



2013

Update to the Registration document

including the half-year financial report - 1st half of 2014



**COMPAGNIE DE
FINANCEMENT
FONCIER**
GROUPE CRÉDIT FONCIER



Activity report



Financial report



Risk management report



Legal informations



This is a free translation into English of Compagnie de Financement Foncier 2014 half-year report issued in the French language and is provided solely for the convenience of English speaking readers. In case of discrepancy the French version prevails.

Only the French version of the update of the Registration document as of June 30, 2014, has been submitted to the AMF. It is therefore the only version that is binding in law.

This update of the Registration document was filed with the French Financial Markets Authority on 28 August 2014, in compliance with Article 212-13 of its general regulations. It completes the Registration document filed with the French Financial Markets Authority on 27 March 2014, in accordance with Article 212-13 of its general regulations, and registered under No. D.14-0223. It may be used to support a financial transaction if accompanied by a securities note approved by the French Financial Markets Authority. This document was drawn up by the issuer and is the responsibility of its signatories.

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

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Activity report

PROFILE

ENVIRONMENT

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ACTIVITY

KEY FIGURES

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Profile

Compagnie de Financement Foncier is a credit institution licensed 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 (neg. out.)/A)⁽¹⁾, it is affiliated with BPCE (A (neg. out.)/A2 (neg. out.)/A)⁽¹⁾. Its purpose is to finance mortgage and public-sector lending for its parent company as well as the Group as a whole by issuing AAA/Aaa/AA+-rated *obligations foncières*⁽¹⁾.

Compagnie de Financement Foncier's *obligations foncières* are French legal covered bonds that comply with the European directives UCITS 52-4, CRD and with the Article 129 of the European Capital Requirements Regulation (CRR). They are all eligible to the European Central Bank's (ECB) refinancing operations.

Environment

At the macro-economic level, the World Bank lowered its growth projections for 2014. As a matter of fact, the institution expects the global economy to grow at a rate of 2.8% this year, *versus* the 3.2% announced in January⁽²⁾. The global economy remains weak in spite of the improved outlook.

In developed countries, such as the United States, the recovery still appears certain, as signaled by the expected annual growth rate of around 2.8%⁽³⁾. The Eurozone, on the other hand, is growing at a more moderate pace. During the first quarter of 2014, its GDP grew by 0.2%⁽⁴⁾, mostly driven by Germany's momentum. In the second quarter, growth continues to be subdued, reaching 0.3%⁽⁵⁾.

In early June the ECB, in its fight against inflation, announced a series of measures to loosen monetary policy and improve access to lending for private economic agents. The most significant of these measures are lowering of key interest rates by ten base points on the funding and deposit rates (the latter now being negative) and the execution of a series of TLTROs (Targeted longer-term refinancing operations) allowing banks to find liquidity over

a longer maturity (up to four years) to finance new loans to the economy (excluding home loans to families).

In the first half of 2014, spreads on the credit market tightened within the Eurozone, in spite of the tensions in the banking sector in Portugal (*Banco Espírito Santo* – BES) and France (BNP Paribas). Lending rates of ten-year government bonds reached their record highs in Germany (Bund) and France (OAT). Lending rates also fell sharply in the periphery. The European Central Bank is vigilant for signs of increased financial fragmentation in the Eurozone and widening interest rate spreads.

On the covered bonds market, at 30 June 2014, Euro benchmark secured bond issuance stood at €69 billion, a 25% increase from 30 June 2013. In total, 82 Euro Benchmark issuance were made by 59 issuers from 18 different countries, primarily in the medium and long-end of the curve. French bonds dominated the covered bond market (16.8%), followed by Germany (15.5%), Italy (9.1%) and Canada (7.3%)⁽⁶⁾.

Activity

In the first half of 2014, Compagnie de Financement Foncier returned on the Euro covered bond market with two new benchmark issuances : the first one with a 5-year maturity and the second one at the long end with a 10-year maturity. In addition to new benchmarks, Compagnie de Financement Foncier issued many private placements.

At the end of June 2014, Compagnie de Financement Foncier's total issuances was €3.4 billion, of which 62% in public format and 38% in private placements.

(1) Standard & Poor's/Moody's/Fitch Ratings, updated to the filing date of the Update to the 2013 Registration document.

(2) World Bank – Global economic prospects – June 2014.

(3) International Monetary Fund – Bulletin of IMF – April 2014.

(4) Natixis Research: "Coup de frein sur la croissance européenne" [Europe's growth hits the brakes] – June 2014.

(5) INSEE "La reprise modérée se poursuit" [Moderate recovery continues] – July 2014.

(6) Natixis Research: "Covered bond market weekly".



Key figures

CHARACTERISTICS OF THE ISSUER

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(neg.out.)/A) ^{(1) (2)} a subsidiary of BPCE (A(neg.out.)/A2(neg.out.)/A) ^{(1) (2)}

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

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

(2) Rating updated to the filing date of the Update to the Registration document.

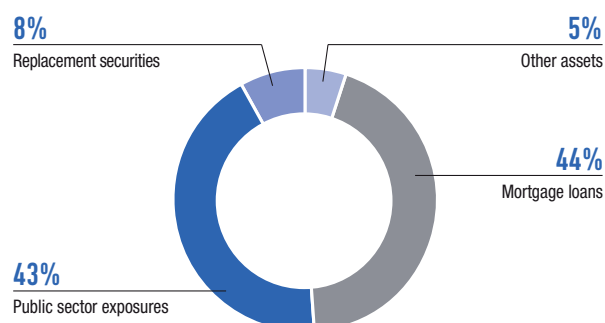
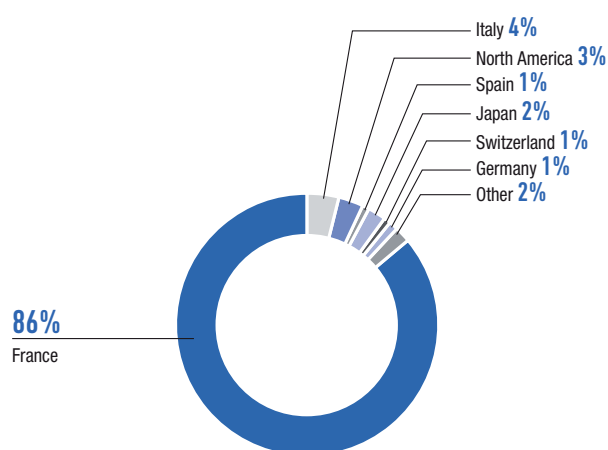
SIMPLIFIED ECONOMIC BALANCE SHEET AT 30 JUNE 2014 AND 31 DECEMBER 2013

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

Assets (by type of exposure)	At 30 June 2014		At 31 December 2013	
	€bn	%	€bn	%
Mortgage loans	38.3	44.7%	38.5	42.9%
Mortgage loans and related items	38.3	44.7%	38.5	42.9%
European senior residential mortgage-backed securities	0.0	0.0%	0.0	0.0%
Public sector exposures	36.7	42.8%	39.6	44.2%
French Public sector loans *	25.5	29.7%	28.2	31.5%
Securities from the International Public sector	11.2	13.1%	11.4	12.7%
Senior residential securitisation units with public guarantees	0.0	0.0%	0.0	0.0%
Replacement values and other assets	10.7	12.5%	11.6	12.9%
Replacement values	6.7	7.8%	7.0	7.8%
Other assets	4.0	4.7%	4.6	5.1%
TOTAL ASSETS	85.7	100.0%	89.7	100.0%

* including short-term deposits and loans to the Banque de France of €5.3 billion at the end of June 2014 and €11.4 billion at the end of December 2013.

Liabilities	At 30 June 2014		At 31 December 2013	
	€bn	%	€bn	%
Privileged resources	71.0	82.9%	75.1	83.7%
Obligations foncières	71.1	83.0%	75.1	83.7%
Foreign exchange difference on obligations foncières	-0.6	-0.7%	-0.5	-0.6%
Other privileged resources	0.5	0.6%	0.5	0.6%
Currency translation difference associated with hedging balance sheet items	0.7	0.8%	0.5	0.6%
Non-privileged resources	14.0	16.3%	14.1	15.7%
Unsecured debt	8.5	9.9%	8.6	9.6%
Subordinated debt and similar debt	3.7	4.3%	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	1.6%	1.4	1.6%
Shareholders' equity, provisions and reserve for general banking risks	1.8	2.1%	1.8	2.0%
(Regulatory capital in accordance with the CRD IV directive and the CRR regulation)	(4.9)	(5.7%)	(4.4)	(4.9%)
TOTAL LIABILITIES	85.7	100.0%	89.7	100.0%

BREAKDOWN OF ASSETS: €85.7 billion**■ By type of assets****■ By region****PERFORMANCE INDICATORS****€3.4 billion**

Obligations foncières issued at 30 June 2014

€64.2 million

Net income

€171.6 million

Net banking income

€4.9 billion

Regulatory capital

119.2%

Regulatory overcollateralisation ratio

19.7%

Non-privileged resources/privileged resources ratio

72.2%

Average LTV of mortgage loans

9.7%

Common Equity Tier-1 ratio

27.6%

Solvency ratio *

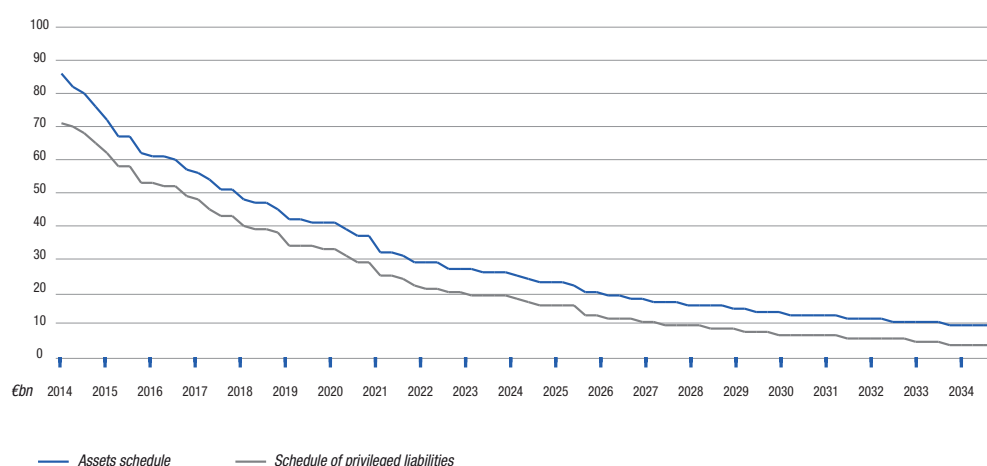
*Calculated with standard approach.

Outstanding privileged liabilities at 30 June 2014

€71.1 billion of obligations foncières.

Positioning

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

AMORTISATION OF ASSETS AND PRIVILEGED LIABILITIES



Financial report

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Management report at end of June 2014

Within a still difficult economic environment affected by a global economy showing limited signs of recovery and a high level of indebtedness of many developing countries, especially in Europe, Compagnie de Financement Foncier issued €3.4 billion in *obligations foncières* during the first half of 2014.

The funds were used to purchase or mobilise mortgage loans and loans granted to the public sector by Crédit Foncier and other BPCE entities.

In the first half of 2014, the three major rating agencies confirmed their AAA/Aaa/AA+ rating for all its privileged debt, thereby acknowledging the security offered by the status of *société de crédit foncier* and the additional commitments made by Compagnie de Financement Foncier in terms of financial management and risk control.

At the end of June 2014, Compagnie de Financement Foncier's balance sheet stood at €86 billion, with a net income for the period of €64 million.

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*.

Most of the measures introduced by these two new regulations had immediate effect, even though certain conditions still need to be specified, mainly in relation to the following areas as far as Compagnie de Financement Foncier is concerned:

- 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% 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 (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 (French Prudential Supervisory and Resolution Authority) 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 a quarterly statement to report the cover ratio, 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.

2. Main transactions carried out over the period

ACQUISITIONS AND DISPOSALS

During the first half of the year, Compagnie de Financement Foncier's activities mainly comprised the purchase of mortgage loans and local authorities loans granted by Groupe BPCE, as deleveraging targets (reduction of balance sheet through disposal of international assets) had been reached during the two previous financial years.

In accordance with the strategic guidelines of Crédit Foncier and of Groupe BPCE's plan "Another way to grow", Compagnie de Financement Foncier refinanced:

- €2 billion in mortgage loans granted by Crédit Foncier to its private customers, of which two thirds were also guaranteed by FGAS;
- €2.4 billion in facilities granted by Crédit Foncier to local authorities through mobilisation under Article L. 211-38 of the French Monetary and Financial Code;



- €2 billion in public sector loans previously granted by different entities of Groupe BPCE. In particular, nine Banque Populaire banks and Caisses d'Épargne refinanced part of their portfolios through direct disposals or mobilisation under Article L. 211-38.

All these investments are located in France, excluding mortgage loans granted in Belgium by Crédit Foncier and mobilised with Compagnie de Financement Foncier for €0.2 billion.

To allow the Group's funding while reducing the size of its balance sheet, Compagnie de Financement Foncier sold €0.7 billion in mortgage loans to a securitisation vehicle. The other disposals concerned a small number of international public sector assets limited to €0.1 billion.

FUNDING AND CASH MANAGEMENT

In the first half of 2014, Compagnie de Financement Foncier issued €3.4 billion of *obligations foncières*, broken down as follows:

- €2.1 billion through public issuances, essentially with a €1 billion 5-year covered bond issued for BPCE as reinvestment of

mobilised public sector loans with the same maturity and a €1 billion 10-year benchmark issuance.

These two transactions were authorised by the Specific controller responsible for verifying compliance with prudential regulations for any issuance above €0.5 billion or its equivalent in foreign currencies;

- €1.3 billion 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).

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 an amount of €0.2 billion.

In terms of cash, the main change affected the deposits placed with the Banque de France, which decreased from €11.4 billion at the end of 2013 to €5.3 billion at the end of June 2014. The cash, alongside the income from the issuances, was used to acquire Group loans and reimburse *obligations foncières* maturing during this period, whose value was particularly high during the period (€6.8 billion, of which €5.9 billion in the first quarter 2014).

3. Changes in assets

Breakdown of assets by guarantee rank

	06/30/14		12/31/13	
	€M	% balance sheet	€M	% balance sheet
Secured loans				
Articles L. 513-3, L. 513-5 and L. 513-6	38,287	44.7%	38,527	42.9%
State-subsidised mortgage loans	226	0.3%	261	0.3%
Mortgage loans secured by the FGAS	14,505	16.9%	13,810	15.4%
Other mortgage loans	15,162	17.7%	16,021	17.9%
Mortgage notes	8,212	9.6%	8,226	9.2%
Guaranteed loans	182	0.2%	209	0.2%
Exposures to public authorities				
Articles L. 513-4 and L.513-5	36,658	42.8%	39,630	44.2%
State-subsidised public loans	138	0.2%	150	0.2%
Other public loans	26,833	31.3%	29,530	32.9%
Public entity securities	9,686	11.3%	9,950	11.1%
Other assets (interests on IFAT, adjustment accounts, etc.)	4,048	4.7%	4,552	5.1%
Replacement values				
Article L. 513-7	6,693	7.8%	7,010	7.8%
TOTAL ASSETS	85,685	100.0%	89,720	100.0%

Transactions for the period led to a balance sheet decrease of €4 billion.

On the asset side, the evolution mainly concerned cash placed with the Banque de France, recorded in this table under "Other public loans".

Indeed the assets invested in long-term mortgage loans remained almost stable (>€38 billion). Assets invested in the Public sector (after restatement of the deposits placed with the Banque de France) increased from €28 billion to €31 billion in the first half of the year due to significant acquisitions from Groupe BPCE.

The other short-term assets accounting for the remaining cash and reported under replacement securities remained stable at €6.7 billion. For the period, they mainly included €6.6 billion in short term deposits (under two months) with BPCE guaranteed for more than 80% by loans pursuant to Article L. 211-38.

Moreover, the breakdown of assets by region remained essentially unchanged during the period, as most international asset disposals took place beforehand. At 30 June 2014, 86% of the balance sheet was located in France, slightly down from 87% recorded six months earlier.

Over the period, the amount of international assets remained virtually unchanged, whilst outstanding loans in France went down by more than €4 billion mainly as a consequence of the reduction in cash deposits placed with the Banque de France.

At 30 June 2014, international assets, mainly from the Public sector amounted to €11.8 billion, broken down in three categories:

- three countries with the highest exposures, including Italy (€3.0 billion), the United States (€1.7 billion) and Japan (€1.5 billion);
- five countries with lower exposure, with outstanding loans around a billion order, i.e. Switzerland (€1.2 billion), Spain (€0.9 billion), Belgium (€0.7 billion), Germany (€0.7 billion) and Canada (€0.6 billion);
- the remaining 11 countries with outstanding loans accounting for less than 0.5% of the balance sheet, corresponding primarily to government bond exposures to European countries.

4. Changes in liabilities

■ Breakdown of liabilities by guarantee rank

	06/30/14		12/31/13	
	€M	% balance sheet	€M	% balance sheet
Privileged liabilities	71,008	82.9%	75,081	83.7%
<i>Obligations foncières</i> on the reporting date	71,127	83.0%	75,104	83.7%
Foreign exchange difference on <i>obligations foncières</i>	-657	-0.8%	-523	-0.6%
Other privileged resources	539	0.6%	500	0.6%
Foreign exchange difference relating to hedging of balance sheet items*	667	0.8%	533	0.6%
Non-privileged resources	14,010	16.4%	14,106	15.7%
Unsecured debt	8,454	9.9%	8,563	9.5%
Subordinated debt and similar debt	3,734	4.4%	3,756	4.2%
- of which redeemable subordinated notes (RSN)	2,100	2.5%	2,100	2.3%
- of which super-subordinated notes	1,350	1.6%	1,350	1.5%
Shareholders' equity, provisions and FRBG	1,822	2.1%	1,787	2.0%
TOTAL LIABILITIES	85,685	100.0%	89,720	100.0%
<i>Regulatory capital in accordance with CRR/CRD IV rules: (proforma data at 31 December 2013)</i>	4,933	5.8%	4,933	5.5%
- of which common equity Tier-1	1,738	2.0%	1,739	1.9%
- of which additional Tier-1 capital	1,080	1.3%	1,080	1.2%
- of which common equity Tier-2	2,115	2.5%	2,114	2.4%

* During 2013, Compagnie de Financement Foncier reviewed the processing of foreign exchange gap with reference to balance sheet items to determine the cover ratio. Assets and liabilities items are now recognised at historical cost for this calculation, i.e. after taking into account their initial currency hedging; previously, foreign exchange differences were subject to netting, whatever the nature of the underlying hedge. These changes, which only affect prudential ratios items, required adjustments in the above presentation of liabilities, and the creation of the item "Foreign exchange difference relating to hedging of balance sheet items".



The decrease on the liability side recorded for the period is entirely due to the changes in privileged liabilities outstanding's; collateralised loans outstanding's decreased from €75 billion to €71 billion over the period following contractual reimbursements of €6.8 billion, which was higher than the amount of new issuances (€3.4 billion).

The other balance-sheet items remained unchanged, thus mechanically increasing slightly in percentage terms over the period. At 30 June 2014, non-privileged liabilities offering protection

to holders of *obligations foncières* amounted to almost 20% of total privileged liabilities.

Capital calculated in accordance with the CRD IV directive and the CRR regulation since the beginning of 2014 amounted to €5 billion, i.e. 5.8% of the total balance sheet. This amount is used to calculate solvency ratios, with the following break-down: €1.7 billion for common equity Tier-1 capital (CET1), €1.1 billion for additional Tier-1 capital and €2.1 billion 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 any time (102% until the decree of 23 May 2014).

Concerning Compagnie de Financement Foncier and since the end of 2013 the only restatements have concerned mortgage loans held directly or through mobilisation by mortgage notes for the portion exceeding the LTV threshold. As a matter of fact, regulations limit outstanding loans financed with *obligations foncières* to the fraction of outstanding loans with a 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.

During prior financial years, Compagnie de Financement Foncier also had to weigh certain securitisation units it held at the time, at 50% or 0% based on their rating.

At end of June 2014, overruns of the LTV threshold amounted to €344 million, versus €544 million at the end of December 2013, still significantly lower than the overruns for non-privileged liabilities, standing at €14 billion for the period.

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.

Thus, the overcollateralisation ratio is calculated by subtracting from assets held directly or given as guarantee for mobilisations, the portion of outstanding loans exceeding the LTV threshold, and the amount of outstanding privileged liabilities, with assets and liabilities reported after taking into account any foreign exchange hedging.

