Natixis (€1 bn) and BPCE SA (€2.3 bn).

Exposure to the banking sector also decreased by 5.4%.

#### 5.1.1.1. GEOGRAPHICAL BREAKDOWN OF EXPOSURES

At the end of December 2014, the portfolio was still concentrated on the European Union (95%), with France representing a stable proportion with 87%.

It should be noted that exposure to the United States consists solely of securities issued by states or highly rated local authorities. Exposure to Japan involves only public agencies, prefectures and municipalities.

### ■ Breakdown of exposures by geographical area <sup>(1)</sup>

Geographical breakdown of exposures	12/31/14		12/31/13
	Balance sheet (€m)	%	%
France <sup>(2)</sup>	76,226	87	87
Other countries in the European Economic Area	6,603	8	8
• of which Italy	2,970	3	4
• of which Spain	896	1	1
• of which Belgium	733	1	n.s.
• of which Germany	495	1	1
• of which Austria	429	n.s.	n.s.
• of which Poland	318	n.s.	n.s.
• of which Slovenia	206	n.s.	n.s.
• of which Ireland	141	n.s.	n.s.
• of which Portugal	133	n.s.	n.s.
• of which Slovakia	112	n.s.	n.s.
• of which Netherlands	67	n.s.	n.s.
• of which Cyprus	52	n.s.	n.s.
• of which Hungary	36	n.s.	n.s.
• of which Iceland	15	n.s.	n.s.
Switzerland	1,230	1	1
North America (USA & Canada)	2,463	3	2
Japan	1,427	2	2
<b>TOTAL</b>	<b>87,949</b>	<b>100%</b>	<b>100%</b>
Total exposure at 12/31/13 (€m)			89,720

(1) Accounting management data: Balance sheet commitments (excluding endorsements and financial guarantees given) representing overall exposure to credit risk, contribution on an unconsolidated basis (performing + doubtful) according to French accounting standards.

(2) France, including miscellaneous accruals and other assets.

#### 5.1.1.2. BREAKDOWN OF EXPOSURES BY PRODUCT FAMILY

The concentration on loans is stable between the end of December 2014 and the end of December 2013 (89%, including short-term credit facilities). Compagnie de Financement Foncier has not the legal ability to hold equity stake or trading portfolio.

## ■ Breakdown of exposure by product family

Product families – Breakdown (%)	12/31/14	12/31/13
Shares/Funds		
Other balance-sheet products		
Short-term credit facilities	2	13
Loans	87	76
Bonds (Banking)	11	11
Bonds (Trading)		
Securisation (external)		
<b>BALANCE SHEET TOTAL</b>	<b>100</b>	<b>100</b>
Balance sheet assets (€m)	87,949	89,720

## ■ 5.1.2. QUALITY OF THE PORTFOLIO EXPOSED TO CREDIT RISK

### 5.1.2.1. PORTFOLIO OF LOANS TO INDIVIDUALS

Outstanding of direct mortgage loans and underlyings of individual customer mortgage notes grew by 4.9% in 2014, reaching €39.6 bn.

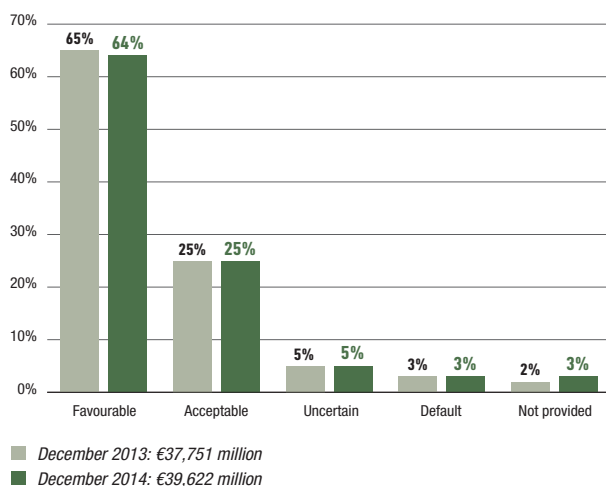
#### 5.1.2.1.1. Acquisitions and disposals of loans to individuals by Compagnie de Financement Foncier in 2014

In 2014, Compagnie de Financement Foncier acquired a total of €6.0 bn mortgage loans from Crédit Foncier (compared with €5.6 bn in 2013), including €1.5 bn in loans to first-time home buyers, €1.4 bn in loans to the rental sector and €3.1 bn in state-subsidised and interest-free loans. 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 support from Local Authorities) continue to support demand in this sector, securing these transactions at the same time and Crédit Foncier remains a major player in this market.

#### 5.1.2.1.2. Rating

The ratings attest to the ongoing good quality of outstanding loans

### ■ Internal rating and quality of loans made to private individuals <sup>(42)</sup>



### 5.1.2.2. FRENCH PUBLIC SECTOR PORTFOLIO

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

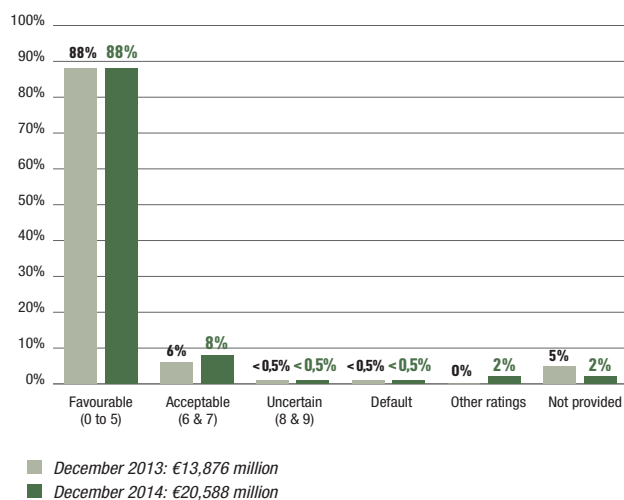
French Public Sector loan receivables of Compagnie de Financement Foncier are originated within Groupe BPCE, either by Caisses d'Epargne, either by Banques Populaires, either by Natixis, or by Crédit Foncier. For social housing, Compagnie de Financement Foncier has direct guarantees from local authorities and/or mortgage guarantees.

#### 5.1.2.2.1. Change in loan outstandings

French local authorities outstandings continued to grow during the year and now stand at €20.6 bn (compared with €13.9 bn at the end of December 2013). On the other hand, low-income housing outstandings continued to fall – a trend that has not changed since the end of 2012 – reaching €1.9 bn at 31 December 2014.

#### 5.1.2.2.2. Rating

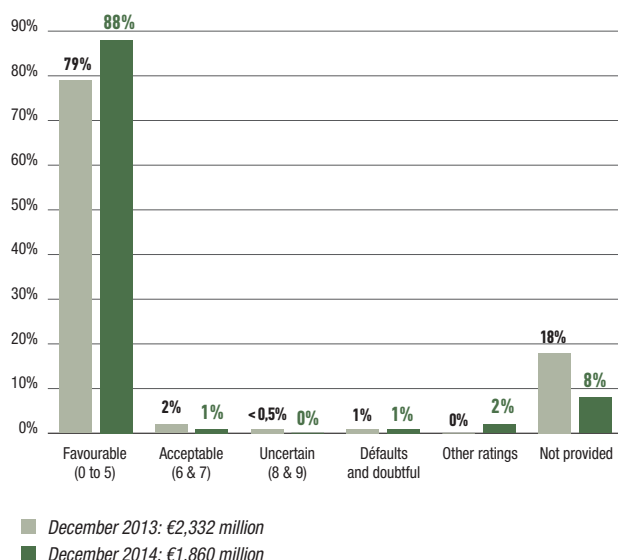
### ■ French Public sector portfolio - Breakdown by rating



(42) Excluding self-employed professionals and associations.

Outstandings strongly increased in 2014 to reach €20.6 bn due to the mobilisation of French local authorities loans to Credit Foncier (€3 bn) and to Groupe BPCE entities, mainly Natixis (€1 bn) and BPCE SA (€2.3 bn). The quality of French local authorities remains stable.

#### ■ Social housing portfolio – Breakdown by rating



Social housing outstandings decreased by 7.5% in 2014 to €2,156 m. A portion of the outstandings are rated through another Groupe BPCE internal rating-based system and is excluded from the above chart (€296 m). This outstanding is of good quality (rated Favourable for 78% and Acceptable for 22%).

NB: Non-rated outstandings (8%) consist largely of institutions that collect employers' contribution to building and construction work (PEEC<sup>(43)</sup>) and their subsidiaries, which are not covered by BPCE's rating tools. Prior to any exposure decision, these counterparties undergo in-depth analysis on a case-by-case basis. Also, the PEEC sector is closely regulated and supervised by the French State.

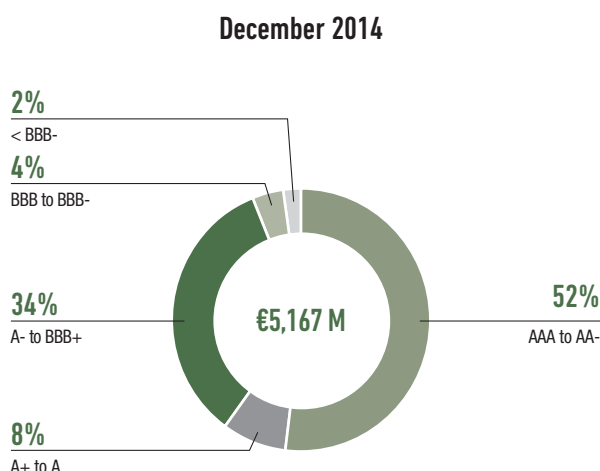
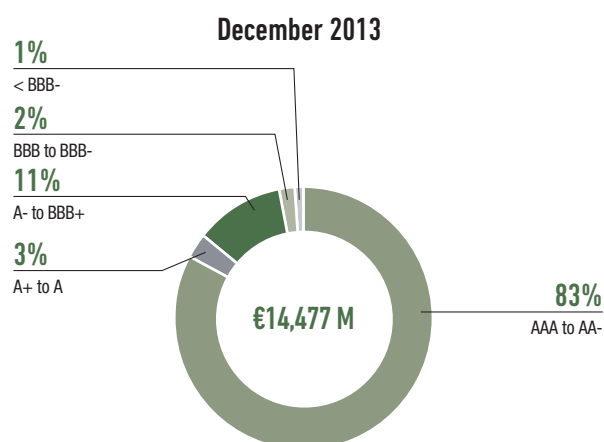
#### 5.1.2.3. INTERNATIONAL PUBLIC SECTOR PORTFOLIO

##### 5.1.2.3.1. Sovereign

Compagnie de Financement Foncier's sovereign portfolio includes exposures to foreign sovereigns as well as French sovereign exposure. Cash and term deposits by Compagnie de Financement Foncier at Banque de France are recorded in this portfolio.

Outstanding loans to foreign sovereigns have been in run-off management since late 2011 (positions are sold on the market as opportunities arise).

#### ■ Breakdown of exposures by internal rating of Sovereigns



(43) Employers' contribution to building and construction work (PEEC) is a system whereby non-agricultural private sector businesses with 20 or more employees (ten or more before 2006) contribute towards the construction of new housing. This system was set up by the State and implemented by law (11 July 1953) and was previously known as the "1% housing fund".



Internal ratings used are those of Groupe BPCE.

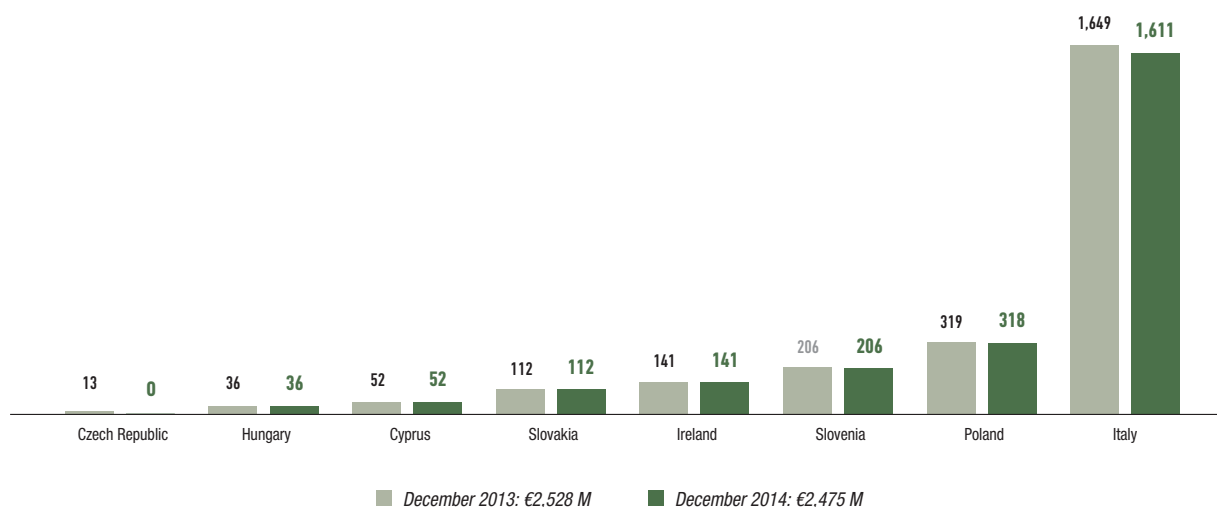
Nearly all outstandings in Compagnie de Financement Foncier's Sovereign Portfolio are rated as investment grade (rating  $\geq$  BBB-).

The year 2014 showed a stabilisation of the economic and financial situation in European countries, even if some uncertainties will remain in 2015 (Greece in particular). After the downgrading of several non-core European countries since 2010, the ratings of

most of the European exposures of Compagnie de Financement Foncier remained stable in 2014.

The decrease in exposures from €14.5bn at year-end 2013 to €5.2 bn at 31 December 2014 is mainly due to the decrease in deposits at Banque de France €1.2 bn at year-end 2014 compared to €11.4 bn at year-end 2013). This decrease also explains the change in the sovereign portfolio appearance (outstandings in the AAA/AA category now represent 52% of the whole portfolio compared to 83% in 2013).

### ■ Breakdown of direct exposures to Sovereigns outside France



Excluding France, outstandings in the sovereigns portfolio were slightly down during the period (-2.1%), which was due, in particular, to the disposals that occurred during the year (€51 m of

nominal exposure to Italy, and €13 m of exposure to the Czech Republic).

### ■ Ratings at 31 December 2014

Country	Internal rating (*)
Italy	A- to BBB+
Slovenia	BBB to BBB-
Poland	A+ to A
Slovakia	A+ to A
Ireland	A- to BBB+
Cyprus	BB- to B
Hungary	BB+ to BB

(\*) Internal rating adjusted with rating agencies.

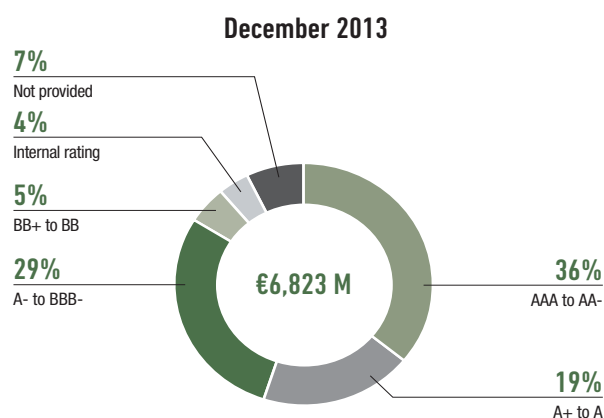
#### 5.1.2.3.2. International public sector

Outstandings in the International public sector (IPS) portfolio are mainly concentrated on local authorities in the United States (states and counties), Japan (prefectures) and local European governments (including Italian regions, Swiss cantons, Belgian regions, autonomous Spanish communities, etc.).

At 31 December 2014, outstandings in the IPS portfolio were stable at €6.9 bn. As a reminder, this figure had dropped during 2013 following disposals executed as part of the run-off management of international assets. The loans sold during the year were few in number and only concerned exposures to North-American governments.



## ■ Breakdown of exposures by internal rating on International Public Sector



The IPS portfolio is rated internally. As in past years, an effort to re-rate IPS outstandings was led in the fourth quarter based on the most recent accounting and financial data available.

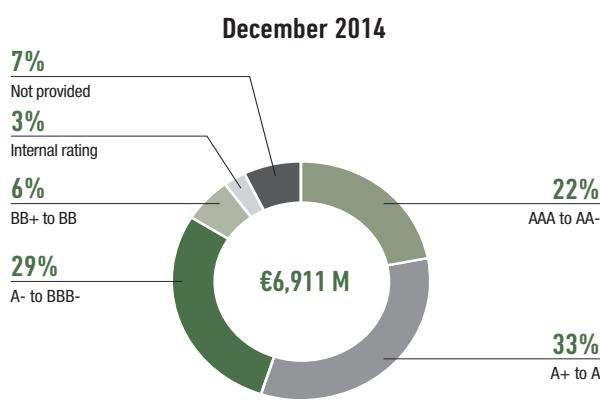
2014 was marked by the stabilisation of the crisis affecting peripheral European sovereigns; consequently, the ratings of the portfolio on Spanish counterparties has also stabilised.

### 5.1.2.4. BANKING SECTOR

Exposures on banking sector decreased by 5.4% to €8.7 bn.

In addition to conventional interbank hedging transactions and intragroup transactions (€6.6 bn) with BPCE or Crédit Foncier, Compagnie de Financement Foncier is exposed for a total of €1,637 m on financial institutions benefiting from local authorities guarantees. These exposures are comprising of:

- securities issued by German regional banks (Landesbanken) for €495 m, maturing in 2015. These securities benefit from the corresponding Länder guarantee (grandfathering);



The migration of the ratings to [A+; A] is due to the downgrade of several counterparties (Japanese and Austrian).

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

- securities issued or guaranteed by Austrian regional banks (Landesbanken) for €429 m. All these securities benefit from the Länder guarantee and notably include Compagnie de Financement Foncier's exposure on Heta Asset Resolution AG for a nominal amount of €260 m;
- loans and receivables on swiss cantonal banks for a total of €713 m and benefit from the guarantee of the cantons.

## 5.2. Risk diversification and concentration risks

### ■ Summary of concentration on groups of counterparties for Compagnie de Financement Foncier at 31 December 2014

(in millions of euros)	Top 10	Top 20	Top 50	Top 100	Total
Specialised financing			n.s.		n.s.
Large corporations			n.s.		n.s.
Sovereign	6,117 [100%]	6,117 [100%]	6,117 [100%]	6,117 [100%]	6,117
French Local Authorities (FLA) and low-income housing	2,794 [20%]	3,152 [27%]	5,080 [44%]	6,685 [58%]	11,619
IPF (International Public Financing)	3,995 [58%]	5,365 [78%]	6,804 [98%]	6,804 [100%]	6,804

This table shows the weighting of the largest 10, 20, 50 and 100 counterparties in exposures to a given category, excluding intra-group BPCE. This classification is carried out on groups of counterparties and on- and off-balance sheet exposures.

Direct exposure to Sovereign States is relatively concentrated (less than ten counterparties) as it involves only a few European countries.

Concentration levels are much lower in the large corporate and FLA/low-income housing sectors, thereby contributing to the Group's risk diversification.

# 6. Analysis of delinquencies

## 6.1. Delinquencies

### COMPAGNIE DE FINANCEMENT FONCIER'S RISK HEDGING – SUMMARY

The following table shows assets excluding endorsements and financial guarantees given (for a total balance sheet amount of €87.9 bn at 31 December 2014) and a recorded doubtful rate at 1.7% (1.5% excluding subsidised sector).

	Exposures at 12/31/14			Exposures at 12/31/13		
	Balance sheet	Doubtful loan rate	Doubtful loan rate (excl. subsidised sector)	Balance sheet	Doubtful loan rate	Doubtful loan rate (excl. subsidised sector)
<b>Risk exposures <sup>(1)</sup></b>						
<b>Total mortgage loans</b>	<b>39,632</b>	<b>2.7%</b>	<b>2.7%</b>	<b>37,771</b>	<b>2.5%</b>	<b>2.4%</b>
French mortgage loans <sup>(2)</sup>	32,309	3.4%	3.3%	29,545	3.1%	3.1%
French and Belgian mortgage notes <sup>(3)</sup>	7,323			8,226		
<b>Public sector</b>	<b>35,471</b>	<b>&lt;0.5%</b>	<b>&lt;0.5%</b>	<b>38,164</b>	<b>&lt;0.5%</b>	<b>&lt;0.5%</b>
<b>French Public Sector</b>	<b>25,436</b>	<b>&lt;0.5%</b>	<b>&lt;0.5%</b>	<b>28,157</b>	<b>&lt;0.5%</b>	<b>&lt;0.5%</b>
Low-income housing	2,156	<0.6%	<0.5%	2,332	<0.5%	<0.5%
French Local Authorities (FLA)	8,949	<0.5%	<0.5%	8,417	<0.5%	<0.5%
FLA L. 211-38 <sup>(4)</sup>	11,639			5,459		
Sovereign France	2,692			11,949	n.s.	
<b>Public Private Partnership (PPP)</b>	<b>649</b>			<b>657</b>		
International Public Sector	9,386			9,351		
International Public Financing	6,474			6,438		
International Sovereign	2,475			2,528		
Securitisations backed by loans benefiting from State guarantees						
Public sector large corporations	437			384		
<b>Commercial mortgages disappearing (resulting from the legal transfer in October 1999) <sup>(7)</sup></b>	<b>109</b>	<b>72.2%</b>	<b>12.0%</b>	<b>116</b>	<b>71.2%</b>	<b>13.9%</b>
<b>Banking sector exposures</b>	<b>8,653</b>	<b>3.0%</b>	<b>3.0%</b>	<b>9,143</b>		
of which banks with sovereign guarantees or similar	1,637	16.1%	16.1%	2,068		
of which other banks	416			474		
of which L. 211-38 RV <sup>(5)</sup>	6,600			6,601		
<b>Total risk exposure</b>	<b>83,865</b>	<b>1.7%</b>	<b>1.6%</b>	<b>85,194</b>	<b>1.2%</b>	<b>1.1%</b>
Miscellaneous adjustments and other assets <sup>(6)</sup>	4,084			4,526		
<b>TOTAL</b>	<b>87,949</b>	<b>1.7%</b>	<b>1.5%</b>	<b>89,720</b>	<b>1.1%</b>	<b>1.0%</b>

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

(2) The "French mortgage loans" line item includes a limited amount of outstanding Dutch loans (€67 m at 12/31/14 and €73 m at 12/31/13).

