

Annual report 2015/



A MESSAGE FROM THE EXECUTIVE MANAGEMENT TEAM

2015 was a remarkable year for the property market, with a continued upturn in transactions and a further increase in financing, confirming Observatoire Crédit Logement / CSA data published at the end of 2014.

Helped by very low interest rates, this recovery was fuelled in particular by government incentives to encourage buy-to-rent investment and home ownership, as well as by the vigour of loan supply.

The momentum in loan production during 2015 was essentially driven by an upsurge in home ownership for first-time and second-time buyers. Since 2011, the fall in interest rates alone has increased household purchasing power by something like 15% ! The new property market grew by 4.2% in 2015 and the existing homes market by 16.2%.

Coming on top of the intrinsic market momentum, low interest rates have triggered an unprecedented wave of loan refinancing transactions, sending loan production to record highs.

Based on the volume of offers accepted, loan production factoring in refinancing transactions jumped by more than 50% between 2014 and 2015.

Against this backdrop, Crédit Logement enjoyed an exceptionally good year with more than €114 billion in guarantees issued, of which 44% relating to loan refinancing.

Stripping out refinancing transactions, guarantee volumes climbed by more than 20% by comparison with the previous year.

Crédit Logement made a continual effort throughout 2015 to assign additional human and IT resources to handle such a considerable increase in volumes. This made it possible to shorten processing times for the large number of guarantee applications and, in doing so, to continue to deliver a first-rate service.

What we have achieved in the past year shows just how ideally suited Crédit Logement's solutions are to banks and is evidence of how well the Crédit Logement guarantee is tailored to the needs of borrowers.

Crédit Logement provides banks with the support of property loan specialists, who can give them added insight and provide a second set of eyes to examine loan applications. It also provides a comprehensive debt collection service and ensures that banks are fully covered against final loss.

For borrowers, the Crédit Logement guarantee goes far beyond a simple mortgage mechanism. It is an active guarantee that protects the borrower throughout the entire term of their loan. It is competitively priced and enables the borrower to avail of a wide range of services that a mortgage does not provide. Since the guarantee can be arranged quickly, the loan can be disbursed rapidly. The guarantee can be transferred to a new purchase at no added cost. Moreover, by seeking amicable arrangements with borrowers in arrears, Crédit Logement acts as a genuine buffer. In close to half of cases, borrowers are able to reschedule their debt and normal loan management can be resumed, avoiding the forced sale of properties whenever possible.

Now that the zero-rate loan mechanism has been extended to existing properties with effect from 1 January 2016 (means-tested), coming on top of the schemes already in place and the low interest rate environment, 2016 is shaping up to be a very good year, albeit not quite as impressive as 2015.

Interest rates have fallen to levels not seen since the late 1940s, such that the first quarter of 2016 looks set to beat expectations. Refinancing transactions still make up almost a quarter of total loan volumes.

Crédit Logement will continue to draw on its core strengths, reflected in its professionalism and responsiveness, to meet the needs of banks and their customers for new financing.

BOARD OF DIRECTORS

December 31, 2015

Albert BOCLÉ,
Chairman.

Yves MARTRENCAR,
Honorary Chairman.

BNP PARIBAS,
represented by Julien NIWINSKI,
Head of Finance,
French Retail Banking Division in France.

CRÉDIT AGRICOLE SA,
represented by Olivier BELORGEY,
Chief Financial Officer.

LCL – LE CRÉDIT LYONNAIS,
represented by Emmanuelle YANNAKIS¹,
Chief Financial Officer
in charge of Subsidiaries.

SOCIÉTÉ GÉNÉRALE,
represented by xxx AUVRAY-MAGNIN²,
Head of Market Relations and Regulations,
Retail Banking in France.

CAISSE CENTRALE DU CRÉDIT MUTUEL,
(Groupe Crédit Mutuel – CIC) represented by
Marie-Christine CAFFET,
Head of the Development at
Confédération Nationale du Crédit Mutuel.

BPCE,
represented by Fabrice LABARRIÈRE
Head of Retail Banking and Private Banking
of Caisse d'Épargne.

CRÉDIT FONCIER,
represented by Bruno DELETRÉ,
Chief Executive Officer.

SF2 - Groupe LA BANQUE POSTALE,
represented by Jean-Marc TASSAIN,
Head of Partnership Development
and of Market Relations.

HSBC France,
represented by Vincent de Palma,
Head of the Strategy and of the Customer Offer
Service and Wealth Management.

Monsieur Éric PINAULT,
Chief Financial Officer and Risk
at Fédération Nationale du Crédit Agricole.

Madame Brigitte GEFFARD³,
Head of Loans Acceptance and Debt Collection
at LCL, Le Crédit Lyonnais.

Madame Dominique FIABANE
Head of Retail Banking in France for BNP Paribas.

- 1 Appointed on 16th december 2015 and replacing
Mr Olivier Nicolas.
2 Appointed on 16th april 2015 and replacing
Mr Alain Brunet.
3 Appointed on 16th december 2015 and replacing
Mr Philippe Roux.

STATUTORY AUDITORS

C.T.F.,
represented by Jean-Marie IDELON-RITON.

Deloitte & Associés,
represented by Jean-Vincent COUSTEL

Share capital at December 31, 2015
Private limited company with a share capital amounting to 1 259 850 270 euros

SHAREHOLDERS	A	TOTAL AMOUNT	%
BNP Paribas	2 969 694	207 878 580	16,5003%
Crédit Agricole	2 969 592	207 871 440	16,4997%
LCL - Le Crédit Lyonnais	2 969 594	207 871 580	16,4997%
Société Générale / Crédit du Nord	2 970 599	207 941 930	16,5053%
BPCE	1 530 063	107 104 410	8,5014%
Crédit Foncier	1 258 022	88 061 540	6,9898%
Crédit Mutuel / CIC	1 709 743	119 682 010	9,4997%
SF2 - Groupe La Banque Postale	1 079 944	75 596 080	6,0004%
HSBC France	539 806	37 786 420	2,9993%
Other Credit Institutions	530	37 100	0,0029%
Individuals	274	19 180	0,0015%
TOTAL	17 997 861	1 259 850 270	100,0000%

EXECUTIVE MANAGEMENT

Jean-Marc VILON

Chief Executive Officer

Patrick LEPESCHEUX

Deputy Chief Executive Officer
Head of Production

Éric VEYRENT

Deputy Chief Executive Officer
Head of Administration and Finance

Éric EHRLER

Head of Human Resources

Bernard FENDT

Head of Risk

Franck FRADET

Head of Collection

Philippe LAINÉ

Head of Customer Relations

Catherine LANVARIO

Head of Communication

Michel LAVERNHE

Head of Information Systems

Claire de MONTESQUIOU

Head of Audit and Internal Control

Jean-François ROUSSEL

Head of Organization

KEY FIGURES AT DECEMBER 31, 2015

REGULATORY CAPITAL

7,44 billions euros

MUTUAL GUARANTEE FUNDS

4,57 billions euros

GROSS ANNUAL PRODUCTION

114,18 billion euros
764 360 loans
for 663 422 transactions

OUTSTANDING GUARANTEE

280,34 billion euros
3 169 005 loans

WORKFORCE

305 employees

LONG-TERM RATING

Moody's : Aa3 Stable
DBRS : AA Low

CRÉDIT LOGEMENT PROFILE

INTRODUCTION

Crédit Logement is a “société de financement” (financial institution) that guarantees residential property loans for individuals, in the form of a joint and several guarantee. Loans are presented by its bank partners, most of which are also its shareholders.