This ratio is 119.2% at 30 June 2014 (at the date this report was published, it was under review by the Specific controller).

At 31 December 2013, this ratio was 118.1%: this improvement in the cover ratio for *obligations foncières* is the result of the stable non-privileged loans outstandings, whilst the balance sheet has decreased by 5% during the period.

Regardless of the minimum ratio required by law and recently raised to 105%, Compagnie de Financement Foncier had 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 30 June 2014, this ratio was 19.7%, 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 supervision and management rules, Compagnie de Financement Foncier sets the LTV of mortgage loans that it holds directly or through mobilisation by mortgage notes. At 30 June 2014, the average ratio was 71.5% for an overall outstanding amount of €38.4 billion, mainly comprising loans to private individuals of €37.6 billion with an average LTV ratio of 72.2%.

The latter comprised an average LTV ratio of 78.0% for loans guaranteed by FGAS amounting to €17.3 billion and 67.3% for other mortgage loans for an outstanding amount of €20.4 billion.

At the end of 2013, loans to private individuals – with an outstanding amount of €38 billion – had an average LTV ratio of 72.6%, slightly increasing, mainly because of the higher LTV ratios than those used at the end of June 2014 on loans given as guarantee for the mortgage notes.

Compliance with the various holding limits applicable to certain assets is also verified. Notably, at 30 June 2014:

- guaranteed loans amounted to 2.4% of total assets, still well below the legal limit of 35%; this calculation includes directly-held guaranteed loans (0.2%) as well as loans used to guarantee mortgage notes (2.1%);
- mortgage notes, which may not exceed more than 10% of the balance sheet, represent 9.6% of assets;
- replacement values have an outstanding amount equal to 5.4% of the nominal amount of privileged resources, below the mandatory limit of 15%;
- the hedging of cash requirements, taking into account cash flow forecasts, is secured over a period of 180 days.

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 a one year's equivalent of debt liabilities.

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. Consequently, at the end of June, the CET1 ratio was 9.7%, the Tier-1 ratio was 15.7% and the solvency ratio was

27.6%. The main changes in the calculation method compared with the ratios calculated at the end of 2013 essentially concern outstanding loans guaranteed by FGAS generated after 2006 and the eligible portion of subordinated debt.

6. Analysis of net income

NET BANKING INCOME

Net banking income amounted to €172 million at the end of June 2014, compared with €174 million in the first half (S1) of 2013 and €356 million for the full year (FY) 2013.

Net banking income mainly consists of the net interest margin, which amounted to €149 million in S1 2014, compared with €155 million in S1 2013, and €302 million for the FY 2013. Net interest includes capital gains or losses on securities arising from buybacks of *obligations foncières*, and the related termination balances on swaps used to hedge interest rates or exchange rates. The outstanding amounts of liabilities purchased on the market and subsequently cancelled have varied considerably in recent periods. In 2013, disposals of international assets offset buybacks, generating a FY income of €30 million, of which €15 million in S1 2013; while in S1 2014, given that the asset disposal programme has now been completed, buybacks were solely carried out in order to stimulate trading on the secondary market for these liabilities, and were therefore more limited, generating a gain of €8 million.

Stripping out these transactions, the net interest margin was €141 million in S1 2014, slightly up compared with €140 million in S1 2013, and €272 million for the FY 2013, as the new acquisitions have a higher net financing margins than those relating to the assets that have been sold.

The other components of net banking income were broadly flat, except for early repayment penalties on loans to private individuals, which decreased to €23 million in S1 2014 equivalent to an annual early repayment rate of 6.8%, from €60 million in the first half of 2013, when the early repayment rate reached a record high of 8.3%.

It has to be noted that the disposal of mortgage receivables to a securitisation fund, amounting to €0.7 billion, had no impact on Compagnie de Financement Foncier's net banking income

GROSS OPERATING INCOME

There was no significant change in operating expenses in the first half of 2014; which amounted to €53 million, compared with €49 million in the same period of 2013 (the FY 2013 figure was €104 million).

However, there was a slight 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, legal accounting and financial management, due to a more granular (lower loan amounts) of loans purchased recently compared with those sold in 2013. These expenses were €35 million in the first half of 2014, €31 million in the same period of 2013 and €63 million for the whole of 2013.

Conversely, chargebacks of a portion of the early repayment penalties on loans to individuals to Crédit Foncier were lower in the first half of 2014, in line with the early repayment trend.

Gross operating income was €118 million in the first half of 2014, compared with €124 million in S1 2013 and €252 million for the FY 2013.

COST OF RISK

The cost of risk, which remains low considering the outstanding volume, was €13.8 million in the first half of 2014, compared with €5.7 million in S1 2013 and €15.2 million for the FY 2013. 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 million at the end of 2013, and a further €10 million at the beginning of 2014. Moreover, these impairments were also made, to a lesser extent, in recognition of the increase in doubtful loans and the decrease in collateral value.

Impairments on doubtful loans to private individuals thus increased from €28 million in S1 2013 and €37 million for the FY 2013, to €50 million in the first half of 2014.

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 cost of risk was €15 million for the first half of 2014, compared with €5.5 million in S1 2013 and €16 million for the FY 2013.

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

NET INCOME

Gains or losses posted on disposals of assets are normally deducted from operating income. Disposals of International Public Sector securities were mainly carried out in the two previous financial years, and the costs were partly offset by the gains from the related buyback of *obligations foncières*.

Losses in the 2013 financial year amounted to €135 million, including €22 million in the first six months; in 2014, as the deleveraging objectives defined in Crédit Foncier 2012-2016 strategic plan had already been carried out, the volume of disposals was very small, generating a gain of €1 million.

After deducting income tax, which takes into account the decision adopted in 2010 to recognise deferred taxes, net income for the first half of 2014 is €64 million, compared with €33 million for the FY 2013, reflecting a high volume of international sales, and €62 million in S1 2013.



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 who 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 benefiting from the guarantee of the French State were transferred to Compagnie de Financement Foncier when it was created in 1999; and in a run-off mode since, their value at the end of June 2014 was low, at €0.4 billion.

The unsubsidised loans category amounted to €65 billion, equivalent to 75.8% of the balance sheet at end-June 2014. With the exception of an outstanding amount of close to €2 billion, all of these assets are located in France.

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

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

These securities amounted to €10 billion, equivalent to 11.3% of the balance sheet, at end-June 2014, following a large volume

of sales in the last two financial years, notably the liquidation of the securitisation portfolio comprising RMBS and public ABS at the end of 2013.

These securities, which do not record risk charge, are qualified by external ratings obtained from the authorised rating reporting 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 to Groupe BPCE, 80% of which are secured by a portfolio of assets provided as collateral. At 30 June 2014, this item amounted to almost €7 billion, equivalent to 7.8% of the balance sheet, including loans to BPCE amounting to €6.6 billion and secured by assets amounting to €6.2 billion.

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 and the securities portfolio, showed some deterioration in the first half of 2014, but remained at very low levels in absolute terms.

Analysis of the competitive sector

	06/30/14					12/31/13			
	Outstandings in €M	Doubtful loans in €M	Doubtful loan rate	Risk expense in basis points		Outstandings in €M	Doubtful loans in €M	Doubtful loan rate	Risk expense in basis points
				semi- annually	annually				
Loans to individuals and related	37,398	974	2.6%	3.9	7.8	37,620	910	2.4%	4.2
(of which mortgage notes)	(8,212)					(8,226)			
Exposures on public entities	35,405	16	0.0%	0.1	0.2	38,240	12	0.0%	0.0
(of which securities)	(9,686)					(9,950)			
Loans to social housing	1,814	3	0.2%	0.1	0.2	1,916	4	0.2%	-0.4
Loans to commercial property	14	2	14.6%	-151.2	-302.4	8	3	37.0%	137.1
TOTAL	74,631	995	1.3%	2.0	3.9	77,784	929	1.2%	2.1

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

Although the doubtful loans rates increased from 1.2% to 1.3% over the period, outstandings remain at a low level and are concentrated in the loans to individuals category, as the risks on other categories are negligible. Percentages posted on commercial property loans are insignificant. This category, amounting to a

reduced amount of €14 million, comprises in the same proportions on the one hand, commercial loans acquired upon the transfer at the origin in 1999 and which are in a run-off mode and on the other hand, loans to social housing professionals which were previously accounted in loans to social housing category.

The risk expense, which includes interest payments and capital, represented at end-June 2014 2 basis points, which means an annualised rate of 3.9 basis points in comparison with 2.1 basis points observed in FY 2013. The unfavourable trend over the period 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. However, the 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: the portfolio of loans and similar items, mostly situated in France, and the portfolio of securities, which are mostly international.

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 authorities", the outstandings in this portfolio amounted to €60 billion at 30 June 2014, equivalent to 70% of the balance sheet, an increase of more than €3 billion since 31 December 2013.

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

	Outstanding loans in €M	Breakdown of outstandings	Of which doubtful loans	% doubtful loans	Of which irrecoverable doubtful loans	% irrecoverable doubtful loans	Provisions in €M
30 June 2014							
Subsidised sector (run-off)	364.4	0.6%	103.5	28.4%	0.0	0.0%	0.4
Unsubsidised sector	64,944.4	99.4%	995.3	1.5%	229.2	0.4%	66.7
Loans to individuals and mortgage notes	37,397.6	57.3%	974.0	2.6%	226.5	0.6%	65.2
- of which mortgage notes	8,212.0	12.6%	0.0	0.0%	0.0	0.0%	0.0
- of which loans guaranteed by FGAS	14,504.7	22.2%	459.4	3.2%	0.0	0.0%	0.0
- of which other mortgage loans	14,680.9	22.5%	514.6	3.5%	226.5	1.5%	65.2
Loans to public authorities	25,719.0	39.4%	15.9	0.1%	0.0	0.0%	0.4
- of which deposits with Banque de France	5,342.5	8.2%	0.0	0.0%	0.0	0.0%	0.0
Loans to social housing	1,813.6	2.8%	3.4	0.2%	0.7	0.0%	0.3
Loans to commercial property	14.2	0.0%	2.1	14.6%	2.1	14.5%	0.8
TOTAL	65,308.9	100.0%	1,098.8	1.7%	229.2	0.4%	67.0

	Outstanding loans in €M	Breakdown of outstandings	Of which doubtful loans	% doubtful loans	Of which irrecoverable doubtful loans	% irrecoverable doubtful loans	Provisions in €M
31 December 2013							
Subsidised sector (run-off)	411.0	0.6%	95.0	23.1%	0.0	0.0%	0.1
Unsubsidised sector	67,834.4	99.4%	929.2	1.4%	176.5	0.3%	52.6
Loans to individuals and mortgage notes	37,620.2	55.1%	909.9	2.4%	173.6	0.5%	51.0
- of which mortgage notes	8,226.1	12.1%	0.0	0.0%	0.0	0.0%	0.0
- of which loans guaranteed by FGAS	13,810.1	20.2%	420.8	3.0%	0.0	0.0%	0.0
- of which other mortgage loans	15,584.0	22.8%	489.1	3.1%	173.6	1.1%	51.0
Loans to public authorities	28,290.3	41.5%	12.0	0.0%	0.0	0.0%	0.1
- of which deposits with 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
TOTAL	68,245.3	100.0%	1,024.3	1.5%	176.5	0.3%	52.7

The sectors that may appear of highest risk because they have a higher level of doubtful loans, e.g. the subsidised and commercial sectors, in fact have a negligible impact. First, these sectors are for the most part in run-off mode, which has the mechanical effect

of increasing the 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.



As a matter of fact, the most sensitive portfolio comprises mortgage loans to individuals that are not covered by an additional guarantee from the government (i.e. excluding subsidised loans and loans guaranteed by FGAS), which represented outstandings of €15 billion at 30 June 2014, and for which there was an increase in risk, with 3.5% of doubtful loans, compared with 3.1% six months earlier.

The amount of provisions was adjusted accordingly and accounted for 12.7% of doubtful loan outstandings in this category at end-June 2014, compared with 10.4% at 31 December 2013.

■ Analysis of the risk charge

	06/30/14				12/31/13		
	Outstandings in €M	Risk expense in €M	Risk expense in basis points		Outstandings in €M	Risk expense in €M	Risk expense in basis points
			semi- annually	annually			
Subsidised sector (run-off)	364.4	0.29	7.8	15.6	411.0	0.04	1.0
Unsubsidised sector	64,944.4	14.74	2.3	4.5	67,834.4	15.95	2.4
Loans to individuals and mortgage notes	37,397.6	14.60	3.9	7.8	37,620.2	15.82	4.2
Loans to public authorities	25,719.0	0.34	0.1	0.3	28,290.3	-0.09	0.0
Loans to social housing	1,813.6	0.02	0.1	0.2	1,916.1	-0.07	-0.4
Loans to commercial property	14.2	-0.22	-151.2	-302.4	7.7	0.11	137.1
TOTAL	65,308.9	15.02	2.3	4.6	68,245.3	15.99	2.3

NB: by convention, the risk charge 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: €15 million at 30 June 2014, equivalent to 2.3 basis points of total outstandings – a slight increase on six months earlier (4.6 basis points on a yearly basis against 2.3 basis points for the FY 2013), in relation to loans to private individuals only.

The risk expense for the first six months of 2014 mainly comprised net allocations to provisions and impairment (€14.8 million); non-hedged losses (€2.7 million) were largely offset by the recovery of loans written off (€2.4 million).

■ SECURITIES FROM THE PUBLIC SECTOR

There was little change over the period; the outstandings of €9.7 billion remained broadly flat, with few contractual payments and very low levels of disposals.

At 30 June 2014, as in previous accounting periods, no assets in this category were classified as doubtful, and no provisions have been made in respect of this investment portfolio.

This category includes securities issued or guaranteed by foreign regional or local authorities, or governments, with outstandings of just €0.3 billion invested in France.

In addition to international securities, this category also includes loans granted to foreign entities (€1.8 billion), making a total receivables portfolio for Compagnie de Financement Foncier outside France of €11.1 billion.

There was little change in the distribution of this portfolio, in terms of volume, geographical breakdown or ratings, with the main sales

on the markets and transfer to Crédit Foncier taking place before 31 December 2013.

The international portfolio breaks down as follows on 30 June 2014:

- €4.8 billion benefiting from a step one rating as granted by the rating agencies (rating superior to AA-) of which €1.3 billion rated AAA. Assets are mainly distributed in North America (USA and Canada) for an amount of €1.5 billion, Japan for €1.3 billion, Switzerland for €1 billion and Germany for €0.7 billion;
- €1.8 billion benefiting from a step two rating (ratings between A+ and A-), including American exposure for €0.7 billion and in various European countries and Japan;
- €3.5 billion benefiting from a step three rating (ratings between BBB+ and BBB-), mainly covering positions in Italy for €2.6 billion and in Spain for €0.6 billion;
- €0.8 billion benefiting from a step four rating (ratings between BB+ and BB-) mainly for exposures in Italy and Spain;
- less than €0.1 billion of lower ratings comprising two lines in Portugal and Cyprus;
- €0.2 billion unrated, mainly in Switzerland.

A portion of this portfolio (€1.5 billion) is counter-guaranteed by monoline insurers. However, the strong deterioration of these companies means that their guarantee is often ineffective as the transaction's intrinsic credit rating is higher than that of the credit enhancer; only Assured Guaranty Municipal Corp. (ex-FSA) noted AA by S&P and A2 by Moody's continues to provide effective protection against credit risk for a total outstanding amount of €1.1 billion.

8. Financial risk analysis

INTEREST RATE AND FOREIGN EXCHANGE RISK

During the first half of 2014, acquisition and issuance activities of Compagnie de Financement Foncier were subject to interest and exchange rate hedge transactions, in accordance with its management rules. In addition, Compagnie de Financement Foncier carried out a number of macro hedging transactions to maintain its interest rate position over the remaining term of outstanding loans within the narrow limits it had committed to respect.

However, transactions aimed at restructuring the derivatives portfolio carried out since 2011 to meet the new requirements imposed by regulations or the rating agencies led to swaps being cancelled or assigned for a notional amount of €2.4 billion.

Lastly, at 30 June 2014, outstandings in micro and macro hedging instruments consisted of €57 billion in interest rate swaps and €28 billion in currency swaps; this compared with €84 billion and €35 billion at 30 June 2013 and €56 billion and €32 billion at end-2013.

LIQUIDITY RISK

The extremely prudent liquidity management policy was carried on in the first half of 2014, with Compagnie de Financement Foncier remaining committed to maintaining available cash flow to deal with the contractual maturities on all of its senior debt, for one year, with no new financing.

At 30 June 2014, Compagnie de Financement Foncier had available cash of €12 billion, of which €5.3 billion was placed with the Banque de France and €6.6 billion consisted of loans to BPCE with a term of less than two months, which are guaranteed by a €6.2 billion asset portfolio.

Furthermore, Compagnie de Financement Foncier has a very large volume of assets that are eligible for the ECB's refinancing operations. At 30 June 2014, outstandings eligible for these operations amounted to more than €38 billion in nominal terms, broken down as:

- €7 billion in public sector loans;
- €4 billion in securities; and
- €27 billion in mortgage loans to private 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 of refinancing operations by the Eurosystem.

After applying a cautious haircut calculation, the additional financing that could be provided by the ECB can be estimated at €17 billion, while keeping the overcollateralisation ratio above its regulatory limit of 105%.

In view of the substantial liquidity generated, mainly from the transfer of the securitisation portfolio at the end of 2013, Compagnie de Financement Foncier did not call for any refinancing from the ECB in the first half of 2014.

The liquidity situation can also be measured by the gap between the duration of assets and liabilities, which Compagnie de Financement Foncier has undertaken to limit to two years. At 30 June 2014, the duration of assets and liabilities were 6.8 years and 8.0 years respectively.

Since the regulation dated 26 May 2014 states that the average maturity for assets used to calculate the overcollateralisation ratio must not exceed those of privileged liabilities by 18 months, in order to ensure a minimum overcollateralisation ratio of 105% of outstanding privileged liabilities. At 30 June 2014, the whole assets of Compagnie de Financement Foncier's, without limiting them to the regulatory threshold, was 7.6 years, exceeding that of the outstanding privileged liabilities by 0.4 years.



Notes to the management report

In addition to the Notes to the management report of the 2013 Registration document (page 51), the tables below were completed with an information on variable pay due.

■ Remuneration of Sandrine Guérin, Director, Deputy Chief Executive Officer

(in euros)

	Financial year 2012		Financial year 2013	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Base Salary	296,064	296,064	297,344	297,344
Variable pay	201,324	-	205,168	100,662 *
Exceptional remuneration	138	-	4,000	4,138
Supplemental retirement plan	10,249	10,249	13,194	13,194
Director's fees	-	-	-	-
Benefits in kind	4,200	4,200	4,200	4,200
TOTAL	511,975	310,513	523,906	419,538

* Amount paid in 2013 to 50% of the variable portion for the year 2012 is €100,622. There is no deferred fraction related to preceding years.

■ Remuneration of Eric Filliat, permanent Representative of Crédit Foncier de France

(in euros)

	Financial year 2012 since the 1 st May 2012		Financial year 2013	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Base Salary	124,519	124,519	185,925	185,925
Variable pay	55,500	-	79,018	55,500
Exceptional remuneration	81	-	7,344	7,425
Supplemental retirement plan	4,350	4,350	8,414	8,414
Director's fees	-	-	-	-
Benefits in kind	1,950	1,950	3,900	3,900
TOTAL	186,400	130,819	284,601	261,164

Condensed interim financial statements

BALANCE SHEET *(in thousands of euros)*

Assets	Notes	06/30/14	06/30/13	12/31/13
Cash and amounts due from central banks		5,342,541	18,672	7,399,719
Treasury notes and similar securities *	3	3,464,909		3,468,599
Loans and receivables due from credit institutions	1	16,837,606	18,469,367	17,694,558
- On demand		92,056	1,826,220	410,223
- At maturity		16,745,549	16,643,147	17,284,335
Customer transactions	2	41,558,395	40,238,427	41,897,635
- Other facilities granted to customers		41,558,395	40,238,427	41,897,635
Bonds and other fixed-income securities	3	14,433,483	29,927,723	14,707,398
Tangible and intangible fixed assets				
Other assets	4	208,264	153,427	19,128
Accruals	5	3,839,718	3,238,638	4,533,088
TOTAL ASSETS		85,684,916	92,046,254	89,720,126

* Financial statements from 06/30/13 have not been restated by the impact of the reclassification of the eligible securities from public entities in treasury bills for refinancing with central banks. This impact is further explained in note 3.