(3) Of which Belgian mortgage notes amounted to €587 m.

(4) Of which €93 m of L. 211-38 with Caisses d'Epargne and €138 m with Banque Populaire.

(5) Short-term notes, of which the vast majority guaranteed by collateralised assets.

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

(7) Of which € 73 m under the State guarantee.

With regards to direct mortgage loans and underlyings of mortgage notes, the ratio of “doubtful loans to total outstanding loans” (excluding the subsidised sector) was 2.7% compared to 2.4% at the end of December 2013.

The public sector portfolio has a very marginal rate of doubtful loans, corresponding to old cases, attesting to the good quality of the portfolio.

In view of the recent introduction of a moratorium until May 2016 and of the high probability that creditors of Heta will be solicited through a bail-in, Compagnie de Financement Foncier's exposure

on Heta has been classified as doubtful, positioning the doubtful rate of the banking portfolio at 3.0% compared to nil in 2013.

The entire portfolio of assets selected is covered by first-rank mortgage guarantees with additional protection (33% of mortgage loans to individual customers are guaranteed by FGAS), thereby limiting the ultimate risk of loss.

The unpaid 90-day rate increased slightly at 1.0% of the total exposures of Compagnie de Financement Foncier (*versus* 0.87% at the end of 2013). On French mortgage loans, this rate is at 2.6% at 31 December 2014 *versus* 2.34% at 31 December 2013.

## 6.2. Risk charge

<i>(in millions of euros)</i>	12/31/14	12/31/13
Individual cost of risk (A)	-126.27	-15.21
Collective provisions (B)	-1.55	-0.06
<b>Cost of risk (A + B)</b>	<b>-127.82</b>	<b>-15.15</b>
Risk charge, net banking income (C)	-12.75	-0.84
<b>NET (A+B+C)</b>	<b>-140.57</b>	<b>-15.99</b>

At 31 December 2014, the cost of risk of Compagnie de Financement Foncier was -€140.57 m. On an individual basis, the cost of risk was -€126.27 m. The net allocation to collective provisions was -€1.55 m.

The increase in the cost of risk in 2014 is mainly explained by a provision recorded for the Heta issue representing a total amount of €115.1 m, of which €104 m are recorded in cost of risk.

Apart from this operation, the increase in the cost of risk concerns the provisions for doubtful loans of individual customers following the amendment of litigation loan processing with the introduction of a systematic haircut pledge upon entry into litigation.

# 7. Risk mitigation techniques

Compagnie de Financement Foncier's portfolio is very secure as it consists mainly of either risks secured by mortgages or risk exposures to the public sector. Both risks are further reduced by additional guarantees. Thus, for example, 33% of outstanding loans to private individuals are covered by a FGAS guarantee.

In relation to individual customers, the main provider of personal guarantees belongs to the sovereign segment: the *Société de gestion du fonds de garantie à l'accession sociale à la propriété* (SGFGAS) provides a guarantee from the French state for home ownership loans governed by regulated loan agreements and guaranteed by first-rank collateral (mortgage or equivalent guarantee). For this reason, SGFGAS benefits from the external

ratings assigned to the French state and allows a 0% weighting of loans for which SGFGAS coverage was signed prior to 31 December 2006. Due to a change in SGFGAS coverage methods, guarantees granted thereafter have an average Basel III weighting of 21.5% for the loans in question. Pursuant to an agreement between Compagnie de Financement Foncier, Crédit Foncier and SGFGAS, a new treatment has been adopted since the fourth quarter 2014. The uncovered part, being guaranteed by Crédit Foncier, now benefit from a weighting of 0%.

Moreover, some Individual customer loans are covered by a guarantee similar to a credit institution risk: Crédit Logement is a financial institution, a subsidiary of most largest French banking networks.

Loans covered by Crédit Logement were assigned to Basel III weighting of 50% until the third quarter of 2014. Since the fourth quarter of 2014, exposures guaranteed by Crédit Logement are weighted at 35% following the decision of BPCE to harmonise the financial communication on the guaranteed exposures of all Groupe BPCE entities.

Regarding immovable guarantees, in accordance with the regulations, Compagnie de Financement Foncier 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 their results as well as periodic review procedures.

The transfer facilities between Compagnie de Financement Foncier and Crédit Foncier or others Groupe BPCE entities (agreements, contracts) explicitly provides the cancellation of the transfer in the event of non-compliance of the acquired receivables.

## 7.1. Valuation and Periodic Review Methods for Real Estate Assets

### SPECIFIC CONTROLLER'S CERTIFICATION ON THE VALUATION AND REVALUATION METHODS APPLICABLE TO REAL ESTATE PROPERTIES AS OF 31 DECEMBER 2014 AND THEIR RESULTS

To the Board of Directors of Compagnie de Financement Foncier,

In our capacity as the Specific Controller of Compagnie de Financement Foncier, and pursuant to the Article 5 of regulation No. 99-10 of the CRBF, we proceeded to the assessment of the validity, in accordance with regulations in force, of the methods used to value the real estate assets underlying the loans and their results, and of the methods for periodically reviewing their value, as published together with the financial statements for the year ended 31 December 2014 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 2014.

We implemented the diligences that we considered necessary in view of the professional standards of Compagnie nationale des Commissaires aux comptes applicable to this assignment. Our work consisted in checking the compliance of:

- the procedures, the valuation and periodic review methods and their results, in their design and application, with regulations in force as of 31 December 2014;
- the information published together with the annual financial statements with, on one hand, the system for the valuation and periodic review implemented, and on the other hand, with the results arising from the implementation of the valuation system.

Based on our work, we have no observations to make as regards compliance with the provisions set out in Articles 2 to 4 of the regulation No. 99-10 of the CRBF, the valuation methods for the real estate assets and their results or the methods for periodically reviewing their value as published together with the financial statements for the year ended 31 December 2014.

Paris, 04 March 2015

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 2014

#### I. VALUATION METHOD APPLIED TO ASSETS UNDERLYING LOANS

##### A – General asset valuation principles

The procedure described below has been determined pursuant to Articles 1 and 2 of CRBF regulation No. 99-10, as amended by regulation No. 2002-02 and the decrees of 7 May 2007 and 23 February 2011 transposing European directive 2006/48/EC into French law.

Real estate financed by eligible loans or posted as collateral for these loans is subject to cautious appraisal.

The valuation is performed taking into account the long-term sustainable aspects of the property, the normal and local market conditions, the current use and alternative appropriate uses of the property.

##### B – Derogation rule used by Compagnie de Financement Foncier

For loans originated between 1 January 2003 and 31 December 2006, in accordance with the provisions of CRBF regulation No. 99-10 and a decision by the Chairman of Crédit Foncier's Executive Board dated 28 July 2003, a cost of transaction without discount is understood to be an estimated value of an asset for all transactions with Individuals involving residential property where a transaction cost is less than €350,000.

Following a series of amendments to CRBF regulation No. 99-10, this principle was broadened:

- for the period between 7 May 2007 and 23 February 2011, all residential property transactions with individuals where a transaction cost is less than €450,000 or where an outstanding principal amount on the acquired loan or a total amount authorised is less than €360,000;
- beginning on 24 February 2011, all residential property transactions with individuals where a transaction cost is less than €600,000 or where an outstanding principal amount on the acquired loan or a total amount authorised is less than €480,000.

Above these thresholds, an appraisal value is considered to be the value of the property.

**C – Summary**

The above-mentioned rules, applied since 24 February 2011, are summarised in the following table:

Property types	Cost of transaction is less than €600,000 or acquired loan less than €480,000	Cost of transaction is €600,000 or more, or acquired loan €480,000 or more
Residential Property for private individuals	Transaction cost	Appraisal
Residential Property for Professionals	Appraisal	Appraisal
Commercial property *	Appraisal	Appraisal

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

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

Other collateral (underlying loans authorised before 2014 and already valued or re-valued) is mandatorily subject to a periodic review of its value as presented hereafter (see Sections II, III and IV).

## II. PERIODIC REVIEW METHODS FOR COLLATERAL SECURING HOUSING LOANS TO INDIVIDUALS AND PROFESSIONALS

The rules detailed below apply to collateral securing loans implemented before 2014.

Two periodic review methods are used to determine the value of collateral as differentiated below:

- statistical method S1:
  - for collateral securing housing loans to private individuals,
  - for collateral securing housing loans to professionals where the amount is less than €600,000 or where the outstanding principal amount on the loan secured by the property is less than €480,000;
- method S2 for collateral securing housing loans to professional customers where an amount is €600,000 or more and where an outstanding principal amount on a loan secured by property is €480,000 or more.

### A – S1 periodic revaluation method

#### PRINCIPLES

This method, which aims to approximate market value as closely as possible, is based on establishing indices. The indices obtained are the changes observed from one year to the next in market values, clarifying that, in accordance with the relevant legislation, an appraisal is carried out on the basis of a prudent assessment (which is then revalued by applying the indices).

The indices reflect four distinct geographical categories:

i) the 110 urban areas with more than 50,000 inhabitants as per the postal code groups established by the INSEE (French National Institute for Statistics and Economic Studies). The list of these metropolitan areas and their composition changes as the urban fabric 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 houses in metropolitan areas and for regions.

#### REVALUATION CYCLE MANAGEMENT

Real estate value indices are updated annually. New indices are established each November based on the period ending on 30 September.

The revaluation cycle is thus managed on a one year rolling period from 30 September of year “n-1” to 30 September of year “n”.

#### SOURCES

These indices are based on an *ad hoc* survey and on expert estimates carried out each year by the Real Estate Research Department of the network of regional real estate appraisers, quarterly gross statistical real estate information available in its database and regional indicators from [www.marche-immo.com](http://www.marche-immo.com).

**B – S2 periodic review method**

For 2014, the S2 revaluation method consisted in applying the annual change in the rental index for residential property to 2013 values, i.e. +0.9% (source: INSEE).

**III. METHODS FOR PERIODIC REVIEW OF REAL ESTATE FOR PROFESSIONAL USE (NON-RESIDENTIAL)**

In accordance with the provisions of CRBF regulation No. 99-10, the following three valuation methods are applied to real estate for professional use based on its aspects:

**A – The “E1” method**

This category covers real estate for professional use, the value of which is less than or equal to €600,000 or for which an outstanding principal amount on a loan secured by property is more than €480,000.

Assets in this category are individually revalued by means of appraisal every three years, and statistically in the interim years using the S1 method.

**B – The “E2” method**

This category covers real estate for professional use, the value of which is more than €600,000 and for which an outstanding principal amount on a loan secured by property is more than €480,000.

Each property in this category is individually revalued every year by means of appraisal. The appraiser determines a prudential mortgage value based on a thorough analysis of the type of asset and its specific aspects and on a prudent, forward-looking view of the market.

**C – The “S1” statistical method**

This category covers real estate for professional use where an outstanding principal amount on a loan secured by property 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				Specific individual appraisal
	If Professional customer: S1 method		If Professional customer: S2 method		
			Outstanding principal/initial principal > 30%		
	Outstanding principal/initial principal < 30% or total authorised amount ≤ €480K		Transaction cost ≤ €600K and total authorised amount > €480K	Transaction cost > €600K and total authorised amount > €480K	
Non residential	S1 method		E1 method	E2 method	

**V. THE SPECIAL FEATURES OF DUTCH GUARANTEES**

Revaluation was made of a total of 797 guarantees associated with 812 loans representing a total outstanding value of €67 m.

Revaluation was conducted based on the PBK Index developed by the Netherlands land registry. In 2014, the index average fell by 1.08%.

**VI. THE SPECIAL FEATURES OF BELGIAN GUARANTEES**

Crédit Foncier proceeded to a revaluation of the guarantees of its Belgian branch for 2014, through its servicer, Stater: 8,173 guarantees representing a global valuation amount of €1,708 m i.e. an average decrease in value of 0.71% (after excluding guarantees that increased / decreased for more than 20%) are associated with 7,863 loans in the amount of €994 m.

This valuation was based on the indices provided by Stadim for the purposes of an annual valuation as of 30 June 2014.

## APPENDIX 1 – CHANGES 2013/2014

## ■ Cities of over 200,000 inhabitants

Region	Dept No.	Department	Town/City	Apartment index 2013-2014	House Index 2013-2014
ALSACE	67	BAS-RHIN	Strasbourg	0.994	0.991
ALSACE	68	HAUT-RHIN	Mulhouse	0.979	0.967
AQUITAINE	33	GIRONDE	Bordeaux	1.026	0.991
AUVERGNE	63	PUY-DE-DÔME	Clermont-Ferrand	0.989	0.988
BOURGOGNE	21	CÔTE-D'OR	Dijon	0.980	0.978
BRETAGNE	29	FINISTÈRE	Brest	0.990	0.981
BRETAGNE	35	ILLE-ET-VILAINE	Rennes	1.000	0.990
CENTRE	45	LOIRET	Orléans	1.011	0.992
CENTRE	37	INDRE-ET-LOIRE	Tours	1.007	1.000
CHAMPAGNE	51	MARNE	Reims	0.989	0.988
HAUTE-NORMANDIE	76	SEINE-MARITIME	Le Havre	0.969	0.960
HAUTE-NORMANDIE	76	SEINE-MARITIME	Rouen	0.990	0.982
LANGUEDOC-ROUSSILLON	34	HÉRAULT	Montpellier	1.000	1.000
LORRAINE	54	MEURTHE-ET-MOSELLE	Nancy	0.982	0.988
LORRAINE	57	MOSELLE	Metz	0.975	0.976
MIDI-PYRÉNÉES	31	HAUTE-GARONNE	Toulouse	0.995	0.994
NORD	59	NORD	Valenciennes	0.972	0.970
NORD	59	NORD	Lille	0.991	0.976
NORD	62	PAS-DE-CALAIS	Douai-Lens	0.961	0.953
NORD	62	PAS-DE-CALAIS	Béthune	0.974	0.969
PACA	13	BOUCHES-DU-RHÔNE	Marseille-Aix-en-Provence	0.970	0.987
PACA	6	ALPES-MARITIMES	Nice	1.012	1.000
PACA	84	VAUCLUSE	Avignon	0.979	0.981
PACA	83	VAR	Toulon	0.964	1.000
PAYS DE LA LOIRE	44	LOIRE-ATLANTIQUE	Nantes	0.990	0.991
PAYS DE LA LOIRE	49	MAINE-ET-LOIRE	Angers	1.006	1.012
RHÔNE-ALPES	69	RHÔNE	Lyon	1.000	0.993
RHÔNE-ALPES	38	ISÈRE	Grenoble	0.991	0.992
RHÔNE-ALPES	42	LOIRE	Saint-Étienne	0.987	0.987
<b>AVERAGE</b>				<b>0.989</b>	<b>0.985</b>

## ■ Cities of 100,000 -199,999 inhabitants

Region	Dept No.	Department	Town/City	Apartment index 2013-2014	House Index 2013-2014
AQUITAINE	64	PYRÉNÉES-ATLANTIQUES	Bayonne	1.013	0.989
AQUITAINE	64	PYRÉNÉES-ATLANTIQUES	Pau	0.951	0.988
BASSE-NORMANDIE	14	CALVADOS	Caen	0.990	0.981
BRETAGNE	56	MORBIHAN	Lorient	0.987	0.992



Region	Dept No.	Department	Town/City	Apartment index 2013-2014	House Index 2013-2014
CHAMPAGNE	10	AUBE	Troyes	0.987	0.971
FRANCHE-COMTÉ	25	DOUBS	Besançon	0.977	0.975
FRANCHE-COMTÉ	25	DOUBS	Montbéliard	1.000	0.984
LANGUEDOC-ROUSSILLON	66	PYRÉNÉES-ORIENTALES	Perpignan	0.985	0.979
LANGUEDOC-ROUSSILLON	30	GARD	Nîmes	1.000	1.000
LIMOUSIN	87	HAUTE-VIENNE	Limoges	1.000	1.003
LORRAINE	57	MOSELLE	Thionville	0.987	0.988
NORD	59	NORD	Dunkerque	0.966	0.963
NORD	62	PAS-DE-CALAIS	Calais	0.962	0.961
PAYS DE LA LOIRE	44	LOIRE-ATLANTIQUE	Saint-Nazaire	0.977	0.980
PAYS DE LA LOIRE	72	SARTHE	Le Mans	0.975	0.974
PICARDIE	80	SOMME	Amiens	0.979	0.971
POITOU-CHARENTES	17	CHARENTE-MARITIME	Rochelle	1.000	1.000
POITOU-CHARENTES	86	VIENNE	Poitiers	0.967	0.955
POITOU-CHARENTES	16	CHARENTE	Angoulême	1.000	0.976
RHÔNE-ALPES	26	DROME	Valence	0.984	0.993
RHÔNE-ALPES	74	HAUTE-SAVOIE	Annecy	1.013	1.013
RHÔNE-ALPES	74	HAUTE-SAVOIE	Genève-Annemasse	1.000	0.988
RHÔNE-ALPES	73	SAVOIE	Chambéry	1.002	1.000
<b>AVERAGE</b>				<b>0.987</b>	<b>0.984</b>

#### ■ Cities of 50,000 - 99,999 inhabitants

Region	Dept No.	Department	Town/City	Apartment index 2013-2014	House Index 2013-2014
ALSACE	67	BAS-RHIN	Haguenau	0.981	0.975
ALSACE	68	HAUT-RHIN	Colmar	0.989	0.989
AQUITAINE	33	GIRONDE	Arcachon	1.048	1.000
AQUITAINE	24	DORDOGNE	Périgueux	0.989	0.994
AQUITAINE	24	DORDOGNE	Bergerac	0.972	0.973
AQUITAINE	47	LOT-ET-GARONNE	Agen	0.962	0.967
AUVERGNE	3	ALLIER	Vichy	0.986	0.994
AUVERGNE	3	ALLIER	Montluçon	0.990	0.989
BASSE-NORMANDIE	50	MANCHE	Cherbourg	1.014	1.006
BOURGOGNE	71	SAONE-ET-LOIRE	Chalon-sur-Saône	0.972	0.983
BOURGOGNE	58	NIÈVRE	Nevers	0.994	0.988
BRETAGNE	35	ILLE-ET-VILAINE	Saint-Malo	0.992	0.987
BRETAGNE	22	CÔTES-D'ARMOR	Saint-Brieuc	0.990	0.981
BRETAGNE	29	FINISTÈRE	Quimper	0.986	0.997
BRETAGNE	56	MORBIHAN	Vannes	1.010	0.995
CENTRE	18	CHER	Bourges	0.992	0.984
CENTRE	41	LOIR-ET-CHER	Blois	1.004	0.966
CENTRE	45	LOIRET	Montargis	0.985	0.984
CENTRE	36	INDRE	Châteauroux	1.003	0.992
CENTRE	28	EURE-ET-LOIR	Chartres	0.983	0.980



Region	Dept No.	Department	Town/City	Apartment index 2013-2014	House Index 2013-2014
CHAMPAGNE	51	MARNE	Châlons-en-Champagne	0.972	0.971
CHAMPAGNE	8	ARDENNES	Charleville-Mézières	0.963	0.961
FRANCHE-COMTÉ	90	TERRITOIRE DE BELFORT	Belfort	0.971	0.971
HAUTE-NORMANDIE	76	SEINE-MARITIME	Elbeuf	0.972	0.957
HAUTE-NORMANDIE	27	EURE	Évreux	0.964	0.972
LANGUEDOC-ROUSSILLON	30	GARD	Alès	1.015	1.000
LANGUEDOC-ROUSSILLON	34	HÉRAULT	Béziers	1.012	0.989
LANGUEDOC-ROUSSILLON	34	HÉRAULT	Sète	1.009	1.000
LIMOUSIN	19	CORRÈZE	Brive-la-Gaillarde	0.986	1.000
LORRAINE	88	VOSGES	Épinal	0.964	0.961
LORRAINE	57	MOSELLE	Forbach	0.969	0.982
MIDI-PYRÉNÉES	81	TARN	Albi	0.978	0.982
MIDI-PYRÉNÉES	81	TARN	Castres	0.982	0.983
MIDI-PYRÉNÉES	65	HAUTES-PYRÉNÉES	Tarbes	0.977	0.984
MIDI-PYRÉNÉES	82	TARN-ET-GARONNE	Montauban	0.987	0.981
NORD	62	PAS-DE-CALAIS	Arras	0.977	0.970
NORD	59	NORD	Armentières	0.976	0.969
NORD	59	NORD	Maubeuge	0.967	0.960
NORD	62	PAS-DE-CALAIS	Saint-Omer	0.969	0.965
NORD	62	PAS-DE-CALAIS	Boulogne-sur-Mer	0.977	0.965
PACA	83	VAR	Fréjus	0.970	0.996
PACA	6	ALPES-MARITIMES	Menton-Monaco	0.990	1.000
PACA	13	BOUCHES-DU-RHÔNE	Salon-de-Provence	0.976	0.966
PACA	13	BOUCHES-DU-RHÔNE	Arles	0.959	0.930
PAYS DE LA LOIRE	49	MAINE-ET-LOIRE	Cholet	0.993	0.992
PAYS DE LA LOIRE	53	MAYENNE	Laval	0.984	0.981
PICARDIE	2	AISNE	Saint-Quentin	0.972	0.955
PICARDIE	60	OISE	Creil	0.967	0.964
PICARDIE	60	OISE	Beauvais	0.978	0.973
PICARDIE	60	OISE	Compiègne	0.982	0.981
POITOU-CHARENTES	79	DEUX-SÈVRES	Niort	0.987	0.981
RHÔNE-ALPES	69	RHÔNE	Villefranche-sur-Saône	0.990	0.989
RHÔNE-ALPES	42	LOIRE	Roanne	0.994	0.983
RHÔNE-ALPES	1	AIN	Bourg-en-Bresse	0.993	0.989
RHÔNE-ALPES	26	DROME	Romans-sur-Isère	0.986	0.986
RHÔNE-ALPES	42	LOIRE	Saint-Chamond	0.986	0.988
RHÔNE-ALPES	74	HAUTE-SAVOIE	Thonon-les-Bains	1.038	1.015
RHÔNE-ALPES	74	HAUTE-SAVOIE	Cluses	1.021	1.026
<b>AVERAGE</b>				<b>0.986</b>	<b>0.982</b>