The Crédit Logement financial guarantee is based on the principle of pooling risk, which involves each borrower contributing to a mutual guarantee fund (the FMG).

More than 7 million borrowers have already benefited from a Crédit Logement guarantee, thus allowing them to finance their property purchases without mortgages.

One out of three loans in France is guaranteed by Crédit Logement, making it the market leader in the guarantee of residential loans.

CRÉDIT LOGEMENT'S SERVICES

The guarantee

As soon as a bank signs a guarantee agreement, it benefits from the expertise of Crédit Logement's professionals, who are specialised in analysing residential property risk for individuals.

Confirmation of a guarantee is given within 48 hours, and may even be given on a real-time basis thanks to Crédit Logement's online services and its specialist risk analysis system.

Debt Collection

As well as the guarantee covering the risk of final loss, Crédit Logement also manages the collection of unpaid loan instalments. It therefore offers a complete service to its partners.

Crédit Logement seeks to reconcile two objectives: keeping commitments secure and, in the interest of all parties (lender, borrower and guarantor), avoiding events of default, which may lead to the – often financially disastrous – court-ordered sale of sureties.

THE ADVANTAGES OF THE CRÉDIT LOGEMENT GUARANTEE

The Crédit Logement guarantee offers much more than the standard loan guarantee obtained when a loan is taken out.

It is an active guarantee that will continue to benefit the borrower throughout the duration of the loan. The Crédit Logement guarantee provides access to a range of competitively-priced services that are not usually available with a standard guarantee.

Speed

The formalities are simple, in that the guarantee is recorded in a private agreement, which means that the loan can be disbursed quickly.

Flexibility

The guarantee is not linked to the property for which the borrower has requested the loan. This means that the guaranteed loan can be transferred to a new purchase, subject to the prior agreement of the bank that granted the original loan and to confirmation of maintenance of the guarantee by Crédit Logement.

No early release fee is charged if the borrower decides to sell his or her property before the end of the loan.

The guarantee is therefore tailored to new lifestyle. It facilitates geographic and professional mobility, changes to personal circumstances, and the management of personal finances.

Role as a buffer

If a borrower encounters financial difficulties, Crédit Logement adopts an approach that encourages dialogue with the aim of helping the customer to resume payment of the loan instalments. All available out-of-court solutions are considered: payment deferral, new repayment schedule, longer loan duration, etc.

If it is impossible to resume normal loan management, Crédit Logement supports the borrowers during the sale of the property, offering expert advice so that they can sell the property themselves at market value. Crédit Logement will only take legal action against a borrower to recover payment if no amicable solution can be reached.

By prioritising amicable negotiations with borrowers in arrears, Crédit Logement reduces the number of court cases and helps borrowers to resume normal repayment of their loans in almost 50% of cases.

Securing the market

Crédit Logement's decision to provide a guarantee is based on a set of criteria designed to ensure the borrower is solvent and able to meet the repayments.

As it is not solely based on the value of the financed property, which is subject to the uncertainties of property market cycles, the Crédit Logement guarantee not only contributes to limiting the impact of downturns in the property market, but also eliminates totally the risks for banks to lose any amount on defaulted loans.

THE FRENCH RESIDENTIAL PROPERTY MARKET*

All property markets have registered a marked upturn since the French government unveiled measures to boost the residential market in the summer of 2014. In 2015, the plan to stimulate investment in new homes, which encompassed the Pinel scheme to encourage buy-to-let investment and a reform of the zero-rate loan mechanism, combined with extremely low interest rates on long loan terms, fuelled rapid and intense growth in loan production.

The first quarter of 2015 was very good, with loan production, measured on the basis of the number of offers accepted and excluding loan refinancing transactions, rising by 5.9% year on year and falling by just 7% quarter on quarter, compared to a usual decrease of around 17% in the winter months.

The uptrend in loan production gathered momentum in the second quarter with quarter-on-quarter growth of close to 22% and a year-on-year increase of almost 30%, on a par with the levels observed during the recovery in 2010.

In keeping with seasonal trends, growth was even more pronounced in the summer months, climbing to 26.9% on the previous quarter and even close to 40% compared with the summer of 2014.

2015 ended with an annual increase of 28.7% in loan production, on a par with the levels seen in the strongest recovery years.

This brought total loan production for 2015 up to €151.5 billion based on the number of offers accepted and stripping out refinancing transactions, up from €119.60 billion in 2014, equating to an increase of 30%.

Loans paid are estimated at €127.6 billion compared with €111.2 billion in 2014 (up by 14.8%).

* Source: Observatoire de la Production de Crédits Immobiliers (Property Loans Production Observatory), excluding loan refinancing

The low interest rate environment during the year increased the pace of loan refinancing transactions, which accounted for 37.3% of total loans paid, i.e. 8% of the loan base.

As a result, in the space of three years, 2013, 2014 and 2015, almost €130 billion in outstanding loans were refinanced by another bank, which is far superior to the volumes recorded between 1986 and 2012.

An examination of the structure of property production in 2015 reveals momentum not seen in a very long time. Helped by government incentives, first-time buyers have returned to the market, drawn by low interest rates and longer loan terms. Investors are clearly returning and the detached house segment has also picked up significantly.

New home production rose to €37.3 billion in 2015 from €27.7 billion in 2014, bringing the share of new homes in the overall market up from 23.1% in 2014 to 24.6%.

The existing homes market also resumed growth with production rising from €83.89 billion in 2014 to €106.9 billion in 2015. Its share of the overall market edged up from 70.2% in 2014 to 70.5%.

The market for renovation has been falling since 2013. With production dropping from €8.0 billion in 2014 to €7.3 billion in 2015, market share has continued to decline, going from 6.7% in 2014 to 4.8% in 2015.

Loans in the competitive sector sent the entire market upward, a usual occurrence when property markets are booming. Production increased by 29% during the year and the overall market share for such loans moved up from 89.4% the previous year to 91.2%.

Demand driven by low-income households was buoyed by improved lending conditions. Zero-rate loan production consolidated this upturn, increasing by 8.8% in 2015. However, the overall market share attributable to zero-rate loans dipped again to 1.69% in 2015 after 1.9% in 2014. Home-buyers' savings plans accounted for a mere 0.1% of production compared with 0.3% in 2014.

For the whole of 2015, the average interest rate for loans in the competitive sector stood at 2.13%** compared with 2.72% in 2014 and an average of 3.01% in 2013.

** source: Observatoire Cr dit Logement / CSA

Average loan duration** has lengthened since the spring of 2014, standing at 17 years and 7 months in 2015. Consistently-long loan terms have helped fuel the expansion of the property markets and revive first-time buyer volumes among young or low-income families.

The proportion of variable rate*** production fell again in 2015 to 1.2%, compared with 3.7% in 2014.

CRÉDIT LOGEMENT

Crédit Logement enjoyed an exceptional year in a property market driven by interest rates that had fallen to record lows.

With €114 billion in guaranteed production covering in excess of 600,000 property transactions, Crédit Logement registered an increase of more than 50% in production by comparison with the previous year.

This growth stemmed partly from robust loan refinancing volumes, although, going by production net of loan refinancing, the guarantee business still grew by more than 20% compared with 2014.

Net production, equating to the guarantees arranged within a single financial year, amounted to €80.4 billion.

Crédit Logement has therefore held onto its position in the residential property loan market, guaranteeing close to 30% of all home loans, excluding loan renegotiations.

The guarantee market

The latest research available on the breakdown of the guarantee market in France for 2015 (source: OFL/CSA and Despina model), expressed in distributed loan amounts, indicates a 61% market share for financial guarantees (bank guarantees and insurance company guarantees) compared to a 36.7% market share for mortgages.