Liabilities	Notes	06/30/14	06/30/13	12/31/13
Central banks				
Payables to credit institutions	6	3,081,566	3,781,847	3,139,452
- On demand		1,432		321
- At maturity		3,080,134	3,781,847	3,139,131
Amounts due to customers	7	848	15,595	14,755
- On demand		848	15,595	14,755
Debt securities	8	71,277,687	77,379,032	75,256,376
- Interbank market securities and negotiable debt securities		151,102	151,084	152,836
- Bonds (obligations foncières)		71,126,585	77,227,949	75,103,541
Other liabilities	9	3,123,199	3,174,903	2,963,253
Accruals	10	2,911,567	2,410,695	3,109,133
Provisions	11	16,488	16,151	15,328
Subordinated debt	12	3,468,264	3,467,478	3,450,305
Reserve for general banking risks		20,000	20,000	20,000
Equity excluding reserve for general banking RISKS	13	1,785,298	1,780,552	1,751,524
- Subscribed capital stock		1,187,460	1,187,460	1,187,460
- Share premiums		343,002	343,002	343,002
- Reserves		103,626	101,997	101,997
- Regulated provisions and investment subsidies				
- Retained earnings		87,007	86,472	86,472
- Income to be allocated				
- Net income for the period		64,203	61,622	32,593
TOTAL LIABILITIES		85,684,916	92,046,254	89,720,126



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

	Notes	06/30/14	06/30/13	12/31/13
COMMITMENTS GIVEN	14			
Financing commitments				
- Commitments given to credit institutions				
- Commitments in favour of customers		2,264,257	2,466,216	1,791,991
- Other securities used as collateral		1,671,332	1,522,474	1,668,153
Guarantee commitments				
- Commitments given to credit institutions				
- Commitments in favour of customers				
Commitments on securities				
- Other commitments given		80,000		
COMMITMENTS RECEIVED	15			
Financing commitments				
- Commitments received from credit institutions		4,466,357	3,330,028	4,464,512
- Other securities received as collateral from the Group		23,470,449	21,781,590	20,977,883
Guarantee commitments				
- Commitments received from credit institutions		4,824,327	6,944,487	5,044,145
- Commitments received from customers		34,544,367	34,003,240	35,199,643
Commitments on securities			35,257	
RECIPROCAL COMMITMENTS				
- Sale and purchase of foreign currencies	16	28,277,338	35,071,500	32,455,405
- Other financial instruments	17	60,293,699	87,130,263	58,721,884

INCOME STATEMENT (in thousands of euros)

	Notes	06/30/14	06/30/13	12/31/13
Interest and similar income	18	1,778,856	2,057,299	3,893,673
Interest and similar expenses	18	-1,629,737	-1,902,039	-3,591,466
Net interest margin		149,119	155,260	302,207
Fees and commissions income	19	23,083	20,551	60,447
Fees and commissions expenses	19	-1,251	-1,840	-4,043
Net gains/losses on trading book transactions	20	566	-44	-2,283
Other banking income	21	81	99	122
Other banking expenses	21	-14	-488	-137
Net banking income		171,585	173,539	356,313
Personnel expenses	22	-100	-100	-187
Taxes	22	-7,315	-7,856	-15,824
External services and other expenses	22	-46,062	-41,529	-87,990
Amortisation				
Total overheads		-53,478	-49,485	-104,001
Gross operating income		118,107	124,054	252,313
Cost of risk	23	-13,842	-5,657	-15,153
Operating income		104,265	118,397	237,160
Gains/losses on fixed assets	24	1,115	-22,170	-135,366
Income before tax		105,380	96,227	101,794
Extraordinary income				
Income tax	25	-41,177	-34,605	-69,200
NET INCOME		64,203	61,622	32,593
Earnings per share * (in EUR)		0.87	0.83	0.44
Diluted earnings per share (in EUR)		0.87	0.83	0.44

* Earnings per share are calculated by dividing net income by the average number of shares outstanding in 2014.
The notes on the following pages form part of the half-year separate financial statements.



Notes to the individual 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 on 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. Accordingly, it applies CRBF regulation 99-10, as subsequently amended, which is specific to *sociétés de crédit foncier*. This mainly concerns:

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

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

2. HIGHLIGHTS OF THE FIRST HALF 2014

2.1. CORE BUSINESS ACTIVITY

In the first half of 2014, Compagnie de Financement Foncier acquired receivables from Crédit Foncier amounting to €1,828.3 million, including related receivables, in addition to €118.1 million in loans not yet released and recognised under "Financing commitments given". It also purchased a €10.1 million claim against the French Treasury (€989.9 million in unreleased funds).

As part of BPCE's new strategic plan "Another way to grow", Compagnie de Financement Foncier also acquired local authorities' receivables from Caisses d'Épargne and Banques Populaires banks amounting to €913.5 million, including related receivables.

Under Article L. 211-38 of the French Monetary and Financial Code, which allows an institution to grant a loan to another financial institution, the repayment of which is secured by a cover pool of receivables, Compagnie de Financement Foncier has arranged several credit lines with its parent company, Crédit Foncier, amounting to €7,688.8 million at 30 June 2014, and with certain Caisses d'Épargne or Banques Populaires banks, amounting to €244.4 million at 30 June 2014. The same facility was also granted to BPCE SA, amounting to €7,600 million at 30 June 2014 excluding related receivables. These loans were collateralised for €15,266.7 million.

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 €6,692.9 million. In addition to the working cash balances, replacement values essentially comprise BCTG (Short-term guaranteed notes) loans granted under Article L. 211-38 of the French Monetary and Financial Code.

As regards medium and long term funding, Compagnie de Financement Foncier issued €3,356.9 million in *obligations foncières* in the first half of 2014 (exchange rate value at date of issuance), as part of the annual issuance programme. It also has the right to access the refinancing facilities of the Banque de France under the comprehensive guarantee management mechanism or Gestion Globale des Garanties (3G pool). These facilities were repaid in full at 31 December 2013.

2.2. SALE OF RECEIVABLES

As part of groupe Crédit Foncier's strategy of diversification of funding sources, Compagnie de Financement Foncier sold receivables to a securitisation mutual fund during the first half of 2014. The disposal concerned outstanding loans to private individuals valued at €663.3 million, excluding related receivables. The cancellation of the associated hedging swaps, as well as the accelerated depreciation of the original acquisition premiums yet to be amortised were compensated in full by Crédit Foncier (€96.6 million). These transactions are accounted for under "Interest and similar income and expenses".

2.3. DISPOSALS ON THE MARKET

Groupe Crédit Foncier continued to reduce its international exposures – a process launched in its 2011 strategic plan – with the disposal of several securities.

The disposal of securities concerned loans amounting to €55.5 million, exchange value at initial fixing, and related to International Public Sector securities.

These sales and the cancellation of the associated hedging swaps generated capital gains of a net amount before tax of €1.1 million in the first half of 2014, *versus* a net loss of €22.2 million in the first half of 2013, posted to the income statement under "Net gains/losses on fixed assets".

2.4. BUYBACK OF OBLIGATIONS FONCIÈRES

To generate momentum on the secondary market, during the first half of the year, Compagnie de Financement Foncier repurchased a part of its own bonds issued on the market. These securities repurchased for an amount of €226.5 million, the exchange value on the date of repurchase, were cancelled, reducing the bond issuance programme accordingly. All premiums or discounts arising from these buybacks were booked directly to income as "Interest and similar income" or "Interest and similar expenses" in compliance with regulations. Gains or losses arising out of the cancellation of hedges associated with the cancelled issuances were directly booked to profit or loss under the same headings.

The net income impact before taxes arising out of these buybacks in the first half of 2014 was a gain of €8.3 million.

2.5. OFF-BALANCE SHEET RESTRUCTURING

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

Thus, several interest rate hedging swaps were cancelled, representing a total amount of €2,356 million. Compagnie de Financement Foncier received a net balance of €65.9 million.

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

3. POST BALANCE SHEET EVENTS

No subsequent event liable to have a significant impact on the financial statements at 30 June 2014 occurred between the reporting date and 28 August 2014, the date on which the Board of Directors approved the half-year accounts.

4. ACCOUNTING PRINCIPLES AND METHODS

4.1. ACCOUNTING AND VALUATION METHODS

The condensed half-year financial statements of Compagnie de Financement Foncier are prepared and presented in accordance with the rules defined by BPCE, in accordance with France's national accounting standards authority

(Autorité des normes comptables – ANC). In accordance with CRBF regulation No. 91-01, amended by ANC regulation Nos. 2010-08 and 2001-02 of the CRC, and Recommendation No. 2001-R.02, the condensed financial statements are presented according to the format indicated for credit institutions.

4.2. CHANGES IN ACCOUNTING POLICIES

No changes were made to the accounting policies used to prepare the financial statements for the first half of 2014.

Compagnie de Financement Foncier is not affected by Recommendation No. 2013-02 of 7 November 2013 issued by France's accounting standards authority in relation to the measurement and recognition of pensions and other post-employment benefits.

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:

- business continuity;
- consistency of accounting policies over time;
- independence of financial years;

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

The accounting principles and methods applied are identical to those used to prepare the annual financial statements. Specifically, income and expenses for the period were recognised on an accrual basis.



NOTE 1. LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS

<i>(in thousands of euros)</i>	06/30/14	06/30/13	12/31/13
Demand loans to credit institutions	92,056	1,826,220	410,223
Customer accounts	23,319	1,354,606	239,527
OTC accounts and loans		300,000	
Unallocated items on demand	68,738	171,611	170,697
Related receivables		3	
Term loans to credit institutions	16,745,549	16,643,147	17,284,335
Term accounts and loans ⁽³⁾	1,188,128	1,870,679	5,198,396
Loans guaranteed under L. 211-38			
- as part of replacement values	6,600,000	10,100,000	6,600,000
- secured by loans to French local authorities (SPT)	8,933,150	4,657,800	5,450,740
Securities subject to repurchase agreements			
Subordinated loans and participating loans			
Related receivables	24,271	14,668	35,199
Doubtful loans and receivables			
GROSS AMOUNT OF LOANS AND RECEIVABLES	16,837,606	18,469,367	17,694,558
Impairment on doubtful loans			
Impairment of doubtful loans			
NET AMOUNT OF LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS ^{(1) (2)}	16,837,606	18,469,367	17,694,558
<i>(1) of which subsidised sector</i>	95	218	154
BREAKDOWN OF TERM ACCOUNTS (GROUP/NON-GROUP)			
Term accounts and loans			
- of which Group transactions	419	335,498	377
- of which non-Group transactions ⁽³⁾	1,187,709	1,535,181	5,198,018
Loans guaranteed by securities received under repurchase agreements			
- of which Group transactions	15,533,150	14,757,800	12,050,740
- of which non-Group transactions			
Related receivables			
- of which Group transactions	18,794		9,270
- of which non-Group transactions	5,477	14,668	25,929
Group receivables	15,552,363	15,093,298	12,060,387
Non-Group receivables	1,193,186	1,549,848	5,223,947
TOTAL	16,745,549	16,643,147	17,284,335
BREAKDOWN OF GROUP AND NON-GROUP LOANS ON DEMAND			
Accounts and loans on demand			
- of which Group transactions	18,911	1,245,051	238,113
- of which non-Group transactions	4,407	409,555	1,414
Related receivables			
- of which Group transactions			
- of which non-Group transactions		3	
Unallocated items			
- of which Group transactions (at Crédit Foncier's scope)	68,718		170,697
- of which non-Group transactions	20	171,611	
Group receivables	87,629	1,245,051	408,810
Non-Group receivables	4,427	581,169	1,414
TOTAL	92,056	1,826,220	410,223

(2) Including €4 billion in loans and receivables due from credit institutions eligible for refinancing by the Central Bank at 31 December 2013.

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

NOTE 1 BIS. BREAKDOWN OF OUTSTANDING RECEIVABLES DUE AT MATURITY FROM CREDIT INSTITUTIONS

	06/30/14			06/30/13	12/31/13
(in thousands of euros)	Gross value	Impairment	Net value	Net value	Net value
TERM LOANS					
Refinancing of subsidised residential property	95		95	218	154
Refinancing of unsubsidised residential property	368		368	605	480
Public authorities	1,192,724		1,192,724	1,540,183	5,223,313
Structured financing					
Other loans to credit institutions *	15,552,363		15,552,363	15,102,140	12,060,387
Doubtful term loans					
NET AMOUNT OF LOANS AND RECEIVABLES DUE FROM BANKS	16,745,549	0	16,745,549	16,643,147	17,284,335
* of which:					
Loans to Group entities pursuant to L. 211-38, as part of replacement values, with BPCE	6,600,000		6,600,000	10,100,000	6,600,000
Loans guaranteed by local authority receivables pursuant to L. 211-38, with Crédit Foncier	7,688,750		7,688,750	4,550,000	5,290,000
Loans guaranteed by local authority receivables pursuant to L. 211-38, with Caisses d'Épargne and Banques Populaires banks	244,400		244,400	107,800	160,740
Loans guaranteed by local authority receivables pursuant to L. 211-38, with BPCE	1,000,000		1,000,000		
Dedicated funds				335,166	
Other and related receivables	19,213		19,213	9,174	9,647
	15,552,363		15,552,363	15,102,140	12,060,387



NOTE 2. LOANS AND RECEIVABLES DUE FROM CUSTOMERS

(in thousands of euros)	Performing loans			Doubtful loans and receivables			Impairment			Net amounts		
	06/30/14	06/30/13	12/31/13	06/30/14	06/30/13	12/31/13	06/30/14	06/30/13	12/31/13	06/30/14	06/30/13	12/31/13
Customer accounts												
Customer loans ⁽¹⁾	40,511,381	39,338,746	40,911,894	1,098,773	928,958	1,024,279	51,759	29,278	38,538	41,558,395	40,238,427	41,897,635
Loans to financial customers												
Export credits												
Short-term credit facilities ⁽²⁾	1,290,043	1,355,666	1,871,546							1,290,043	1,355,666	1,871,546
Equipment loans ⁽³⁾	8,180,582	8,055,047	7,595,597	11,978	780	12,045	407	282	393	8,192,152	8,055,545	7,607,249
Home loans	30,865,678	29,733,639	31,273,163	1,083,543	925,312	1,009,208	51,185	27,828	38,099	31,898,035	30,631,123	32,244,272
Other customer loans	5,722	6,255	5,771	226	226	226	166	1,168	46	5,782	5,313	5,950
Unallocated items	742									742		
Subordinated loans												
Related receivables	168,614	188,139	165,816	3,027	2,640	2,800				171,641	190,780	168,617
GRAND TOTAL ^{(1) (4)}	40,511,381	39,338,746	40,911,894	1,098,773	928,958	1,024,279	51,759	29,278	38,538	41,558,395	40,238,427	41,897,635
(1) - of which subsidised sector	260,872	368,633	315,766	103,463	105,216	95,035	379	82	99	363,956	473,766	410,702
- of which private sector	40,250,509	38,970,114	40,596,128	995,310	823,742	929,245	51,380	29,196	38,439	41,194,439	39,764,660	41,486,933

Restructured loans amounted to €433.9 million at 30/06/2014, of which €171.3 million classified as performing loans.

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

(2) In 2007, the company acquired the public-sector receivables of Ixis CIB, now Natixis, which include permanent credit facilities of €1,290 million at 30 June 2014, versus €1,708 million at 31 December 2013.

(3) Equipment loans are loans to local authorities.

(4) The principal outstanding on customer loans eligible for central bank refinancing stood at €6.9 billion at 30 June 2014. This is equal to €4.8 billion after haircut.

NOTE 2 BIS A. IMPAIRMENT AND PROVISIONS FOR CREDIT RISK

(in thousands of euros)	12/31/12	Additions	Reversals	12/31/13	Additions	Reversals	Misc. transactions	06/30/14
IMPAIRMENT RECORDED AS A DEDUCTION FROM ASSETS								
Customer loans and due from credit institutions *	25,105	26,712	-13,279	38,538	21,933	-8,712		51,759
PROVISIONS RECORDED IN LIABILITIES								
Customer loans and due from credit institutions and from securities	14,181	1,797	-1,853	14,125	1,467	-307		15,285
TOTAL	39,286	28,509	-15,132	52,663	23,400	-9,019	0	67,044

* Loan impairment is measured at discounted value in accordance with CRC 2002-03.

NOTE 2 BIS B. PREMIUMS/DISCOUNTS ON ACQUIRED RECEIVABLES

(in thousands of euros)	12/31/12	Reclassi- fication	New entries	Amortisation	12/31/13	Reclassi- fication	New entries	Amortisation	06/30/14
DUE FROM CREDIT INSTITUTIONS									
Premiums	79,075			-10,422	68,653			-5,239	63,414
Discounts									
Net	79,075			-10,422	68,653			-5,239	63,414
CUSTOMER LOANS									
Performing loans									
Premiums	599,043	-18,844	253,987	-119,911	714,275	-4,056	178,005	-76,551	811,673
Discounts	-842,833	22,414	-336,251	79,139	-1,077,531	4,118	-3,606	47,391	-1,029,628
Doubtful loans and receivables									
Premiums		18,844		-1,387	17,457	4,056		-1,722	19,791
Discounts		-22,414		1,174	-21,240	-4,118		1,922	-23,436
Net	-243,790		-82,264	-40,985	-367,039		174,399	-28,960	-221,600
TOTAL	-164,715	0	-82,264	-51,407	-298,386	0	174,399	-34,199	-158,186



NOTE 2 TER. BREAKDOWN OF CUSTOMER LOANS

(in thousands of euros)	06/30/14			06/30/13	12/31/13
	Gross	Impairment	Net		
Private Individuals	26,933,603		26,933,603	25,532,065	27,189,484
- Subsidised sector	68,849		68,849	139,870	104,814
- Unsubsidised residential property	26,864,380		26,864,380	25,391,787	27,084,280
- Other	374		374	408	390
Individual entrepreneurs	1,351,785		1,351,785	1,410,360	1,406,292
- Subsidised sector	4,880		4,880	8,703	6,767
- Unsubsidised residential property	1,346,905		1,346,905	1,401,657	1,399,525
- Other					
Regional Public Sector and sovereigns	9,275,441		9,275,441	9,261,386	9,284,003
- Subsidised sector	53,305		53,305	63,844	58,093
- Unsubsidised residential property	286,705		286,705	309,334	300,324
- Other	8,935,431		8,935,431	8,888,208	8,925,586
Providers of Social Housing	2,264,496		2,264,496	2,450,365	2,351,389
- Subsidised sector	124,113		124,113	145,090	135,814
- Unsubsidised residential property	2,076,527		2,076,527	2,239,155	2,149,750
- Other	63,856		63,856	66,120	65,825
Real estate investors	15,670		15,670	5,434	6,279
- Subsidised sector	3,523		3,523	1,931	1,459
- Unsubsidised residential property	12,147		12,147	3,503	4,820
- Other					
Structured financing	670,233		670,233	679,108	674,228
- Subsidised sector	6,198		6,198	9,189	8,813
- Transport					
- Large projects	655,187		655,187	660,002	656,671
- Other	8,848		8,848	9,917	8,744
Other	153		153	28	219
- Subsidised sector	4		4	5	5
- Unsubsidised residential property	149		149	23	214
- Other					
Subtotal customer loans	40,511,381		40,511,381	39,338,746	40,911,894
DOUBTFUL LOANS	1,098,773	51,759	1,047,014	899,680	985,741
including subsidised sector	103,463	379	103,084	105,134	94,936
of which private sector	995,310	51,380	943,930	794,546	890,806
TOTAL CUSTOMER LOANS *	41,610,154	51,759	41,558,395	40,238,426	41,897,635
* Of which subsidised sector	364,335	379	363,956	473,766	410,701
Of which private sector	41,245,819	51,380	41,194,439	39,764,660	41,486,935

NOTE 2 QUATER. BREAKDOWN OF DOUBTFUL LOANS

30 June 2014	Total doubtful loans			Of which irrecoverable doubtful loans		
(in thousands of euros)	Gross	Impairment	Net	Gross	Impairment	Net
Private Individuals	954,998	46,994	908,004	213,216	35,478	177,738
- Subsidised residential property	21,493	42	21,451			
- Unsubsidised residential property	933,160	46,785	886,375	212,890	35,311	177,579
- Other	345	167	178	326	167	159
Individual entrepreneurs	44,862	3,107	41,755	13,251	2,528	10,723
- Subsidised residential property	4,373	14	4,359			
- Unsubsidised residential property	40,463	3,089	37,374	13,234	2,524	10,710
- Other	26	4	22	17	4	13
Regional Public Sector and sovereigns	16,145	447	15,698			
- Subsidised residential property	290		290			
- Unsubsidised residential property	3,181		3,181			
- Other	12,674	447	12,227			
Providers of Social Housing	2,051	118	1,933	121	78	43
- Subsidised residential property	1		1			
- Unsubsidised residential property	2,050	118	1,932	121	78	43
- Other						
Real estate investors	77,714	928	76,786	2,061	605	1,456
- Subsidised residential property	75,643	323	75,320			
- Unsubsidised residential property	1,569	483	1,086	1,559	483	1,076
- Other	502	122	380	502	122	380
Structured financing	3,003	165	2,838	597	149	448
- Subsidised residential property	1,663		1,663			
- Unsubsidised residential property						
- Other	1,340	165	1,175	597	149	448
Other						
TOTAL ⁽¹⁾	1,098,773	51,759	1,047,014	229,246	38,838	190,408
(1) Including subsidised sector	103,463	379	103,084			
Of which unsubsidised sector ⁽²⁾	995,310	51,380	943,930	229,246	38,838	190,408

(2) Doubtful loans outstanding in the unsubsidised sector includes €459 million in loans guaranteed by SGFGAS.