## ■ Non-metropolitan areas

Region	Index Houses 2013-2014
ALSACE	0.976
AQUITAINE	0.972
AUVERGNE	0.969
BASSE-NORMANDIE	0.964
BOURGOGNE	0.964
BRETAGNE	0.978
CENTRE	0.967
CHAMPAGNE	0.953
FRANCHE-COMTÉ	0.963
HAUTE-NORMANDIE	0.965
LANGUEDOC-ROUSSILLON	0.984
LIMOUSIN	0.918
LORRAINE	0.952
MIDI-PYRÉNÉES	0.993
NORD	0.940
PACA	0.962
PAYS DE LA LOIRE	0.974
PICARDIE	0.963
POITOU-CHARENTES	0.960
RHÔNE-ALPES	0.968
<b>AVERAGE</b>	<b>0.964</b>

## ■ Paris and Ile-de-France

Region	Dept No.	Department	Apartment index 2013-2014	House Index 2013-2014
ÎLE-DE-FRANCE	91	ESSONNE	0.995	0.982
	92	HAUTS-DE-SEINE	1.002	1.007
	75	PARIS	0.984	
	77	SEINE-ET-MARNE	0.996	0.983
	93	SEINE-SAINT-DENIS	1.004	0.988
	94	VAL-DE-MARNE	0.999	0.988
	95	VAL-D'OISE	0.997	0.983
	78	YVELINES	0.999	0.988
<b>AVERAGE (EXCLUDING PARIS)</b>			<b>0.999</b>	<b>0.989</b>

## APPENDIX 2 – COMPAGNIE DE FINANCEMENT FONCIER SCOPE

## ■ Collateral items and valuations of collateral using the periodic review approach (in € bn)

		Total	S1	S2	E1	E2
Revaluation 12/31/14	Collateral valuation	60.18	57.84	2.34		0.003
	No. of guarantees	355,763	355,324	438		1
Valuation Year 2014	Collateral valuation	2.02	2.02			
	No. of guarantees	15,727	15,727			
Total 2014	Collateral valuation	62.20	59.86	2.34		0.003
	No. of guarantees	371,490	371,051	438		1

## ■ Breakdown of the collateral portfolio revalued using the S1 method (by region and for Paris)

Portfolio Compagnie de Financement Foncier		
Region	Regional breakdown of collateral value (in € million)	Regional breakdown in %
Alsace	727.58	1.26
Aquitaine	3,711.73	6.42
Auvergne	581.07	1.00
Basse-Normandie	923.92	1.60
Bourgogne	1,113.17	1.92
Bretagne	2,119.81	3.67
Centre	1,661.92	2.87
Champagne-Ardenne	600.73	1.04
Corsica	137.32	0.24
Dom-Tom	308.42	0.53
Franche-Comté	690.95	1.19
Haute-Normandie	2,117.50	3.66
Île-de-France (excluding Paris)	14,687.20	25.40
Languedoc-Roussillon	3,119.50	5.39
Limousin	398.37	0.69
Lorraine	1,249.49	2.16
Midi-Pyrénées	3,229.55	5.58
Nord-Pas-de-Calais	2,499.41	4.32
PACA	6,037.58	10.44
Paris *	1,136.01	1.96
Pays de Loire	2,594.00	4.49
Picardie	2,120.30	3.67
Poitou-Charentes	979.21	1.69
Rhône-Alpes	5,088.54	8.80
<b>GRAND TOTAL</b>	<b>57,833.28</b>	<b>100.00</b>

\* Because of the unique nature of the Parisian market, the City of Paris is separate from the Ile-de-France region.

### Breakdown of the Belgian collateral portfolio revalued by region

Provinces	Collateral items	Valuation of collateral (€)	1-year change	Number of loans	Total loans outstanding (€)	Outstanding breakdown
Antwerpen	1,095	248,780,901	-0.27%	1,035	130,641,870	13.14%
Brabant Wallon	336	90,982,128	-1.23%	321	46,135,658	4.64%
Hainaut	1,750	272,420,924	-1.50%	1,674	192,536,915	19.37%
Liège	925	174,822,858	-0.21%	892	112,929,490	11.36%
Limburg	377	80,361,501	-0.61%	367	51,596,535	5.19%
Luxembourg	213	38,876,892	-0.29%	212	28,662,062	2.88%
Namur	446	88,895,550	-1.23%	427	56,764,738	5.71%
Oost-Vlaanderen	890	207,245,344	0.14%	863	107,360,042	10.80%
Brussels-Capital region	700	164,427,909	-1.18%	669	84,119,090	8.46%
Vlaams-Brabant	711	189,764,541	-0.97%	689	95,676,435	9.26%
West-Vlaanderen	730	151,666,762	-0.91%	714	87,793,817	8.83%
<b>GRAND TOTAL</b>	<b>8,173</b>	<b>1,708,335,310</b>	<b>-0.71%</b>	<b>7,863</b>	<b>994,216,652</b>	<b>100.00%</b>

These outstandings are those of Crédit Foncier.

## 7.2. 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 €32.4 bn of directly held loan receivables from Individuals secured by prime mortgages or the equivalent (lender's liens <sup>(42)</sup>), €12.1 bn 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 accordance with COREP reporting:

#### Hedges of outstanding loans directly held with private individuals

(in millions of euros)

		Private individuals
Schemes		12/31/14
	FGAS (100% – State guarantee)	10,724
Regulated schemes	Subsidised sector (State guarantee)	77
	Crédit Logement <sup>(1)</sup>	873
	Mortgage insurance companies	357
International financial organisations	Indirect European public guarantee <sup>(3)</sup>	67
A – Guaranteed receivables in addition to the mortgage guarantee or equivalent		12,097
B – Receivables guaranteed by first-ranking mortgages or equivalent (lender's liens)		20,323
(A + B) collateral + prime mortgage		32,420
C – Outstanding French mortgage loans		32,420
<b>PERCENTAGE OF OUTSTANDING LOANS WITH GUARANTEES (BASEL II-ELIGIBLE) COMPARED TO TOTAL OUTSTANDING LOANS [(A + B)/C]</b>		<b>100%</b>

Source: COREP – at 31 December 2014, exposure including off balance sheet commitments (excluding mortgage notes).

(1) Crédit Logement: a credit institution rated Aa3 by Moody'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) Indirect European public guarantee: €67 m in NHG (Dutch State) guarantees on the GMAC portfolio, as of 31 December 2014.

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

Registration document 2014

COMPAGNIE DE FINANCEMENT FONCIER

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

Regarding off-balance sheet derivatives, groupe Crédit Foncier measures exposure by applying an add-on to current exposures for the purposes of COREP reporting. Compagnie de Financement Foncier has a policy of systematically signing asymmetrical master netting agreements with its banking counterparties, meaning that only the counterparties provide collateral when the derivative's value is positive towards Compagnie de Financement Foncier, depending on their rating. When the value of derivatives with a counterparty is positive towards the counterparty, Compagnie de Financement Foncier does not post collateral to this counterparty.

In terms of derivatives instruments, 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. This framework agreement allows netting of exposures to a same group, which limits the own funds used. Furthermore, the framework market agreement allows the option of reducing the exposure to the credit risk through the margin call mechanism.

The framework agreements signed by Compagnie de Financement Foncier are consistent with international standards. Any framework agreement is negotiated by the operators and the lawyers of the Front Office in coordination with the Risk Division.

## 8. Recommendations from the Financial Stability Forum

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 2014, it had no exposure to the following asset classes:

- CDOs (Collateralised Debt Obligation) or direct exposures to monoline insurers;
- exposures to CMBS (Commercial Mortgage-Backed Securities);
- subprime, Alt-A or, more broadly, any exposure to US mortgage securities;

- special purpose vehicles;
- leveraged buyouts operations.

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 or to a public institution. The overall breakdown by underlying rating as of 31 December 2014 of the enhanced portfolio is provided below (nominal, in millions of euros):

### ■ Intrinsic rating before enhancement

12/31/14		Nominal (in millions of euros)						
Monoline	Monoline rating	AA	A	BBB	Non Investment Grade	Not available	Total	%
AMBAC	Not available		12				12	1%
CIFG	Not available			127			127	8%
FGIC	Not available					110	110	7%
AGMC <sup>(1)</sup>	A		957	145			1,102	71%
MBIA <sup>(2)</sup>	A-		88			123	211	13%
<b>TOTAL</b>			<b>1,057</b>	<b>272</b>		<b>233</b>	<b>1,562</b>	
%			68%	17%		15%		100%

(1) Assured Guaranty Municipal Corp. rating (for FSA).

(2) National Public Finance Guarantee Corp. rating (for MBIA).

These financing commitments are all backed by financial guarantees (no CDS), which constitute 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 Basel II monoline rating is the lower of the two best ratings from Standard & Poor's, Moody's and Fitch Ratings as of 31 December 2014. The intrinsic rating of the underlying asset is its Basel II rating before enhancement at the same date.

Given the restructuring that has impacted the monoline sector, the rating used for securities originally enhanced by FSA is now the

Assured Guaranty Municipal Corp. rating. This monoline was rated A2 (Moody's) and AA- (Standard & Poor's) at 31 December 2014. Likewise, those enhanced by MBIA are now assigned to the rating of the National Public Finance Guarantee Corporation (A3 rating by Moody's and AA- by S&P at 31 December 2014), the entity now guaranteeing North American local governments.

The 15% classified as "Not available" do not have a Basel II intrinsic rating but are assessed by Compagnie de Financement Foncier as being investment grade (i.e.  $\geq$  BBB-).

## 9. Market and asset & liability management risks

Compagnie de Financement Foncier does not conduct any proprietary trading and does not have any positions in the trading book. Its activities in the markets are limited to asset/liability hedges of the banking book.

Crédit Foncier provides Compagnie de Financement Foncier with ALM structural risk monitoring services, pursuant to an agreement

to this effect. The management rules are set out in Compagnie de Financement Foncier's Financial Charter.

In addition, Crédit Foncier provides consolidated supervision of the structural risks for the entire groupe Crédit Foncier.

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

### 9.1.1. ORGANISATION OF ALM RISK MONITORING

At Compagnie de Financement Foncier level, financial risks are managed and monitored by specialised bodies, the ALM Committee and the Risk Committee.

- **Compagnie de Financement Foncier's Risk Committee**, chaired by the Chief Executive Officer of Compagnie de Financement Foncier, defines financial risk policies. It monitors limits and indicators. It reports on the controls carried out by the Risk Division. It validates the locally determined methods for measuring risk as well as the specific agreements as to asset and liability flows, making sure that they are consistent with methods of groupe Crédit Foncier.
- **The Asset and Liability Management (ALM) Committee of Compagnie de Financement Foncier** is the decision-making body responsible for the financial management of the banking portfolio, within the limits established by Compagnie de Financement Foncier's executive management based on proposals by the Risk Committee and in accordance with groupe Crédit Foncier rules. It meets at least quarterly and is chaired by the Compagnie de Financement Foncier's Chief Executive Officer. Its members include the Chief Risk Officer and representatives of the main ALM management functions.

The operational list of guidelines and management decisions is elaborated by the following Crédit Foncier's committees:

- **the Treasury Committee**, meeting monthly and chaired by the Deputy Chief Executive Officer for Financial Operations of Crédit Foncier, who is also Deputy Chief Executive Officer of Compagnie de Financement Foncier, reviews the cash position and funding, makes one-year liquidity projections and manages Compagnie de Financement Foncier's liquidity ratio. The committee takes decisions on short-term operations needed to be implemented in the framework of the financing plan elaborated by the ALM;
- **the liquidity Committee**, meeting quarterly and chaired by the Chief Executive Officer of Compagnie de Financement Foncier, is responsible for monitoring of the funding policy of groupe Crédit Foncier and for the realisation of the budget. It ensures compliance with the limits and observation thresholds of liquidity indicators. If thresholds are overrun, the Committee proposes the measures to implement;
- **the Interest Rate Committee**, meeting weekly and chaired by the Deputy Chief Executive Officer for Finance, acts by delegation and as guided by the ALM as part of the management of interest rate risk. This committee is coordinated by Crédit Foncier's Financial Management Department, an independent unit within Crédit Foncier's Financial Operations Department, and manages the hedging of risks on fixed rate loans, fixing risks on variable-rate loans, as well as interest rate risk on occasional transactions.

This forum ensures strict separation between the reporting function and the order execution function, which is under the sole

responsibility of the trading desk of Crédit Foncier's Financial Operations Department;

- **lastly, the Financial Committee**, meeting monthly and chaired by the Deputy Chief Executive Officer for Financial Operations of Crédit Foncier who is also Deputy Chief Executive Officer of Compagnie de Financement Foncier, is charged of monitoring groupe Crédit Foncier's financial operations: financing, off-balance sheet transactions and purchases by Compagnie de Financement Foncier. It carries out the long-term operations required by the financing plan set by the ALM.

The risk unit provides second-level controls on financial risks in accordance with Compagnie de Financement Foncier risk charter.

### 9.1.2. METHODOLOGY USED FOR ASSESSING LIQUIDITY, INTEREST RATE, AND EXCHANGE RATE RISKS

Liquidity and interest rate risks are measured using different, complementary approaches depending on the scope of the analysis. There are two distinct approaches:

- a static approach, which covers on- and off-balance sheet transactions existing at a given date and up until their final maturity. Static processing factors in the stock of transactions and all flows from contracted commitments;
- a dynamic approach for liquidity risk (preparing the financing plan, evaluation of cash requirements) that includes business level forecasts over the current and following periods. Dynamic analyses consider likely events resulting from commitments that have been made or are under option and uncertain events resulting from future activity.

As regards interest rate risks, given a systematic hedging policy, new flows are assumed to be hedged for interest rate risk and therefore there is no dynamic modelling of interest rate risk that is different from the static flow concept.

Within the framework of these two approaches, assumptions or agreements are made about flows of assets and liabilities:

- balance sheet items with contractual maturities: the main assumptions concern the propensity of customers to pay back the loan before maturity (early repayment) or to renegotiate the terms of the loan, as well as how quickly loans known as deferred payments are disbursed.

Early repayment and renegotiation assumptions are applied to each type of loan according to customer category (private individuals or local authorities) and the type of rate (fixed rate, adjustable rate or variable rate). Early repayment rate assumptions are compared on the balance sheet date with rates actually observed in order to assess their relevance.

For the 2014 financial year, a flat rate of 6.5% corresponding to a structural long-term observation was retained, prior to the deployment of the early repayment scheme which is currently under review.



- balance sheet items without a contractual due date, such as items in the equity portion of the balance sheet (capital, reserves), are subject to specific maturity rules proposed by the Financial Management Department in accordance with BPCE rules or by special agreements validated by approved by Compagnie de Financement Foncier's ALM Committee.

As regards information systems, the ALM uses a specific software package (Bancware) that is interfaced with the management systems.

## 9.2. Liquidity risk monitoring

### 9.2.1. ORGANISATION OF COMPAGNIE DE FINANCEMENT FONCIER'S FUNDING

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

In 2014, Compagnie de Financement Foncier issued €6.15 bn of *obligations foncières*.

In addition, it took part in the securitisation operation led by its parent company, CFHL-1 2014, by transferring mortgage home loans for a global amount of €0.7 bn.

Compagnie de Financement Foncier also has at its disposal an asset mobilisation facility (Article L. 513-2 of the French Monetary and Financial Code.) This facility is represented operationally by a set of assets eligible for ECB refinancing operations of €15.3 bn after haircut and overcollateralisation constraint, pursuant to the transitional measures of the Banque de France of 9 February 2012.

In 2014 Compagnie de Financement Foncier did not make any use of this financing facility.

### 9.2.2. 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 the system of internal limits and monitored by the ALM Committee and the Risk Committee.

In particular, Compagnie de Financement Foncier is committed to maintaining a sufficient short-term liquidity to cover its privileged debt repayment commitments for a period of one year.

Some of its assets, known as replacement values (RV), consist of safe and liquid investments (short term loans guaranteed by assets) as required by law on *sociétés de crédit foncier*. At 31 December 2014, Compagnie de Financement Foncier held €7 bn in replacement values, which consisted mainly of L211-38 RV (short-term guaranteed notes) to BPCE for €6.6 bn. In addition, the cash balance of Compagnie de Financement Foncier mainly consists of deposits at the central bank that amounted to €1.2 bn.

### 9.2.3. COMPLIANCE WITH LIMITS

#### LIQUIDITY RATIO

As of 31 December 2014, Compagnie de Financement Foncier had a liquidity ratio of 8,527%.

#### 180-DAY LIQUIDITY FORECAST

Compagnie de Financement Foncier also ensures that at any given time its cash requirements are covered for a period of 180 days in accordance with the ratio established by the Decree of 23 February 2011 (Article R. 515-7-1 amended by regulation of 3 November 2014 (Article R. 513-7)).

According to the order of 26 May 2014, the 180-day liquidity forecast is, from now on, submitted for very close scrutiny to the Specific Controller and then instructed to the ACPR.

#### LIMIT ASSOCIATED WITH THE ASSET/LIABILITY RATIO

Since 2013, in line with BPCE standards, a limit associated with the asset/liability ratio has been monitored by Compagnie de Financement Foncier:

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

In addition, for the sake of forward management of liquidity, a benchmark level approved by the Risk Committee was set for the static liquidity ratio as follows:

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

At 31 December 2014, Compagnie de Financement Foncier was in compliance with this limit and the reference level.

#### ASSET/LIABILITY MATURITY GAP

In 2014, Compagnie de Financement Foncier also determines the durations of its assets and liabilities to ensure that their maturities are properly matched and is committed to a maximum spread of two years. Probable early redemption rates are applied to assets. Liabilities take into account equity share with a maturity equal to the longest of issued liabilities.



During the 2014 fiscal year, this rule was observed, as the average duration was 7.25 years for assets and 7.53 years for liabilities, the assets including:

- financed assets;
- replacement values, retained for their contractual maturity;
- mortgage notes and public sector loans mobilised under L. 211-38 treated in transparency.

Starting from 2015, this indicator will no longer be calculated in duration, but in average maturity.

Indeed, the average maturity metric has been adopted by the ACPR as regards the matching rules. At 31 December 2014, the average maturity of total liabilities is 8.3 years and 7.53 years for assets, a difference of 0.75 year.

#### ASSET/LIABILITY MATCHING INDICATOR

The order of 26 May 2014 introduced the calculation of a asset-liability matching indicator.

It requires that the average maturity for eligible assets held to maintain a cover ratio of 105% may not exceed the average maturity of outstanding privileged liabilities by more than 18 months. The calculation is submitted for very close scrutiny to the Specific Controller and then instructed to the ACPR.

Without restrict the eligible assets to the overcollateralisation constraint, the average maturity gap at 31 December 2014 is 7.3 months.

#### COVERAGE PLAN FOR PRIVILEGED LIABILITIES

This indicator was introduced by order of 26 May 2014. The reporting institution defines, depending on its specific characteristics, the quarterly coverage plan of privileged liabilities it shall apply in case of it may no longer issue liabilities. It is subject to an quarterly communication to the ACPR.

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

- assets used to cover privileged resources;
- securities and values safe and liquid pursuant to Article R.513-6 of the French monetary and financial code;
- cash flows generated by all balance sheet assets and privileged liabilities;
- privileged liabilities

The calculation of the cover ratio is based on the early repayment and a final loss rate on assets assumptions.

## 9.3. Monitoring of global interest rate risk

### 10.3.1. MANAGEMENT PROCEDURES

Global interest rate risk constitutes a potential risk of instability to Compagnie de Financement Foncier's earnings or asset values caused by overall unfavourable balance sheet and off-balance sheet exposures to interest rate fluctuations.

Compagnie de Financement Foncier is protected against foreign exchange and interest rate risk: all fixed rate and/or non-euro denominated asset acquisitions or debt issuances are systematically hedged with variable rates and/or swapped into euros at origination.

Given the various hedging mechanisms implemented by Compagnie de Financement Foncier at the time of transactions being entered into, an exposure to interest rate risk is limited to the possible distortion of the hedging transaction arising from events not known at the time of transaction conclusion and which occurred during the term of the contract (mainly early redemptions). Macro-hedging strategies are determined by Compagnie de Financement Foncier's ALM Committee; they are set out operationally by the Interest Rate Committee and then implemented by the Cash management unit of Crédit Foncier, which is the only point of entry to the market available to Compagnie de Financement Foncier.

In accordance with its new hedging policy implemented in 2014, derivatives transactions are generally intermediated by Crédit Foncier and results in a intragroup swap between Crédit Foncier and Compagnie de Financement Foncier.

With this strategy, Crédit Foncier becomes the main counterparty of groupe Crédit Foncier for external entities for interest rates swaps on assets and liabilities; which enables a reduction in clearing house as well as a smaller exposure of Crédit Foncier (and consequently

margin calls and Credit value adjustment). Moreover, it enables to reduce outstanding swaps of Compagnie de Financement Foncier.