** source: Observatoire Crédit Logement / CSA

*** capped variable rate, therefore excluding formulas with fixed monthly instalments, but with a possible extension of the duration.

It should be emphasised that financial guarantees are now commonly used by all types of borrowers, both low income borrowers (3x the minimum wage or less): 63.8% taking out a financial guarantee compared with 33.4% taking out a mortgage, and more affluent borrowers (5x the minimum wage or more): 61.6% taking out a financial guarantee compared with 36.3% taking out a mortgage.

CUSTOMER RELATIONS

A RENEWED OFFER

Crédit Logement pursued its efforts to innovate and to diversify its business in 2015 in order to best meet market expectations and anticipate market trends and to support its partners in the launch of their strategic projects.

Digital banking – online guarantee acceptance

In response to a request from one of its partners relating to the creation of an online property loan application service, Crédit Logement has developed a secure web service whereby customers can apply for a loan online and receive a response from their bank that incorporates an agreement in principle from Crédit Logement to guarantee the loan. This service has been up and running since the fourth quarter of 2015 and is available all day, every day.

STRONG GROWTH IN MARKET SHARE

Loan business registered robust growth in 2015, fuelled by sales of both existing and new homes and by exceptionally good financing conditions, which triggered an unprecedented wave of refinancing transactions.

After keeping its market shares relatively stable since 2012, Crédit Logement saw the uptake of its guarantees among its banking partners increase significantly, amid a very strong market recovery.

Crédit Logement's strengths, namely its expertise, reactivity and capacity to adapt to a sharp increase in production volumes, are key factors that enable it to retain its position on the market by guaranteeing more than a third of the residential property loans granted.

Customer relations channels

The substantial increase in transaction volumes processed by Crédit Logement kept the Customer Service department very busy. More than 200,000 calls and 80,000 emails were processed, with volumes peaking at record levels in March-July 2015.

By adjusting the manner in which it was organised, the Customer Service department was able to maintain satisfactory staff availability levels and a first-rate service. After falling in the first half of the year, the accessibility rate quickly climbed back up towards the middle of July and levelled out at around 95% in the last four months of the year.

The introduction of more ergonomic workstations made it easier for the Customer Service agents to call up information, cutting down on response times for partner banks and their customers.

The sales teams remained present in the field to keep banks informed of planned changes to Crédit Logement's offer and to optimise guarantee arrangement levels and interfacing during periods of heavy business volumes. They also lent their support to the staff of the Production Department in the first half of the year.

ACQUISITION AND DEBT COLLECTION CHANNELS

Guarantee applications

New EDI (Electronic Data Interchange) links and web services were implemented in the summer 2015.

Crelog.com is a secure fast-access extranet site with a broad range of functionalities, where users can for example consult guarantee applications, download or upload acceptance letters and correspondence, keep abreast of the latest developments and consult sales documentation.

Close to a million log-ins to Crelog.com were registered in 2015.

In 2015, more than 99% of all Crédit Logement guarantee transactions were arranged using these two channels.

Crelog Infos

Two new editions of the new-look “Crelog Infos” e-mag were made available to partner banks in May and November 2015. This newsletter provides expert insight into the property market and the regulatory environment as well as information on Crédit Logement’s offer.

The e-mag is now sent to 30,000 contacts, who, going by the number of views registered, certainly appear to value the information contained in it.

COMMITMENTS DURING THE YEAR

764,360 guarantee agreements were issued during the year, representing 663,422 transactions (a transaction may consist of several loans) for a gross commitment of €114.18 billion.

These figures reflect the high uptake of the Crédit Logement guarantee by its bank partners and also the fact that the guarantee is perfectly suited to the expectations and behaviour of borrowers.

Three transactions out of four received confirmation of a guarantee agreement on the day of receipt of the application, and almost all loan applications were analysed no later than the following day.

This is largely due to the existence of efficient computerised links and, above all, to the dedication of the Production Department staff, who consistently provide a high quality service to customers.

Loan refinancing transactions represented 46% of the total amount guaranteed and 51% of the number of guarantees.

The average amount of guarantee transactions was €172,103, compared with €173,502 in 2014. Excluding loan refinancing, the average amount guaranteed was €191,849, compared with €186,850 in 2014.

Stripping out refinancing transactions, 72% of the guarantee transactions were for property projects in the existing housing market. New housing (purchases and construction) represented 23% of the amounts guaranteed (16% and 7% respectively), which is in line with 2014 figures. Buy-to-let projects edged up slightly to 20% of the amounts.

Loans in the competitive sector represented 96% of the amounts guaranteed and the proportion of bridging loans in this sector dipped slightly to 3% of the amounts guaranteed.

54% of the loans guaranteed had a duration of 15 years or less, and 86% had a duration of 20 years or less.

Borrowers aged 35 or under represented 35% of the beneficiaries of Crédit Logement guarantees. The percentage of non-executive employees edged up to 46%.

Borrowers with income less than or equal to three times the minimum wage continued to represent 29% of all guaranteed transactions.

DEBT COLLECTION

In addition to a guarantee that is an alternative to a mortgage and is intended to fully cover the risk of final loss, the service offered by Crédit Logement also includes the management of debt collection.

The degree of legislation was moderate in 2015 but concerned important issues with the law of 16 February 2015 on the modernisation and simplification of law and procedures in relation to justice and the “Macron Law” of 6 August 2015 on growth, activity and equal economic opportunities.

At Crédit Logement, the year was marked by an expansion of the guarantee call team and the formation of a team to manage payments in arrears, whose mission it is to handle such cases amicably before a default occurs and to find amicable solutions.

After being deployed across a number of pilot sites in 2014, the Crelog.com debt collection functionality was extended to more sites in 2015. This user-friendly, intuitive and secure extranet site has been developed with the help of users to facilitate the transmission and follow-up of guarantee calls. Ultimately, it is intended to replace the traditional paper trail.

By facilitating banks’ entitlement to the financial guarantee, guarantee calls are simplified, timeframes to compile the paperwork are shortened, follow-up is facilitated and communication secure. This new functionality is already in place with around 40 partners.

Collection of guaranteed debts

Business volumes continued to rise in 2015. The number of loans in the debt collection process climbed by 15% between 2014 and 2015 to 21,067. The risk managed increased in the same proportions to €2.02 billion.

Incidents were reported to Crédit Logement on 11,539 loans and there were 8,835 stock exits. The rate of unpaid loans restored to normal management compared to all exits remained stable at 64%.

€115.6 million was collected and allocated to the mutual guarantee fund.

Financial claims on behalf of lenders amounted to €337.5 million for the period.

Collection for third parties

Drawing on its experience in the collection of property-related debts, Crédit Logement provides banks with an all-inclusive debt collection solution for all or part of their property debts.

This solution comprises two services:

- the collection of debts on property loans not guaranteed by Crédit Logement and associated debts;
- auction support and marketing for assets sold by court auction.

Debt collection activity was stable in 2015. A total of 6,745 debts were being managed and the risk managed increased very slightly to €298 million. The volume of loans entering the debt collection process decreased by 22% and the volume of exits rose considerably to 2,030 in 2015 (up by 9.1%). €41.5 million was collected.

The "auction support and marketing" business analysed 538 auction support applications, representing an increase of 34% on the previous year.

HUMAN RESOURCES MANAGEMENT

The Human Resources Department was extremely busy in 2015 as part of Crédit Logement's continued development and efforts to handle the considerable loan production volumes and debt collection procedures.