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



30 June 2013	Total doubtful loans			Of which irrecoverable doubtful loans		
(in thousands of euros)	Gross	Impairment	Net	Gross	Impairment	Net
Private Individuals	786,962	25,307	761,655	146,853	20,218	126,635
- Subsidised residential property	17,584	43	17,541			
- Unsubsidised residential property	769,233	25,143	744,090	146,733	20,098	126,635
- Other	145	121	24	120	120	
Individual entrepreneurs	41,162	2,509	38,653	10,794	2,085	8,709
- Subsidised residential property	5,046		5,046			
- Unsubsidised residential property	36,084	2,502	33,582	10,786	2,083	8,703
- Other	32	7	25	8	2	6
Regional Public Sector and sovereigns	941	1	940			
- Subsidised residential property	450		450			
- Unsubsidised residential property						
- Other	491	1	490			
Providers of Social Housing	11,854	327	11,527	88	47	41
- Subsidised residential property						
- Unsubsidised residential property	11,151	312	10,839	88	47	41
- Other	703	15	688			
Real estate investors	85,143	871	84,272	2,090	804	1,286
- Subsidised residential property	80,697	39	80,658			
- Unsubsidised residential property	3,942	710	3,232	1,590	682	908
- Other	504	122	382	500	122	378
Structured financing	2,896	263	2,633	561	244	317
- Subsidised residential property	1,439		1,439			
- Unsubsidised residential property						
- Other	1,457	263	1,194	561	244	317
Other						
TOTAL ⁽¹⁾	928,958	29,278	899,680	160,386	23,398	136,988
(1) Including subsidised sector	105,216	82	105,134			
Of which unsubsidised sector ⁽²⁾	823,742	29,196	794,546	160,386	23,398	136,988

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

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

31 December 2013	Total doubtful loans			Of which irrecoverable doubtful loans		
(in thousands of euros)	Gross	Impairment	Net	Gross	Impairment	Net
Private Individuals	882,234	34,337	847,897	162,583	24,064	138,519
- Subsidised residential property	11,227	42	11,185			
- Unsubsidised residential property	870,662	34,129	836,533	162,257	23,898	138,359
- Other	345	166	179	326	166	160
Individual entrepreneurs	43,485	2,762	40,723	11,051	2,326	8,725
- Subsidised residential property	4,571	17	4,554			
- Unsubsidised residential property	38,888	2,739	36,149	11,043	2,324	8,719
- Other	26	6	20	8	2	6
Regional Public Sector and sovereigns	12,306	105	12,201			
- Subsidised residential property	289		289			
- Unsubsidised residential property						
- Other	12,017	105	11,912			
Providers of Social Housing	3,002	148	2,854	90	49	41
- Subsidised residential property						
- Unsubsidised residential property	2,684	146	2,538	90	49	41
- Other	318	2	316			
Real estate investors	80,170	927	79,243	2,135	838	1,297
- Subsidised residential property	77,334	40	77,294			
- Unsubsidised residential property	2,334	765	1,569	1,633	716	917
- Other	502	122	380	502	122	380
Structured financing	3,083	259	2,824	671	227	444
- Subsidised residential property	1,614		1,614			
- Unsubsidised residential property						
- Other	1,469	259	1,210	671	227	444
Other						
TOTAL ⁽¹⁾	1,024,280	38,538	985,742	176,530	27,504	149,026
(1) Including subsidised sector	95,035	99	94,936			
Of which unsubsidised sector ⁽²⁾	929,245	38,439	890,806	176,530	27,504	149,026

(2) Doubtful loans outstanding in the unsubsidised sector includes €420.8 million in loans guaranteed by SGFGAS.

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



NOTE 3. AVAILABLE-FOR-SALE AND HELD-TO-MATURITY SECURITIES

(in thousands of euros)	06/30/14			06/30/13			12/31/13		
	Investment securities available for sale	Investment securities held to maturity	Total	Investment securities available for sale	Investment securities held to maturity	Total	Investment securities available for sale	Investment securities held to maturity	Total
Treasury notes and similar securities ^{(1) (4)}	118	3,404,519	3,404,637	341	3,600,927	3,601,268	250	3,407,813	3,408,063
Related receivables	2	60,270	60,272	6	64,537	64,543	5	60,531	60,536
Subtotal	120	3,464,789	3,464,909	347	3,665,464	3,665,811	255	3,468,344	3,468,599
Bonds ⁽⁴⁾	0	6,148,095	6,148,095	25,000	7,704,830	7,729,830		6,400,031	6,400,031
Interbank market securities (mortgage notes) ⁽⁴⁾	8,203,000		8,203,000	8,865,000		8,865,000	8,217,000		8,217,000
Negotiable debt securities									
Securitisation units ⁽⁴⁾					9,550,418	9,550,418			
Related receivables	8,984	73,404	82,388	11,722	104,942	116,664	9,127	81,240	90,367
Subtotal	8,211,984	6,221,499	14,433,483	8,901,722	17,360,190	26,261,912	8,226,127	6,481,271	14,707,398
GROSS AMOUNTS	8,212,104	9,686,288	17,898,392	8,902,069	21,025,654	29,927,723	8,226,382	9,949,615	18,175,997
Impairment on fixed-income securities ⁽²⁾									
NET AMOUNTS ⁽³⁾	8,212,104	9,686,288	17,898,392	8,902,069	21,025,654	29,927,723	8,226,382	9,949,615	18,175,997

(1) At 30 June 2014, the market value of short-term investment securities amounted to €120K including €2K of unrealised capital gains before swaps. Interbank market securities, issued at variable rates and subscribed by the parent company, are valued at their carrying amount. There is no unrealised loss.

(2) No impairment has been recognised for held-to-maturity securities.

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

(4) Of which:

	06/30/14	06/30/13	12/31/13
Listed securities	8,949,218	16,798,753	9,201,552
Unlisted securities	8,806,514	12,947,763	8,823,542
TOTAL	17,755,732	29,746,516	18,025,094

In accordance with CB Instruction 94-07, as of 30 June 2014, the total fair value of the held-to-maturity securities portfolio is €10,958 million, excluding related receivables.

Unrealised capital gains on held-to-maturity securities amounted to €1,470.5 million at 30 June 2014, versus €727.3 million at 31 December 2013.

Unrealised capital losses on held-to-maturity securities amounted to €65.2 million at 30 June 2014, versus €146.7 million at 31 December 2013.

The Company did not reclassify any securities to the "Held-to-maturity securities" portfolio either during the 2014 financial year or in previous years.

As from 20 December 2013, Compagnie de Financement Foncier no longer holds securities backed by assets not eligible for the exemption set out in Article 6.2.1.3 of Decision No. 2010-04 of 31 December 2010 in relation to the procedures and conditions determined by the Banque de France for its monetary policy and intra-day credit transactions (as amended by Decision No. 2012-04 of 28 December 2012), and

subsequently supplemented by the European Central Bank's decision of 26 September 2013 on additional measures relating to Eurosystem refinancing operations and eligibility of collateral (ECB/2013/35).

As a matter of fact, since 2012 Compagnie de Financement Foncier transferred to Crédit Foncier all of the RMBS it held, which allowed the Company to reinforce its ratings (AAA/Aaa/AA+)

and, consequently, the trust of investors. The payments made by Crédit Foncier for this transaction mainly comprised, on the one hand, the acquisition price of the RMBS securities – equal to their actual value – and, on the other hand, an operating subsidy to cover, if required, the portion corresponding to the difference between the transaction value and the net book value of the securities.

NOTE 3 BIS. SOVEREIGN RISK

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

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

At 30 June 2014, the net exposures of the Compagnie de Financement Foncier sovereign risk in these countries are:

Investment securities held to maturity (in millions of euros)	At 30 June 2014			At 31 December 2013		
	Carrying amount	Nominal value	Market value	Carrying amount	Nominal value	Market value
Cyprus	50.0	50.0	49.0	50.0	50.0	41.6
Hungary	35.0	35.0	37.6	35.0	35.0	36.6
Ireland	135.0	135.0	171.2	135.0	135.0	152.9
Italy	1,625.2	1,621.8	1,963.4	1,622.2	1,618.7	1,703.5
Slovenia	198.6	197.0	222.2	198.6	197.0	197.7
TOTAL	2,043.8	2,038.8	2,443.4	2,040.8	2,035.7	2,132.3

The values given above are excluding related receivables. Nominal values are measured at the closing price if the securities are denominated in foreign currencies.

The maturity dates of the net exposures in nominal value to 30 June 2014 are presented below:

	Remaining term to maturity					
	< 1 year	2 years	> 3 years and < 4 years	4 years and < 5 years	> 5 years and < 10 years	> 10 years
Cyprus					50.0	
Hungary			35.0			
Ireland						135.0
Italy	51.2		61.7			1,508.9
Slovenia				70.0	77.0	50.0
TOTAL	51.2	0.0	96.7	70.0	127.0	1,693.9

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



NOTE 3 TER. PREMIUMS – DISCOUNTS

Amounts at 06/30/14
(in thousands of euros)

	Gross value	Redemption value	Difference +/-
INVESTMENT SECURITIES AVAILABLE FOR SALE			
Bonds	118	118	
Other fixed income securities	8,203,000	8,203,000	
INVESTMENT SECURITIES HELD TO MATURITY			
Bonds	9,552,614	9,535,149	-17,465
Other fixed income securities			

NOTE 3 QUATER. FINANCIAL FIXED ASSETS

(in thousands of euros)	Gross 12/31/12	Acquisitions	Sales/Redemptions *	Reclas-sifications	Pre-mium/discount variation	Change in exchange rates	Gross 12/31/13	Acquisitions	Sales/Redemptions *	Reclas-sifications	Pre-mium/discount variation	Change in exchange rates	Gross 06/30/14
Investment securities held to maturity	23,943,413		-13,523,019		-9,143	-603,407	9,807,844		-360,429		-1,144	106,343	9,552,614
TOTAL	23,943,413	0	-13,523,019	0	-9,143	-603,407	9,807,844	0	-360,429	0	-1,144	106,343	9,552,614
Related receivables	173,877				-32,147	41	141,771				-8,076	-21	133,674
GRAND TOTAL	24,117,290	0	-13,523,019	0	-41,290	-603,366	9,949,615	0	-360,429	0	-9,220	106,322	9,686,288

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

NOTE 4. OTHER ASSETS

(in thousands of euros)	06/30/14	06/30/13	12/31/13
Conditional instruments purchased	313	1,058	648
Settlement accounts related to securities transactions			
Miscellaneous receivables	207,951	152,369	18,480
Deposits on collateralisation transactions			
Other deposits and guarantees	22	22	22
Tax consolidation receivables	98,534	151,349	
Other miscellaneous receivables *	109,395	998	18,458
Special bonus account			
TOTAL	208,264	153,427	19,128
	96,630		

* Of which compensation payable by Crédit Foncier (CFHL)

NOTE 5. ACCRUALS – ASSETS

<i>(in thousands of euros)</i>	06/30/14	06/30/13	12/31/13
Collection accounts			
Deferred expenses	292,816	350,018	312,310
Issue and redemption premiums of fixed income securities (See note 5A)	292,816	350,018	312,310
Other deferred expenses			
Prepayments	1,795,159	1,072,329	1,932,787
Termination balances of paid swaps to be amortised	1,794,869	1,068,499	1,932,051
Other prepaid expenses	290	3,830	736
Accrued income	806,107	1,102,642	1,064,829
Accrued interest on swaps	803,981	1,100,198	1,061,505
Other accrued income	2,126	2,444	3,324
Asset adjusting accounts	945,637	713,649	1,223,162
Cash in domiciliation	59,423	214,613	239,195
Deferred tax assets ⁽¹⁾	670,500	298,447	729,013
Currency adjustment accounts ⁽²⁾	106,457		82,382
Other adjusting accounts ⁽³⁾	109,257	200,590	172,572
TOTAL	3,839,718	3,238,638	4,533,088

(1) Deferred tax assets mainly consist of temporary differences and does not suggest uncertainty about their use. The main types of deferred tax are as follows:

Swap termination balance	661,467	292,274	719,389
Client provisions including credit risk provisions	11,033	8,046	9,310
Other temporary differences	-2,000	-1,873	314

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

(3) Of which borrowers (payments to be applied to loan accounts) and release of loan funds on behalf of Crédit Foncier: €12,072K at 30 June 2014 compared to €14,039K at 31 December 2013.

NOTE 5 BIS. DEFERRED EXPENSES

<i>(in thousands of euros)</i>	06/30/14	06/30/13	12/31/13
ISSUANCE OR REDEMPTION PREMIUMS			
Debt securities			
Obligations foncières			
Subsidised sector	79	666	370
Private sector	292,737	349 353	311 940
Negotiable debt securities (BMTN)			
Total issuance or redemption premiums	292,816	350,018	312,310
TOTAL DEFERRED EXPENSES	292,816	350,018	312,310



NOTE 6. DUE TO CREDIT INSTITUTIONS

<i>(in thousands of euros)</i>	06/30/14	06/30/13	12/31/13
Due to credit institutions – on demand	1,432		321
Current accounts of credit institutions	122		
On demand loans to credit institutions			
Other amounts due to credit institutions	1,310		321
Related payables			
Due to credit institutions – at maturity	3,080,134	3,781,847	3,139,131
Term deposits and loans *	3,064,052	3,148,624	3,121,811
Values sold under repurchase agreements			
Securities sold under repurchase agreements		597,829	
Related payables	16,081	35,395	17,320
TOTAL	3,081,566	3,781,847	3,139,452
Details on due to credit institutions – on demand (Group/non-Group)	1,432		321
Of which Group			
- Other amounts due to credit institutions			
- On demand loans to credit institutions			
- Related payables			
Of which non-Group	1,432		321
- Other amounts due to credit institutions	1,432		321
Details on due to credit institutions – at maturity (Group/non-Group)	3,080,134	3,781,847	3,139,131
Of which Group	3,063,275	2,726,705	3,107,002
- Due and accounts at maturity	3,063,275	2,128,265	3,107,002
- Securities sold under repurchase agreements		598,440	
Of which non-Group	16,859	1,055,143	32,129
- Banque de France refinancing (Overall collateral management pool – 3G pool)		1,000,000	
- Other term loans	16,567	41,551	31,371
- Values sold under repurchase agreements			
- Related payables	291	13,592	758
Due to Group credit institutions	3,062,838	2,726,704	3,107,002
Due to non-Group credit institutions	18,727	1,055,143	32,450
TOTAL	3,081,566	3,781,847	3,139,452
* Of which subsidised sector	24,756	21,355	25,009

NOTE 7. AMOUNTS DUE TO CUSTOMERS

<i>(in thousands of euros)</i>	06/30/14	06/30/13	12/31/13
Current accounts			
Other on demand and term accounts	848	15,595	14,755
Other amounts due	848	15,595	14,755
Other term loans to customers			
Term accounts			
Related payables			
TOTAL	848	15,595	14,755

NOTE 8. DEBT SECURITIES

<i>(in thousands of euros)</i>	06/30/14	06/30/13	12/31/13
Negotiable debt securities	150,000	150,000	150,000
Related payables	1,102	1,084	2,836
Negotiable debt securities and related payables	151,102	151,084	152,836
<i>Obligations foncières</i> *	69,693,220	75,716,224	73,238,414
Related payables	1,433,366	1,511,725	1,865,126
Obligations foncières and related payables	71,126,585	77,227,949	75,103,541
TOTAL	71,277,687	77,379,032	75,256,376
* Of which subsidised sector	31,192	58,329	29,987

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

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

NOTE 9. OTHER LIABILITIES

<i>(in thousands of euros)</i>	06/30/14	06/30/13	12/31/13
Conditional instruments sold			
Other creditors	3,045,130	3,083,763	2,877,760
Deposits on collateralisation transactions	2,955,857	3,009,573	2,777,058
Margin calls on repurchase agreements			
Trade accounts payable			
Tax consolidation payable ⁽¹⁾			50,896
Other fiscal and social debts	110	173	15
Other miscellaneous creditors	89,163	74,017	49,791
Special bonus account			
Allocated public funds ⁽²⁾	78,069	91,140	85,492
TOTAL	3,123,199	3,174,903	2,963,253
(1) Corporate tax due to Crédit Foncier (tax consolidation)			50,896
(2) Including subsidised sector	52,062	54,966	54,011



NOTE 10. ACCRUALS – LIABILITIES

<i>(in thousands of euros)</i>	06/30/14	06/30/13	12/31/13
Collection accounts	2,491	1,168	2,252
Deferred income	2,393,228	1,535,643	2,590,603
Subsidies for access to homeownership and former interest-free loans	122,900	161,695	141,449
Cash in payment of swaps received to be amortised	2,154,503	1,223,490	2,319,312
Other deferred income	115,825	150,458	129,842
Accounts payable	332,530	555,061	324,221
Accrued interest on derivatives (swaps)	320,936	544,997	312,693
Other accounts payable	11,594	10,064	11,528
Liability adjustment accounts	183,318	318,823	192,057
Currency adjustment accounts *	9,281	87,803	10,486
Miscellaneous	174,037	231,020	181,571
TOTAL	2,911,567	2,410,695	3,109,133

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

NOTE 11. PROVISIONS

<i>(in thousands of euros)</i>	06/30/14	06/30/13	12/31/13
Provisions for counterparty risks	15,285	14,948	14,125
Provisions for counterparty risks on performing loans	15,285	14,948	14,125
Sectoral provisions			
Provisions for litigation	1,203	1,203	1,203
Tax litigation			
Other litigation	1,203	1,203	1,203
Other provisions			
Other provisions			
TOTAL *	16,488	16,151	15,328
	0	0	0

* Including provisions for risks signature commitments

Changes in the period (in thousands of euros)	Movements in 2014					06/30/14
	12/31/13	Additions	Reversals		Other movements	
			Used	Unused		
Provisions for counterparty risks	14,125	1,467		-307		15,285
Provisions for counterparty risks on performing loans	14,125	1,467		-307		15,285
Sectoral provisions						
Provisions for litigation	1,203					1,203
Tax litigation						
Other litigation	1,203					1,203
Other provisions						
Other provisions						
TOTAL	15,328	1,467	0	-307	0	16,488

NOTE 12. SUBORDINATED DEBT

(in thousands of euros)	06/30/14	06/30/13	12/31/13
Redeemable subordinated notes ⁽¹⁾	2,100,000	2,100,000	2,100,000
Perpetual super-subordinated notes ⁽²⁾	1,350,000	1,350,000	1,350,000
Related payables	18,264	17,478	305
TOTAL	3,468,264	3,467,478	3,450,305

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

(2) Eligible for inclusion in Compagnie de Financement Foncier Tier-1 solvency ratio until the end of 2013. Since 01/01/14, these notes are no longer eligible following the application of the CRD IV/CRR. They remain eligible to the additional Tier-one ratio for a gradually decreasing value and during a phasing period ending 01/01/2022.

a) Supplementary information

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

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



b) Possibility and conditions for early repayment

REDEEMABLE SUBORDINATED NOTES (RSN)

The RSNs were placed privately with Crédit Foncier and therefore, from a prudential point of view, are not deemed to represent shareholders' equity of the Crédit Foncier Group. They are eligible for Tier-2 capital of Compagnie de Financement Foncier. Compagnie de Financement Foncier has undertaken not to repay RSNs early for the entire duration of the loan. However, it reserves the right to redeem these instruments prior to maturity, as these transactions have no impact on the normal repayment schedule of outstanding securities. Redeemed RSNs are cancelled. Nevertheless, if Crédit Foncier were to sell these securities to entities outside the Group, they would become representative of shareholders' equity and their purchase would require the prior

agreement of the French Prudential Supervisory and Resolution Authority (Autorité de contrôle prudentiel et de résolution – ACPR).