This strategy usually does not apply to cross-currency swaps hedging issuances in foreign currencies or to structured swaps hedging private placements or some local authorities loans.

### 9.3.2. INTEREST RATE RISK MONITORING

Compagnie de Financement Foncier has adopted a static approach for measuring risk and the sensitivity of results. The two main indicators are the fixed interest-rate gap and the sensitivity of the equity's net present value (Basel II indicator). Variable rates by categories' buckets were also analysed.

The fixed interest-rate gap is calculated from total outstandings both on- and off-balance sheet on the balance sheet date, using predefined assumptions and rules for asset and liability flows. This interest rate gap is off-adjustable, for which the interest rate reference's periodicity is less than one year.

All of these indicators are monitored quarterly by the ALM Committee and Risk Committee.

### 9.3.3. COMPLIANCE WITH LIMITS

#### LIMIT RELATED TO THE STATIC RATE GAP

Compagnie de Financement Foncier is committed to maintaining the level of its interest rate mismatches or gaps within the very narrow range defined by periods of observation. These mismatches measure the difference between the utilisations and fixed rates sources over time assuming no new asset acquisitions or new issuances.

The current limits for interest rate gaps are:

Horizon	Limits as percentage of the projected balance sheet
Less than 2 years	2%
2-5 years	3%
5-10 years	5%
More than 10 years (*)	10%

(\*) The ALM Committee decided on 02/24/2015 to set the maximum maturity for observation of the fixed rate gap at 15 years

At 12/31/2014, Compagnie de Financement Foncier was in compliance with these limits.

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

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

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

At 31 December 2014, Compagnie de Financement Foncier was in compliance with this limit.

## 9.4. Monitoring foreign exchange risk

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

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

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

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

Regarding such exposure, Compagnie de Financement Foncier established an additional internal limit equal to the exchange value of €5 m for all currencies combined and to €3 m 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 respected in 2014.

# 10. Operating risks

Within Groupe BPCE, operational risks are defined as the risk of loss resulting from inadequate or faulty procedures, personnel, information systems or external events. Operating risks include in-house and external fraud and reputational risk.

Compagnie de Financement Foncier's operating risk management is entrusted to Crédit Foncier under service agreements signed between the two institutions. The greater part of operational risk is linked to the services outsourced to the parent company. Any consequence of operational incidents detected in the framework of a Crédit Foncier process relating to a Compagnie de Financement Foncier balance sheet item is borne by Crédit Foncier.

These risks include in particular accounting, legal, regulatory and tax risks, as well as risks relating to staff, property and information system's security.

Compagnie de Financement Foncier's operating risk management relies on Crédit Foncier's system. Operational risks associated with the activity of Compagnie de Financement Foncier's General Secretariat are specifically mapped and presented to the Operating risks committee every quarter. No incident related to Compagnie de Financement Foncier's specific risk mapping was detected in 2014. At 31 December 2014, the total operational supervision and management of Crédit Foncier's operational risk system included 172 people.

## 10.1. General Management

All of groupe Crédit Foncier's Operational Risk processes are managed by its Risk Division, which relies on the risk charters, on

the operational risk standards and methods employed by Groupe BPCE's Risk Division and on the Group's operational risk policy.

## 10.2. Governance

Operational risk management is part of groupe Crédit Foncier'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.

## 10.3. Management environment

### 10.3.1. MANAGEMENT NETWORK

Operational risk oversight and management is delegated to the managers of various divisions. Each manager relies on a network of representatives coordinated by a risk manager, with a functional link to the Risk Division.

### 10.3.2. 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 has been put in place:

- a system for recording incidents in a dedicated Group database (PARO): management and analysis of operational results: the management network inputs the incident database as and when such incidents occur and evolve; monitoring of corrective action plans; analysis of changes in risks exposures and resulting losses;
- indicators for the main risk areas warning when incidents are likely to enter a critical phase.

Groupe Crédit Foncier also receives reports through the PARO system.

Lastly, for calculating capital adequacy requirements, groupe Crédit Foncier currently applies the Basel II standard approach.

## 10.4. Organisation of the Contingency and Business Continuity Plan (CBCP)

In accordance with the service agreements between groupe Crédit Foncier and Compagnie de Financement Foncier, business continuity of Compagnie de Financement Foncier is covered by Crédit Foncier's Contingency and Business Continuity Plan (CBCP). All aspects of this plan are maintained in working condition as required by the regulations.

Compagnie de Financement Foncier has its own CBCP manager who acts on its behalf in matters of compliance and maintaining the plan in deployment-ready condition in cooperation with Crédit Foncier.

## 10.5. Information technology risk

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

Since 1 January 2014 Crédit Foncier's information system has been placed under IT-CE, a subsidiary of Groupe BPCE responsible for the information technology of Caisses d'Epargne and other Groupe BPCE entities. As per the original plan, IT-CE took responsibility for day-to-day continuity of service and changes in Crédit Foncier's current applications platform.

## 10.6. Insurance

As Compagnie de Financement Foncier's servicer, Crédit Foncier insures the risks relating to its activity. Under service agreements with Compagnie de Financement Foncier, it provides insurance-related services on behalf of Compagnie de Financement Foncier.

As a result, Compagnie de Financement Foncier benefits from insurance policies provided by Crédit Foncier covering the following risks:

- losses arising out of banking operations;
- IT fraud and malicious acts;
- professional civil liability;
- civil liability of senior executives and corporate officers.

## 10.7. Legal risks

According to the service agreements that link Crédit Foncier to Compagnie de Financement Foncier, legal risks incurred by the latter are monitored by the General Secretariat of the Group.

The difficulties faced by a major operator in the French overseas departments led him to consider a withdrawal scheme through the sale of assets; it should be noted that the underlying receivable is guaranteed by both real estate collateral and a State guarantee provided in Article L. 312-1 of the French Construction and Housing Code.

Regarding French local authorities, given the fact that some interest rates, being at first subsidised became then subject to a structured calculation based on the exchange rates' evolution, they were affected by an actual trend of exchange rates' evolution. Five of them took Crédit Foncier to court. Compagnie de Financement Foncier was only named directly in one case. The proceedings are ongoing, it being noted that the lender's case is underpinned by the provisions of Act No. 2014-844 of 29 July 2014 on the securing of structured loan agreements entered into by public sector entities.

Following a media campaign, notably on the internet, all market participants received a number of complaints from borrowers,

claiming that the effective annual interest rate (TEG rate) on their loan was wrong, and was subject to a number of legal proceedings on this matter. An appropriate defence was made in response to these claims both in and out of court. Progressively, a combination of favourable decisions support the position of the creditor in pending lawsuits.

A media campaign brought to the public's attention the rights that subscribers to a collective insurance contract could have to receive a share of the profits from mortgage protection insurance. This campaign aims at all market participants.

Crédit Foncier, as part of its activities of management and recovery of receivables transferred to Compagnie de Financement Foncier, has now put in place the necessary organisational measures to handle any claims that could arise, and has drafted a response based on technical grounds demonstrating that borrowers have no entitlement in respect of either Crédit Foncier or Compagnie de Financement Foncier. Moreover, a ruling by the Paris Court of First Instance on 23 September 2014 accepted in full the argument put forward by Crédit Foncier and Compagnie de Financement Foncier.

# 11. Settlement risk

Compagnie de Financement Foncier's treasury transactions are essentially carried out in connection with ALM activities. Processing is centralised in Crédit Foncier's treasury back office.

This unit provides:

- cash flow management (inflows and outflows);
- cash forecasting 24 hours ahead.

The handling and the accounting control of treasury accounts is the responsibility of a manager in charge of an independent unit, in keeping with the principle of segregation of duties. Compagnie de Financement Foncier has direct access to the market settlement systems of the Paris Stock Exchange for large transactions denominated in euros; it is a member of the European Target system. For transactions in foreign currencies and small transactions in euros, it has accounts with BPCE.

Daily procedures for monitoring settlement risk include:

- preparation of projected flow profiles;
- daily reconciliation of individual flows with forecasting;
- creation of a payment incidents database.

In the event of the definitive default of a settlement counterparty leading to Compagnie de Financement Foncier potentially being overdrawn with the Banque de France, there are provisions for hedging mechanisms to be put in place (interbank borrowing or end-of-day borrowing facility provided by the European Central Bank).

Compagnie de Financement Foncier has a contingency and business continuity plan for settlement under an agreement with BPCE. Accordingly, as regards its financial activities, Compagnie de Financement Foncier is covered by BPCE's Contingency and Business Continuity Plan.

# 12. Non-compliance risk

Compliance responsibilities for Compagnie de Financement Foncier are performed by Crédit Foncier in accordance with the terms of the relevant agreements (framework agreement and internal control and compliance service agreement) between the two entities. The Head

of Compliance at Crédit Foncier is notably registered with the AMF as Head of investment services compliance for Compagnie de Financement Foncier.

## 12.1. Risk monitoring and measurement systems

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

The work undertaken in 2013 on the application of the US FATCA tax law to Crédit Foncier's transactions and securities continued in 2014. The particular issues arising from the European EMIR regulation relating to transactions with derivative instruments were also dealt with. Work in this regard also continued in 2014, in particular by the implementation of the trade reporting required under the regulation.

## 12.2. 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 Crédit Foncier operating teams within the scope of Compagnie de

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

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

## 12.3. Risk management

The control of non-compliance risks is divided between:

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

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

## 12.4. 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 and Risks Committee.

## 12.5. 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.

## 12.6. 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.

## 12.7. Combating money laundering and financing of terrorism

Groupe Crédit Foncier combats money laundering and the financing of terrorism by means of a due diligence and monitoring system involving all Group stakeholders across the banking and credit transactions processes. This system includes adequate procedures as well as training and awareness programmes for staff.

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

## 12.8. Outsourced services

Essential Outsourced Services within the meaning of Articles 231 to 240 of the ministerial order of 3 November 2014 concerning the internal control of credit institutions, companies providing payment and investment services that are subject to supervision by the French Prudential Supervisory and Resolution Authority (Autorité de contrôle prudentiel et de résolution – ACPR) previously under Article 37 of regulation No.97-02 as amended of the French Banking and Financial Services Regulatory Committee - CRBF) are those covered by agreements between Crédit Foncier and Compagnie de Financement Foncier. Crédit Foncier monitors

compliance with this regulation for services it outsources to third parties. This outsourced services monitoring has been incorporated into Groupe BPCE's PILCOP application allowing thus the monitoring of ongoing services and an adequate implementation of new services.

The General Secretariat of Compagnie de Financement Foncier has specific responsibility for monitoring services outsourced to Crédit Foncier's





# Report of the Chairman of the Board of Directors

## REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

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

175

175

Internal control procedures established by the Company

## STATUTORY AUDITORS' REPORT

177

184



# Report of the Chairman of the Board of Directors

## established pursuant to Article L. 225-37

## of the French Commercial Code

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

#### 1.1. MEMBERS OF THE BOARD

As of 31 December 2014, the Board of Directors of Compagnie de Financement Foncier was composed of eleven members, including the Chief Executive Officer and the Deputy Chief Executive Officer. The members of the Board are listed in the appendix. Compagnie de Financement Foncier's two Statutory Auditors and its Specific Controller also attend the Board meetings.

#### 1.2. BOARD MEETINGS

The legal secretary to the Board of Directors is provided by the General Secretariat of Crédit Foncier de France and it establishes, in consultation with the Chairman and Executive Officers, the agenda for the meetings. 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 issuances and analysis of the performance of *obligations foncières* (covered bonds) issued by Compagnie de Financement Foncier on the primary and secondary markets;
- determining, at the end of each quarter, for the following quarter, the programme for issuing covered bonds and other preferred debt which requires certification by the Specific Controller;
- delegation of the powers necessary to carry out these operations;
- examination of the half-year accounts;
- more generally, authorisation of any major transaction involving Compagnie de Financement Foncier or any significant event affecting (governance, changes to bylaws, agreements with the parent company, update of EMTN programmes, debt issuances that exceed limits of delegated powers, etc.);

- review of internal control reports and risk monitoring measures pursuant to Articles 258 et seq. of the Order of November 3, 2014 concerning the internal control of credit institutions, companies providing, payment and investment services that are subject to the supervision of the French Prudential Supervisory and Resolution Authority [(Autorité de Contrôle Prudentiel et de Résolution – ACPR) previously 42 and 43 of regulation No. 97-02 as amended of the Committee on Banking and Financial Regulation (CRBF)] and of the annual report of the Specific Controller;
- presentation of the results of permanent, periodic and compliance controls.

The records and documents submitted to the Board provide it with clear, true and fair information about Compagnie de Financement Foncier and its evolution.

The Board of Directors 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 Compagnie de Financement Foncier in its relationships with third parties. The Deputy Chief Executive Officer is vested with the same powers as the Chief Executive Officer.

Compagnie de Financement Foncier's Board of Directors met seven times in 2014.

Board members are entitled to directors' fees in accordance with the allocation rules recommended by BPCE, Compagnie de Financement Foncier's Central Institution. Under a BPCE Directive dated December 17, 2010, Director's fees payable to BPCE representatives are paid to BPCE and not to the individual in question. Since 01 January 2012, the same treatment applies to the representatives of Crédit Foncier. The attendance fees are paid to Crédit Foncier and not to the individual in question. The amount of the directors' fees allocated to the Board members is set in advance for each meeting. It is paid only if the members actually attend the meetings (according to Article 13 of the bylaws, Directors taking part in the meetings of the Board through video-conferences or telecommunication means granting their identification and actual participation, are considered as attending for the calculations of the quorum and the majority). The amount is also subject to an annual cap.

### 1.3. COMMITTEES AND CONTROLS

In order to comply with the various changes relating to the governance of credit institutions introduced by Directive 2013/36/EU, transposed into the French Monetary and Financial Code by Order No. 2014-158 of 02/20/2014 (CRD IV) and the Decree of November 3, 2014, the Board of Directors resolved, at its meeting of December 16, 2014, to establish an Appointments Committee and to change the name of the Audit Committee, in light of all its duties, to the Audit and Risks Committee.

The Company has thus adopted an Appointment Committee which is responsible for nominating candidates for Board membership, assessing knowledge diversity and setting a target for male/female representation.

This Committee has two members, who are directors:

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

The Audit and Risks Committee operates in accordance with a charter approved by the Board of Directors in its meeting of June 29, 2004 and updated by the Board in its meetings of March 30, 2010, June 29, 2011 and December 18, 2013.

The Audit and Risks 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 Compagnie de Financement Foncier's financial statements;
- the quality of internal control, in particular the consistency of risk measurement, supervision and management, and is responsible for proposing, when appropriate, additional measures in this respect.

Its usual scope includes:

- budget procedures;
- financial statements;
- choice of Statutory Auditors and Specific Controller;
- permanent controls (compliance, risk monitoring and financial management);
- periodic controls;
- appointments of corporate officers;
- examination of the annual report by the Specific Controller.

As of 31 December 2014, the Audit and Risks Committee is composed of four members:

- Crédit Foncier represented by Mr Eric FILLIAT, Chairman;
- BPCE represented by Mr Olivier IRISSON;
- Ms Christine FABRESSE;
- Mr Dominique GARNIER.

Mr Thierry DUFOUR, Chief Executive Officer, is in charge of permanent and periodic control and compliance for Compagnie de Financement Foncier.

This appointment meets the requirements of Articles 14 et seq. of the Order of November 3, 2014 concerning the internal control of credit institutions, companies providing payment and investment services that are subject to the supervision of the French Prudential Supervisory and Resolution Authority [(Autorité de contrôle prudentiel et de résolution – ACPR) previously Article 7.1 of regulation No. 97-02 as amended of the Committee on Banking and Financial Regulation (CRBF)] and to the principle applied by the Management of Crédit Foncier de France under which the executive bodies of credit institutions' subsidiaries may draw on the parent company's structure to fulfil their obligations in terms of permanent and periodic control and compliance.

### ATTENDANCE OF SHAREHOLDERS AT GENERAL MEETINGS

General Meetings of shareholders are called in accordance with French legal and regulatory requirements.

An invitation to attend the meeting is sent to each shareholder individually. The shareholders are exclusively registered shareholders.

Any shareholder may attend the General Meeting per the conditions set out by law.

There is no provision assigning multiple voting rights.

### PRINCIPLES AND RULES APPROVED BY THE BOARD OF DIRECTORS FOR DETERMINING COMPENSATION GRANTED TO CORPORATE OFFICERS

Compensation of the Chief Executive Officer and the Deputy Chief Executive Officer is composed of fixed and variable pays, the latter being computed as a percentage of the fixed pay. For the Chief Executive Officer, the amount of the variable pay that is actually allocated depends on the income of Crédit Foncier for 80% and Groupe BPCE for the remaining part and, for the Deputy Chief Executive Officer, the degree of completion of the objectives that are assigned to him each year. This variable pay is fully paid by Crédit Foncier.

## Internal control procedures established by the Company

### REGULATORY ENVIRONMENT AND ITS APPLICABILITY TO THE ENTITIES OF THE GROUPE CRÉDIT FONCIER

In its dual capacity as credit institution and *société de crédit foncier*, Compagnie de Financement Foncier operates within a very comprehensive legal and regulatory framework governing its activities and their control.

As a credit institution, this framework is primarily governed by the French Monetary and Financial Code (CMF) and the regulations set forth by the Banking and Finance Regulatory Committee (CRBF), and in particular, with regards to internal controls, by the Order of November 3, 2014 concerning the internal control of credit institutions, companies providing payment and investment services that are subject to the supervision of the French Prudential Supervisory and Resolution Authority (Autorité de Contrôle Prudentiel et de Résolution – ACPR) [previously regulation No. 97-02 as amended of the Committee on Banking and Financial Regulation (CRBF)].

As a *société de crédit foncier*, Compagnie de Financement Foncier is subject to specific provisions set forth in Articles L. 513-2 to L. 513-27 of the French Monetary and Financial Code and in various implementing decrees (Articles R. 515-2 to 14 of the French Monetary and Financial Code, CRBF Regulation No. 99-10 as amended, etc.). The legal and regulatory framework applicable to *sociétés de crédit foncier* was revised and modernised in 2010, and the changes came into force in 2011.

This framework requires Compagnie de Financement Foncier to appoint a Specific Controller approved by the French Prudential Supervisory and Resolution Authority. This person is in charge of monitoring compliance with legal requirements: asset eligibility, overcollateralisation, congruence of rates and maturity and valuation of assets or underlying securities.

The Controller drafts an annual report, which is then submitted to the French Prudential Supervisory and Resolution Authority and Executive officers.

Compagnie de Financement Foncier is also provider of investment services and therefore subject to the general regulations of the French financial markets authority (AMF). A Head of Investment services compliance (HISC), Head of Compliance of Crédit Foncier and permanent holder of the card issued by the AMF for Compagnie de Financement Foncier, ensures the compliance with the financial regulation. To define its scope, he/she has provided a corpus of procedures on, notably, the possibility to alert, the framework applicable to people exposed to the risks of insider trading conflicts, the delivery and withdrawal of professional cards issued by the AMF, the recording process of telephone communications, the limited access to the trading floor, the certification of products and services.

In accordance with the regulations, Compagnie de Financement Foncier's executive management is responsible for establishing internal controls and implementing them. The internal controls encompass all procedures, systems and controls required to comply with laws, regulations and market rules, as well as groupe

Crédit Foncier's rules, and ensure that all risks are properly managed.

In accordance with the legal framework that provides a privilege for holders of covered bonds, the law stipulates that *sociétés de crédit foncier* may not have their own resources.

Compagnie de Financement Foncier relies on the resources of its parent company to carry out its activities. Crédit Foncier provides it with a number of services, under a series of agreements, particularly with regard to internal control and compliance services. Accordingly, an agreement on internal control and compliance services signed on December 28, 2006 and was amended on February 13, 2014.

Pursuant to the Order of November 3, 2014 concerning the internal control of credit institutions, companies providing payment and investment services that are subject to the supervision of the French Prudential Supervisory and Resolution Authority (Autorité de Contrôle Prudentiel et de Résolution – ACPR), these services must be subject to a specific control system, which requires that the service provider's internal control system be suitable. This suitability remains the responsibility of the Executive Management of Compagnie de Financement Foncier, as per Article 237 of said Order: "outsourcing shall not result in the delegation by senior management of its responsibility".

The outsourced activities are performed in accordance with the permanent and periodic control procedures implemented by Crédit Foncier. These procedures comply with the rules and standards set by BPCE, which as the central institution determines the obligations of group entities in the area of internal control (resources, organisation and guidelines).

BPCE's Internal Audit Department also performs periodic audits of Crédit Foncier's internal control system as part of its overall assessment of internal control.

### ORGANISATION OF INTERNAL CONTROL AND ROLES OF THE VARIOUS PARTIES INVOLVED

The effectiveness of internal controls depends on a clear division of the roles and responsibilities of different governance structures and of permanent operational control entities as well as on the arrangements made for periodic controls.

#### CORPORATE GOVERNANCE

Compagnie de Financement Foncier's executive management is responsible for managing the company. It is in charge of managing risks and internal controls including permanent controls.

The Board of Directors exercises control over the company's management and orients its strategy. It is involved in the most important decisions and is kept regularly informed of the level of indicators. Its work is prepared by the Audit and Risks Committee, which carries out the essential tasks of ensuring that relevant and consistent accounting methods are used to prepare the company's financial statements and of assessing the quality of internal controls, including the consistency of measurement, monitoring and risk management systems, and, if necessary, proposes an appropriate course of action.