This increase in activity had a bearing on all departments, including the functional departments, and new people needed to be hired on permanent, fixed-term and temporary contracts. The average monthly headcount rose by almost 7% and the annual headcount by close to 6%. Part-time employees account for 10% of the total headcount.

26 employees were promoted in 2014 and six benefited from mobility measures.

The percentage of employees who can work from home stands at 7%.

The strong business volumes and excellent financial results recorded in 2015 mean that the employees will be entitled to profit sharing at an exceptionally high rate, exceeding 20% of the gross remuneration base. The amount paid out to employees in the form of profit sharing is up by 50% on 2014.

Moreover, the Board of Directors decided that all employees would receive additional discretionary profit sharing in September 2015 based on 2014 earnings.

Training is very important to Crédit Logement. In 2015, more than 4,000 hours of training were granted to 229 employees. The optimisation of training on an intracompany basis made it possible to include a greater number of employees at a controlled cost.

A special training software application was introduced during the year. It enables every employee and member of management to consult past training hours and to provide feedback on the quality and suitability of the course. Through this feedback, the Human Resources Department can better gauge the programme's efficiency and the rate of satisfaction.

The career development interviews initiated in 2014 as part of the French law on vocational training, are an opportunity for each employee to discuss their career prospects and training possibilities with a representative of the Human Resources Department. 260 interviews were held between the introduction of the system and the March 2016 deadline set by the law on vocational training.

The extensive work on the HR IT System that began in 2014 continued into 2015. Pay, staff management and time management software applications will continue to be adapted to suit the company's changing needs.

The annual performance review was computerised in 2015. This review is scheduled at the beginning of the year and mid-way through the year (June-July). It is an opportunity for managers to meet each member of their team in order to review their performance and set new targets. Now that it has been computerised, each manager and individual team member can consult past performance reviews, the different positions held within the company, etc.

As in previous years, all amounts pertaining to the competitiveness and employment tax credit (Crédit d'Impôt pour la Compétitivité et l'Emploi - CICE) were allocated to recruitment.

A number of company-wide agreements were signed with the trade unions in 2015:

- a new discretionary incentive agreement for 2015, 2016 and 2017;
- a new agreement on equal gender opportunities dated 22 January 2015;
- an additional clause was incorporated into the agreement on time credit, which can now be carried over for two months instead of one.

The IT charters have been reformulated to ensure that employees' rights and obligations are properly specified and that the employees are aware of them. These charters have been incorporated into the company's rules and regulations. The Works Council and the Health Safety and Working Conditions Committee (CHSCT) issued positive recommendations on the charters in the summer of 2015.

IT SYSTEMS AND ORGANISATION

Crédit Logement continued to implement its multiannual strategy consisting in updating its information system to keep up with changes in its businesses and the manner in which it is organised. This is part of a continual effort centred on efficiency, sustainability, security and compliance within the company and its information system.

To support the company's strategic goals and facilitate the continuous improvement of business processes, measures have been taken to shore up the company's operational procedures and the information system notably through:

- the deployment of an online guarantee acceptance web service;
- new functionalities for the "Production" and "Debt Collection" extranet sites;
- updates to the electronic management of documents for the debt collection activities.

Other projects have been completed or are underway, notably to:

- develop our new electronic data interchange (EDI) links with partners, based on a new technical architecture;
- upgrade our data management information system.

All the technical projects and actions implemented have helped ensure the quality of the service, the handling of the substantial increase in production volumes, the secure operation of information system applications, and have improved cost efficiency.

Lastly, work to open up the "Multi-IS" architecture means it is now possible to manage several separate activities with the same application, which will help to anticipate the need for future developments for Crédit Logement and its subsidiaries.

CASH MANAGEMENT

In 2015, cash management stayed faithful to its principles of cautious matching of liquidity and interest rates for bonds and reinvestment of cash coming from the mutual guarantee fund after allowing for a very adverse scenario of an acute property market crisis combined with a liquidity crisis.

Cash is composed of two main parts:

- "conventional" cash stemming from equity loans and shares, reinvested directly with capital contributors according to the conditions set by the Board of Directors;
- available cash, which includes investments made possible by all other sources of cash, particularly the mutual guarantee fund and commissions collected in advance, as well as subordinated bond issues.

Cash is managed by a Cash Management Committee, in charge of cash management and overall interest rate and liquidity risk management. The committee comprises five experts from five shareholder institutions, members of Crédit Logement's Executive Management and the heads of the Risk Management function and the Finance Department. After review, the committee submits to the Board of Directors for approval a table of counterparty limits and defines the rate and liquidity policies to be implemented, which must also be approved by the Board. It approves budget targets and verifies that they are met.

An Investment Committee, formed of members of the Cash Management committee, directs operational management and monitors implementation by the Finance Department.

As at 31 December 2015, almost all counterparties had signed the Financial Guarantee Agreement, which secures investments by the contribution of collateral, calculated on the basis of a counterparty's credit rating and the investment duration.

Accordingly, in 2015, most investments of available cash were carried out pursuant to the Financial Guarantee Agreement, or took the form of collateralised deposits or investments with a short-term early termination option.

As at 31 December 2015, collateralised deposits amounted to €6.9 billion and collateral received amounted to €2 billion.

The principles adopted for the management of available cash are essentially based on matching the maturities of applications of funds and sources of funds, to partially immunise the profit and loss account against changes in short-term rates, while taking into account the results of stress tests that, in particular, allow appropriate liquidity levels to be maintained in all circumstances.

Accordingly, as at 31 December 2015, investment of available cash in fixed-rate long-term deposits (with an initial maturity of more than five years) stood at €1.218 billion. Medium-term investments (between one and five years) stood at €2.034 billion. The rest of the available cash, namely €2.432 billion, was invested for less than one year, or was held in deposits redeemable by the investor in less than one year.

These investments are mainly in the form of term deposits and, since 2014, in the form of reverse repos.

BALANCE SHEET MANAGEMENT

Tier One and Tier Two subordinated debt issuance

Ongoing transactions in 2015, stemming from the transaction carried out in 2006 and the restructuring operation in 2011, are as follows:

Tier One

- An issue of non-innovative deeply subordinated perpetual bonds in March 2006, held in Tier One for €800 million, for which the first possible date for exercising the early redemption option was March 2011.

Tier Two

- A €500 million issue of redeemable subordinated bonds, maturing in 2021, with no early redemption option, at a fixed rate of 5.454%.
- Equity loans taken out by partner banks of Crédit Logement, proportional to their outstanding loans under Crédit Logement guarantee, for a total of €1.7 billion.

With the exception of the last wave of equity loans, for €442 million, each of these instruments was issued prior to the implementation of Basel III and is covered by a grandfather clause.

AUDIT AND INTERNAL CONTROL

The Audit and Internal Control Department operates under the responsibility of a Director and comprises two separate sections:

- a Periodic Control and Audit section, which implements the multiannual audit plan. At the end of 2015, it comprised a manager and three auditors, one of whom is an IT specialist. The section can call on outside consulting firms with regard to subjects requiring significant technical expertise or a benchmark of market practices;
- a Permanent Control and Compliance section, which coordinates the quality control units in the departments and monitors compliance. The managers of the quality control units report functionally to the Head of Audit and Internal Control.

The roles of the Audit and Internal Control Department are defined on the basis of the requirements of the decree of 3 November 2014 on internal control. The Audit and Internal Control Department reports to Executive Management at monthly meetings of the Internal Control Committee. All the work carried out by the Audit and Internal Control Department is also the subject of a half-yearly presentation to the Risk and Audit Committee.