PERPETUAL SUPER-SUBORDINATED NOTES (PSSN)

Compagnie de Financement Foncier has an option to redeem securities early, following an authorisation given by the 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 for Solvency ratio Tier-1 capital of Compagnie de Financement Foncier. The repurchased securities are cancelled.

c) Conditions relating to interest rate payable

REDEEMABLE SUBORDINATED NOTES (RSN)

Any interest not paid is carried over as unsecured debt.

PERPETUAL SUPER-SUBORDINATED NOTES (PSSN)

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

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

This reduction would be also 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	Allocation	Changes in capital and reserves		Balance at 06/30/14
		Allocation	Dividends paid in shares	Other changes			Dividends paid in shares	Other changes	
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
Equity before net income for the year	1,711,775				1,718,931				1,721,095
Net income for the year before distributions	132,581	-132,581			32,593	-32,593			64,203
Equity after net income for the year	1,844,356				1,751,524				1,785,298
Dividends paid		125,425				30,428			

	Opening balance at 01/01/13	Allocation	Changes in provisions		Balance at 12/31/13	Allocation	Changes in provisions		Balance at 06/30/14
			Additions	Reversals			Additions	Reversals	
Special revaluation provision									
Other regulated provisions									
Regulated provisions									
Equity before distributions	1,844,356				1,751,524				1,785,298

	Opening balance at 01/01/13	Allocation	Changes in the reserve for general banking risks (RGBR)		Balance at 12/31/13	Allocation	Changes in the reserve for general banking risks (RGBR)		Balance at 06/30/14
			Additions	Reversals			Additions	Reversals	
Reserve for general banking risks	20,000				20,000				20,000
TOTAL	1,864,356				1,771,524				1,805,298

* 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 14. COMMITMENTS GIVEN

	06/30/14		06/30/13		12/31/13	
	Loans authorised but not yet established	Amounts not drawn down on loans already partially established	Loans authorised but not yet established	Amounts not drawn down on loans already partially established	Loans authorised but not yet established	Amounts not drawn down on loans already partially established
<i>(in thousands of euros)</i>						
Financing commitments	235,930	2,028,327	205,579	2,260,637	244,597	1,547,394
Subsidised sector						
Non-Group commitments						
- Credit institutions						
- Customers						
Unsubsidised sector	235,930	2,028,327	205,579	2,260,637	244,597	1,547,394
Non-Group commitments	235,930	2,028,327	205,579	2,260,637	244,597	1,547,394
- Customers ⁽²⁾	235,930	2,028,327	205,579	2,260,637	244,597	1,547,394
Group commitments						
- Credit institutions						
Guarantee commitments	1,671,332	0	1,522,474	0	1,668,153	0
Non-Group commitments	1,671,332		1,522,474		1,668,153	
- Other values used as collateral ⁽¹⁾	1,671,332		1,522,474		1,668,153	
Commitments on securities	80,000	0	0	0	0	0
Other commitments given – Securities for delivery	80,000					
TOTAL ⁽³⁾	4,015,589		3,988,690		3,460,145	

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

<i>(in millions of euros)</i>	06/30/14	06/30/13	12/31/13
Securities		966	
Receivables	1,671	556	1,668

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

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

<i>(in millions of euros)</i>	06/30/14	06/30/13	12/31/13
Revolving credit lines (outstanding taken from Ixis CIB)	1,028	1,260	547
State housing savings accounts (<i>primes d'épargne logement</i>)	1,000	1,000	1,000

(3) Of which doubtful commitments

		1	1
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NOTE 15. COMMITMENTS RECEIVED

<i>(in thousands of euros)</i>	06/30/14	06/30/13	12/31/13
Financing commitments			
Non-Group commitments			
Credit institutions ⁽¹⁾	1,466,357	330,028	1,464,512
Subtotal	1,466,357	330,028	1,464,512
Group commitments			
Purchase guarantees			
Credit institutions ⁽²⁾	3,000,000	3,000,000	3,000,000
Other values received as collateral from Group ⁽³⁾	23,470,449	21,781,590	20,977,883
Subtotal	26,470,449	24,781,590	23,977,883
TOTAL	27,936,806	25,111,618	25,442,395
Guarantee commitments			
Non-Group commitments			
Credit institutions and similar institutions ⁽⁴⁾	2,002,923	2,591,439	2,075,676
Customers ⁽⁵⁾	34,544,367	34,003,240	35,199,643
Subtotal	36,547,290	36,594,679	37,275,319
Group commitments ⁽⁶⁾	2,821,404	4,353,048	2,968,468
TOTAL	39,368,694	40,947,727	40,243,787
Commitments on securities			
Other securities to be received		35,257	
TOTAL	0	35,257	0
TOTAL COMMITMENTS RECEIVED	67,305,499	66,094,602	65,686,182

(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 €1,466.4 million at 30 June 2014, compared with €1,464.5 million at 31 December 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>	06/30/14	06/30/13	12/31/13
• Guarantees received from Crédit Foncier for loans to French local authorities (L. 211-38):	7,774,709	4,561,048	5,300,385
• Guarantees received from BPCE SA as replacement values (L. 211-38 loans to Group entities and French local authority receivables):	7,239,682	8,242,813	7,297,400
• Guarantees received from Caisses d'Épargne and Banques Populaires for loans to French local authorities (L. 211-38):	252,298	111,736	162,344
• Guarantees received from Crédit Foncier for mortgage notes:	8,203,760	8,865,994	8,217,754
(4) Mainly including received guarantees:			
• from Crédit Logement:	183,673	173,052	211,973
• from Créserfi:	293,307	368,759	354,233
• from insurance companies for security enhancement:	1,525,943	2,049,629	1 509,470

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

These guarantees are broken down as follows:

<i>(in thousands of euros)</i>	06/30/14	06/30/13	12/31/13
• Government guarantees on loans, mainly to the subsidised sector	436,762	578,734	506,709
• Guarantees from the SFGAS on FGAS-eligible loans and covered by the government	14,679,204	11,764,523	13,989,344
• Mortgage guarantees for mortgage loans that are only covered by this guarantee	14,995,522	16,204,185	15,950,029
• Guarantees given by local authorities and other organisations	2,192,019	2,301,513	2,247,868
• Security enhancement guarantees given by governments	2,241,022	3,154,284	2,505,693

(6) At 30 June 2014, guarantee commitments received from the Group include a guarantee received from BPCE in connection with French local authority loans purchased from Ixis CIB for €2,283 million, compared to €2,425 million at 31 December 2013, as well as a guarantee received from Crédit Foncier on securities and loans amounted to €70.5 million.



NOTE 16. FOREIGN EXCHANGE TRANSACTIONS

	06/30/14		06/30/13		12/31/13	
	Foreign exchange receivable	Foreign exchange payable	Foreign exchange receivable	Foreign exchange payable	Foreign exchange receivable	Foreign exchange payable
<i>(in thousands of euros)</i>						
Forward transactions (nominal amount) ⁽¹⁾	14,187,257	14,090,081	17,491,849	17,579,651	16,263,651	16,191,754
Over-the-counter markets						
Hedging transactions	14,187,257	14,090,081	17,491,849	17,579,651	16,263,651	16,191,754
Financial swaps						
Micro-hedging transactions						
Subsidised sector	31,192	40,473	58,329	80,945	29,987	40,473
Unsubsidised sector	14,156,066	14,049,608	17,433,519	17,498,706	16,233,664	16,151,282
Macro-hedging transactions						
Subsidised sector						
Unsubsidised sector						
Other forward transactions						
Forward transactions (fair value) ⁽²⁾	-516,011		-499,938		-254,701	
Spot transactions						
Total foreign currency transactions	14,187,257	14,090,081	17,491,849	17,579,651	16,263,651	16,191,754
TOTAL	28,277,338		35,071,500		32,455,405	

(1) Compagnie de Financement Foncier does not carry out any forward foreign currency transactions on organised markets.

(2) Data disclosed in accordance with CRC regulation 2004-16 of 23 November 2004 relating to the information to be provided in connection with the transposition of the European "Fair value" and "Modernisation" directives.

NOTE 17. FORWARD FINANCIAL INSTRUMENTS

	06/30/14		06/30/13		12/31/13	
(in thousands of euros)	Euros ⁽¹⁾	Currencies ⁽²⁾	Euros ⁽¹⁾	Currencies ⁽²⁾	Euros ⁽¹⁾	Currencies ⁽²⁾
OVER-THE-COUNTER MARKETS						
Conditional transactions (nominal amounts)	2,477,436		2,829,915		2,617,841	
Micro-hedging transactions						
Purchases						
Sales						
Macro-hedging transactions						
Purchases	2,477,436		2,829,915		2,617,841	
Sales						
Other options						
Purchases						
Sales						
Conditional transactions (fair value)	23,039		40,331		41,857	
Forward transactions (nominal amounts)	57,484,467	331,796	83,985,980	314,368	55,782,689	321,354
Micro-hedging transactions	42,001,739	331,796	63,031,551	314,368	43,257,750	321,354
Interest rate instruments	42,001,739	331,796	63,031,551	314,368	43,257,750	321,354
Currency instruments						
Other instruments						
Macro-hedging transactions	15,482,729		20,954,429		12,524,939	
Interest rate instruments	15,482,729		20,954,429		12,524,939	
Currency instruments						
Other instruments						
Other transactions						
Interest rate instruments						
Currency instruments						
Other instruments						
Firm transactions (fair value) ⁽³⁾	2,380,157	58,694	3,113,622	65,303	1,949,683	55,831
Firm and conditional transactions	59,961,903	331,796	86,815,895	314,368	58,400,530	321,354
TOTAL ⁽⁴⁾ (NOMINAL AMOUNTS)	60,293,699		87,130,263		58,721,884	
TOTAL (FAIR VALUE)	2,461,890		3,219,256		2,047,371	

(1) Value in euros of IN currencies.

(2) Value in euros of OUT currencies.

(3) Data disclosed in accordance with CRC regulation 2004-16 of 23 November 2004 relating to the information to be provided in connection with the transposition of the European "Fair value" and "Modernisation" directives.

(4) There are no doubtful amounts outstanding on futures and options transactions.



NOTE 18. INTEREST AND SIMILAR INCOME AND EXPENSES

	06/30/14			06/30/13	12/31/13
(in thousands of euros)	Income	Expenses	Net	Net	Net
Interbank transactions	62,722	-37,930	24,792	-3,974	2,496
Interest on the Banque de France		-252	-252		
Interest on ordinary accounts	393	-1	392	9	47
Interest on forward transactions	20,942	-27,580	-6,638	-17,144	-28,946
Interest on subordinated loans					
Interest on repo securities (BCTG – Short-term guaranteed notes)	41,326		41,326	24,334	54,311
Interest on securities received/sold under repurchase agreements				-1,476	-2,193
Financing and guarantee commitments					
Other interest income and expenses	62	-281	-219		
Hedging transactions		-9,817	-9,817	-9,698	-20,723
Hedged losses on receivables					
Non-hedged losses on receivables					
Net changes in provisions					
Customers transactions	696,377	-3,409	692,968	609,845	1,364,095
Interest on demand deposits, term deposits and regulated savings accounts					
Interest on loans to customers	636,979		636,979	688,838	1,354,837
Interest on subordinated loans					
Interest on non-performing loans	20,055		20,055	16,791	36,562
Amortisation of ancillary loans (CRC regulation 2009-03)	-327		-327	-318	-650
Interest on ABS cash collateral					
Other interest income and expenses	-7,460	-2,777	-10,237	-2,287	-10,175
Income on financing and guarantee commitments	29		29	38	70
Hedging transactions	48,378	-632	47,746	-93,335	-15,712
Hedged losses on receivables	-150		-150	-82	-1,228
Non-hedged losses on receivables					
Net changes in provisions ⁽¹⁾	-1,128		-1,128	199	390
Finance lease transactions					
Securitisation transactions	1,005,054	-1,330,488	-325,435	-228,030	-638,451
Interest on available-for-sale securities	69,076		69,076	52,175	103,017
Spreading of discounts/premiums on available-for-sale securities	-197		-197		-4
Interest on held-to-maturity securities	162,458		162,458	245,905	469,461
Amortisation of discounts/premiums on held-to-maturity securities	-1,080		-1,080	-1,417	-1,194
Interest on medium-term notes (BMTN) issued		-1,765	-1,765	-1,959	-3,711
Interest on certificates of deposits issued					
Interest on mortgage notes issued					
Interest and expenses on bonds		-1,328,723	-1,328,723	-1,511,944	-3,005,870
Interest on doubtful securities					
Hedging transactions	774,798		774,798	989,210	1,799,851
Subordinated debt		-26,489	-26,489	-24,644	-50,121
Payables on subordinated term securities		-26,489	-26,489	-24,644	-50,121
Payables on subordinated debt – credit institutions					
Payables on subordinated debt – customers					
Other interest and similar income and expenses	14,703	-231,420	-216,717	-197,937	-375,812
Income on debt securities	14,337		14,337	19,923	40,525
Fees on credit derivatives					
Commitments received/given on securities		-3,058	-3,058	-2,843	-6,171
Other interest income and expenses	366		366	2,143	3,548
Macro-hedging transactions		-228,362	-228,362	-217,160	-413,714
Net changes in provisions ⁽¹⁾					
TOTAL INTEREST AND SIMILAR INCOME AND EXPENSES ⁽²⁾	1,778,856	-1,629,737	149,119	155,260	302,207
(1) Total cost of risk in the net interest margin – customers	-1,128		-1,128	199	390
(2) Including subsidised sector	7,789	-5,671	2,118	2,552	8,024

NOTE 19. NET FEE AND COMMISSION INCOME

<i>(in thousands of euros)</i>	06/30/14	06/30/13	12/31/13
Commissions on interbank and cash transactions (net)	-8	-9	-11
Income			309
Expenses	-8	-9	-320
Commissions on transactions with customers (net)	23,083	20,534	60,110
Income	23,083	20,534	60,110
Expenses			
Commissions on securities transactions (net)	-835	-1,422	-2,827
Income			
Expenses	-835	-1,422	-2,827
Other commissions (net)	-408	-391	-868
Income		18	28
Expenses	-408	-409	-896
Total income	23,083	20,551	60,447
Total expenses	-1,251	-1,840	-4,043
TOTAL NET COMMISSIONS	21,833	18,712	56,404

NOTE 20. NET GAINS/LOSSES ON TRADING BOOK TRANSACTIONS

<i>(in thousands of euros)</i>	06/30/14	06/30/13	12/31/13
Gains on currency and arbitrage transactions	566	-44	-2,283
Losses on firm Financial forward instruments trading			
Gains on firm Financial forward instruments trading			
Losses on conditional Financial forward instruments trading			
Gains on conditional Financial forward instruments trading			
Losses on other financial instruments			
Gains on other financial instruments			
Addition to provisions for risks on Financial forward instruments trading			
Reversals on provisions for risks on Financial forward instruments trading			
TOTAL NET GAINS/LOSSES ON TRADING BOOK TRANSACTIONS AT FAIR VALUE THROUGH PROFIT AND LOSS	566	-44	-2,283



NOTE 21. OTHER BANKING INCOME AND EXPENSES

	06/30/14			06/30/13	12/31/13
(in thousands of euros)	Income	Expenses	Net	Net	Net
Rebilled expenses, income paid over and reallocated expenses		-9	-9	-313	-14
Rebilled expenses					
- Rebilled expenses					
- Other amounts rebilled or paid over					
Income paid over		-9	-9	-313	-14
Reallocated expenses					
Total other income and expenses from banking operations	81	-5	76	-76	-1
Other operating income and expenses (see details)	81	-5	76	-76	-1
Movements in provisions on other operating income and expenses (see details)					
TOTAL	81	-14	67	-389	-14

DETAILS

Other operating income and expenses	81	-5	76	-76	-1
- Exceptional payments of FGAS (government fund promoting access to home ownership)/flat contributions					
- Transfers to exceptional gains					
- Other operating income	81		81	99	122
- Amortisation of flat contributions					
- Losses on deferred interests and variable rate loans		-4	-4	-6	53
- Transfers to exceptional losses					-4
- Other losses covered by the provision for litigation					
- Losses not covered by the provision for litigation					
- Other operating expenses		-1	-1	-170	-172

NOTE 22. GENERAL OPERATING EXPENSES

<i>(in thousands of euros)</i>	06/30/14	06/30/13	12/31/13
Total personnel expenses	-100	-100	-187
Wages and salaries	-60	-60	-120
Defined-contribution and defined-benefit plan expense	-6	-6	-11
Other tax and social security charges	-34	-34	-55
Additions to/reversals of provisions for litigation			
Total other administrative costs	-53,378	-49,385	-103,814
Taxes	-7,315	-7,856	-15,824
CET (local business tax) and CVAE (tax on company added value)	-1,907	-1,642	-3,255
Corporate social solidarity contribution	-2,643	-2,790	-5,703
Contribution to the supervision expenses of the French Prudential Supervisory and Resolution Authority (ACPR)	-298	-380	-759
Systemic banking risk tax	-2,432	-2,876	-5,751
Other taxes	-35	-169	-357
Additions to/reversals of provisions for tax disputes			
External services	-46,062	-41,529	-87,990
Leasing			
External services provided by the Group	-44,217	-39,713	-83,835
Fees for sub-contracting and services	-1,456	-1,531	-3,536
Advertising	-154	-81	-241
Remuneration of intermediaries			
Transport and travel costs	-3	-7	-20
Maintenance and repairs	-4	-4	-4
Insurance premiums			
Other external services	-229	-193	-354
Additions to/reversals of provisions for disputes relating to external services			
Additions to/reversals of provisions for external services costs			
Other expenses			
Rebilled expenses			
TOTAL OPERATING EXPENSES	-53,478	-49,485	-104,001

Note: the total amount of remuneration received by management entities at 30 June 2014 amounted to €60,000.



NOTE 23. COST OF RISK

(in thousands of euros)	06/30/14			06/30/13	12/31/13
	Expenses	Income	Net	Net	Net
Net additions to/reversals of provisions relating to customer transactions	-20,186	6,672	-13,514	-5,256	-14,753
Impairment of customer transactions	-18,719	6,365	-12,354	-4,489	-14,809
Provisions for counterparty risks on performing loans	-1,467	307	-1,159	-766	56
Sectoral provisions					
Losses and recoveries on customer transactions	-2,978	2,649	-329	-401	-400
Losses on non-recoverable loans and receivables covered by provisions	-262	262			
Losses on non-recoverable loans and receivables not covered by provisions	-2,716		-2,716	-1,423	-2,815
Recoveries of customer loans written off		2,388	2,388	1,022	2,415
TOTAL COST OF RISK	-23,164	9,321	-13,842	-5,657	-15,153

NOTE 24. GAINS/LOSSES ON FIXED ASSETS

(in thousands of euros)	06/30/14	06/30/13	12/31/13
Capital gains or losses on disposals of held-to-maturity securities	1,115	-22,170	-135,366
Additions to provisions for impairment on held-to-maturity securities			
Reversals of provisions for impairment on held-to-maturity securities			
TOTAL GAINS OR LOSSES ON OTHER ASSETS	1,115	-22,170	-135,366

NOTE 25. INCOME TAX

(in thousands of euros)	06/30/14	06/30/13	12/31/13
TAX EXPENSES COMPONENTS			
Current tax expenses (income) *	17,336	-11,046	-476,207
Deferred tax liabilities (assets) *	-58,513	-23,559	407,007
Provisions for deferred taxes			
Provisions for risks or for tax litigations			
TOTAL	-41,177	-34,605	-69,200

* As of 31 December 2013, the increase in current tax expenses and deferred tax assets mainly related to the tax treatment of termination payments was in connection with the dynamic management of off-balance sheet transactions.