## INTERNAL CONTROL PROCEDURES

### Context and principles of Groupe BPCE'S control system

As a credit institution, Crédit Foncier de France is subject to extensive legal and regulatory obligations that govern its operations and control its activities. These obligations consist mainly of the French Monetary and Financial Code and the regulations set forth by the CRBF (French Banking Regulations Committee) and in particular, with regard to internal controls, by CRBF Regulation No. 97-02 as amended. These principles have been mentioned in the order of 3 Novembre 2014. The groupe Crédit Foncier is supervised by European Central Bank in the single supervisory mechanism which acts in conjunction with the French Prudential Supervisory and Resolution Authority.

In accordance with the regulations, Crédit Foncier's executive management team is responsible for designing and implementing internal controls. Internal controls encompass all procedures, systems and verifications required to:

- enable the achievement of the Company's objectives and compliance with laws and regulations as well as market or Group rules;
- ensure that all risks to which the Company is exposed are properly managed.

The structure of these control systems is based on two levels of permanent controls, applied by the operational units (CP1) or entities that are independent of the operations they are auditing (CP2), and on periodic controls carried out by the Inspection department.

- More specifically, the Group's permanent control system incorporates the standards set by BPCE in accordance with regulations. As the Group's central body, BPCE's main purpose is to apply all administrative, financial and technical measures regarding the organisation and management of Banques Populaires and Caisses d'Épargne, their subsidiaries and joint entities. The organisational and auditing rules determined by BPCE are applicable to all affiliated institutions and govern all commercial and financial activities as well as the assessment, control and monitoring of credit, market, accounting, information technology and operational risks. Within this framework, particular attention, involving the definition of specific standards and controls, is applied to the prevention of money laundering and the financing of terrorism.
- At the same time, the quality and operational effectiveness of permanent controls is periodically audited by the General Inspection department, which is subject to specific requirements. Periodic audits are governed by Groupe BPCE's audit charter and are carried out by a special office staffed by members of BPCE's General Inspection department. The aim of this structure is to promote cooperation between the Audit departments and to provide coverage of the Group's entire scope as effectively as possible.

### Organisation of internal controls at Crédit Foncier

#### CORPORATE GOVERNANCE

The Executive Management team is responsible for managing groupe Crédit Foncier. It is in charge of the management of risks and internal controls, including the system of permanent controls.

The Board of Directors exercises control over the management of the company and directs strategy. It is involved in the most important decisions and is kept regularly informed of changes in major management ratios and indicators. Its work is prepared by the Audit and Risks Committee, which carries out the essential tasks of ensuring that relevant and consistent accounting methods are used to prepare the company's individual and consolidated financial statements, of supervising internal controls, particularly the consistency of measurement, monitoring and risk management systems, and when necessary, of proposing appropriate additional courses of action.

#### INTERNAL CONTROL

The internal control system is based on two levels of permanent control and a periodic control system, and is deployed through various organisational measures (involvement of supervisors, system of delegation, reporting structures, and the segregation of duties) which are detailed below.

#### Levels of permanent control

Independent control units are positioned within the business lines.

The Risk and Compliance divisions have been combined into a single Division under the authority of a Deputy Chief Executive Officer. Within this Division, a Permanent Control Coordination department monitors the overall consistency of the permanent controls system (development and validation of annual audit plans, follows up the update of different entities control levels, monitors the general framework of permanent control and business meetings, ...).

#### OPERATIONAL PERMANENT CONTROL

First-level permanent operational controls (CP1) are performed within the operational units by employees or their management. The controls are specified in procedural and operating manuals, and unit heads are responsible for producing and updating these manuals.

Rapidly changing structures and regulatory environments, together with transformation of IT systems, constantly modify the processing procedures, calling for regular updating of directives and guidelines. This will be particularly true in the light of migration of the IT tools to platform Mysis of GIE ITCE planned for late 2015.

#### PERMANENT CONTROL PERFORMED BY UNITS THAT ARE INDEPENDENT FROM THE OPERATING STRUCTURES

These units provide second-level control (CP2) and ensure that procedures are properly executed and that risks are managed efficiently.

They may report directly to Executive Officers of Crédit Foncier:

- the head of permanent control for loan sales activities to individual customers reports directly to the Deputy Chief Executive Officer in charge of the commercial development. He also reports functionally to the Chief Risk and Compliance Officer;
- the heads of permanent control for the Corporate activity and the Middle and Back Office activities for loans to individual customers report to the Executive Directors in charge of these sectors;
- the same is true for the "Compagnie de Financement Foncier and VMG Oversight and Control" unit, which supervises permanent control of all processes impacting Compagnie de Financement Foncier (particularly the quality of procedures and services).

The permanent control units can also put together dedicated central structures:

- The **Risk department** measures, controls and oversees credit and counterparty risks, as well as financial and operational risks.
- The **Compliance department** is responsible for controlling the risk of non-compliance and controlling investment services. It also covers ethics and the prevention of money laundering and fraud.
- The **Permanent Control Coordination department** is responsible for ensuring cross-business control functions within groupe Crédit Foncier. It provides a strong functional reporting line between permanent control teams, ensuring the existence and effectiveness of the permanent control structure.
- The **Head of Information Systems Security** for groupe Crédit Foncier reports to the Chief Risk Officer. His responsibilities are to define the information systems security policy, oversee a network of officers within the company's entities and assist and advise the IT department on security issues. In addition, he is now also responsible for the Contingency and Business Continuity Plan (CBCP) for groupe Crédit Foncier, with the duty to keep the plan up to date and in working order to ensure that Crédit Foncier will be able to continue operating following the materialisation of a major risk. These functions will be redefined with the migration of the IT system of Crédit Foncier to ITCE planned for the end 2015.

These three departments report directly to the Chief Risk Officer, in charge of the Risk and Compliance division.

- The **"Accounting Audit" unit**, which reports to the Accounting Department but has no operational duties, is responsible for auditing the accounting and regulatory data generated by Crédit Foncier and its subsidiaries.

Groupe Crédit Foncier's permanent control system is structured around standardised and regularly updated risk management control procedures for each business unit.

The main duties of the Internal Control Committee are to:

- ensure that permanent control of business activities is well organised and comprehensive, and that risk management and supervision are efficient (including monitoring of the risk management system);
- supervise actions aimed at ensuring good risk management, compliance of operations and internal procedures, quality and availability of the data processed by information systems, and the security of said systems;
- ensure that deficiencies identified by the permanent control units are resolved;
- convene the representatives of the control functions at least four times a year.

The conclusions of the Committee's work are regularly reported to the Audit and Risks Committee.

### Periodic control

Periodic control is the responsibility of Crédit Foncier's General Inspection department.

The BPCE's control unit may also contribute to periodic control by auditing groupe Crédit Foncier and forwarding recommendations to Crédit Foncier's General Inspection department, which oversees their implementation.

### Management's role in controlling employees' activities

As a key element of operational permanent control, control by line management is usually ensured:

- by analysing the incident reports, supervisory reports or reports that enable the managers to oversee the activities of their units;
- by a system of delegations, to a large extent incorporated into the IT procedures (authorisation by type of transaction or limit, transactions that require approval), or in the form of manual approvals.

### Delegation system

Crédit Foncier's delegation system is based on two series of measures:

- firstly, an internal system ensuring that decisions are taken at the appropriate level (by the competent decision-making committees or via internal delegation systems) according to the degree of risk that they represent;
- secondly, a system of mandates enabling Crédit Foncier representatives to prove to third parties that they have the necessary powers to commit the Company.

Moreover, all members of the Executive Committee have full power and authority to perform their duties, within the scope assigned to them.

Decisions that are outside the framework of the responsibility of the Executive Officers and which exceed the powers delegated to operational managers are taken by specialised committees. The main committees include:

- the **National Commitment Committee**: authorises commitments exceeding the powers delegated to the operational units;
- the **Risk Committee**: monitors overall trends in counterparty, financial and operational risk and takes the relevant decisions (scoring rules, delegations and limits);
- the **Watch List and the National Sensitive Operations Committee**: manage strategy and decisions regarding substantial debts that are either distressed or exposed to risk;
- the **New Products & Services Committee**: approves the market launch of new types of loan and other products and provides services;
- the **ALM Committee and the Liquidity Oversight Committee**: analyses ALM indicators and provides ensuing decisions and guidelines; a stand-alone committee implements ALM Committee decisions;
- the **Finance Committee**: sets, amongst other things, financial terms of Compagnie de Financement Foncier's private placements;



- the **Interest rate Committee**: manages the hedging transactions, including those of Compagnie de Financement Foncier;
- the **Loan Conditions Committee**: for determining loan terms offered to customers;
- the **Provisions Committee**: validates Crédit Foncier's provisioning methods and levels;
- the **International Run-Off Portfolio Monitoring Committee**: manages strategy and decisions pertaining to the disposal of a significant amount of international securities and receivables;
- the **Resolution Committee**: delegation to cancel the transfer of receivables from Crédit Foncier to Compagnie de Financement Foncier.

The Risk Committee, the ALM Committee and the Liquidity Committee exist for Compagnie de Financement Foncier's scope. The other committees are organised at Crédit Foncier consolidated level. Moreover, an Agreements Monitoring Committee also exists. It is a joint committee between Compagnie de Financement Foncier and Crédit Foncier in charge of defining or modifying the agreement on management and services provided by Crédit Foncier to Compagnie de Financement Foncier. This committee makes sure that the framework agreement and all the special agreements between the two companies are correctly applied, interpreted and well-balanced between both companies.

#### Monitoring and measurement of risks

Crédit Foncier has set up risk measurement, oversight and management systems (mainly for counterparty, interest rate, foreign exchange, liquidity and operational risks) adapted to its activities, resources and structure. These systems form an integral part of the internal control system.

The main risk factors to which Crédit Foncier is exposed are closely monitored. The company has drawn up precise limits and procedures for managing, selecting, measuring, overseeing and controlling its risks. These limits are updated regularly.

The Risk department performs exhaustive and precise assessments of Crédit Foncier's risks covering all categories of commitments and differentiating between the levels of risk.

Risk measurement methods are documented and supported. They are reviewed regularly to ensure that they are relevant and appropriate for the risks incurred.

Oversight of risks incurred entails constant monitoring of breaches of limits and their resolution and a periodic review of the main risks and portfolios. The classification of loans is verified periodically to ensure that loans are correctly classified according to the applicable regulations (in particular for doubtful loans). Checks are also performed regularly to ensure that provisioning is consistent with risk levels.

Risk assessments are submitted to the Executive Officers at committee meetings or in periodic activity reports and are regularly reported to the Audit and Risks Committee as well as to the Board of Directors.

#### Reporting lines

The information needed by the executive management to oversee the activity is provided in the monthly operating reports produced by the Finance Division. The various business lines draw up reports specific to their respective activities.

#### Principle of the segregation of duties

Independence is on the whole ensured between the units in charge of carrying out transactions and those in charge of their accounting and settlement and the oversight and management of the related risks.

The independence of control units from operational units is ensured as follows:

- the Risk Division of Crédit Foncier oversees counterparty, financial and operational risk,
- accounting controls are performed by the Accounting Division of Crédit Foncier and its specific unit,
- compliance and ethics are the responsibility of the Compliance Division of Crédit Foncier,
- permanent control is carried out by control units that are separate from the operational units,
- periodic controls are performed by the General Inspection Division of Crédit Foncier.

#### Accounting system and procedures

Crédit Foncier's accounting system, services provider for Compagnie de Financement Foncier, relies mainly on the input of accounting data by the management chains.

The methods used for internal accounting control are described in the section on accounting and financial reporting control procedures.

#### WORK PERFORMED BY THE GENERAL INSPECTION DIVISION OF CRÉDIT FONCIER

##### Organisation and resources of the General Inspection Division of Crédit Foncier

The General Inspection Division of Crédit Foncier is responsible for assessing risks and reviewing the permanent control system.

It reports on its audits to the Chief Executive Officer and to the Risk and Audit and Risks Committee.

At the end of 2014, the department had a staff of 20 employees. All were university graduates drawn from a number of different fields (accounting, finance, legal, commercial sales).

An annual audit plan is prepared by the General Inspection department, working in conjunction with the Executive Officers and in consultation with BPCE's General Inspection department. The plan is approved by Crédit Foncier's executive management team and submitted to the Risk and Audit Committee. It covers the General Inspection department's scope of intervention, with a long-term plan based on an audit cycle of at most four years; intrinsically risky activities are audited more frequently. During the year, special audits or reviews may be conducted at the behest of the Chief Executive Officer or the Audit and Risks Committee.

Reports on the audits performed are presented to Crédit Foncier's executive management, the Audit and Risks Committee, and if appropriate to the executive bodies of the subsidiaries in question. Information is also provided at Executive Committee meetings, allowing a final review of recommendations prior to implementation. 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. The Executive Committee also reviews any recommendations that prove difficult to implement.

### Inspection assignments conducted in 2014

Overall, Crédit Foncier's General Inspection department conducted its audit plan in 2014 despite the temporary mobilisation of a part of its resources by the Asset Quality Review, under of the European banking supervision.

The General Inspection assignments were therefore included in the annual audit plan approved by the Audit Committee on December 6, 2013, covering the Crédit Foncier Group's different sectors of operation: loans to individuals, corporates, support activities, subsidiaries and outsourced services.

### Follow-up on recommendations from previous assignments

Monitoring of the implementation of audit recommendations is based on the reports submitted by the audited entity's management, indicating the percentage of completion and including, if necessary, an action plan and a new deadline.

The audited units now enter the reports into the Group intranet database made available to them. These reports must be accompanied by supporting documentation provided by the audited entity and containing all the necessary proof of completion. The Inspection department systematically verifies whether the audit recommendations have actually been implemented by checking documents when the completion rate reaches 100%.

A detailed statistical report is prepared quarterly to provide with a clear summary report the Executive Management, the Executive Committee of Crédit Foncier. It is communicated to the Audit and Risks Committee of Compagnie de Financement Foncier regarding recommendations under its scope: including requests to extend or abandon recommendations. Recommendations not implemented according to the initial timetable are specifically reviewed by the Executive Committee.

The Audit and Risks Committee is also specifically informed of the implementation of the recommendations of ACPR Assignments.

When an entity is re-audited, the status of previous recommendations is systematically examined.

## CRÉDIT FONCIER'S PROCEDURES FOR AUDITING ACCOUNTING AND FINANCIAL INFORMATION

### BPCE'S ROLE

BPCE's Accounting department is responsible for standardisation, supervision, appraisal, oversight, forecasting, regulatory monitoring and Group's representation for prudential and accounting matters.

In this capacity, it defines and updates the Group's accounting standards, comprised of a Group Accounting Plan together with accounting rules and methods applicable to all Group entities. These rules and methods include general accounting tables and are summarised in a manual used by all the Group's institutions, which is regularly updated based on changes in accounting regulations. Furthermore, the rules for preparing the half-year and annual financial statements are the subject of a specific report aimed at harmonising accounting procedures and statements across the different companies in the Group.

### CRÉDIT FONCIER'S AUDIT AND RISKS COMMITTEE

Accounting and financial statements (annual and half-year consolidated financial statements) are presented to the Audit and Risks Committee. This committee analyses the statements, receives the conclusions of the Statutory Auditors and submits its conclusions to the Board of Directors. The Audit and Risks Committee of Crédit Foncier and of Compagnie de Financement Foncier are furthermore keeping updated of the accounting treatment and the compensation mechanism of the CFHL-1 2014 securitisation and of the international asset disposal programme.

### STRUCTURE OF THE CRÉDIT FONCIER GROUP'S ACCOUNTING FUNCTION

Accounting at the Crédit Foncier Group is performed by the Accounting department. The department is directly responsible for preparing the financial statements and regulatory filings for all Group entities, with the exception of Socfim and Banco Primus, which have their own accounting departments. In addition, within Crédit Foncier there are decentralised accounting entities performing, by delegation of the Accounting department, account-keeping and justification, specifically for financial transactions.

General Accounting Department of groupe Crédit Foncier is organised as follows:

#### ACCOUNTING DIRECTION OF CRÉDIT FONCIER

Functions	Main responsibilities in accounting system operations	Main responsibilities in compiling and summarising data
Reporting and consolidation	Individual financial statements: <ul style="list-style-type: none"> <li>• account-keeping for Crédit Foncier, Compagnie de Financement Foncier, Vauban Mobilisations Garanties and Locindus, and preparation of the individual financial statements;</li> <li>• tax declarations.</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheets, income statements and notes for these entities.</li> <li>• Monthly summary results statements of the Group's two main credit institutions (Crédit Foncier and Compagnie de Financement Foncier).</li> </ul>
	Consolidated financial statements: <ul style="list-style-type: none"> <li>• centralisation of consolidation packages;</li> <li>• preparation of the consolidated financial statements;</li> <li>• implementation of consolidation procedures.</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheets, income statements and notes for groupe Crédit Foncier.</li> <li>• Consolidated quarterly results for the Group.</li> <li>• Consolidated monthly results under French GAAP.</li> </ul>
Regulatory and prudential reports	<ul style="list-style-type: none"> <li>• regulatory disclosures at Company level (SURFI, etc.);</li> <li>• calculation of regulatory ratios at Company level (liquidity) and specific ratios of Compagnie de Financement Foncier;</li> <li>• prudential disclosures at consolidated level to the ACPR (via BPCE, the central body), in collaboration with the Risk Department and Cash Management Department;</li> </ul>	<ul style="list-style-type: none"> <li>• Reporting to the ACPR (via BPCE, the central body).</li> </ul>
Operational accounting	<ul style="list-style-type: none"> <li>• supervision and control of interface operations between the loan management system, accounting software packages and reporting databases;</li> <li>• account-keeping for loan management chains and peripheral chains;</li> </ul>	<ul style="list-style-type: none"> <li>• Reports on outstanding loans and loan flows.</li> </ul>
Subsidiaries' accounting	<ul style="list-style-type: none"> <li>• account-keeping for non-banking subsidiaries and preparation of individual financial statements;</li> <li>• tax declarations;</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheets, income statements and notes for these entities.</li> </ul>
Accounting and Regulatory Audit Department	<ul style="list-style-type: none"> <li>• permanent controls in accounting, regulatory and tax audits.</li> </ul>	<ul style="list-style-type: none"> <li>• Controls summary reports.</li> </ul>

Work of setting and documenting detailed accounting schemes is now under the responsibility of the Studies and Projects Direction of the Finance Division.

#### ACCOUNTING AND REGULATORY AUDIT

The organisational principles governing accounting control, as part of the process of task decentralisation, are set out in the "Accounting and Regulatory Audit Charter" approved by BPCE's Executive Board on 10 May 2010.

The Accounting and Regulatory Audit area reports hierarchically to the Head of the Accounting Department and functionally to the Head of the Permanent Controls Coordination Department, who is the recipient of all the audit work carried out. Operational accounting controls are the responsibility of the departments directly involved in producing accounting data.

The audits performed are set out in an annual work schedule proposed by the accounting and regulatory audit, presented to the Permanent Controls Coordination Department and approved by the Internal Control Committee.

These audits include:

- in-depth controls at the quarterly account closing dates, in particular of the evidence supporting the accounts (banking reconciliation, consistency between accounting and management systems, suspense accounts, etc.);
- regular controls on the main regulatory and tax declarations as well as issues related to summary reports.

They result in the establishment of briefing notes, released to the Department of Accounting, the Department of Permanent Control Coordination 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 consolidated by BPCE, which runs automatic consistency controls before sending them to the French Prudential Supervisory and Resolution Authority.



**AUDIT OF FINANCIAL DATA**

The financial data disclosures (regulatory restitutions intended specifically for the French Prudential Supervisory and Resolution Authority, registration documents submitted to the French Financial

Markets Authority and to other regulators where *obligations foncières* are authorised to quote and exchange) are carefully audited by the competent departments (Compliance, Management Control, ALM, General Accounting).

**APPENDIX****COMPAGNIE DE FINANCEMENT FONCIER****MEMBERS OF THE BOARD OF DIRECTORS AT 31 DECEMBER 2014**

Range of the number of members: 3 to 18  
 Number of members: 11  
 Number of Board meetings: 7  
 Average attendance rate: 78.85%

Number of women Directors: 2 (18.18%)  
 Number of men Directors: 9 (81.82%)  
 Director's fees: yes

<b>Surname/First name Company name + Permanent representative</b>	<b>Position on the Board /in the Company</b>	<b>Appointment date</b>	<b>Term expires on</b>	<b>Comments</b>
Mr. Bruno DELETRÉ	Chairman of the Board of Directors	12/18/2013	OGM 2019	Chairman of the Appointments Committee
Mr. Thierry DUFOUR	Chief Executive Officer and Director	Director since 12/18/98 Chairman from 06/31/07 to 12/18/13 CEO since 12/14/07	OGM 2019	
Ms. Sandrine GUÉRIN	Deputy Chief Executive Officer and Director	Director since 03/25/02 Deputy CEO since 10/15/01	OGM 2018	
Crédit Foncier, represented by Mr. Éric FILLIAT	Director	12/28/98	OGM 2017	Chairman of the Audit and Risks Committee
BPCE, represented by Mr. Olivier IRISSON	Director	03/28/11	OGM 2017	Member of the Audit and Risks Committee
Ms. Christine FABRESSE	Director	03/25/14	OGM 2018	Member of the Audit and Risks Committee
Mr. Cédric MIGNON	Director	03/25/14	OGM 2020	
Mr. Pascal CHABOT	Director	03/25/14	OGM 2016	
Mr. Dominique GARNIER	Director	03/25/14	OGM 2018	Member of the Audit and Risks Committee
Mr. Francis DELACRE	Director	03/25/14	OGM 2016	
Mr. Jean CHEVAL	Director	03/25/14	OGM 2020	Member of the Audit and Risks Committee

# Statutory Auditors' report

## prepared in accordance with Article L.225-235 of the French Commercial Code (*Code de commerce*), on the report prepared by the Chairman of the Board of Directors of Compagnie de Financement Foncier S.A.

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

Compagnie de Financement Foncier S.A.