Periodic control and audits

The multiannual audit plan was drawn up to allow a review of all the company's processes over the period 2013-2015. In 2015, audits focused essentially on the mutual guarantee fund, the conferred score, production business, the Organisation Department, measures to tackle money laundering and to combat terrorist financing and regulatory reporting requirements.

The internal ratings systems relating to credit risk and liquidity risk also underwent an annual review.

All the recommendations stemming from the various audits are recorded in a database that is examined each month at Internal Control Committee meetings, in accordance with a set timetable, and every six months for the database as a whole.

Permanent control and compliance

Permanent controls cover all of Crédit Logement's Departments, with dedicated managers responsible for controlling the main areas of activity (commitments, debt collection, information systems, risk and finance) within quality control units. Each year, an effort is made to improve and focus the control plans according to new risks identified through cross-company risk mapping. In 2015, more than 250 checkpoints were examined, covering all the company's activities.

Compliance contributes to the observance of legislative and regulatory provisions, professional and ethical standards, and the policies introduced by the Board of Directors and Executive Management. Crédit Logement has an ethics charter, which has been sent to all employees and is given to new employees during their induction. Apart from regular checks on money-laundering, the other compliance checks mainly cover updating of the procedures database, complaints handling, compliance with provisions on confidentiality and data protection requirements imposed by the French data protection agency (CNIL), as well as the control of essential outsourced activities.

RISK MANAGEMENT

Risk monitoring by the Risk Management Function

The Risk Management function's mission is to ensure cross-disciplinary monitoring of the risks to which Crédit Logement is exposed. It is responsible for preparing and updating a cross-disciplinary risk map and overseeing compliance with risk management strategies. Reporting to the Head of Risk, who himself reports to Executive Management, the Risk Management function holds the necessary hierarchical level and degree of independence, as required by law, relative to the sales, finance and accounting functions.

The strategies to manage the different risks are determined by Executive Management and approved by the Board of Directors. They are reviewed annually.

The Risk Management function carries out half-yearly reviews of the suitability of the risk management system, based on the strategies that have been defined. It presents the findings of these reviews at meetings of the Risk Monitoring Committee, which oversees the entire risk monitoring process. These meetings are chaired by Executive Management and attended by all members of the management team.

Credit risk in the retail banking business: portfolio of guarantees

Management of credit risk relating to the portfolio of guarantees hinges on the mutualisation of risk and is aimed at maintaining a high level of hedging through the mutual guarantee fund. The internal rating system is the basis for follow-up of this strategy.

Pursuant to a decision of the Prudential Supervisory and Resolution Authority (ACPR) dated 24 April 2007, Crédit Logement was granted the right to use its own internal rating system for calculating its regulatory capital (Pillar 1).

This system has applied to guaranteed transactions since 1 May 1994. It consists of segmentation into 21 classes of homogenous risk, segmented across probability of default (PD), loss given default (LGD) and exposure at default (EAD).

For the axis of segmentation of the probability of default at one year (PD), Crédit Logement does not have sufficient updated information on changes in borrowers' behaviour between the moment of granting the guarantee and the moment of ascertaining default by the counterparty. The technique chosen was that of the construction of an acceptance score, which has been shown to predict the level of probability of default at one year (PD) for the entire lifetime of the guaranteed transaction.

For the loss given default (loss given default - LGD) segmentation, Crédit Logement has prepared a model based on the statistical analysis of correlations between the observed rate of loss and a number of variables selected from economic and/or business criteria.

For the exposure at default (EAD) segmentation, a Credit Conversion Factor (CCF) is applied to the guarantees arranged. A rate of conversion to off-balance sheet, modelling the arrangement rates over one year, is applied to guarantees delivered and not yet paid, for which Crédit Logement is only potentially at risk.

Also, as Crédit Logement's guarantee is an alternative to other lender guarantees, Crédit Logement does not factor in any risk mitigation technique.

This rating system has been operational since June 2005. All new transactions are automatically scored using guarantee analysis tools and assigned to a risk category. The system of delegation of authority implemented takes into account the internal rating assigned to define the categories of decision-makers who have authority to grant the guarantee.

All of the work and reporting done by the Risk Management Department is reported every month to the Risk Policy Committee, which is overseen by Executive Management.

The Risk Management Department implements a permanent monitoring plan, which permits half-yearly checks on the internal rating model's performance. In accordance with regulations, the Audit and Internal Control Department also oversees the performance in an annual review.

The calculation of the regulatory capital requirement (Pillar 1) and the results of permanent and periodic controls are presented to the Risk and Audit Committee, acting under delegation from the Board of Directors.

As at 31 December 2015, this internal rating system was applicable to an Exposure At Default of €303 billion, which breaks down into €288 billion of guarantees arranged and €15 billion of guarantees not yet arranged.

At this same date, the average Probability of Default at one year of the portfolio was 0.31%.

The ability of the Debt Collection Department to return delinquent loans to normal management, or to quickly take the required protective measures for transactions in default, leads to an estimate of the portfolio's average LGD, on output from the model, of 15.04% of the initial Exposure At Default (EAD).

Given the regulatory provisions, an additional prudent margin is applied to this estimate with a counter cyclical aim, providing a "downturn" LGD. The average LGD used for calculating the Pillar 1 capital is therefore around 18.1%.

Given these parameters, the Risk Weighted Assets (RWA) of the portfolio stood at €28.1 billion, corresponding to a weighting of 9.25%.

As at 31 December 2015, the minimum regulatory capital under Pillar 1 for guarantee portfolio credit risk stood at €2.2 billion, bearing in mind that nearly 21% of this requirement, namely €457 million, corresponded to the regulatory increase to be applied to the LGD to obtain a "downturn" LGD.

The mutual guarantee fund, set up to address guarantee portfolio credit risk, represents more than twice the amount of the regulatory capital requirement (Pillar 1) for this portfolio. The equity capital, the reserves and the mutual guarantee fund together represent almost three times this same requirement.

Excluding the equivalent value in euros of the Exposure At Default of loans guaranteed in Switzerland of €62.1 million, the credit risk for the guarantee portfolio comes exclusively from the French residential property financing market. This concentration is taken into account in the credit risk management strategy and is not currently perceived by the company as a high risk. Crédit Logement's risk selection criteria are based primarily on the ability of borrowers to repay their loans and only secondarily on the value of the assets being financed, or on the whole of the borrower's wealth. Also, Crédit Logement's production is essentially with commercial and mutual banks in a non-speculative residential property market, and most loans are fixed-rate loans. The diversity of geographic spread and of customer type resulting from the diversification of our partnerships with almost all French bank networks ensures good risk spreading and contributes to diversification of the guarantee portfolio credit risk.

Furthermore, during the process of calculating internal capital (Pillar 2), Crédit Logement queried the appropriateness of the 15% correlation coefficient used in the formula for calculating regulatory capital for the "retail mortgage" curve. The coefficient can be considered ten times higher than would be required by observing the loss history of the portfolio, with a confidence interval of 99.975%.

Operational risks

Due to its size, its single-product business, the very small number of transactions deriving from its cash management activity and its governance choices, Crédit Logement has opted for the "standard" method to cover operational risks.

Among those identified from the outset, the greatest risks remain those related to IT, hosting and the security of information systems.

Two specific committees regularly monitor these risks, and Executive Management receives reports on the monitoring of security indicators.

Crédit Logement has implemented a system for collecting and measuring operational risk events, mainly on a reporting basis, with quarterly monitoring. 36 risk events were reported in 2015 (compared with 43 in 2014), which were mainly related to the information systems. These were classified as minor incidents, below the criticality threshold applied by the company.