(in thousands of euros)	06/30/14	06/30/13	12/31/13
BREAKDOWN OF DEFERRED TAXES FOR THE PERIOD			
Termination swap termination balance	-57,922	-23,094	404,021
Client provisions including credit risk provisions	1,723	646	1,909
Other temporary differences	-2,314	-1,111	1,077
TOTAL	-58,513	-23,559	407,007

NOTE 26. TRANSACTIONS WITH RELATED CREDIT INSTITUTIONS ⁽¹⁾

	06/30/14	06/30/13	12/31/13	06/30/14
Balance sheet (in thousands of euros)				Valuation of assets received as collateral ⁽³⁾
Assets				
RECEIVABLES DUE FROM CREDIT INSTITUTIONS				
Demand	87,629	1,245,051	408,810	
Term	419	335,498	377	
Term deposits guaranteed by repo securities	15,551,944	14,766,642	12,060,010	15,149,565
- Loans guaranteed by French local authority loans (SPT) under L. 211-38	8,933,150	4,657,800	5,450,740	8,917,093
- to CFF	7,688,750	4,550,000	5,290,000	7,661,884
- to BPCE	1,000,000			1,005,401
- to other Group entities	244,400	107,800	160,740	249,808
- Loans registered as replacement values under L. 211-38:	6,600,000	10,100,000	6,600,000	6,232,472
- to BPCE	6,600,000	10,100,000	6,600,000	6,232,472
- Related receivables	18,794	8,842	9,270	
CUSTOMER TRANSACTIONS				
Receivables				
Securities transactions				
Bonds and other fixed income securities	8,280,474	8,940,451	8,294,053	8,772,681
- Mortgage notes	8,203,000	8,865,000	8,217,000	8,772,681
- to CFF	8,203,000	8,865,000	8,217,000	8,772,681
- Other fixed income securities	67,166	63,345	64,849	
- Related receivables	10,308	12,107	12,204	
Other assets ⁽²⁾				
Other debtors	108,371		18,132	
TOTAL ASSETS	24,028,837	25,287,642	20,781,381	23,922,246
Liabilities				
AMOUNTS DUE TO CREDIT INSTITUTIONS				
Demand				
Term	3,063,275	2,128,265	3,107,002	
Securities sold under repurchase agreements		598,440		
CUSTOMER TRANSACTIONS				
Demand				
SECURITIES TRANSACTIONS				
Debt securities				
Subordinated debts	3,468,264	3,467,478	3,450,305	
OTHER LIABILITIES ⁽²⁾				
Other creditors	48,375	45,188	15,197	
TOTAL LIABILITIES	6,579,914	6,239,371	6,572,504	

In accordance with the regulation No 2010-04 of 7 October 2010, significant transactions which are not concluded under normal market conditions between related parties are stated in paragraph 2.4 of the notes to the 2013 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 30 June 2013 and 31 December 2013.

(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 27. INTERIM STATEMENT OF FOREIGN EXCHANGE POSITIONS

COB Recommendation 89.01

■ At 06/30/14

Heading (in thousands of euros)	Australian \$	Canadian \$	US \$	Pound Sterling	Swiss Franc	Yen	Hungarian Forint	New Zealand \$	Norwegian Kroner	Danish Krone	Total
BALANCE SHEET											
Financial Assets	14,912	75,013	2,484,502	129,034	1,379,553	1,797,257	11	37	11,093	7	5,891,419
Financial liabilities	702,744	347,127	1,806,662	707,796	4,456,810	373,752			504,935		8,899,826
Balance sheet (I) differential	-687,832	-272,114	677,840	-578,762	-3,077,257	1,423,505	11	37	-493,842	7	-3,008,407
OFF-BALANCE SHEET											
Commitments received	687,900	393,447	2,842,343	1,102,480	5,183,024	971,290			493,842		11,674,326
Commitments given		121,324	3,520,202	523,815	2,104,683	2,394,761					8,664,785
Off-balance sheet (II) differential	687,900	272,123	-677,859	578,665	3,078,341	-1,423,471			493,842		3,009,541
TOTAL DIFFERENTIAL (I) + (II)	68	9	-19	-97	1,084	34	11	37	0	7	1,134

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.

Foreign exchange position: only transactions carried out by Compagnie de Financement Foncier on its own account have been included in the table above, excluding transactions carried out on behalf of the State for the subsidised sector.

NOTE 28. STATEMENT OF LIQUIDITY POSITIONS

COB Recommendation 89.01

■ At 06/30/14

Heading <i>(in thousands of euros)</i>	Remaining maturity					Total ⁽²⁾
	< 3 months	3 m < T < 6 m	6 m < T < 1 y	1 y < T < 5 y	>5 years	
BALANCE SHEET						
Financial assets ⁽¹⁾	7,658,545	897,754	1,683,273	22,857,759	41,702,524	74,799,855
Receivables from credit institutions	6,612,080	48,170	148,261	5,109,555	4,803,212	16,721,278
Receivables from customers	756,265	735,999	1,134,099	8,312,864	29,383,618	40,322,845
Bonds and other fixed-income securities	290,200	113,585	400,913	9,435,340	7,515,694	17,755,732
Subordinated term loans						
Financial liabilities	2,531,238	2,165,548	6,190,087	27,128,104	36,992,295	75,007,272
Due to credit institutions	1,535,254	70,312	34,642	239,799	1,184,045	3,064,052
Due to customers						
Debt securities:	995,984	2,095,236	6,155,445	26,888,305	33,708,250	69,843,220
- Retail certificates of deposit						
- Interbank market securities						
- Negotiable debt securities					150,000	150,000
- Bonds	995,984	2,095,236	6,155,445	26,888,305	33,558,250	69,693,220
Other debt securities						
Subordinated term debt					2,100,000	2,100,000
Balance sheet differential (I)	5,127,307	-1,267,794	-4,506,814	-4,270,345	4,710,229	-207,417
OFF-BALANCE SHEET						
Commitments given	80,000		2,264,725			2,344,725
Commitments received	1,466,357			3,000,000		4,466,357
Off-balance sheet differential (II)	1,386,357	0	-2,264,725	3,000,000	0	2,121,632
TOTAL DIFFERENTIAL (I) + (II)	6,513,664	-1,267,794	-6,771,539	-1,270,345	4,710,229	1,914,215
Conditional positions			6,495	57,123	2,413,818	2,477,436

(1) The financial assets of Compagnie de Financement Foncier include €11.2 billion of securities that conform to the refinancing criteria of the European Central Bank to which are added loans amounting to €27.4 billion meeting the criteria defined by the Banque de France, as planned by the temporary process approved by the ECB on 9 February 2012. The amounts which could be redeemed at the Central Bank are estimated of €17,3 billion after haircut and overcollateralisation constraints.

(2) The difference with the amounts shown on the balance sheet is mainly due to unpaid loans, doubtful loans and related receivables.



NOTE 29. CASH FLOW STATEMENT

1. Principles

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

Compagnie de Financement Foncier's cash flow statement is presented in accordance with Recommendation 2004-R-03 of the French National Accounting Board (CNC), concerning the format of corporate summary documents subject to the supervision of the French Banking and Financial Regulatory Committee (BFRF).

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 depreciation provisions, provisions, other transactions without cash payments such as accounts payable and accrued income. Cash flows from operating, investing and financing activities are determined 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 rules of the French National Accounting Board. It includes cash on hand and demand deposits at the Banque de France, in post office accounts and with credit institutions.

2. Cash flow statement

<i>(in thousands of euros)</i>	06/30/14	06/30/13	12/31/13
Operating activities			
Net income for the year	64,203	61,622	32,593
Restatement of earnings, related to operating activities			
Tangible and intangible fixed assets, excluding goodwill			
Net provisions/customers and credit institutions	13,221	4,173	13,433
Net provisions/short-term investment securities			
Net provisions for risks/loans	1,160	766	-56
Net gain on sale of fixed assets			
Other transactions without cash payments	-885,321	-43,256	683,087
Cash flow on loans to credit institutions and customers	958,860	2,299,875	-10,498
Cash flow on short-term investment securities	14,135	398,121	1,071,208
Cash flow on long-term investment securities	965,180	3,188,537	13,824,481
Cash flow on other assets	88,390	107,841	-267,373
Cash flow on debts/credit institutions and customers	-70,555	-79,234	-704,393
Net borrowing	-3,545,195	-6,740,199	-9,218,009
Cash flow on other liabilities	152,966	-1,321,996	-1,582,255
Net cash flow used for operating activities	-2,242,956	-2,123,750	3,842,218
Investing activities			
Cash flow related to the sale of:			
- Financial Assets			
- Tangible and intangible fixed assets			
Disbursements for the acquisition of:			
- Financial Assets			
- Tangible and intangible fixed assets			
Net cash flow from other investment activities			
Net cash flow used for investment activities			
Financing activities			
Cash flow from share issues			
Dividends paid	-30,430	-125,425	-125,425
Net issuance of subordinated debt			
Other			
Net cash flow from financing activities	-30,430	-125,425	-125,425
NET CHANGE IN CASH POSITION	-2,273,386	-2,249,175	3,716,793
Cash position at start of year	7,639,246	3,922,453	3,922,453
Cash position at end of year	5,365,860	1,673,278	7,639,246
Net	-2,273,386	-2,249,175	3,716,793
Cash: deposits at the Banque de France	5,342,541	18,672	7,399,719
Demand deposits at credit institutions *	23,319	1,654,606	239,527
TOTAL	5,365,860	1,673,278	7,639,246
* Of which: BPCE	16,129	1,245,046	235,109



Statutory Auditors' report on the Interim Financial statements

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

Compagnie de Financement Foncier S.A.

Registered office: 19, rue des Capucines - 75001 Paris

Share capital: €1 187 459 936

For the six-month period ended 30 June 2014

To the Shareholders,

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

- the review of the accompanying condensed interim financial statements of Compagnie de Financement Foncier – S.A. for the six-months period ended June 30th, 2014,
- the verification of the information contained in the interim management report.

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

I. CONCLUSION ON THE FINANCIAL STATEMENTS

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

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

II. SPECIFIC VERIFICATION

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

The Statutory Auditors

Paris La Défense, on the August 28, 2014

KPMG Audit

Division of KPMG S.A.

Jean-François Dandé

Partner

Neuilly-sur-Seine, on the August 28, 2014

PricewaterhouseCoopers Audit

Anik Chaumartin

Partner

Statement from the person who assumes responsibility

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

I certify, to my knowledge, that the condensed financial statements for the previous half-year have been established in compliance with the applicable accounting standards and accurately represent the Company's assets, financial situation and its earnings and that the enclosed half-year activity management report (pages 7 to 16) is

an accurate representation of the important events that occurred in the first six months of the financial year, of their impact on the financial statements as well as a description of the primary risks and uncertainties in the remaining six months of the year.

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

Signed in Charenton-le-Pont, on August 28, 2014

Deputy Chief Executive Officer of Compagnie de Financement Foncier

Sandrine GUÉRIN



Risk management report

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1. Foreword

In the interests of financial transparency, and above and beyond its regulatory obligations, Compagnie de Financement Foncier includes in its Registration document and its update a detailed risk management report based on IFRS (not applicable to Compagnie de Financement Foncier) and prudential standards. The report is based on the data input into the risk management tool; the consistency of the data is ensured by the Risk Division of Crédit Foncier.

2. Organisational overview: information on risk management

Compagnie de Financement Foncier's business model is, by definition, very secure. The legislative framework prohibits it from holding a trading book, which protects it against market risks associated with proprietary trading, and from holding ownership interests, which, as a result, protects it from difficulties originating outside its own asset base.

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

- credit risks;
- financial risks (ALM).

Operational risks are mainly carried by Crédit Foncier (see Section 11).

Crédit Foncier Group's risk policy constitutes a frame of reference for the identification, monitoring, oversight and management of risks. It also provides a framework for the development of Compagnie de Financement Foncier's activities in line with a model aimed at safeguarding its profitability, capital and creditors, notably the holders of its *obligations foncières*, a form of French legal covered bond.

For more information, see the 2013 Registration document (pages 119-126).

3. Risk factors

3.1. Any default by International Public Counterparties to which Compagnie de Financement Foncier is exposed could potentially affect its profitability

Compagnie de Financement Foncier is exposed to 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 June 26, 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. Default by one of these counterparties could potentially affect Compagnie de Financement Foncier.

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 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 6.1 of this document.

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 structure 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 asset disposals.

This plan includes a certain number of initiatives 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 6 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 8).

Compagnie de Financement Foncier also funds the production by Crédit Foncier of mortgage loans for individuals by underwriting mortgage notes issued by the latter and the public sector loans guaranteed under Article L. 211-38 issued by Crédit Foncier or Groupe BPCE. These promissory notes have been classified as secured loans since April 2007. The eligibility criteria of this mobilisation are identical to those applied to the loans held directly by a *société de crédit foncier*.

STRUCTURAL RISKS (LIQUIDITY RISK, INTEREST RATE RISK AND FOREIGN EXCHANGE RISK)

For further details, refer to Section 10 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.

OPERATIONAL RISKS

For further details, refer to Section 11 of this report.

Operational 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 affect the liquidity of Compagnie de Financement Foncier, increase funding costs, limit access to capital markets, derivatives and collateralised funding. A spread widening could materially raise the funding cost of Compagnie de Financement Foncier. 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 Compagnie de Financement 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 Compagnie de Financement 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. Changes in market interest rates may have an impact on the interest rate applied to interest-earning assets, contrary to those of interest rates paid on interest-bearing 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 may have a negative impact on Compagnie de Financement Foncier's profitability.

For further details, refer to Section 10 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 10 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

Like other competitors, 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. As interconnectivity with its customers is growing, 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 the 2013 Registration document (page 152).

4. Pillar III

Regulatory monitoring of credit institutions' capital is based on regulations defined by the Basel Committee. Credit institutions must comply with recommendations, known as CRR-CRD IV, which are based on three pillars that form an indivisible whole:

PILLAR I

Pillar I sets minimum requirements for capital. It aims to ensure that banking institutions hold sufficient capital to provide a minimum level of coverage for their credit risk, market risk, and operational risk. The bank can use standardised or advanced methods to calculate its capital requirement.

PILLAR II

This rules a process of prudential monitoring that complements and strengthens Pillar I.

It consists of:

- analysis by the bank of all of its risks, including those already covered by Pillar I;
- calculation by the bank of the amount of economic capital it needs to cover these risks;
- comparison by the banking supervisor of its own analysis of the bank's risk profile with the analysis conducted by the bank, to inform its choice of prudential measures, which may take the form of capital requirements exceeding the minimum requirements or any other appropriate technique.

PILLAR III

Pillar III is aimed at establishing market discipline through a series of reporting requirements. These requirements – both qualitative and quantitative – are intended to improve financial transparency in the assessment of risk exposures, risk assessment procedures and capital adequacy.

These recommendations are set out at the European level in the EU Capital Requirements directive (CRD), which was transposed into French law by the Ministerial Decree of 20 February 2007 relating to capital requirements for credit institutions and investment firms.

Credit institutions covered by the CRD are thus required to respect a capital adequacy ratio of at least 8% at all times. This capital adequacy ratio is equal to the ratio of total capital to the sum of:

- risk-weighted assets for credit and dilution risk;
- capital requirements for the prudential monitoring of market and operational risk, multiplied by 12.5.

New recommendations, known as Basel III, were issued by the Basel Committee in 2011. These recommendations were reflected in the EU directive (CRD IV) in June 2013 and are currently being transposed.

5. Regulatory capital and prudential ratios

5.1. 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 information purposes at the consolidated Compagnie de Financement Foncier level.

COMPOSITION OF CAPITAL

Capital is determined in accordance with the CRD IV directive and the CRR regulation, in force 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 €5 billion at 30 June 2014, of which €1.7 billion was Tier-1 core 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 were weighted at 0%.

Moreover, in the case of partial transfer of loans originated by Crédit Foncier to Compagnie de Financement Foncier and in connection with the assignment and recovery agreements, collected sums are allocated in their entirety and in priority to Compagnie de Financement Foncier. Under the standard approach, this allows the level of risk-weighting to be adjusted to reflect the priority allocation of collections to Compagnie de Financement Foncier and the resulting lower loss rate.



(in millions of euros)

06/30/14

STANDARD CREDIT RISK APPROACH

Exposure categories	
Central governments	11
Institutions	102
Regional governments	334
Corporations	21
Retail customers	47
Mortgage-backed exposure	701
Exposure at default	58
Other assets	36
Requirements for credit risk (A)	1,310
Requirements for market risk (B)	-
Requirements for operational risk (C)	52
Adjustment of credit assessment (D)	71
Capital requirements (A)+(B)+(C)+(D)	1,432
CAPITAL REQUIREMENTS AT 12/31/13	1,172

As a result of the implementation of new Basel III standards at 30 June 2014, the capital requirements breakdown for credit risk is not comparable with the one published at 31 December 2013.

SOLVENCY RATIOS

Compagnie de Financement Foncier's capital adequacy ratio at 30 June 2014 was determined using the standard approach.

	06/30/14
Common Equity Tier-1 Ratio	9.7%
Tier-1	15.7%
Capital adequacy ratio	27.6%

Source COREP 06/30/14.

At 30 June 2014, the solvency ratio was 27.6%. The Tier-1 ratio was 15.7%.

5.2. 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 reviews the calculation of these different ratios and certifies them every six months.

Crédit Foncier Risk Division performs a second-level check of these different specific ratios every six months.

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 and the ordinance of 26 May 2014 relating to the prudential regulation of *sociétés de crédit foncier* (SCF) and *sociétés de financement de l'habitat* (SFH).

At 30 June 2014, the overcollateralisation ratio of Compagnie de Financement Foncier stood at 119.2%, a level which remains well above the new regulatory requirement of 105%.

At 31 December 2013 this ratio stood at 118.1%.

Since the formation of Compagnie de Financement Foncier in 1999, this regulatory ratio has always been higher than 108% and hence significantly above the regulatory threshold.

ASSET COMPOSITION RATIO

Asset composition	Limit	06/30/14	12/31/13
Replacement securities (R. 515-7)	15.0% ⁽¹⁾	5.40%	5.81%
Promissory notes (L. 513-6)	10.0% ⁽²⁾	9.58%	9.17%
Guaranteed loans (R. 515-6)	35.0% ⁽³⁾	2.35%	2.47%

(1) Of the nominal privileged resources, after taking into account hedging currency.

(2) Of total assets.

(3) Including guaranteed loans in guarantee of mortgage notes.

The replacement values ratio is determined by comparing replacement securities (net of cash received as derivatives' collateral) with the nominal value of privileged liabilities. These replacement values 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, and on the loans held on the asset side of the balance sheet of securitisation vehicles.

LTV overruns are updated based on the value of the receivables on the balance sheet date and on the value of the collateral as updated at the end of each year.

At 30 June 2014, overruns on purchased and mobilised loans stood at €344 million (of which €340 million for sold loans and €4 million for mobilised loans), *versus* €517 million at 31 December 2013.

Total overruns remain considerably below the amount of non-privileged resources, which stood at €14.01 billion at 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 (€36.9 billion at 30 June 2014), resulted in an excess LTV amount of €1.7 billion. This amount rises to €2.7 billion assuming a 15% fall in collateral values. These levels are significantly lower than the amount of non-privileged resources. These tests attest to the excellent quality and the strength of Compagnie de Financement Foncier's portfolio of assets.

6. Management of credit risk and counterparty risk

6.1. Breakdown of Compagnie de Financement Foncier's commitments

6.1.1. ANALYSIS OF CREDIT RISK EXPOSURES

The tables below show the breakdown of assets excluding endorsements and financial guarantees given (i.e. a balance sheet total of €85.7 billion at the end of June 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 in application of Article L. 211-38.

Replacement values, on the other hand, are analysed by counterparty: loans granted to BPCE (€6.6 billion), essentially in the form of short-term guaranteed notes, collateralised, are considered as an exposure to BPCE.



Risk exposures ⁽¹⁾ (in millions of euros)	Exposures at 30 June 2014	Exposures at 31 December 2013
	Balance sheet	Balance sheet
French mortgage loans ⁽²⁾	29,298	29,545
French and Belgian mortgage notes ⁽³⁾	8,212	8,226
Total mortgage loans	37,510	37,771
Public sector	35,502	38,164
Low-income housing	2,255	2,332
French Local Authorities (FLA)	8,435	8,417
FLA L. 211-38 ⁽⁴⁾	8,951	5,459
Sovereign France	5,857	11,949
French Public Sector	25,498	28,157
Public Private Partnership (PPP)	655	657
International Public Financing	6,409	6,438
International Sovereign	2,552	2,528
Securitisations backed by loans benefiting from State safeguards	-	-
Public sector large corporations	388	384
International Public Sector	9,349	9,351
Commercial mortgages disappearing (resulting from the legal transfer in October 1999)	117	116
Banking sector exposures	8,580	9,143
of which banks with sovereign guarantees or similar	1,788	2,068
of which other banks	191	474
of which BCTG (Short-term guaranteed notes) ⁽⁵⁾	6,601	6,601
Total risk exposure	81,709	85,194
Miscellaneous adjustments and other assets ⁽⁶⁾	3,976	4,526
TOTAL	85,685	89,720

(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 (€69 million at 06/30/14 and €72 million at 12/31/13).