Registered office : 19, rue des Capucines - 75001 Paris

Share capital: €1,187,459,936

Year ended 31 December 2014

To the shareholders,

In our capacity as Statutory Auditors of Compagnie de Financement Foncier S.A., and in accordance with Article L.225-235 of the French Commercial Code (*Code de commerce*), we hereby report to you on the report prepared by the Chairman of your company in accordance with Article L.225-37 of the French Commercial Code for the year ended 31 December 2014.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors [or Supervisory Board] for approval, a report on the internal control and risk management procedures implemented by the company and containing the other disclosures required by Article L.225-37 particularly in terms of the corporate governance measures.

It is our responsibility:

- to report to you on the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information, and
- to attest that this report contains the other disclosures required by Article L.225-37 of the French Commercial Code, it being specified that we are not responsible for verifying the fairness of these disclosures.

We conducted our work in accordance with professional standards applicable in France.

### INFORMATION ON THE INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION

These standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consisted mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and existing documentation;
- determining if any significant weaknesses in the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the company's internal control and risk management procedures relating to the preparation and processing of accounting and financial information contained in the report prepared by the Chairman of the Board in accordance with Article L.225-37 of the French Commercial Code.

### OTHER DISCLOSURES

We hereby attest that the Chairman's report includes the other disclosures required by Article L.225-37 of the French Commercial Code.

Paris La Défense, on the 10 April 2015

**KPMG Audit**

Département de KPMG S.A.

Jean-François Dandé

Partner

Neuilly-sur-Seine, on the 10 April 2015

**PricewaterhouseCoopers Audit**

Anik Chaumartin

Partner





# Legal information

<b>1. CORPORATE GOVERNANCE</b>	<b>187</b>	<b>5. BYLAWS</b>	<b>196</b>
<b>2. GENERAL INFORMATION CONCERNING THE COMPANY</b>	<b>188</b>	Section I: legal form – purpose – corporate name – registered office – term of the Company	196
a. Registered office	189	Section II: share capital – shares	197
b. Activity	189	Section III: corporate governance	198
c. Structure of the relationship between Compagnie de Financement Foncier and Crédit Foncier	190	Section IV: company audits	200
d. Legal form and applicable legislation	190	Section V: General Meetings	200
e. Duration	190	Section VI: annual financial statements – distribution of earnings	201
f. Corporate purpose (Article 2 of the bylaws)	191	Section VII: dissolution – liquidation – disputes	201
g. Company registration number	192	<b>6. GENERAL INFORMATION</b>	<b>202</b>
h. Location of legal documents concerning the Company	192	Outlook for Compagnie de Financement Foncier	202
i. Financial year	192	Additional information	202
j. Statutory allocation of earnings	192	Persons responsible for auditing the financial statements	203
k. General Meetings	192	Specific Controllers	203
<b>3. GENERAL INFORMATION CONCERNING THE SHARE CAPITAL</b>	<b>193</b>	<b>APPENDIX</b>	<b>204</b>
<b>4. RESOLUTIONS SUBMITTED TO THE GENERAL MEETING</b>	<b>194</b>	<b>STATEMENT FROM THE PERSON WHO ASSUMES RESPONSIBILITY FOR THE REGISTRATION DOCUMENT</b>	<b>206</b>
Draft resolutions	194	<b>AMF CROSS-REFERENCE TABLE</b>	<b>207</b>
		In annex IV of European Commission regulation (EC) N° 809/2004	207

# 1. Corporate governance

Members of the Board of Directors and their professional addresses at 31 December 2014.

**Mr Bruno DELETRÉ**

Chairman of the Board of Directors since 18 December 2013

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

**Mr Thierry DUFOUR**

Director since 18 December 1998

Chairman of the Board of Directors  
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) to 17 May 2002

Chief Executive Officer since 17 May 2002  
(further to separation of the functions of Chairman  
and Chief Executive Officer)

Resignation as Chief Executive Officer on 4 September 2006

Chairman of the Board of Directors  
from 31 July 2007 to 18 December 2013

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 since 15 October 2001

Director since 25 March 2002

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

**Crédit Foncier de France represented by Mr Eric FILLIAT**

Director since 28 December 1998

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

**BPCE represented by Mr Olivier IRISSON**

Director since 28 March 2011

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

**Ms Christine FABRESSE**

Director since 25 March 2014

Caisse d'Epargne Languedoc-Roussillon  
254, rue Michel Teule – 34184 Montpellier Cedex 4

**Mr Cédric MIGNON**

Director since 25 March 2014

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

**Mr Pascal CHABOT**

Director since 25 March 2014

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

**Mr Dominique GARNIER**

Director since 25 March 2014

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

**Mr Francis DELACRE**

Director since 25 March 2014

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

**Mr Jean CHEVAL**

Director since 25 March 2014

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

**Movements within the Board of Directors in 2014**

The Board of Directors has expanded from 7 to 11 members during the first quarter of 2014.

As of 25 March 2014, the Board of Directors was informed of the resignation of Ms. Christine JACGLIN from her term as Director.

As of 25 March 2014, the Board of Directors was informed of the resignation of Ms. Pascale PARQUET from her term as Director.

As of 19 March 2014, Mr. Olivier IRISSON, Executive Chief Financial Officer of Groupe BPCE was designated by BPCE (Director as a legal person) as its Permanent Representative to the Board of Directors of Compagnie de Financement Foncier, replacing Mr. Roland CHARBONNEL.

The Extraordinary General Meeting of 25 March 2014 amended the bylaws of Compagnie de Financement Foncier and appointed as Director:

- Ms. Christine FABRESSE, Chairman of the Executive Board of Caisse d'Epargne Languedoc-Roussillon, term ending on 31 December 2017;

- Mr. Dominique GARNIER, Chief Executive Officer of Banque Populaire Aquitaine Centre Atlantique, term ending on 31 December 2017;
- Mr. Pascal CHABOT, member of the Management Board of Caisse d'Epargne Ile-de-France, term ending on 31 December 2015;
- Mr. Jean CHEVAL, Head of the Finance and Risk Division of Natixis, member of the Executive Management Committee, term ending on 31 December 2019;
- Mr. Francis DELACRE, Chief Financial Officer of Banque Populaire du Nord, term ending on 31 December 2015;
- Mr. Cédric MIGNON, Director of Development of Caisses d'Epargne at BPCE, term ending on 31 December 2019.

Following these nominations the Audit and Risks Committee shall consist of:

- Crédit Foncier de France, represented by Mr. Éric FILLIAT, as Chairman;
- BPCE, represented by Mr Olivier IRISSON;
- Ms. Christine FABRESSE;
- Mr. Dominique GARNIER.

## 2. General information concerning the Company

Compagnie de Financement Foncier, whose share capital is not listed, is committed to running its business and its administrative bodies in accordance with the existing corporate governance practices in France, based on the AFEP/MEDEF Corporate Governance Code.

However, two provisions of the code were not followed. The first concerns the proportion of independent Directors which should represent at least 1/3 of the Board of Directors, and cannot be properly applied because it does not allow a balanced representation of its equal ownership by Crédit Foncier, BPCE which is the parent company of Crédit Foncier, and by the Caisses d'Epargne and Banques Populaires networks which are shareholders of Groupe BPCE.

The second concerns the Directors' terms, whereas the maximum four-year term is recommended, the statutory term of Compagnie de Financement Foncier Board of Directors members is six years, which meets the requirement that members must have experience and a more comprehensive view of Compagnie de Financement Foncier's business and activities. However, the recommendation concerning the renewal of Compagnie de Financement Foncier Board of Directors' term by rotation is properly implemented.

The recommendation regarding the evaluation of the Board of Directors has so far not been implemented. This item will be put on the agenda and discussed by the Board of Directors in the course of 2015.

## ■ Statement of compliance with AFEP-MEDEF code recommendations

Board of Directors: governing body	Recommendations implemented
Board of Directors and the market	Recommendations implemented
Separation of the terms of Chairman of the Board of Directors and Chief Executive Officer	Recommendations implemented
Board of Directors and strategy	Recommendations implemented
Board of Directors and Annual General Shareholders' Meeting	Recommendations implemented
Composition of the Board of Directors: guidelines	Recommendations implemented
Employee representation	NA
Minority shareholders	NA
Independent Directors	Recommendations still to be implemented
Evaluation of the Board of Directors	Recommendations still to be implemented
Board and committee meetings	Recommendations implemented
Access to Director information	Recommendations implemented
Training for Directors	Recommendations implemented
Directors' terms	Recommendations implemented, except regarding Directors' terms
Board Committees	Recommendations implemented
Audit Committee	Recommendations implemented, except regarding proportion of independent Directors and the two-day period prior to the review of the financial accounts by the Board.
Committee responsible for selection or appointments	Recommendations implemented
Committee responsible for remuneration	Recommendations implemented
Number of terms for company Directors and Directors	Recommendations implemented
Company Director remuneration	Recommendations implemented
Implementation of recommendations	Recommendations implemented

## a. Registered office

The registered office of Compagnie de Financement Foncier is located at 19, rue des Capucines, 75001 Paris.

## b. Activity

Compagnie de Financement Foncier is the *société de crédit foncier* of groupe Crédit Foncier de France, specifically governed by the provisions of Section IV of the second part of French law 99-532 of 25 June 1999 governing savings and financial security, which has been incorporated into Articles L.513-2 to L.513-27 of the French Monetary and Financial Code.

Pursuant to Article 110 of this law, Crédit Foncier transferred on 21 October 1999 to Compagnie de Financement Foncier assets

and liabilities covered by the specific legislative and regulatory requirements that applied to it before the transfer.

The purpose of Compagnie de Financement Foncier is to grant or purchase guaranteed loans and exposures to public authorities financed by the issuance of covered bonds, by other privileged resources, or by resources which may not benefit from the preferred status, or "privilege," as defined by Article L.513-11 of the French Monetary and Financial Code.



## c. Structure of the relationship between Compagnie de Financement Foncier and Crédit Foncier

As stipulated by law, Compagnie de Financement Foncier draws on the technical and human resources of its parent company under agreements binding the two companies; these agreements, which are regulated as defined by Article L.22538 of the French Commercial Code, cover all of the Company's activities.

The general principles applied in preparing these agreements are described below.

The texts are drafted taking into account the special nature of the relationship between Crédit Foncier and its subsidiary Compagnie de Financement Foncier.

Seventeen agreements have been signed 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 paying agent agreement;
- 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 two agreements between Crédit Foncier, Compagnie de Financement Foncier and a third party:

- an agreement relating to management and recovery of loans subsidised by the French State;
- the renewal of the broker agreement (with BPCE, Caisses d'Épargne and Crédit Foncier);

Apart from its company Directors, Compagnie de Financement Foncier does not have any direct employees.

## d. Legal form and applicable legislation

Compagnie de Financement Foncier is a credit institution authorised as a financial company and a *société de crédit foncier* by a decision of the French Credit Institutions and Investment Companies Committee (CECEI – *Comité des établissements de crédit et des entreprises d'investissement*) on 23 July 1999. It is thus subject to all regulations and legislation applicable to credit institutions and, as a *société de crédit foncier*, it is also subject to Articles L.513-2 to L.513-27 of the French Monetary and Financial Code.

It was formed as a French limited company "*société anonyme*" and, for this reason, is also subject, apart from certain exemptions, to the requirements applicable to commercial companies under the French Commercial Code.

A *société de crédit foncier* benefits from a certain number of exemptions from ordinary laws, specifically:

- Article L.513-11 of the French Monetary and Financial Code instituting a "privilege" for holders of *obligations foncières*;

- Article L.513-20 of the French Monetary and Financial Code, which stipulates that the safeguard procedure, legal receivership or liquidation of a company holding shares of a *société de crédit foncier* cannot be extended to the *société de crédit foncier*;
- in addition, Article L.513-21 of the French Monetary and Financial Code provides that, notwithstanding any provisions to the contrary, including those of Book VI, Title II to IV of the French Commercial Code, contracts that make provision for the management or recovery of the loans of a *société de crédit foncier* may be terminated immediately in the event of the safeguard, compulsory liquidation or administration of the Company in charge of the management or collection of such loans.

## e. Duration

The Company was incorporated on 22 December 1998 for a period of 99 years.



## f. Corporate purpose (Article 2 of the bylaws)

### ARTICLE 2 – PURPOSE

The purpose of the Company, within the provisions applicable to sociétés de crédit foncier:

1° to conduct all transactions mentioned in Articles L.513-2 *et seq* of the French Monetary and Financial Code without other restrictions in terms of the countries in which it operates than those resulting from said articles.

These transactions include:

- granting or acquiring guaranteed loans, exposures to public authorities and investments and securities as defined in Articles L.513-3 to L.513-5 and L.513-7 of the French Monetary and Financial Code;
- financing these types of loans, exposures, investments and securities by issuing bonds known as *obligations foncières*, benefiting from the “privilege” defined in Article L.513-11 of the French Monetary and Financial Code and by raising other resources whose issuance or subscription agreement mentions this “privilege”.

The Company may also finance the activities mentioned above by issuing bonds or resources that do not benefit from the “privilege.” It may issue the promissory notes referred to in Articles L.313-42 to L.313-49-1 of the French Monetary and Financial Code.

Notwithstanding any other provisions or stipulations to the contrary, the Company may carry out temporary transfers of its securities in accordance with Articles L.211-22 to L.211-34 of the French Monetary and Financial Code, pledge securities accounts pursuant to Article L.211-20 of said Code and assign all or some of the receivables that it holds in accordance with Articles L.211-36 to L.211-40 or in accordance with Articles L.313-23 to L.313-35, whether or not these receivables are professional. The receivables or securities thus assigned or transferred do not fall within the scope of the “privilege” defined in Article L.513-11 of the French Monetary and Financial Code and are not booked pursuant to Article L.513-12 of said Code.

As an exception to Articles 1300 of the French Civil Code, and L.228-44 and L.228-74 of the French Commercial Code, the Company may subscribe for its own *obligations foncières* solely for the purpose of using them as collateral for the refinancing facilities of the Banque de France under the conditions set forth in Article L.513-26 of the French Monetary and Financial Code.

The Company cannot hold equity investments.

2° contracting, with any credit institution or financial company, all agreements necessary for:

- servicing and recovering loans, exposures and securities;
- managing bonds and other resources;
- more generally, providing all services necessary to manage the assets, liabilities and the financial balances of the Company;
- as well as all agreements concerning the distribution and refinancing of loans.

3° acquiring and holding all property and equipment necessary to fulfil its purpose or arising from the recovery of its loans:

- contracting with any authorised third party any agreement related to the acquisition, ownership, management, maintenance and disposal of such assets;

4° contracting, with any insurance company, any agreement that serves the corporate purpose, notably to hedge risks related to borrowers, risks in respect of both assets securing the loans and assets held by the Company, and the liability risks of the Company or its company Directors;

5° in connection with its own activity or on behalf of other companies, providing customers with and managing payment processes, in particular:

- for the payment of funds or the receipt of all cash flows arising from loan activities;
- for managing any financial relationship or account with any other credit institution, financial company or public entity;
- for the management of technical accounts in respect of expenses and receipts.

6° participating in any system for interbank settlements, settlement-delivery of securities and all clearing system, as well as any transaction within the framework of the monetary policy of the European Central Bank, that contributes to the development of the Company’s activities;

7° more generally:

- carrying out all operations contributing to the fulfilment of its corporate purpose, as long as such transactions comply with the purpose of *sociétés de crédit foncier* as defined in the legislation and regulations that regulate their activity;
- contracting any agreement that allows the Company to use essential outsourcing services and related controls.

---

## **g. Company registration number**

---

Compagnie de Financement Foncier is registered in the Paris Trade and Companies Register under number 421 263 047 RCS PARIS.

---

## **h. Location of legal documents concerning the Company**

---

Legal documents concerning Compagnie de Financement Foncier can be consulted at 4, quai de Bercy, 94220 Charenton-le-Pont.

---

## **i. Financial year**

---

The Company's financial year starts on 1 January and ends on 31 December.

---

## **j. Statutory allocation of earnings**

---

If the financial statements for a given financial year, as approved by the General Meeting, show distributable earnings as defined by law, the General meeting shall decide either to attribute them to one or more reserve accounts, the allocation and use of which it determines, or to retained earnings, or to distribute them.

After noting the existence of the reserves at its disposal, the General Meeting may decide to distribute amounts drawn from those

reserves. In such a case, the decision shall specify the reserve accounts from which the distributed amounts are to be drawn.

However, dividends shall be withdrawn first from the distributable earnings for the financial year.

The General Meeting also has the right to grant each shareholder an option to receive payment either in the form of cash or in shares for all or part of the dividend or interim dividend to be distributed.

---

## **k. General Meetings**

---

General Meetings shall be called and shall deliberate under the conditions stipulated by law. An Ordinary General Meeting must be held each financial year within five months of the closing date of the preceding financial year. Meetings shall be held at the registered office or at another location stated in the notice of meeting. Any shareholder may participate personally, or by proxy, in General Meetings subject to proof of identity and ownership of shares in the form of a record in his/her name on the Company's books five days before the date of the General Meeting.

He may also vote by email under the conditions stipulated by law. Shareholders who participate in the General Meeting by videoconference or telecommunications that enable them to be identified shall be considered present for calculating the quorum and the majority. General Meetings are chaired by the Chairman of the Board of Directors or, in his absence, by a Director specially designated to do so by the Board. Otherwise, the General Meeting shall appoint a Chairman. An attendance sheet shall be kept under the conditions stipulated by law. Minutes of General Meetings shall be drawn up and copies shall be certified and issued pursuant to law.

## 3. General information concerning the share capital

### A. SHARE CAPITAL

As of 31 December 2014, the Company's subscribed capital amounted to €1,187,459,936. It is divided into 74,216,246 fully paid-up shares with a par value of €16 each.

### B. SHARE CAPITAL AUTHORISED BUT NOT SUBSCRIBED

No authorisation to increase the share capital has been issued which has not been used, nor is there any potential capital share.

### C. CAPITAL STRUCTURE AND VOTING RIGHTS

Principal shareholders as of 31 December 2014	Number of shares	%
Crédit Foncier de France	74,216,236	100.00
Directors	10	-
<b>TOTAL</b>	<b>74,216,246</b>	<b>100.00</b>

### D. CHANGES IN CAPITAL OVER THE LAST FIVE YEARS

No change was made to the share capital in 2010.

The Board of Directors, meeting on 29 June 2011, noted that following the payment of the dividend in shares for the 2010 financial year, the share capital was increased by €85,459,926 due to the creation of 5,341,246 new shares with a par value of €16, which was fully subscribed by Crédit Foncier. The same Board found that in response to the decision by the Extraordinary General Meeting of 27 June 2011 to carry out a capital increase, the capital was increased by €94,000,000, due to the creation of 5,875,000 new shares with a par value of €16, fully subscribed by Crédit Foncier.

No change was made to the share capital in 2012.

No change was made to the share capital in 2013.

No change was made to the share capital in 2014.

### E. NATURAL OR LEGAL PERSONS THAT EXERCISE CONTROL OVER THE COMPANY

**Crédit Foncier de France** – 19, rue des Capucines – 75001 Paris  
– 542 029 848 RCS Paris

### F. INFORMATION ON GROUPE CRÉDIT FONCIER, TO WHICH COMPAGNIE DE FINANCEMENT FONCIER BELONGS

The principal business of Crédit Foncier is to grant mortgage loans to individuals and real estate professionals, grant loans to local authorities, provide structured financing and to issue bonds to finance these loans.

From its creation in 1852 and until 1999, Crédit Foncier held the special status as a *société de crédit foncier* and as such, issuing *obligations foncières*.

Acting as a key player in the specialised real estate financing market and responsible for distributing French state subsidised loans, following the real estate crisis in the 1990s and the abolition of subsidised loans, in 1999 Crédit Foncier joined the private sector after its 90% acquisition by Groupe Caisse d'Épargne.

In the legal context governing this acquisition, the Parliament created a specific new status for *sociétés de crédit foncier*. Compagnie de Financement Foncier was then founded and authorised as *société de crédit foncier* by the CECEI. Crédit Foncier transferred all its property commitments and pledged assets to Compagnie de Financement Foncier pursuant to Article 110 of law 99-532 from 25 June 1999.

After having been affiliated with Groupe Caisse d'Épargne between 1999 and 2009, Crédit Foncier became affiliated in 2009 to Groupe BPCE, which resulted from the merger of Caisses d'Épargne and Banque Populaire networks. Since 5 August 2010, Crédit Foncier has been fully owned by the Central body of BPCE.

The increase of its activities led Crédit Foncier to become a major player in financing real estate and French local authorities.

## 4. Resolutions submitted to the General Meeting

Combined General Meeting of 28 May 2015.

### Draft resolutions

#### ORDINARY

##### FIRST RESOLUTION

After having heard the reports of the Board of Directors and the Auditors for the financial period ending on 31 December 2014, the General Meeting approves the accounts as presented and that show a net benefit of 84,328,007.33 euros.

Consequently, the General Meeting grants full and unconditionnal discharge to the members of the Board of Directors for this financial period.

##### SECOND RESOLUTION

Having recognised the distributable earnings of €171,334,715.15 composed of net income for the period of €84,328,007.33 and retained earnings of €87,006,707.82; the General Meeting resolves to allocate said distributable earnings as follows:

Legal reserve: €4,217,000.00

Dividend: €74,216,246.00

Retained earnings: €92,901,469.15

The dividend per share for each of the 74,216,246 shares comprising the share capital is therefore fixed at €1.00.

Pursuant to Article 243a of the General Tax Code, it is specified that the total dividend proposed is eligible for the 40% discount available to individuals who are resident in France for tax purposes, provided for in Article 158-3 of the General Tax Code.

The dividend payment date is set for 30 June 2015.

Pursuant to Article 24 of the bylaws, the General Meeting decides to grant each shareholder the possibility of choosing to receive

payment of the dividend in shares. New shares will have the same features and the same rights as the shares that gave the entitlement to the dividend. Their vesting date is set for 1 January 2015.