Beyond a strictly financial and regulatory approach, Crédit Logement is taking advantage of this procedure to improve its processes and increase their reliability. In 2015, work continued to adapt security measures to changing threats, namely by improving local network access security and protecting information assets.

The host of the recovery site used in the Contingency and Business Continuity Plan (PUPA – Plan d'Urgence et de Poursuite d'Activité) uses mirroring to cover the unavailability of premises or of the entire local network.

In the event of a major incident, the objective is to ensure, within 24 hours of unavailability, the continued processing of guarantee applications and, in the following days, the continued processing of debt collection and account keeping.

These arrangements are tested twice a year and are operational. Technical tests on the back-up platform are supplemented by tests carried out directly by users to ensure the correct functioning of "business line" applications.

The continuity of services provided by contractors (particularly facilities management for the main site, extranet application hosting, etc.) is covered by a contractual warranty in the form of Disaster Recovery Plans.

These Disaster Recovery Plans rely on back-up sites that are geographically separate from the contractors' main sites and undergo annual technical tests verified by Crédit Logement. In 2015, a test was carried out to verify the proper functioning of the crisis unit.

The capital requirement for operational risk stood at €43 million as at 31 December 2015.

Liquidity risk management and the liquidity ratio

Crédit Logement's liquidity risk is very specific, since the residential loan guarantee business generates liquidity. The liquidity risk could therefore arise only from the mismatch between its cash investment policy and the requirements resulting from its business as a guarantor.

For the management of this liquidity risk, a stress test was developed regarding the loss experience of the guarantee portfolio. This is applied as long as it remains sufficiently conservative relative to the latest known risk parameters. At the end of 2015, this extreme stress scenario included a deterioration of the risk parameters that would lead to a more than fivefold increase in expected losses on sound debt at the peak of the stress, and delays in recovering certain liquid assets.

Crédit Logement makes liquid investments under the restriction that its gap under extreme stress is still positive. However, since 2015, plots above three years may be negative up to a maximum of €100 million.

Crédit Logement's internal model for managing liquidity risk, which is based mainly on this extreme crisis scenario and on several liquidity indicators in various timeframes (day, month, quarter), was validated in May 2011 by the Prudential Supervisory and Resolution Authority (ACPR) and, as required, continued to show a positive gap over the first three years as at 31 December 2015.

The emergency response plan in place to handle a liquidity crisis was tested in 2015 and the outcome of the test was satisfactory.

Overall interest rate risk management

Crédit Logement's objective is first to manage its liquidity risk and then to minimise its overall interest rate risk, made up in particular of a long-term resource, the mutual guarantee fund, and investments made under liquidity stress scenarios.

Its net interest margin, consisting exclusively of the margin on the management and investment of its regulatory capital, which includes the mutual guarantee fund in particular, is therefore sensitive above all to interest rate variations, earning a higher margin when rates are high, although low rates are more favourable to the business of guaranteeing property loans.

As at 31 December 2015, 100% of the capital was amortised on a straight-line basis over 10 years.

Crédit Logement measures and manages its interest rate risk with an overall rate gap, so that it can gauge the impact of an interest-rate stress scenario, both on its net interest margin and on the Net Present Value (NPV) of its balance sheet. In particular, the regulatory stress test of a 200bp change in the whole yield curve is applied, on the basis – since the beginning of 2015 – of a floor rate equivalent to the ECB overnight deposit rate, and a limit has been set for the sensitivity of NPV to this stress. As at 31 December 2015, the sensitivity of NPV over 10 years in the event of a 200bp drop in interest rates was 6.46% of the share capital after taking into account the macro-hedging swap portfolio.

Market risk, counterparty risk and other risks

At the end of 2015, Crédit Logement did not hold any instruments classified as isolated open positions or in a trading book. Crédit Logement is therefore not subjected to market risk.

Crédit Logement does not manage any means of payment for third parties and therefore has no specific counterparty risk, other than its credit risk.

Under the tax benefit scheme for investment in French overseas collectivities, in 2009 Crédit Logement invested €8.9 million in shares in an SCI (real estate partnership) in New Caledonia to build and lease a social housing programme. This investment is covered by cash collateral of an equivalent amount, provided by the other partner in the SCI, guaranteeing said partner's promise to ultimately redeem shares in the SCI. The value of the shares on the balance sheet as at 31 December 2015 has been adjusted to the amount of the cash collateral guaranteeing this redemption, namely €6.67 million.

Other than this investment and the two subsidiaries described hereafter, Crédit Logement does not have any other shareholdings. Therefore, Crédit Logement has no "equities" risk.

INTERNAL CAPITAL VALUATION PROCESS

Since 2012, various actions have been carried out to improve and secure the process of calculating Crédit Logement's internal capital:

- the resources and operational capabilities of the Risk Management function were enhanced;
- cross-company risk mapping was updated and enhanced;
- the Board of Directors validated the strategy for management of various risks through measurement indicators, strategic limits and warning thresholds that the risk monitoring indicators must not exceed;
- reviews were performed to update the methodologies for modelling calculation of the internal capital requirements necessary to cover credit risk, for both the guarantee portfolio and the cash investment portfolio, to bring them up-to-date and improve them;
- the "Pillar 2" dossier, sent to the French supervisor in January 2013, was updated.
- the task of validating internal models was entrusted to the Risk Management function's control unit.

Based on the methodologies proposed by the European Banking Authority in the "Guidelines on the Application of the Supervisory Review Process under Pillar 2", and the principles of proportionality laid down by the French regulator, Crédit Logement has mapped its position on each of the risks to which it is exposed. It completed this risk map in 2015 by factoring in the risks referred to in the decree of 3 November 2014 on internal control.

Approach used to measure internal capital

The approach adopted by Crédit Logement combines a structured method including the development of internal management models for credit risk and a simple method for other risks. The overall level of internal capital calculated for covering all risks is obtained by adding the results obtained from each of the risks identified. Crédit Logement therefore uses no correlation effect or offsetting between the various risks.

Guarantee portfolio credit risk

In the internal approach, coverage of the expected risk on the guarantee portfolio is calculated over the lifetime of the guarantee portfolio, not over one year. Furthermore, for prudential reasons, unexpected losses are calculated based on a stressed correlation coefficient corresponding to the coefficient that would be used for the guarantee portfolio following a crisis of a magnitude comparable to the Spanish crisis.

Investment portfolio credit risk

In its internal model, Crédit Logement measures investment portfolio credit risk by factoring in the associated concentration risk. To reduce this risk, a project to collateralise investments with its main counterparties was implemented in 2013 and is still underway.

Market risk

Crédit Logement has no market risk (no trading portfolio, no active management of financial instruments or products).

A counterparty risk exists only on financial instruments (swaps), for which Crédit Logement applies the regulatory approach in its internal model.

Operational risk

The internal approach aims to check that regulatory capital covers the residual risk of the major risk events that have been identified. If this is not the case, the unexpected risk is measured by the impact that a major risk event could generate.

Liquidity risk

Liquidity gaps on the portfolio of liquid assets are examined under an extreme stress scenario to check that Crédit Logement could honour all of its commitments, even in such a scenario.

Interest rate risk

This risk is measured based on the sensitivity of the Net Present Value (NPV) of its balance sheet and net banking income (at 12 months and 24 months) to a variation in interest rates. If sensitivity remains low, this risk does not require any additional capital.