(3) Of which Belgian mortgage notes for €587 million.

(4) Of which €103 million with Caisses d'Épargne and €143 million 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.

Within the scope of Crédit Foncier Group'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 fell by 4.5% to €85.7 billion during the first half of 2014.

Mortgage-backed securities exposure in France shrank by 1% to €29.3 billion especially following 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 billion recorded on 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 fell from €28.2 billion to €25.5 billion. This fall is linked to the reduction in deposits held at the Banque de France (classified under Sovereign

France) to €5.3 billion at 30 June 2014, versus €11.4 billion at the end of 2013. This was partly offset by new BPCE intragroup exposures classified under FLA and valued at €3.5 billion (of which €2.4 billion to Crédit Foncier Group and €1 billion to BPCE).

Exposure to the banking sector also decreased by 6%.

6.1.1.1. GEOGRAPHICAL BREAKDOWN OF EXPOSURES

At the end of June 2014, the portfolio continues to be mainly concentrated on the European Union (94%), with stable exposure to France (86% vs 87% at the end of 2013).

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*

	06/30/14		12/31/13
	Balance sheet (€M)	%	%
Geographical breakdown of exposures			
France	73,891	86	87
Other countries in the European Economic Area	6,821	8	8
• of which Italy	3,048	4	4
• of which Germany	677	1	1
• of which Spain	895	1	1
• of which Cyprus	51	negligible	negligible
• of which Ireland	137	negligible	negligible
• of which Portugal	135	negligible	negligible
• of which Slovenia	202	negligible	negligible
• of which other countries < 1%	1,676	2	2
Switzerland	1,215	1	1
North America (USA & Canada)	2,258	3	2
Japan	1,500	2	2
TOTAL	85,685	100	100
			89,720

* 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.

6.1.1.2. BREAKDOWN OF EXPOSURES BY PRODUCT FAMILY

The concentration on loans is stable between the end of December 2013 and the end of June 2014 (89 %, including short-term credit facilities). Compagnie de Financement Foncier has not the legal ability to hold equity stakes or trading portfolios.

■ Breakdown of exposure by product family

Product families ⁽¹⁾ – Breakdown (%)	06/30/14	12/31/13
Shares/Funds		
Other balance-sheet products		
Short-term credit facilities ⁽²⁾	6	13
Loans ⁽³⁾	83	76
Bonds (“banking” ⁽⁴⁾)	11	11
Bonds (“trading” ⁽⁵⁾)		
Securitisation (external ⁽⁶⁾)	-	-
BALANCE SHEET TOTAL	100	100
Balance sheet assets (€M)	85,685	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) “Short-term credit facilities” mainly records accrual and deferred income and forward financial instruments.

(3) Customer loans excluding short-term credit facilities, including mortgage notes and the short-term guaranteed notes (BCTG) included in the replacement values.

(4) The bonds it holds are held in the context of lending transactions with a view to being held until maturity.

(5) Compagnie de Financement Foncier cannot legally hold securities for trading purposes.

(6) Loans non originated within Groupe BPCE.



6.1.2. QUALITY OF THE PORTFOLIO EXPOSED TO CREDIT RISK

6.1.2.1. PORTFOLIO OF LOANS TO INDIVIDUALS

Outstanding of direct mortgage loans and underlyings of individual customer mortgage notes fell by 0.7% since the end of 2013, reaching €37.5 billion.

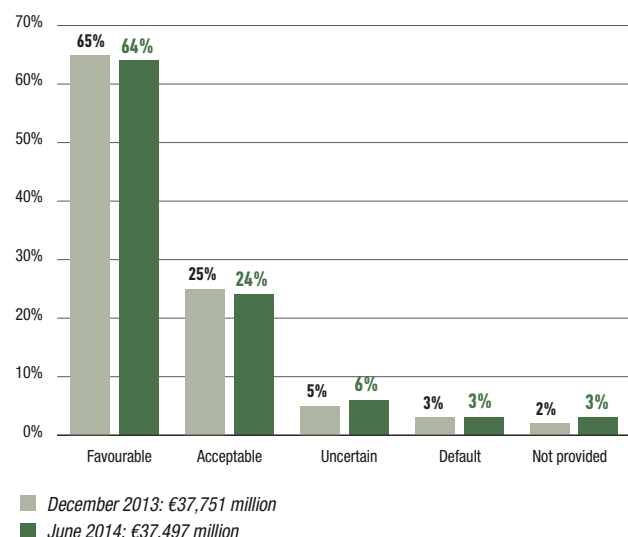
6.1.2.1.1. Acquisition and disposal of loans to individuals by Compagnie de Financement Foncier in the first half of 2014

At the end of June 2014, Compagnie de Financement Foncier acquired a total of €1,754 million mortgage loans from Crédit Foncier, including €409 million in loans to first-time home buyers, €187 million in loans to the rental sector and €1,158 million 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 aid from Local Authorities) continue to support demand in this sector, securing these transactions at the same time.

6.1.2.1.2. Rating

The ratings attest to the ongoing good quality of outstanding loans, with 64% favourable ratings (65% at year-end 2013); moreover 88% of all loans were given favourable or acceptable ratings (90% at year-end 2013).

Internal rating and quality of loans made to private individuals ⁽¹⁾



6.1.2.2. FRENCH PUBLIC SECTOR PORTFOLIO

Crédit Foncier Group 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*).

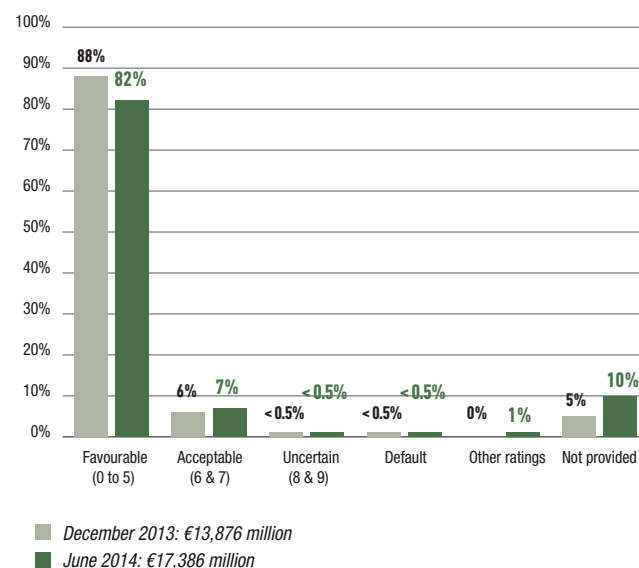
French Public Sector loan receivables acquired by Compagnie de Financement Foncier are originated within Groupe BPCE, either by Caisses d'Épargne or by Crédit Foncier. For social housing, Compagnie de Financement Foncier has direct guarantees from local authorities and/or mortgage guarantees.

6.1.2.2.1. Change in loan outstandings

FLA outstandings continued to grow during the semester and now stand at €17.4 billion (compared with €13.9 billion 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 €2.2 billion at 30 June 2014.

6.1.2.2.2. Rating

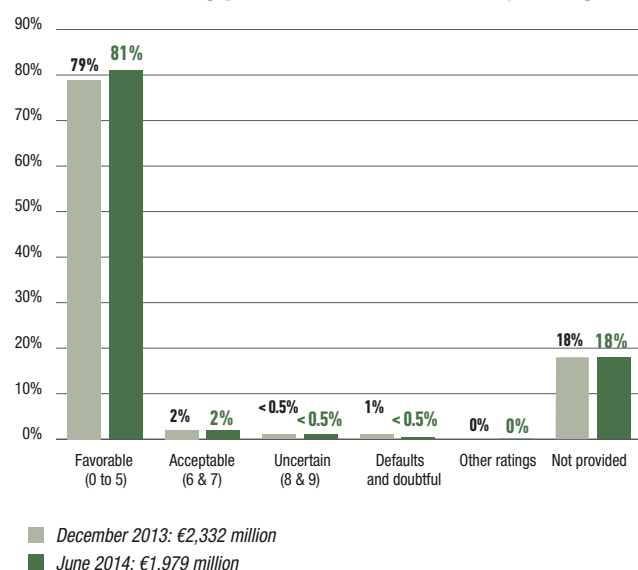
French Public Sector portfolio – Breakdown by rating



82% of Compagnie de Financement Foncier's FLA outstanding loans have a "favourable" rating (0-5) and 7% an "acceptable" rating.

(1) Excluding professionals and associations.

Social housing portfolio – Breakdown by rating



NB: Non-rated outstandings (18%) consist largely of institutions that collect employers' contribution to building and construction work (PEEC⁽¹⁾) and their subsidiaries, which are not covered by BPCE's rating tools. Prior to any exposure decision, these counterparties undergo in-depth analysis on a case-by-case basis. Also, the PEEC sector is closely regulated and supervised by the French State.

Of Compagnie de Financement Foncier's total social housing outstandings, 81% of loans are rated "favourable" (0 to 5), an improvement on 2013. The proportion of counterparties rated as "doubtful" and in default remains minimal.

As from Q2 2014, the Associations segment (€276 million) is excluded from the above calculation basis because rated with another internal Groupe BPCE tool.

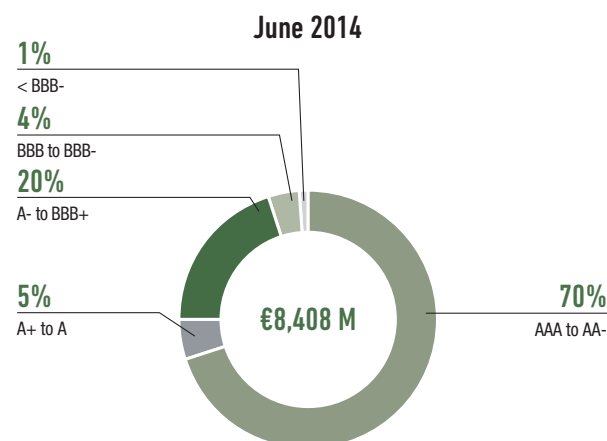
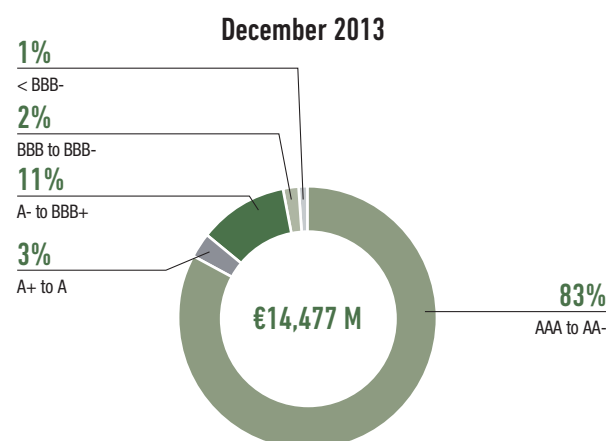
6.1.2.3. INTERNATIONAL PUBLIC SECTOR PORTFOLIO

6.1.2.3.1. Sovereign

Compagnie de Financement Foncier's sovereign portfolio includes exposures to foreign sovereigns as well as French sovereign exposure. At the end of 2013, loans outstanding in this sub-portfolio comprised Compagnie de Financement Foncier's cash investments with the Banque de France, and cash, including in particular the liquidity generated by the sale to Crédit Foncier of the securitisation 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 of sovereigns by internal rating



2013 total: €14,477 million – June 2014 total: €8,408 million

Nearly all outstandings in Compagnie de Financement Foncier's Sovereign Portfolio are rated as step 1 (rating ≥ BBB-). The internal ratings used are those of the Groupe BPCE.

The fall in exposure – €14.5 billion at the end of December 2013 and €8.4 billion at 30 June 2014 – is linked to the drop in deposits

at the Banque de France (€5.3 billion at 30 June 2014 vs €11.4 billion at end 2013).

During the first half of 2014, the financial and economic situation of the most affected European countries by the sovereign debt crisis gained momentum: yields of bonds issued by Spain, Italy, Ireland

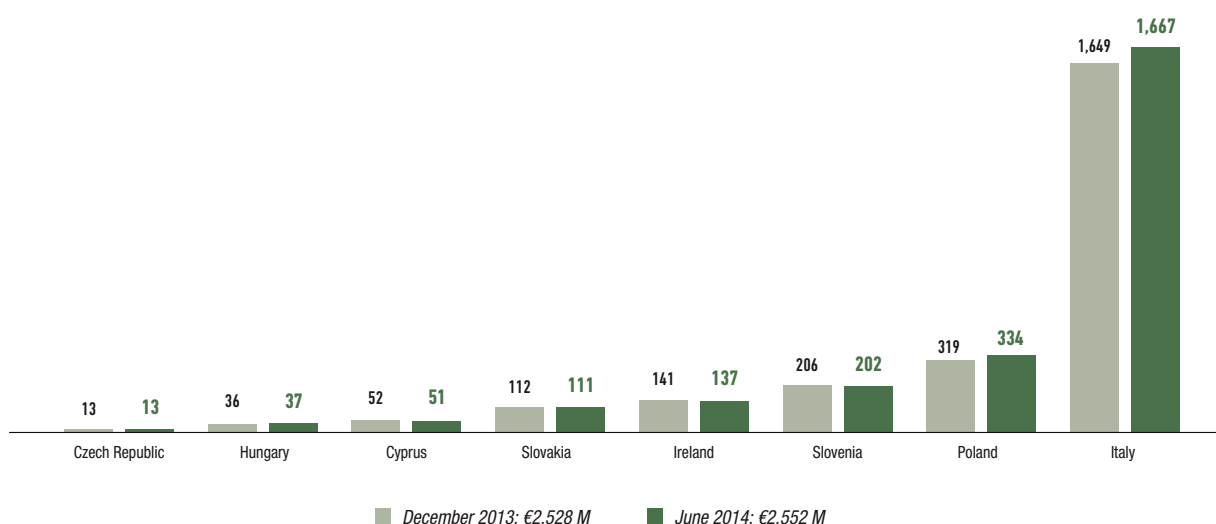
(1) Employers's contribution to building and construction work (PEEC) is a system whereby non-agricultural private sector businesses with 20 or more employees (ten or more before 2006) contribute towards the construction of new housing. This system was set up by the State and implemented by law (11 July 1953) and was previously known as the "1% housing fund".



and Portugal fell sharply as the crisis blew over – in the mind of investors. Certain countries saw economic activity restart. During the period, Portugal, just like Ireland in 2013, exited the €78 billion financial assistance programme devised by the European Union,

the ECB and the IMF. On the other hand, the long-term rating, as assessed by external agencies, of Spanish sovereign bonds was upgraded by one notch.

■ Breakdown of direct exposures to sovereigns outside France



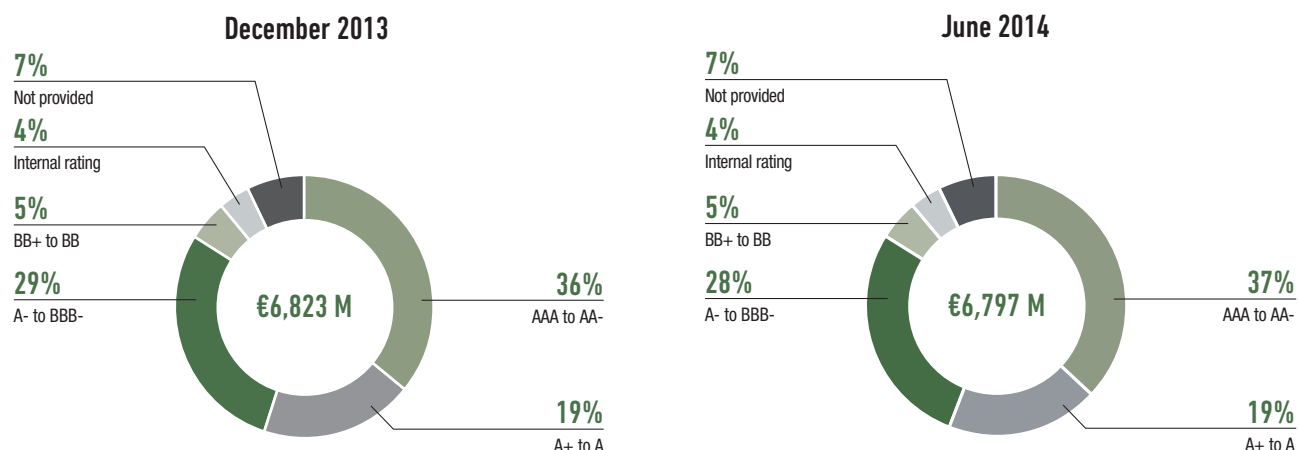
Excluding France, outstandings in the sovereigns portfolio were slightly up during the period (+1%), which was due, in particular, to fluctuations in currency exchange rates (certain loans are not denominated in euros, but in dollars or yens): outstanding loans are countervalued in euros, taking into account exchange rates at closing date without considering currency swaps concluded upon the origination of transactions.

6.1.2.3.2. Local and international authorities

Outstandings in the International Public Sector (IPS) portfolio are mainly concentrated on local governments in the United States (states and counties), Japan (prefectures) and local European governments (including Italian regions, Swiss cantons, Belgian regions, autonomous Spanish communities, etc.).

At 30 June 2014 outstandings in the IPS portfolio were stable at €6.8 billion. As a reminder, this figure had dropped during 2013 following a number of disposals executed as part of the run-off management. The loans sold during the semester 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.

6.2. Risk diversification and concentration risks

■ Summary of concentration on groups of counterparties for Compagnie de Financement Foncier at 30 June 2014

(in millions of euros)	Top 10	Top 20	Top 50	Top 100	Total
Specialised financing					negligible
Large corporations					negligible
Sovereign	9,395 [100%]	9,408 [100%]	9,408 [100%]	9,408 [100%]	9,408
External securitisation					
French Local Authorities (FLA) and low-income housing	2,224 [19%]	3,110 [26%]	4,988 [42%]	6,563 [56%]	11,742
IPF (International Public Financing)	3,903 [57%]	5,225 [77%]	6,669 [98%]	6,797 [100%]	6,797

This table shows the weighting of the largest 10, 20, 50 and 100 counterparties in exposures to a given category, excluding intragroup 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 FLA/low-income housing sectors, thereby contributing to the group's risk diversification policy.



7. Analysis of delinquencies

7.1. 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 €85.7 billion at 30 June 2014) and a recorded doubtful rate at 1.3% (1.2% excluding subsidised sector).

Risk exposures ⁽¹⁾	Exposures at 30 June 2014			Exposures at 31 December 2013		
	Balance sheet	Doubtful loan rate	Doubtful loan rate (excl. subsidised sector)	Balance sheet	Doubtful loan rate	Doubtful loan rate (excl. subsidised sector)
French mortgage loans ⁽²⁾	29,298	3.40%	3.30%	29,545	3.10%	3.10%
French and Belgian mortgage notes ⁽³⁾	8,212	-	-	8,226	-	-
Total mortgage loans	37,510	2.70%	2.60%	37,771	2.50%	2.40%
Public sector	35,502	<0.5%	<0.5%	38,164	<0.5%	<0.5%
Low-income housing	2,255	<0.5%	<0.5%	2,332	<0.5%	<0.5%
French Local Authorities (FLA)	8,435	<0.5%	<0.5%	8,417	<0.5%	<0.5%
FLA L. 211-38 ⁽⁴⁾	8,951	-	-	5,459	-	-
Sovereign France	5,857	nm	-	11,949	nm	-
French Public Sector	25,498	<0.5%	<0.5%	28,157	<0.5%	<0.5%
Public Private Partnership (PPP)	655	-	-	657	-	-
International Public Financing	6,409	-	-	6,438	-	-
International Sovereign	2,552	-	-	2,528	-	-
Securitisations backed by loans benefiting from State safeguards	-	-	-	-	-	-
Public sector large corporations	388	-	-	384	-	-
International Public Sector	9,349	-	-	9,351	-	-
Commercial mortgages disappearing (resulting from the legal transfer in October 1999)	117	68.70%	10.20%	116	71.20%	13.90%
Banking sector exposures	8,580	-	-	9,143	-	-
of which banks with sovereign guarantees or similar	1,788	-	-	2,068	-	-
of which other banks	191	-	-	474	-	-
of which BCTG (Short-term guaranteed notes) ⁽⁵⁾	6,601	-	-	6,601	-	-
Total risk exposure	81,709	1.30%	1.20%	85,194	1.20%	1.10%
Miscellaneous adjustments and other assets ⁽⁶⁾	3,976	-	-	4,526	-	-
TOTAL	85,685	1.30%	1.20%	89,720	1.10%	1.00%

(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 (€69 million at 06/30/14 and €72 million at 12/31/13).