The issuance price of the new shares will be equal to the amount of shareholders' equity after allocation, as shown in the balance sheet as of 31 December 2014 approved by the General Meeting in the first resolution set forth above, divided by the number of existing shares.

It amounts to €23.30 per share.

The number of shares that can be allocated to shareholders who have chosen to receive payment of the balance of the dividend in shares will be determined in function of the calculated price. It is understood that shareholders cannot receive the dividend to which they are entitled partly in shares and partly in cash.

If the dividends thus determined do not give rise to a whole number of shares, shareholders who have chosen to receive payment in shares may subscribe for the nearest whole number of shares below the dividend payable, with the balance being paid in cash or the nearest whole number above the dividend payable, with the shareholder paying the difference in cash.

Shareholders must make their choice between 1 June 2015 and 15 June 2015.

Any shareholder who has not exercised this option by 15 June 2015 at the latest will receive the dividends in cash on the dividend payment date of 30 June 2015.

The General Meeting gives full powers to the Board of Directors to record the number of shares issued and the corresponding increase in capital stock and to amend Article 6 of the bylaws accordingly.

Pursuant to Article 47 of the Act of 12 July 1965 and Article 243a of the General Tax Code, it is recalled that the dividend and total return per share have evolved as follows over the last three financial years:

Financial year	Number of shares	Overall remuneration per share	Dividend distributed *
2011	74,216,246	€1.38	€1.38
2012	74,216,246	€1.69	€1.69
2013	74,216,246	€0.41	€0.41

\* Eligible for the 40% discount provided for in Article 158-3 of the General Tax Code.

**THIRD RESOLUTION**

The General Meeting, pursuant to Article 24 of the bylaws and Articles L.232-12, L.232-18 and L.232-20 of the French Commercial Code, authorises the Board to consider allowing shareholders to receive all or part of any interim dividends for the 2015 financial year in shares and to establish the terms thereof, pursuant to the regulations in force.

**FOURTH RESOLUTION**

The General Meeting, having considered the statutory auditor's special report concerning the agreements referred to in Article L.225-38 of the French Commercial Code, approves the agreements mentioned therein:

**FIFTH RESOLUTION**

Consultation pursuant to Article L.511-73 of the French monetary and financial code regarding the overall package of all kinds of compensations paid to persons referred to in Article L.511-71 of the French monetary and financial code, for the financial year ended 31 December 2014.

The General Meeting, consulted pursuant to Article L.511-73 of the French monetary and financial code, voting on the quorum and majority conditions required for Ordinary General Meeting, and after having considered the report of the Board of Directors, delivers a favorable opinion on the overall package of all kinds of compensations, amounting to €120,000, paid during the year ended 31 December 2014 on persons referred to in Article L.511-71 of the French monetary and financial code, relating to the social mandate of CEO and of deputy CEO.

**SIXTH RESOLUTION**

The General Meeting, after having heard the report of the Board of Directors, decides to amend the amount dedicated to Director's and Members of the Audit and Risk committee attendance fees.

As such, it was decided to allocate a sum of €77,000 to the attendance fees as from 01 January 2014.

**EXTRAORDINARY****SEVENTH RESOLUTION:**

The General Meeting, having considered the report of the Board of Directors and having noted that the capital is fully liberated, decides, in accordance with the provisions of Article L.225-129-2 of the French Commercial Code, to delegate to the Board of Directors all powers, for a term of 26 months following the date of this General Meeting and under a ceiling of €1,350,000,000; to increase in one or more time the Company's share capital, immediately or at a later stage, in cash or by incorporation of reserves or issuances premiums, while respecting the shareholders subscription right:

- by creating and issuing, with or without issuance premiums, ordinary shares
- by increasing the nominal value of the existing ordinary or preferential shares
- by issuing securities that can be converted to capital
- by converting preferential shares to ordinary shares; that is converting existing preferential shares to ordinary shares

In accordance with the provisions above, the Board of Directors will have all powers to decide and implement the capital increase(s) it considers necessary and to decide the terms of issuances of the new shares, immediately or at a later stage, and the subscription price; and if applicable, to take note of the capital increase(s) and to change the bylaws accordingly.

**EIGHT RESOLUTION:**

Pursuant to Article L.225-129-2 of the French Commercial Code, the general delegation granted to the Board of Directors through the previous resolution, voids all previous delegations of the same nature.

**NINTH RESOLUTION:**

The Board of Directors has to report to the General Meeting the uses it will make of the granted delegation, by establishing an additional report to the annual general report on the management of the Company; report that will include all the information required by laws and regulations, as well as a chart summarising all the ongoing delegations available to the Board of Directors and their use. This chart will be included in the management report or annexed to it.

**TENTH RESOLUTION**

The General Meeting, voting on the quorum and majority conditions required for Extraordinary General Meeting, and after having considered the report of the Board of Directors, decides to amend Article 11 of the bylaws as follow :

Article 11 – Board of Directors

Former draft:

The Company is administered by a Board of Directors comprised of at least three and at most eighteen members, selected among the shareholders and appointed by the Ordinary General Meeting.

Each Director must own at least one share during his or her term.

.../... »

New draft:

The Company is administered by a Board of Directors comprised of at least three and at most eighteen members, selected among the shareholders and appointed by the Ordinary General Meeting.

.../... »

## 5. Bylaws

Bylaws applicable at the filing date of this Registration document.

### Section I: legal form – purpose – corporate name – registered office – term of the Company

#### ARTICLE 1 – LEGAL FORM

The Company is a French Public Limited Company (*Société anonyme*).

The Company is governed by the legislative and regulatory provisions in force applicable to *sociétés anonymes*, credit institutions, and in particular to *sociétés de crédit foncier*, and by these bylaws.

#### ARTICLE 2 – PURPOSE

The purpose of the Company, in the context of the laws and regulations applicable to *sociétés de crédit foncier*, is:

**1°** to perform all transactions mentioned in Articles L.513-2 *et seq* of the French Monetary and Financial Code without other restrictions in terms of the countries in which it operates than those resulting from said articles.

These transactions include:

- granting or acquiring secured loans, exposures to public authorities and investments and securities as defined in Articles L.513-3 to L.513-5 and L.513-7 of the French Monetary and Financial Code;
- financing these types of loans, exposures, investments and securities by issuing covered bonds known as *obligations foncières*, benefiting from the “privilege” defined in Article L.513-11 of the French Monetary and Financial Code and by raising other resources whose issuance or subscription agreement mentions this “privilege”.

The Company may also finance the activities mentioned above by issuing bonds or resources that do not benefit from the “privilege.” It may issue the promissory notes referred to in Articles L.313-42 to L.313-49-1 of the French Monetary and Financial Code.

#### JOINT RESOLUTION

##### ELEVENTH RESOLUTION: POWERS

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.

Notwithstanding any other provisions or stipulations to the contrary, the Company may carry out temporary transfers of its securities in accordance with Articles L.211-22 to L.211-34 of the French Monetary and Financial Code, pledge securities accounts pursuant to Article L.211-20 of said Code and assign all or some of the receivables that it holds in accordance with Articles L.211-36 to L.211-40 or in accordance with Articles L.313-23 to L.313-35, whether or not these receivables are professional. The receivables or securities thus assigned or transferred do not fall within the scope of the “privilege” defined in Article L.513-11 of the French Monetary and Financial Code and are not booked pursuant to Article L.515-12 of said Code.

As an exception to Articles 1300 of the French Civil Code and L.228-44 and L.228-74 of the French Commercial Code, the Company may subscribe for its own *obligations foncières* solely for the purpose of using them as collateral for to access the refinancing facilities of the Banque de France under the conditions set forth in Article L. 513-26 of the French Monetary and Financial Code.

The Company cannot hold equity investments;

**2°** contracting, with any credit institution or financial institution, all agreements necessary for:

- servicing and recovering of loans, exposures and securities;
- managing bonds and other financing;
- more generally, providing all services necessary to manage assets, liabilities and financial balances of the Company;
- as well as all agreements concerning the distribution and refinancing of loans.

**3°** acquiring and holding all property and equipment necessary to fulfil its purpose or arising from the recovery of its loans:

- contracting with any authorised third party any agreement related to the acquisition, ownership, management, maintenance and disposal of such assets;



4° contracting, with any insurance company, any agreement that serves the corporate purpose, notably to hedge risks related to borrowers, risks in respect of both assets securing the loans and assets being held by the Company, and the liability risks of the Company or its company Directors;

5° in connection with its own activity, or on behalf of other companies, providing customers with and managing payment processes, in particular:

- for the payment of funds or the receipt of all cash flows arising from loan activities;
- for managing any financial relationship or account with any other credit institution, financial institution or public entity;
- for the management of technical accounts in respect of expenses and receipts;

6° participating in any system for interbank settlements, settlement-delivery of securities and all clearing system, as well as in any transactions within the framework of the monetary policy of the European Central Bank, which contribute to the development of the Company's activities;

7° more generally:

- carrying out all operations contributing to the fulfilment of its corporate purpose, as long as such transaction complies with the purpose of *sociétés de crédit foncier* as defined in the legislation and regulations that regulate their activity;

- contracting any agreement that allows the Company to use essential outsourcing services and related controls.

### ARTICLE 3 – CORPORATE NAME

The name of the Company is: “Compagnie de Financement Foncier”

### ARTICLE 4 – REGISTERED OFFICE

The registered office is located at 19, rue des Capucines, Paris (75001), France.

If the location of the head office is moved by the Board of Directors in accordance with the conditions set out in the applicable legislation, the new location shall be automatically substituted for the previous one in this Article, provided the move is ratified by an Ordinary General Meeting.

### ARTICLE 5 – TERM

The term of the Company is ninety-nine years, starting from 22 December 1998, unless the period is extended or the Company is liquidated, in accordance with the legislation in force or these bylaws.

## Section II: share capital – shares

### ARTICLE 6 – SHARE CAPITAL

The share capital is set at €1,187,459,936 (one billion one hundred and eighty-seven million four hundred and fifty-nine thousand nine hundred and thirty-six euros).

It is divided into 74,216,246 shares with a par value of €16 (sixteen euros) each, all of which belong to the same category and are fully paid up in cash.

### ARTICLE 7 – FORM OF THE SHARES

The shares are in registered form.

They are registered in accordance with the terms and conditions set forth by law.

### ARTICLE 8 – RIGHTS AND OBLIGATIONS ATTACHED TO SHARES

Each share confers a right to ownership of the Company's assets and a share in its profits proportional to the fraction of the Company's capital that it represents.

All shares which comprise or will comprise the Company's capital, as long as they are of the same type and the same par value, are strictly equivalent to each other so long as they have the same dividend-bearing date; both during the Company's existence and its liquidation, they provide payment of the same net amount on all allocations or redemptions, so that, if applicable, all shares are aggregated without distinction with respect to all tax savings or charges resulting from such allocations or redemptions.

The rights and obligations attached to shares are transferred with the title to the shares.

Ownership of a share automatically implies acceptance of the bylaws and the decisions of General Meetings.

The beneficiaries, creditors, successors or other representatives of a shareholder cannot cause legal seals to be placed on the assets and securities of the Company or request the distribution or division of such assets and securities or interfere in any manner in the Company's administration.

They must refer to the financial statements and to the decisions of General Meetings to exercise their rights.

Every time when an ownership of several shares is required to exercise a given right, in cases of exchange, grouping or allotment of shares, or as a result of an increase or decrease in capital stocks, splits or reverse splits of shares, or any other operation on the Company's capital, the owners of single shares or of less than the required number of shares, may exercise their rights only if they undertake to combine, sell or purchase the necessary number of shares.

### ARTICLE 9 – TRANSFER OF SHARES

Shares can be traded freely.

Shares can be transferred, with respect to third parties and the Company, by an order to transfer them from one account to another.

**ARTICLE 10 – INDIVISIBILITY OF SHARES**

Shares are indivisible vis-à-vis the Company, which only recognises one owner for each share. Joint owners of a share are required to

be represented within the Company by one of the joint owners or by a single agent.

The beneficial owner shall represent the bare owner in Ordinary Meetings, however, the bare owner is the only one entitled to vote in Extraordinary Meetings.

## Section III: corporate governance

**ARTICLE 11 – BOARD OF DIRECTORS**

The Company is administered by a Board of Directors comprised of at least three and at most eighteen members, selected among the shareholders and appointed by the Ordinary General Meeting.

Each Director must own at least one share during his or her term.

Directors can be natural persons or legal entities. Legal entities shall, at the time of their appointment, appoint a Permanent representative who is subject to the same conditions and obligations and bears the same liability as if he/she were a Director in his/her own name. This without prejudice to the joint and several liability with the legal entity he/she represents.

When the Director of a legal person terminates the term of its Permanent representative, he/she must notify the Company without delay by registered mail of his/her decision as well as the identity of the new Permanent representative. The same applies in the event of the death or resignation of the permanent representative.

**ARTICLE 12 – DIRECTORS' TERM**

The Directors' term is six years.

The renewal of the terms is carried out gradually, in such a way that members of the Board are required to seek re-election on a regular basis in the most equal proportions possible.

Exceptionally, the Ordinary General Meeting may elect a Director to serve for a term of two or four years, in order to ensure adequate rotation of Board members.

Directors can be dismissed at any time by the Ordinary General Meeting.

They may resign from their term without giving any reason.

Reaching the end of his or her term, each Director may be re-elected.

The age limit for exercising the function of Director is set at 72 years. The number of Directors above the age of 68 may not be more than a third of the number of Directors. Once the age limit is reached, the oldest Director is deemed to have resigned from office following the next Ordinary General Meeting.

**ARTICLE 13 – MEETINGS AND PROCEEDINGS OF THE BOARD – MINUTES**

The Board of Directors is called to meetings by its Chairman, as often as the interest of the Company requires, either at the registered office, or at any other location indicated on the notice. Meetings may be called by all means, even verbally.

If no meeting has been held for more than two months, at least one third of the members of the Board can request that the Chairman call a Board meeting with a specific agenda.

The Chief Executive Officer can also request that the Chairman call a Board meeting with a specific agenda.

The Chairman must comply with requests that have been made to him in accordance with the two previous paragraphs.

Resolutions are adopted with the quorum and majority required by law. In the event of a tie vote, the Chairman shall cast the deciding vote.

For the purposes of calculating a quorum and majority, Directors participating in the meeting through videoconferencing or other means of telecommunications that allow them to identify themselves and effectively participate shall be considered present.

This rule is not applicable to the adoption of resolutions that require, in accordance with the current legislation, the physical presence of Directors.

Sufficient proof of the number of Directors in office and of their presence at a meeting of the Board is provided by the production of a copy or an excerpt of the minutes of the Board meeting.

The minutes of the meeting are prepared, and the copies or excerpts are delivered and certified as required by law.

**ARTICLE 14 – POWERS OF THE BOARD**

The Board of Directors determines the strategic direction of the Company's activities and supervises the implementation of such strategies. Subject to the powers expressly attributed to General Meetings, and within the limits of the Company's purpose, the Board deals with any issue affecting the Company's operations and settles, through its decisions, all matters concerning the Company.

The Board shall carry out any controls and checks that it considers appropriate.

Each Director receives all the information necessary to perform his or her duties and can request all documents that he or she considers useful.



In its relations with third parties, the Company is responsible for the acts of the Board of Directors which are not in accordance with the Company's purpose, unless it can prove that the third party knew that the act in question was not in accordance with the Company's purpose or that the third party could not have been unaware of this fact given the circumstances, the sole fact that the Company's bylaws are published does not constitute sufficient evidence.

In addition, without any effect to third parties, unless the Company proves that the third party knew that the acts exceeded those objects or could not in view of the circumstances have been unaware of it, decisions are submitted to the prior approval of the Board of Directors:

- (i) To establish the strategic guidelines of the Company;
- (ii) To agree on an action plan;
- (iii) To agree the annual budget of the Company;
- (iv) Any expenditure decisions exceeding €30 m;
- (v) Granting any pledge, collaterals, or other guarantees on the Company's assets outside banking operations;
- (vi) Authorise all proposals on issuing securities (bonds, other debt and hybrid securities) other than those approved in the budget or the debt issuance programme of the Company.

The Board of Directors can grant any representative of its choice a delegation of powers within the limit of its powers under law or these bylaws.

## ARTICLE 15 – COMPENSATION OF THE BOARD OF DIRECTORS

An Ordinary General Meeting may allocate to the Board of Directors a fixed annual compensation in the form of Directors' fees, the amount of which it shall determine. This compensation remains applicable until an Ordinary General Meeting decides otherwise.

The Board of Directors shall allocate this compensation in the proportions that it considers appropriate.

## ARTICLE 16 – CHAIRMAN OF THE BOARD OF DIRECTORS

The Board of Directors elects, from among its individual members, a Chairman and determines his or her compensation. It also decides on the Chairman's term, which may not exceed his or her term as Director. The individual can be re-appointed.

The Chairman's term must expire no later than the end of the Ordinary General Meeting that follows the date on which the Chairman reaches the age of 68.

The Chairman represents the Board of Directors. He or she organises and directs the work of the Board, and reports to the General Meetings on such work. The Chairman verifies that the Company's decision-making bodies function properly and ensures, in particular, that the Directors are able to fulfil their responsibilities.

The Board may confer on one or more of its members or on third parties, whether or not they are shareholders, special mandates for one or more specific purposes.

It may also appoint one or more committees, the structure and roles of which it shall determine. These committees, which can include both Directors and third parties chosen for their expertise, study the questions that the Board or the Chairman submits for their review.

In these various cases, the Board may allocate special compensation to the appointed Directors.

## ARTICLE 17 – MANAGEMENT

Management of the Company is directed, under his or her responsibility, by an individual appointed by the Board of Directors with the title of Chief Executive Officer. The positions of Chairman of the Board of Directors and Chief Executive Officer may no longer be held by the same person.

The Board of Directors shall appoint the Chief Executive Officer, determine the period for which the Chief Executive Officer is appointed and, if applicable, the limitation of his/her powers beyond the provisions laid down in Article 14 of these bylaws.

The Chief Executive Officer has the broadest powers to act in all circumstances in the name of the Company, within the limits of its purpose, and subject to the specific powers expressly attributed to General Meetings by law and to the specific powers of the Board of Directors.

The Chief Executive Officer represents the Company in its relationships with third parties. The Company is responsible for the acts of the Chief Executive Officer which are not in accordance with the Company's purpose, unless it can prove that the third party knew that the act in question was not in accordance with the Company's purpose, or that the third party could not have been unaware of this fact in light of the circumstances. The sole fact that the Company's bylaws are published does not constitute sufficient proof.

On the recommendation of the Chief Executive Officer, the Board of Directors can appoint one or more individuals, whether Directors or not, to assist the Chief Executive Officer, with the title of Deputy Chief Executive Officer. The number of Deputy Chief Executive Officers may not exceed five. The scope and duration of the powers of the Deputy Chief Executive Officers shall be determined by the Board of Directors with the consent of the Chief Executive Officer.

With respect to third parties, Deputy Chief Executive Officers have the same powers as the Chief Executive Officer.

The Board of Directors determines the compensation of the Chief Executive Officer and the Deputy Chief Executive Officers.

The Chief Executive Officer and, if they have been appointed, Deputy Chief Executive Officers, even if not members of the Board, are invited to the meetings of the Board of Directors.

The duties of the Chief Executive Officer and Deputy Chief Executive Officer must cease no later than the end of the General Meeting that follows the date at which the person reaches the age of sixty-eight.

The Chief Executive Officer may be removed at any time by the Board of Directors. The same applies, on the recommendation of the Chief Executive Officer, to the Deputy Chief Executive Officers. If the removal is decided without just cause, it may result in legal damages.

If the Chief Executive Officer resigns, or cannot carry out his or her duties, the Deputy Chief Executive Officers retain, unless the Board decides otherwise, their positions and the responsibilities assigned to them until a new Chief Executive Officer is appointed.

**ARTICLE 18 – NON-VOTING DIRECTORS**

The Ordinary General Meeting may, on the recommendation of the Board of Directors, appoint up to four non-voting Directors.

The term of a non-voting Director is six years. They may be re-appointed.

The renewal of the terms is carried out gradually, in such a way that non-voting Directors are required to seek re-election on a regular basis in the most equal proportions possible.

Exceptionally, the Ordinary General Meeting may elect non-voting Directors to serve for a term of two or four years, in order to ensure adequate rotation.

The age limit for exercising the function of non-voting Directors is set at 72 years. The number of non-voting Directors above the age of 68 may not be more than a third of the number of non-voting Directors in office. Once the age limit is reached, the oldest non-voting Director is deemed to have resigned from office following the next Ordinary General Meeting.

Non-voting Directors are responsible for ensuring that bylaws are strictly applied.

Non-voting Directors attend meetings of the Board of Directors and have an advisory role.

The Board of Directors determines their compensation in the context of the allocation of the Directors' fees awarded by the General Meeting.

**Section IV: company audits****ARTICLE 19 – STATUTORY AUDITORS**

The General Meeting shall designate one or more Statutory Auditors and one or more Alternate Auditors, under the conditions stipulated by law.

**ARTICLE 20 – SPECIFIC CONTROLLER**

Under the conditions stipulated by law and by the regulations applicable to a *société de crédit foncier*, and after obtaining the opinion of the Board of Directors, the Chief Executive Officer shall appoint one Specific Controller and an alternate.

The Specific Controller and, if applicable, the alternate shall perform the duties assigned to them by the laws governing a *société de crédit foncier*.

**Section V: General Meetings****ARTICLE 21 – GENERAL MEETINGS**

General Meetings shall be called and shall deliberate under the conditions stipulated by law.

An Ordinary General Meeting must be held each financial year within five months of the closing date of the preceding financial year.

Meetings shall be held at the registered office or at another location stated in the notice of meeting.