Structural foreign exchange risk

A revaluation of the Swiss franc against the euro would cause an increase in the EAD of the guarantee portfolio covering loans in Swiss francs to cross-border workers who have purchased homes in France, and therefore in the Pillar 1 regulatory capital requirements relating to this portfolio. This possible change in the regulatory capital requirements is estimated using Crédit Logement's internal model.

Other risks

As regards "business risk", which includes all risks that could have a significant impact on the level of production (image risk, regulatory risk, etc.), Crédit Logement has synthesised the study of its exposure to this risk by defining a scenario in which its production drops 50% and stays at that level for 10 years. Under this scenario, and with the risk parameters applying at end-2015, using middle-of-the-range assumptions concerning the return on available cash, Crédit Logement remains profitable over the whole period in question.

Furthermore, an analysis of the risks referred to in the decree of 3 November 2014 did not give rise to any additional capital charge with respect to internal control.

Evaluation of internal capital

As at 31 December 2015, the amount of internal capital needed to cover all risks to which the company is exposed (expected and unexpected losses) was €2.087 billion.

SNC FONCIÈRE SÉBASTOPOL

This partnership, which operates as a property dealer, auctions assets following court proceedings to recover secured debt; Crédit Logement owns 99.9% of its share capital.

In 2015, SNC Foncière Sébastopol carried out 13 new auctions and sold on 10 assets.

At the end of 2015, the twenty-four properties in stock represented a total net amount of €2,431,350, including a provision for depreciation of €402,000, compared with €2,270,852 as at 31 December 2014.

The agreement for the provision of administrative and accounting services signed by Crédit Logement and SNC Foncière Sébastopol on 14 May 2012 continues to apply, and has not been amended.

The profit and loss account shows a loss of €519,715, essentially corresponding to interest on the partner's current account, a provision for stock depreciation and current management expenses.

CRÉDIT LOGEMENT ASSURANCE

Crédit Logement Assurance is an insurance company that is primarily positioning itself in the initial guarantee of property loans to individuals.

Crédit Logement's interest in Crédit Logement Assurance increased from 60% as at 31 December 2014 to 81.74% as at 31 December 2015 after Crédit Logement participated in the May 2015 capital increase.

Several guarantee agreements were signed in 2015 with affinity partners, as part of an effort to continue to revive business.

Premiums issued in 2015 totalled €72,856, compared with €180,439 in 2014. No claims were received during the year.

A service agreement was signed by Crédit Logement and Crédit Logement Assurance on 4 December 2014, under which Crédit Logement agreed to provide the support needed to re-launch the business.

The profit and loss account shows a loss of €933,870 compared with a net profit of €3,431 a year earlier. This result was mainly attributable to additional capital expenditure to revive the business, as well as the switch to Solvency II and the booking of a provision for unexpired risks in 2015 (to cover the cost of claims and future costs associated with contracts, factoring in the substantial overheads incurred during the year).

ACCOUNTS FOR THE FINANCIAL YEAR

BALANCE SHEET

The balance sheet total as at 31 December 2015 was €10.1 billion, compared with €9.4 billion a year earlier, representing an increase of 8.1%.

OFF-BALANCE SHEET COMMITMENTS: OUTSTANDINGS

Crédit Logement's off-balance sheet outstandings, representing capital remaining due for guarantees covering the repayment of loans distributed by other institutions, is still growing and had reached €280.3 billion as at 31 December 2015, compared with €254.3 billion as at 31 December 2014.

Guarantee agreements not yet arranged totalled €35.5 billion at the end of 2015, compared with €32 billion at the end of 2014.

The net annual increase in outstandings was therefore €26 billion, representing a 10.2% increase, taking into account annual amortisation and early repayments totalling €53.3 billion.

The solvency ratio at the end of the year

Crédit Logement's Pillar 1 solvency ratio, established in accordance with the decree of 23 December 2013, stood at 22.61% as at 31 December 2015, compared with 22.98% as at 31 December 2014.

The Pillar 2 capital requirement, defined by the regulator in April 2014, taking into account the floor of 80% applicable for weighting outstandings, stood at €6.7 billion as at 31 December 2015.

Change in regulatory capital

Prudential capital went from €7 billion as at 31 December 2014 to €7.4 billion as at 31 December 2015 (up by 5.8%). This increase notably stemmed from the fact that no earnings were distributed during the year, making it possible to bolster Common Equity Tier 1, and was also helped by very robust business, which fuelled growth in the mutual guarantee fund.

	31/12/2014	31/12/2015	Change
Equity capital on the liability side of the balance sheet	1,513,142	1,749,156	236,014
Fund for general banking risks	609	609	
Mutual guarantee fund	4,138,596	4,569,682	431,086
Dividends payable			
Deductions	-1,517,611	-1,503,919	13,692
COMMON EQUITY CAPITAL TIER 1	4,134,736	4,815,528	680,792
Subordinated Tier 1 securities	800,000	800,000	
		-58,519	-58,519
TIER 1 EQUITY CAPITAL	4,934,736	5,557,009	622,273
Subordinated loans	1,712,624	1,712,624	
Subordinated securities – Tier 2	500,000	500,000	
Mutual guarantee fund held in Tier 2	146,650	1,711	-144,939
Deductions	-258,479	-329,003	-70,524
ADDITIONAL EQUITY CAPITAL	2,100,795	1,885,332	-215,463
TOTAL REGULATORY CAPITAL (numerator)	7,035,531	7,442,341	406,810
Weighted risks - advanced IRB model	26,192,307	27,982,244	
Weighted risks - standard method	3,614,250	3,973,487	
Other assets not corresponding to loan obligations	373,438	411,441	
Operational risk	430,725	542,347	
TOTAL BASEL II WEIGHTED RISKS (denominator)	30,610,720	32,909,519	2,298,799
Common Equity Tier 1 solvency ratio	13.51%	14.63%	
Tier 1 solvency ratio	16.12%	16.89%	
SOLVENCY RATIO	22.98%	22.61%	
Pillar 2 capital requirements	6,122,400	6,748,893	

Common Equity Tier 1

The total amount of Common Equity Tier 1 was €4.8 billion as at 31 December 2015, compared with €4.1 billion in 2014, representing an increase of €681 million:

- the mutual guarantee fund held in Common Equity Tier 1 increased by €431 million to stand at €4.6 billion at the end of 2015, compared with €4.1 billion in 2014;
- a €14 million decrease in deductions due to a reduction in expected losses and an increase in non-performing loans, as well as the grandfather clause applying to the proportion of the mutual guarantee fund governed by the regulations predating 1 January 2014;
- a €236 million increase in equity capital, taking account of the profit for the year, which the General Meeting will be asked to carry over.

Equity Tier 1

This is the Common Equity Tier 1 plus additional equity tier 1.

This additional equity decreased by €58 million over the year, tied to the grandfather clause applicable to subordinated debt.

Equity Tier 2

This also decreased by €215 million, notably due to the grandfather clauses applicable to a portion of the equity loans.

PROFIT AND LOSS ACCOUNT

Net banking income stood at €434.7 million, compared with €215.7 million a year earlier, representing an increase of 101.5%.

Of this:

Net financial income jumped by 134% in relation to the previous year, under the impetus of the following factors:

- average capital rose by 7.0%, fuelled by the strong business volumes during the year, although income dropped by 12.9% in relation to the previous year as a result of interest rates that remained very low;
- an increase in income deriving from the reinvestment of capital contributed by the partners as part of the ongoing swap hedging programme to counter the effect of variations in the benchmark index (1 year Euribor) on reinvestments;
- as there was no new transaction, costs relating to subordinated notes after reinvestment of the cash that was generated were practically flat on the previous year;

- the replacement of deposits carrying above-market interest rates with deposits paying the market rate of interest made it possible to book a balancing cash adjustment of €143.5 million.