(3) Of which Belgian mortgage notes for €587 million.

(4) Of which €103 million of L. 211-38 with Caisses d'Épargne and €143 million with Banque Populaire (source: transaction notification).

(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.

With regards to direct mortgage loans and underlyings of mortgage notes, the ratio of “doubtful loans to total outstanding loans” (excluding the subsidised sector) came out as 2.6% 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.

The entire portfolio of assets selected is covered by first-rank mortgage guarantees with additional protection (35% of mortgage loans to individual customers are guaranteed by FGAS), thereby limiting the ultimate risk of loss.

The unpaid 90-day rate amounts to 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 2.63%.

7.2. Risk charge

(in millions of euros)	06/30/14	12/31/13
Individual cost of risk (A)	-12.68	-15.21
Collective provisions (B)	-1.16	-0.06
Cost of risk (A + B)	-13.84	-15.15
Risk charge, net banking income (C)	-1.18	-0.84
Net (a+b+c)	-15.02	-15.99

At 30 June 2014, the cost of risk of Compagnie de Financement Foncier stood at €15.02 million. On an individual basis, the cost of risk for the first half of 2013 was €12.68 million. The net allocation to collective provisions was €1.16 million.

8. 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 these risks are further reduced by additional guarantees. Thus, for example, 35% 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 lender's lien). For this reason, it benefits from the external ratings assigned to the French state and allows a 0% weighting of loans for which 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% for the loans in question. This new treatment has been taken into account since the second quarter of 2014.

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, whose long-term ratings are Aa3 (Moody's) and A+ (Standard & Poor's). Loans covered by Crédit Logement are assigned a Basel III weighting of 50%. This weighting is the regulatory weighting applicable to French credit institutions at 30 June 2014.

Regarding mortgage guarantees, in accordance with the regulations, Compagnie de Financement Foncier regularly carries out detailed revaluations of registered mortgage securities. Compagnie de Financement Foncier's Specific Controller issues an opinion on the validity of real estate asset valuation approaches and results as well as periodic review procedures.

The transfer facilities between Compagnie de Financement Foncier and Groupe BPCE entities (agreements, contracts) explicitly provides the cancellation of the transfer in the event of non-compliance of the acquired receivables.



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

For more information, see the 2013 Registration document (pages 137-145).

8.2. 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 III regulatory capital requirements (mutual guarantee bodies, bank guarantees, etc.) or by first-ranking mortgages or equivalent.

Of the €29.8 billion of directly held loan receivables from individuals secured by prime mortgages or the equivalent (lender's liens ⁽¹⁾), €10.9 billion also carry a personal guarantee.

FURTHER INFORMATION ON THE INDIVIDUAL CUSTOMER SEGMENT

The table below presents the breakdown of the various guarantees associated with the Individuals portfolio (COREP reporting):

Hedges of outstanding loans directly with private Individuals

(in millions of euros)		Private Individuals
Schemes		06/30/14
Regulated schemes	FGAS (100% – State guarantee)	10,289
	Subsidised sector (State guarantee)	94
Mortgage insurance companies	Crédit Logement ⁽¹⁾	184
	CRESERFI ⁽²⁾	293
International financial organisations	Indirect European public guarantee ⁽³⁾	69
A – Guaranteed receivables in addition to the mortgage guarantee or equivalent		10,930
B – Loans guaranteed by first-rank mortgages or equivalent (lender's lien)		18,845
(A+B) collateral + prime mortgage		29,775
C – French mortgage loans outstanding		29,775
PROPORTION OF LOAN OUTSTANDINGS WITH (BASEL II-ELIGIBLE) GUARANTEES AS A PERCENTAGE OF TOTAL OUTSTANDINGS [(A+B)/C]		100%

Source: COREP – period ended 30 June 2014, exposure including off-balance sheet commitments (excluding mortgage bonds).

(1) Crédit Logement: a credit institution rated Aa3 by Moody's and A+ by Standard & Poor's. Loans guaranteed by Crédit Logement also benefit from a pledge of mortgage assets.

(2) CRESERFI: public employees mutual guarantee fund. Loans guaranteed by CRESERFI are also secured by a prime mortgage.

(3) European public guarantee: €69 million in NHG (Dutch State) guarantees on the GMAC portfolio.

8.3. Balance sheet and off-balance sheet netting

For more information, see the 2013 Registration document (page 146).

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

9. 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 was the case at 31 December 2013, it had no exposure at 30 June 2014 to the following asset classes:

- CDOs (Collateralised Debt Obligation) or direct exposures to monoline insurers;
- CMBS (Commercial Mortgage-Backed Securities);

- subprime, Alt-A or, more broadly, any exposure to US mortgage securities;
- special purpose vehicles;
- leveraged buyouts.

Compagnie de Financement Foncier has no direct exposures to monolines 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 guarantees cover public sector financing transactions, i.e. loans (or securities) extended directly to a sovereign state, or to a local authority or public institution.

■ Intrinsic rating before enhancement

06/30/14

Nominal (in millions of euros)

Monoline	Monoline rating	AA	A	BBB	Non-investment grade	Not available	Total	%
AMBAC	Not available		11				11	1%
CIFG	Not available			133			133	9%
FGIC	Not available					98	98	6%
AGMC ⁽¹⁾	A	205	747	145			1,097	72%
MBIA ⁽²⁾	A-		78			109	187	12%
TOTAL		205	836	278	-	207	1,526	
%		13%	55%	19%	-	13%		100%

(1) Assured Guaranty Municipal Corp. rating (for FSA).

(2) National Public Finance Guarantee Corp. rating (for MBIA).

These financing commitments are all backed by financial guarantees (and not CDS), which 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 monoline rating is the lower of the two best ratings from Standard & Poor's, Moody's and Fitch Ratings as of 30 June 2014. The intrinsic rating of the underlying asset is its rating before enhancement at the same date.

In light of restructuring impacting the monoline sector, the rating used for securities originally guaranteed by FSA is now the Assured Guaranty Municipal Corp. rating. This monoline was rated A2 (Moody's) and AA (Standard & Poor's) at 30 June 2014. Likewise, those wrapped by MBIA are now assigned the rating of the National Public Finance Guarantee Corporation (A3 by Moody's and AA- by S&P), the entity now guaranteeing North American local governments.

The 13% classified as "Unavailable" do not have an intrinsic rating but are assessed by Compagnie de Financement Foncier as being investment grade (i.e. \geq BBB-).



10. Market and asset & liability management risks

For more information, see the 2013 Registration document (page 148).

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

10.1.1. ORGANISATION OF ALM RISK MONITORING

For more information, see the 2013 Registration document (page 148).

10.1.2. METHODOLOGY USED TO ASSESS LIQUIDITY, INTEREST RATE AND FOREIGN EXCHANGE RISKS

For more information, see the 2013 Registration document (pages 148-149).

10.2. Liquidity risk monitoring

10.2.1. 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 the first half of 2014, Compagnie de Financement Foncier issued *obligations foncières* in the amount of €3.4 billion.

In addition, it took part in the securitisation operation led by its parent company, CFHL-1 2014, by selling mortgage home loans for a global amount of €0.7 billion.

Compagnie de Financement Foncier also has at its disposal an asset mobilisation option (Article L. 513-2 of the French Monetary and Financial Code.) This option is represented operationally by a set of assets eligible for ECB transactions of €17.3 billion after haircut and overcollateralisation constraint, pursuant to the transitional measures of the Banque de France of 9 February 2012.

In the first half of 2014, Compagnie de Financement Foncier did not make use of this option.

10.2.2. LIQUIDITY RISK MONITORING

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

Beyond regulatory requirements, Compagnie de Financement Foncier's ALM rules ensure that its exposure to liquidity risk remains very limited. They are managed using a system of internal limits approved for 2014 by the ALM Committee on 10 March 2014.

These limits are monitored on a quarterly basis by the ALM Committee and the Risk Committee.

In particular, Compagnie de Financement Foncier is committed to maintaining sufficient short-term liquidity to cover its privileged debt repayment commitments for a period of one year.

In addition, some of its assets, known as replacement values, consist of safe and liquid investments, as required by the law governing *sociétés de crédit foncier*. At 30 June 2014, Compagnie de Financement Foncier held €6.7 billion of replacement securities.

10.2.3. COMPLIANCE WITH LIMITS

LIQUIDITY RATIO

Compagnie de Financement Foncier's liquidity ratio was 2.704% at 30 June 2014.

180-DAY CASH FORECAST

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

LIMIT 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:

- zero to three years: 85%;
- three to six years: 70%;
- six to ten 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:

- zero to three years: 90%;
- three to six years: 75%;
- six to ten years: 60%.

At 30 June 2014, Compagnie de Financement Foncier was in compliance with this limit and the reference level.

ASSET/LIABILITY DURATION

Compagnie de Financement Foncier also determines the durations of its assets and liabilities to ensure that their maturities are properly matched and is committed to a maximum spread of two years. Probable early redemption rates are applied to assets. Liabilities take into account equity share with a maturity equal to the longest one of issued liabilities.

At 30 June 2014, this rule was still complied with, as the average duration was 6.8 years for assets and 8.0 years for liabilities, the assets including:

- financed assets;
- replacement values, retained for their contractual maturity;
- mortgage notes and public sector loans used in accordance with L. 211-38 treated in transparency.

10.3. Monitoring of overall interest rate risk

10.3.1. MANAGEMENT PROCEDURES

For more information, see the 2013 Registration document (page 150).

10.3.2. INTEREST RATE RISK MONITORING

For more information, see the 2013 Registration document (page 150).

10.3.3. 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 rates of assets and the rates of liabilities over time assuming no new asset acquisitions or new liability issuances.

The current limits for interest rate gaps are:

Maturity	Limits as percentage of the balance sheet
Less than two years	2%
Two-five years	3%
Five-ten years	5%
More than ten years	10%

At 30 June 2014, Compagnie de Financement Foncier was in compliance with those limits.

LIMIT ON THE NPV OF EQUITY CAPITAL (BASEL II INDICATOR)

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

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

At 30 June 2014, Compagnie de Financement Foncier was in compliance with this limit.



10.4. Monitoring foreign exchange risk

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

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

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

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

Compagnie de Financement Foncier has established a more restrictive internal limit equal to the exchange value of €5 million for all currencies combined and to €3 million per currency.

Compliance with these limits is monitored by the ALM Committee and the Risk Committee of Compagnie de Financement Foncier.

At 30 June 2014, Compagnie de Financement Foncier was in compliance with those limits.

11. Operating risks

For more information, see the 2013 Registration document (page 151).

11.1. General Management

For more information, see the 2013 Registration document (page 152).

11.2. Governance

For more information, see the 2013 Registration document (page 152).

11.3. Management environment

For more information, see the 2013 Registration document (page 152).

11.4. Organisation of the Business Continuity Plan (BCP)

For more information, see the 2013 Registration document (page 152).

11.5. Information technology risk

For more information, see the 2013 Registration document (page 152).

11.6. Insurance

For more information, see the 2013 Registration document (page 153).

11.7. 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 Legal Affairs Division of the Group.

The difficulties faced by a major operator in the French overseas departments led him to consider a withdrawal scheme through the sale of assets; it should be noted that the underlying receivable is guaranteed by both real estate collateral and a State guarantee provided in Article L. 312-1 of the French Construction and Housing Code.

Some French local authorities holding loans with interest rates, subsidised at first period, then result of the application of a structured calculation based on the evolution of the exchange rate of some currencies, got worried about the evolution of the exchange rates. At the outset, five of them took Crédit Foncier

to court. Two cases are still awaiting a decision. Compagnie de Financement Foncier is only named directly in one case.

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.

12. Settlement risk

For more information, see the 2013 Registration document (page 153).

13. Non-compliance risk

In the first half of 2014, Crédit Foncier rolled out, on behalf of Compagnie de Financement Foncier, a system of reporting to the central trade repository, as required by EMIR rules.

For more information, see the 2013 Registration document (page 154).



Legal information

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Material changes to legal information in the first half of 2014 are outlined below. The other legal information contained in the Registration document at 31 December 2013 (filed under registration number D. 14-0223) is unchanged.

1. Corporate governance

The Board of Directors has expanded from 7 to 11 members during the first half of 2014.

Members of the Board of Directors at 30 June 2014 and professional addresses of its members.

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 from 18 December 1998 to 25 June 1999

Chief Executive Officer from 25 June 1999 to 16 May 2001

Deputy Chief Executive Officer from 16 May 2001 (further to adoption of the NRE Act) at 17 May 2002

Chief Executive Officer since 17 May 2002 (further to separation of the functions of Chairman and Chief Executive Officer)

Resignation as Chief Executive Officer on 4 September 2006

Chairman of the Board of Directors from 31 July 2007 until 18 December 2013

Chief Executive Officer since 14 December 2007

Stepped down as Chairman on 18 December 2013 (in accordance with the CRD IV package)

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

Ms Sandrine GUÉRIN

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

Director since 25 March 2002

Deputy Chief Executive Officer since 17 May 2002 (further to separation of the functions of Chairman and Chief Executive Officer)

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

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
(replacing Mr Roland CHARBONNEL)

Director since 28 March 2011

BPCE – 50, avenue Pierre Mendès France – 75013 Paris

Ms Christine FABRESSE

Director since 25 March 2014

Caisse d'Épargne 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

Casse d'Épargne 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
50, avenue Pierre Mendès France – 75013 Paris

Changes within the Board of Directors

The Board of Directors took note of Ms Christine JACGLIN's and Pascale PARQUET's decision to resign from their office of Directors of Compagnie de Financement Foncier from 25 March 2014.



2. Resolutions submitted to the General Meeting

Ordinary General Meeting of 28 May 2014.

All resolutions put to the meeting were passed.

First resolution

The General Meeting approves the accounts as presented after having heard the reports of the Board of Directors and the Auditors for the financial period ending 31 December 2013.

Second resolution

The General Meeting, after noting the existence of distributable earnings of €119,065,068.68 composed of net income for the period of €32,593,282.53 and retained earnings of €86,471,786.15 resolves to allocate said distributable earnings as follows:

Legal reserve: €1,629,700.00

Dividend: €30,428,660.86

Retained earnings: €87,006,707.82

The dividend per share for each of the 74,216,246 shares comprising the share capital is therefore fixed at €0.41.

Pursuant to Article 243a of the General Tax Code, it is specified that the total dividend proposed is eligible for the 40% discount available to individuals who are resident in France for tax purposes, provided for in Article 158-3 of the General Tax Code.

The dividend payment date is set for 30 June 2014.

Pursuant to Article 24 of the bylaws, the General Meeting decides to grant each shareholder the possibility of choosing to receive payment of the dividend in shares. New shares will have the same features and the same rights as the shares that gave the entitlement to the dividend. Their vesting date is set for 1 January 2014.

The 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 2013 approved by the General Meeting

in the first resolution set forth above, divided by the number of existing shares.

It amounts to €23.19 per share.

The number of shares that can be allocated to shareholders who have chosen to receive payment of the balance of the dividend in shares will be determined in function of the calculated price. It is understood that shareholders cannot receive the dividend to which they are entitled partly in shares and partly in cash.

If the dividends thus determined do not give rise to a whole number of shares, shareholders who have chosen to receive payment in shares may subscribe for the nearest whole number of shares below the dividend payable, with the balance being paid in cash or the nearest whole number above the dividend payable, with the shareholder paying the difference in cash.

Shareholders must make their choice between 1 June 2014 and 15 June 2014.

Any shareholder who has not exercised this option by 15 June 2014 at the latest will receive the dividends in cash on the dividend payment date of 30 June 2014.

The General Meeting gives full powers to the Board of Directors to record the number of shares issued and the corresponding increase in capital stock and to amend Article 6 of the bylaws accordingly.

Pursuant to Article 47 of the Act of 12 July 1965 and Article 243a of the General Tax Code, it is recalled that the dividend and total return per share have evolved as follows over the last three financial years:

Financial year	Number of shares	Overall remuneration per share	Dividend distributed *
2010	63,000,000	€3.50	€3.50
2011	74,216,246	€1.38	€1.38
2012	74,216,246	€1.69	€1.69

* Eligible for the 40% discount provided for in Article 158-3 of the General Tax Code.

Third resolution

The General Meeting, in accordance with 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 of Directors to decide whether to grant the shareholders, for all or part of the interim

dividend to be distributed for 2014, an option to receive payment in the form of shares, and to set the corresponding terms and conditions pursuant to the applicable regulations.

Fourth resolution ⁽¹⁾

Consultation pursuant to Article L. 511-73 of the French Monetary and Financial Code on the overall in-kind remuneration paid to the persons covered under Article L. 511-71 of the French Monetary and Financial Code for the year ended on 31 December 2013.

The General Meeting, ruling with the quorum and majority set by law for General Shareholders' Meetings, and whose vote is

required pursuant to Article L. 511-73 of the French Monetary and Financial Code, after reviewing the report of the Board of Directors, has approved the overall in-kind remuneration package of €120,000 paid during the year ended on 31 December 2013 to the persons covered under Article L. 511-71 of the French Monetary and Financial Code for the corporate offices of Chief Executive Officer and Deputy Chief Executive Officer.

Fifth resolution

The General Meeting, after hearing the special report of the auditors on the transactions described in Article L. 225-38 of the French Commercial Code, notes the terms of the report and approves the transactions entered into during the financial period.

Sixth resolution

The General Meeting, having acknowledged the resignation of the term of office of Ms Christine JACGLIN on 25 March 2014 after the Board of Directors meeting, has decided not to replace her.

Seventh resolution

The General Meeting, having acknowledged the resignation of the term of office of Ms Pascale PARQUET on 25 March 2014 after the Board of Directors meeting, has decided not to replace her.

Eighth resolution

The General Meeting, having acknowledged that the term of office for PRICEWATERHOUSECOOPERS AUDIT, Principal Statutory Auditor, has expired, has decided to renew said office for a period of six years, which is due to end at the General Meeting called to approve the financial statements for 2019.

(1) This resolution was not included in the draft resolutions published in the 2013 Registration document.



Ninth resolution

The General Meeting, having acknowledged that the term of office for Mr Étienne BORIS, Alternate Auditor, has expired, has decided to renew said office for a period of six years, which is due to end at the General Meeting called to approve the financial statements for 2019.

Tenth resolution

The General Meeting gives full powers to the bearer of a copy or excerpt of the minutes of this meeting for the accomplishment of all filing and publication formalities.

3. General information

Outlook for Compagnie de Financement Foncier

RECENT EVENTS

The Company did not record any recent events that significantly impact the evaluation of its solvency. Compagnie de Financement Foncier has issued €3.4 billion since the beginning of the year 2014, in line with its annual funding needs.

The amendments pending review at the date of the Board meeting called to approve the financial statements for the year 2013, relating to the prudential system applicable to *sociétés de crédit foncier* (SCFs) and *sociétés de financement de l'habitat* (SFH) came into effect on 28 May 2014.

TRENDS

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

Compagnie de Financement Foncier, a wholly owned subsidiary of Crédit Foncier now also provides funding services to the other BPCE entities as part of the Groupe BPCE strategic plan "Another way to grow". Since the plan has been launched, over €2.5 billion in long-term assets of Caisses d'Épargne and Banque Populaire banks have been refinanced by Compagnie de Financement Foncier at 30 June 2014.

CONTROL

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

MATERIAL CHANGE

There has been no material change in the financial or trading position of Compagnie de Financement Foncier since 28 August 2014, the date on which the financial statements were approved by the Board of Directors and this update to the Registration document was filed.

ADDITIONAL INFORMATION

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 30 June 2014, no special circumstances or dispute (governmental, judicial or arbitral proceedings) existed that could have a material impact on the financial position, operations, results or capital of Compagnie de Financement Foncier.

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



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(1) In application of article 28 of Regulation no. 809-2004 on prospectuses, the corporate financial statements for the accounting period ended 31 December 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.



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Notes

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FONCIER**
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