Any shareholder may participate personally, or by proxy, in General Meetings with proof of identity and ownership of shares in the form of a record in his name on the Company's books five days before the date of the General Meeting.

He may also vote by email under the conditions stipulated by law.

Shareholders who participate in the General Meeting by videoconference or telecommunications that enable them to be identified shall be considered present for calculating the quorum and the majority.

General Meetings shall be chaired by the Chairman of the Board of Directors or, in his or her absence, by a Director specially authorised for that purpose by the Board. Otherwise, the General Meeting shall appoint a Chairman.

An attendance sheet shall be kept under the conditions stipulated by law.

Minutes of General Meetings shall be drawn up and copies shall be certified and issued pursuant to law.

**ARTICLE 22 – DELIBERATIONS OF THE GENERAL MEETING**

Ordinary and Extraordinary General Meetings ruling with the quorum and majority set by law shall exercise the powers that are conferred to them by law.

## Section VI: annual financial statements – distribution of earnings

### ARTICLE 23 – FINANCIAL YEAR

The Company's financial year starts on 1 January and ends on 31 December.

The Board of Directors may change the closing date of the financial year if it determines such a change to be in the Company's best interest.

As an exception, the first financial year started on 22 December 1998, from the registration date, and ended on 31 December 1998.

### ARTICLE 24 – DISTRIBUTION OF EARNINGS

If the financial statements for a given financial year, as approved by the General Meeting, show distributable earnings as defined by law, shareholders shall decide either to attribute them to one or more

reserve accounts, the allocation and use of which it determines, or to retained earnings, or to distribute them.

After noting the existence of the reserves at its disposal, the General Meeting may decide to distribute amounts drawn from those reserves. In such a case, the decision shall specify the reserve accounts from which the distributed amounts are to be drawn.

However, dividends shall be withdrawn first from the distributable earnings for the financial year.

The above provisions shall apply if non-voting preferred shares are created.

General Meeting also has the right to grant each shareholder an option to receive payment either in the form of cash or in shares for all or part of the dividend or interim dividend to be distributed.

## Section VII: dissolution – liquidation – disputes

### ARTICLE 25 – DISSOLUTION AND LIQUIDATION

At the expiration of the Company or in the event of early dissolution, the General Meeting shall determine the method of liquidation and shall appoint one or more liquidators, whose powers it shall determine and who shall perform their duties pursuant to law.

### ARTICLE 26 – DISPUTES

All disputes that might arise during the term of the Company or at the time of liquidation, either between the shareholders, regarding the interpretation or execution of these bylaws or between the Company and its shareholders, shall be adjudicated as required by law and shall be subject to the jurisdiction of the competent courts of the place of the registered office.

To this effect, in the case of a dispute, any shareholder is bound to designate an address for service of process within the area of jurisdiction of the court of the head office and any assignments or notifications will be duly issued to this elected domicile, without consideration of the actual address.

Failing an election of domicile, the assignments and notifications will be validly issued to the Public Prosecutor's office in the county court in the location of the head office.

## 6. General information

### Outlook for Compagnie de Financement Foncier

#### RECENT EVENTS

On 01 March 2015, the Austrian Financial Market Authority (FMA – Finanzmarktaufsicht), in accordance with the federal act on the recovery and resolution of banks (Bundesgesetz über die Sanierung und Abwicklung von Banken), in force since 01 January 2015; published a decree announcing the adoption of resolution measures, consisting of a temporary moratorium until 31 May 2016 on a significant part of the debt (principal and interest) of Heta Asset Resolution AG, formerly called Hypo Alpe Adria Bank International AG, and in charge of the management of Hypo Alpe Adria's assets in a run-off mode.

Compagnie de Financement Foncier takes note of this decision and precises that the nominal value of its exposures to Heta Asset Resolution AG, concerned by the moratorium, amounts to €260m. These exposures benefits from a guarantee granted by the State of Carinthia.

Without waiting for the conclusions of the FMA, Compagnie de Financement Foncier decided to recognise this event in its accounts closed on 31 December 2014. The impact of this event in company's accounts is detailed in the "Notes to the individual financial statements", section 3 "Post balance-sheet events", on page 77 of this Registration document.

The Company has not recorded any other recent events that significantly impact the evaluation of its solvency. Compagnie de Financement Foncier's issuances amounted to €6.1 bn in 2014, in line with its annual funding needs.

#### TRENDS

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

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

The recent events as previously described don't call into question the Company's solvency; and are not likely to have a negative material impact on its outlook.

#### CONTROL

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

#### MATERIAL EVENTS

No significant changes in the financial or commercial situation have occurred between 10 April 2015 – the date at which the Board of Directors closed the accounts – and the filing date of this Registration document.

### Additional information

- No potential conflicts of interest exist between the duties of Board members towards Compagnie de Financement Foncier and their private interests and/or other duties.
- At 31 December 2014, there were no exceptional events or legal disputes (government, legal or arbitration procedures) likely to have or to have had a material impact on Compagnie de Financement Foncier's financial position, operations, results or assets.
- Compagnie de Financement Foncier conducts itself and its corporate entities operate according to the corporate governance framework applicable in France.

## Persons responsible for auditing the financial statements

### PRINCIPAL

#### KPMG AUDIT – DEPARTMENT DE KPMG SA

Represented by Mr Jean-François DANDÉ

Address: 1, cours Valmy – 92923 La Défense cedex

775 726 417 RCS PARIS

Member of the Compagnie régionale des commissaires aux comptes de Versailles (Regional Association of Statutory Auditors of Versailles)

Start of term: 25 May 2005

Length of term: six financial years

Expiration of term: at the end of the Ordinary General Meeting called to approve the financial statements for the 2016 financial year.

#### PRICEWATERHOUSECOOPERS AUDIT

Represented by Ms. Anik CHAUMARTIN

Address: 63, rue de Villiers – 92200 Neuilly-sur-Seine

302 474 572 RCS PARIS

Member of the Compagnie régionale des commissaires aux comptes de Versailles (Regional Association of Statutory Auditors of Versailles)

Start of term: 30 June 2003

Length of term: six financial years

Expiration of term: at the end of the General Meeting called to approve the financial statements for the 2019 financial year.

### ALTERNATES

#### KPMG AUDIT FS I

Represented by Ms. Isabelle GOALEC

Address: 1, cours Valmy – 92923 La Défense cedex

Start of term: 23 May 2011

Length of term: six financial years

Expiration of term: at the end of the Ordinary General Meeting called to approve the financial statements for the year ending 31 December 2016

#### MR. ÉTIENNE BORIS

Address: 63, rue de Villiers – 92200 Neuilly-sur-Seine

Start of term: 26 May 2008

Length of term: six financial years

Expiration of term: at the end of the General Meeting called to approve the financial statements for the 2019 financial year.

## Specific Controllers

### PRINCIPAL

#### CAILLIAU DEDOUIT & ASSOCIÉS

Represented by Mr. Laurent BRUN

Address: 19, rue Clément-Marot – 75008 Paris

Date of approval from the Banking Commission: 23 June 2004  
Assent renewed by *Autorité de contrôle prudentiel et de résolution* (ACPR - French Prudential Supervisory and Resolutive Authority) 14 November, 2014.

Start of term: 29 June 2004

Length of term: remainder of predecessor's term, then renewed for a term of 4 years.

Expiration of term: after submission of the report and certified statements for the year ending 31 December 2018.

### ALTERNATES

#### MR. REMI SAVOURNIN

Address: 19, rue Clément-Marot – 75008 Paris

Date of assent from the ACPR: 14 November, 2004

Start of term: 1 January, 2015

Length of term: 4 years.

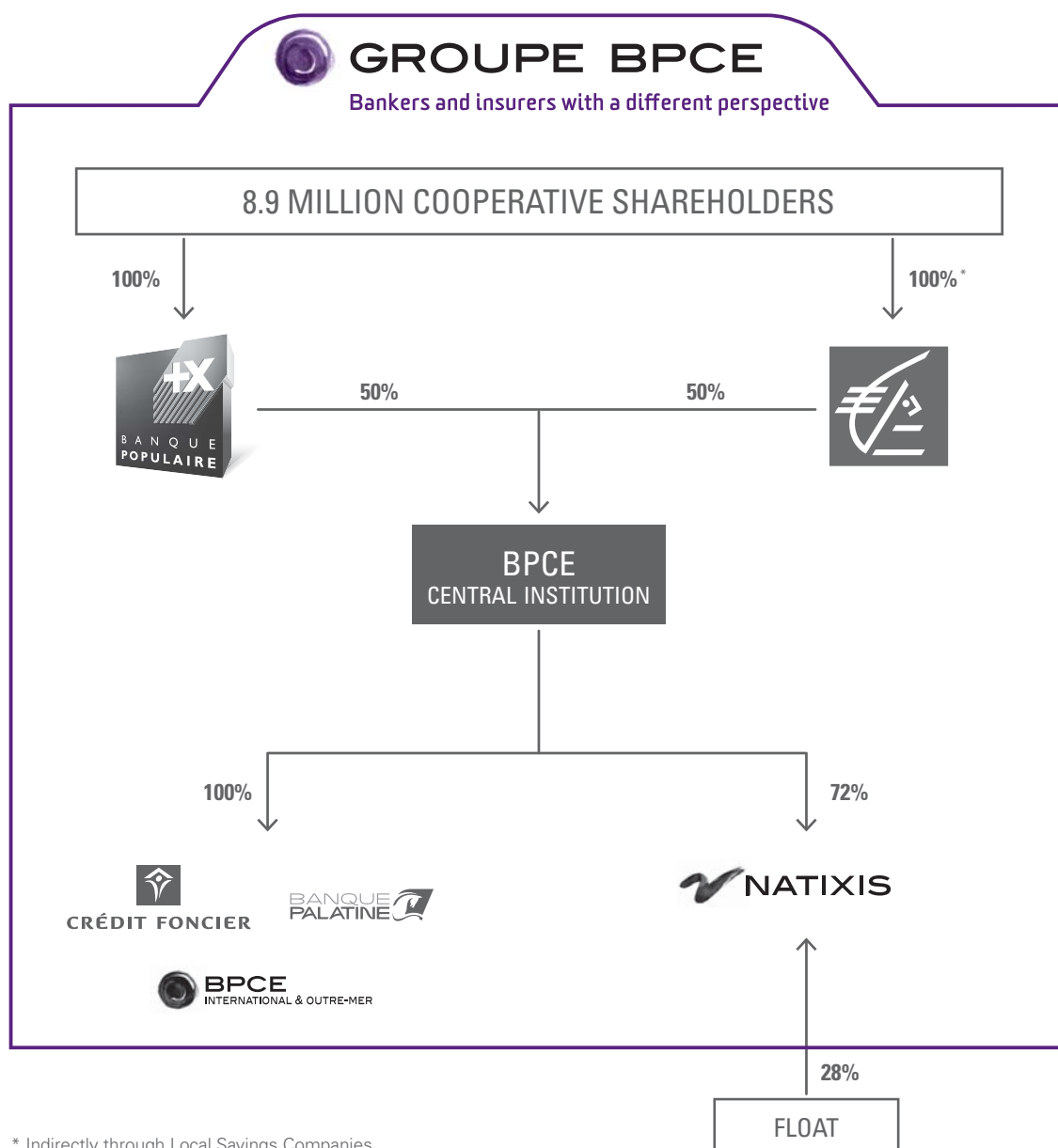
Expiration of term: after submission of the report and certified statements for the financial year ending 31 December 2018.

# Appendix

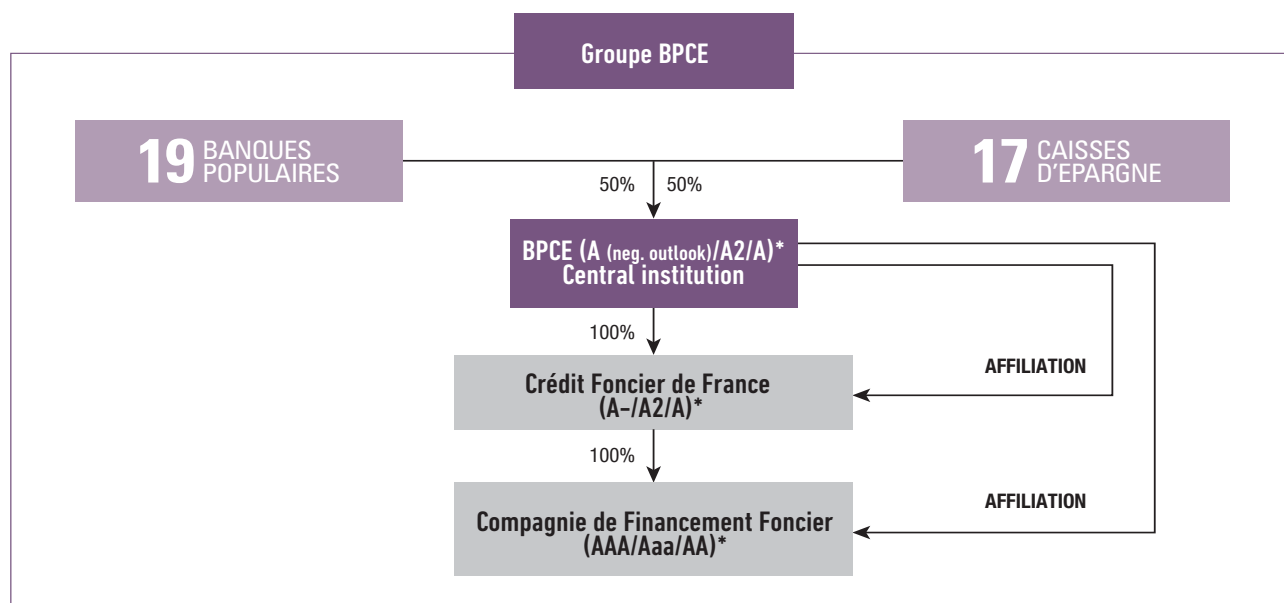
## Positioning of Crédit Foncier, fully-owner of Compagnie de Financement Foncier, within Groupe BPCE

Since the merger of holding companies previously owned by Banques Populaires (BP Participations) and Caisses d'Epargne (CE Participations) on 5 August 2010 within the Central body (BPCE), Crédit Foncier's is wholly owned by Groupe BPCE, the second banking group in France.

## ■ Organisation chart of Groupe BPCE at 31 December 2014



## ■ Focus on the positioning of Compagnie de Financement Foncier



\* Ratings of obligations foncières for Compagnie de Financement Foncier and senior debts for the other issuers, updated as of the Registration document's filing date.

# Statement from the person who assumes responsibility for the registration document

## PERSON RESPONSIBLE FOR FINANCIAL INFORMATION

Mr Thierry DUFOUR  
Chief Executive Officer

Compagnie de Financement Foncier  
Address: 4, quai de Bercy – 94220 Charenton-le-Pont  
Telephone: +33 (1) 57 44 92 12  
Fax: +33 (1) 57 44 92 88

## STATEMENT FROM THE PERSON WHO ASSUMES RESPONSIBILITY FOR THE REGISTRATION DOCUMENT

I certify, after having taken every reasonable measure to this purpose, that the information provided in this registration document is, to my knowledge, true to fact and that no information has been omitted that would change the interpretation of the information provided.

I further certify that, to the best of my knowledge, the financial statements have been prepared in compliance with the applicable accounting standards and give a true and fair view of the Company's assets, financial position and earnings, and that the information contained in the management report pages 43 to 71 gives an accurate representation of the business trends, earnings and financial position of the Company, as well as a description of the primary risks and uncertainties the Company faces.

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

Charenton-le-Pont, 10 April 2015

Chief Executive Officer of Compagnie de Financement Foncier

Thierry DUFOUR



# AMF Cross-reference Table

## In annex IV of European Commission regulation (EC) N° 809/2004

Heading	Pages
<b>1. Persons responsible</b>	
1.1. Persons responsible for the information	206
1.2. Declaration by those persons responsible for the registration document	206
<b>2. Statutory Auditors</b>	
2.1. Names and addresses of the issuer's auditors	203
2.2. Auditors during the period covered by past financial information	203
<b>3. Selected financial information</b>	
3.1. Financial information	10-12
3.2. Financial information for interim periods	n/a
	<b>34-37</b>
<b>4. Risk factors</b>	<b>49-54; 132-173</b>
<b>5. Information about the issuer</b>	
5.1. History and development of the issuer	
5.1.1. – Legal and commercial name of the issuer	189; 197
5.1.2. – Place and registration number of the issuer	192
5.1.3. – Date of incorporation and length of life of the issuer	190; 197
5.1.4. – Domicile and legal form of the issuer	189; 196-197
5.1.5. – Recent events particular to the issuer which are to a material extent relevant to the evaluation of the issuer's solvency	202
5.2. Investments	n/a
<b>6. Business overview</b>	
6.1. Principal activities	
6.1.1. – Main categories of services performed	5; 39-40
6.1.2. – New products and/or activities	n/a
6.2. Principal markets	26-33; 38-39
6.3. Competitive position	5-9
<b>7. Organisational structure</b>	
7.1. Description of the Group and issuer's position within it	13; 204-205
7.2. Dependence upon other entities within the Group	193; 204-205
<b>8. Trend information</b>	
8.1. Statement that there has been no material adverse change in the prospects of the issuer since the date of its last published audited financial statements	202
8.2. Events that are reasonably likely to have a material effect on the issuer's prospects	54; 202
<b>9. Profit forecasts or estimates</b>	<b>n/a</b>
<b>10. Administrative, management, and supervisory bodies</b>	
10.1. Names, business addresses and functions of the administrative, and management bodies and principal activities performed by them outside the issuer	62-71; 183; 187-188
10.2. Statement that there are no conflicts of interests	172; 202
<b>11. Management and executive bodies</b>	
11.1. Details relating to the issuer's Audit Committee	

	Heading	Pages
11.1.1.	- Names of committee members and terms of reference under which the committee operates	176
11.2.	Corporate governance	174-183
<b>12.</b>	<b>Major shareholders</b>	
12.1.	Ownership, control	193; 202
12.2.	Arrangements which may result in a change in control of the issuer	n/a
<b>13.</b>	<b>Financial information concerning the issuer's assets and liabilities, financial position and profits and losses</b>	
13.1.	Past Financial Information	
13.1.1.	- Balance sheet	73
13.1.2.	- Off-balance sheet	74
13.1.3.	- Income statement	75
13.1.4.	- Cash Flow Statement	120-121
13.1.5.	- Accounting Policies and Explanatory Notes	76-122
13.1.6.	- Statutory Auditors' report	123-124
13.1.7.	- Past Financial Information: registration document	
13.1.7.1.	- Financial Statements	73-122
13.1.7.2.	- Certification of Statutory Auditors of the financial statements	123-124
13.2.	Consolidated financial statements	n/a
13.3.	Auditing of past annual financial information	
13.3.1.	- Certification of Statutory Auditors of the financial statements	123-124; 154
13.3.2.	- Other information in the registration document which has been audited by the auditors	154-156; 174-183
13.3.3.	- Financial data in the registration document not extracted from audited financial statements	n/a
13.4.	Date of latest financial information	
13.4.1.	- The last year of audited financial information	2013 registration document <sup>(1)</sup>
13.5.	Interim and other financial information	
13.5.1.	- Quarterly or half yearly financial information published since the last audited financial statements	n/a
13.5.2.	- Interim financial information since the end of the last audited financial year	n/a
13.6.	Legal and arbitration proceedings	170; 202
13.7.	Significant change in the issuer's financial or trading position	
13.7.1.	- Statement	202
<b>14.</b>	<b>Additional information</b>	
14.1.	Share Capital	
14.1.1.	- Amount of the issued capital	193; 197-198
14.2.	Memorandum and bylaws	
14.2.1.	- Register and corporate purpose	188-192; 196-201
<b>15.</b>	<b>Material contracts</b>	
15.1.	Regulated agreements	190
<b>16.</b>	<b>Third party information and statement by experts and declarations of any interest</b>	
16.1.	Report attributed to a person as an expert	154-156
16.2.	Certification	154
<b>17.</b>	<b>Documents on public display</b>	
17.1.	Place where the documents on display may be inspected, by physical or electronic means	192; 211

(1) In application of Article 28 of regulation No. 809-2004 on prospectuses, the corporate financial statements for the accounting period ended 31 December 2013 and the Statutory Auditors' report on the corporate financial statements, included in the reference document No. D.14-0223 filed with the Autorité des marchés financiers (AMF – French Financial Markets Authority) on 27 March 2014, are incorporated by reference in this document.  
The sections of reference document No. D.14-0223 not referred to above are either of no consequence to investors or covered by another section of this reference document.

Information required in the annual financial report	Pages
<b>Statement from the person who assumes responsibility for the registration document</b>	<b>206</b>
<b>Management report</b>	
- Analysis of results, financial position and risks of parent company and the consolidated scope (Articles L.225-100 and L.225-100-2 of the French Commercial Code)	42-173
- Information related to the share capital structure and the elements likely to have an impact in the event of a takeover (Article L.225-100-3 of the French Commercial Code)	193; 202
- Information related to the repurchase of stock (Article L.225-211, para. 2 of the French Commercial Code)	n/a
<b>Financial statements and reports</b>	
- Annual financial statements	73-122
- Statutory Auditors' report on the annual financial statements	123-124
- Consolidated financial statements	n/a
- Statutory Auditors' report on the consolidated financial statements	n/a



**Contacts**

Compagnie de Financement Foncier  
4, quai de Bercy  
94224 Charenton-le-Pont Cedex

Tel: +33 (0)1 57 44 92 05

Financial information:

Financial Communication Team

Email: [bal-comfi@creditfoncier.fr](mailto:bal-comfi@creditfoncier.fr)

[ir@foncier.fr](mailto:ir@foncier.fr)

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

4 quai de Bercy - 94224 Charenton Cedex  
Tél. : +33 (0)1 57 44 92 05 - **foncier.fr**