Commissions were boosted by the robust business volumes during the year, growing by 60% relative to the previous year.

This sharp increase was primarily driven by commissions on transactions arranged during the year, which climbed by 77% with a very large proportion of refinancing transactions, but also by commissions on early repayments due to the accelerated amortisation of commissions that had been spread out.

Income deriving from transactions in the investment portfolio increased substantially with €19.3 million in capital gains posted, tied to the disposal of the entire portfolio of money market funds.

Other income increased by 37.3%, mainly tied to greater billing amounts on services provided to Crédit Logement Assurance.

Overheads totalled €62.8 million, compared with €100.3 million in 2014, representing a decrease of 37.4%.

This decrease breaks down as follows:

- personnel expenses increased by 15.2%, related in particular to the hiring of additional staff to cope with increasing volumes and the distribution of a share in the year's excellent profits to the employees through the profit-sharing scheme. The remuneration packages allocated to all managers are detailed in Appendix C1;
- other administrative costs decreased by 63%, notably with end of the systemic risk taxation obligation;
- depreciation and amortisation charges and impairment losses increased slightly by 2.8%.

In terms of productivity, the cost-to-income ratio, i.e., the ratio between overheads and net banking income, stood at 14.4% against 46.5% the previous year.

As a result of these developments, gross operating income, before non-recurring revenues and expenses, corporation tax and regulatory provisions, stood at €371.8 million, up by 222.5% from the previous financial year.

The corporation tax expense was €135.8 million, compared with €43.6 million in 2014.

Overall, net profit for the financial year came to €236 million, compared with €69.6 million in 2014.

The return on equity came to 15.6% in 2015, compared with 4.82% in 2014.

OUTLOOK AND SIGNIFICANT EVENTS SINCE THE END OF THE FINANCIAL YEAR

Interest rates are still very low and even appear to be falling further in the first few months of this year, so much so that refinancing transactions still account for a large proportion of guarantee applications, i.e. more than 20% in the first two months of 2016.

Moreover, applications for guarantees on new purchases remain vibrant, which suggests that production will be significant again this year, even though the dizzying heights of 2015 are unlikely to be repeated.

However, the persistently-low interest rates, combined with the transactions carried out at the end of 2015, will have a negative impact on the return on cash holdings, as investments that have matured over the past three years have been replaced by new investments at consistently lower rates.

PROPOSED APPROPRIATION OF EARNINGS

The net distributable profit of €311,692,552.90 breaks down as follows:

- | | |
|---|-----------------|
| • net profit for the financial year | €236,015,056.75 |
| • plus retained earnings from the previous year | € 75,677,496.15 |

The following appropriation is proposed:

- | | |
|---------------------|------------------|
| • legal reserve | € 11,800,752.84 |
| • retained earnings | € 299,891,800.06 |

In accordance with the law, the appropriation of earnings and the dividend distribution for the previous three financial years is recapped in the third resolution put to the General Meeting.

The resolutions approve the financial statements as presented and the proposed appropriation for the financial year, namely the allocation of the entire net profit for the financial year to the reserve accounts.

Estimated future capital requirements, in particular T1, combined with the estimated production levels over 2016, are such that the full amount of net distributable profit needs to be carried over.

Other specific resolutions proposed

As the term of office of SF2 (La Banque Postale group) as a member of the Board of Directors is due to expire, the shareholders will be asked at the General Meeting to renew its appointment for a six-year term.

Similarly, the shareholders will be asked to renew Crédit Foncier's term of office as a member of the Board of Directors for six years.

Further to Mr Philippe Roux's decision to step down from the Board, the Board of Directors decided at its meeting of 16 December 2015 to co-opt Ms Brigitte Geffard, Head of Loans Acceptance and Debt Collection at LCL - Le Crédit Lyonnais, in his place. The shareholders will be asked to approve this co-option at the General Meeting.

Lastly, since the term of office of one of the principal statutory auditors, La Compagnie des Techniques Financières – CTF – and of the deputy statutory auditor, Mr Christophe Kica, will soon expire, the shareholders will be asked to renew the terms of office of La Compagnie des Techniques Financières – CTF – and of Mr Christophe Kica as deputy statutory auditor, both for a period of six years.

If you wish to receive the CSR report,
please contact Crédit Logement's Communication Department.

RESOLUTIONS SUBMITTED

RESOLUTION 1

The General Meeting, after having heard the reading of the reports from the Board of Directors and statutory auditors on the corporate accounts, and the reading of the Chairman's report established in accordance with article L.225-37 of the French Commercial Code on procedures for internal control and risk management established by the company and the functioning of the Board of Directors, and that of the report from the statutory auditors on this document, and after having taken note of all documents which, according to the legislation in force, must be communicated to shareholders, approves the accounts and the balance sheet for the forty first financial year ending on 31 December 2015 as they are presented in all their parts.

The general meeting, after examining the C1 note to the financial statements defining the total amount of compensation for the year to all executives, approves the global envelope, according to article L 511-73 of the French Monetary and Financial Code.

The General Meeting expressly acknowledged to the Board of Directors that the aforementioned documents were drawn up in accordance with the provisions set out in Articles L 232-1 and thereafter and R 123-199 of the French Commercial Code, and in accordance with regulation 2014-07 of 26 november 2014 issued by the French Accounting Standards Authority (ANC) and gives the directors discharge with respect to their duties for the financial year.

RESOLUTION 2

The General Meeting, after hearing the Special Statutory Auditors' Report on Operations, governed by Articles L 225-38 and L 225-40 of the French Commercial Code, hereby acknowledges this report and ratifies all of the operations indicated therein.

RESOLUTION 3

The General Meeting hereby approves the proposed allocation of income submitted.

Net profit for the year eligible for allocation, amounting to EUR 311 692 552,90 is composed of :

- Net profits for the year 236 015 056,75 €
- Plus carrying forward of positive balance from previous year 75 677 496,15 €

We propose the following allocation:

- Legal reserve 11 800 752,84 €
- Retained earnings 299 891 800,06 €

and decide not to pay any dividends.

As a reminder, it is stated that, for the three previous fiscal years, total earnings per share (splitted into A shares and B shares until 2011) came out at :

Dividend

Fiscal year 2012

Share	2,90	€
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Fiscal year 2013

Share	3,90	€
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Fiscal year 2014

Share	Nil	
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RESOLUTION 4

The general meeting reappoints SF2 – Groupe La Banque Postale as a director for a six-year term of office ending further to the general meeting convened to approve the financial statements for the year ending 31 December 2021.

RESOLUTION 5

The general meeting reappoints Crédit Foncier de France as a director for a six-year term of office ending further to the general meeting convened to approve the financial statements for the year ending 31 December 2021.

RESOLUTION 6

The general meeting ratifies the appointment of Mrs Brigitte GEFFARD as director, made by the board of directors at its 16 december 2015 meeting, to replace Mr Philippe ROUX, who resigned.

Consequently, Mrs Brigitte GEFFARD's term shall come to an end after the general meeting convened to approve the accounts of the financial year the 31st December 2016, when the resigning director's mandate ends.

RESOLUTION 7

Since the term of office of one of the principal statutory auditors, La Compagnie des Techniques Financières – CTF – represented by Mr Christophe Legué, will soon expire, the General Meeting hereby renews it for another six years.

La Compagnie des Techniques Financières is registered with the Paris trade and companies register (Registre du Commerce et des Sociétés de Paris) under number B 352 700 405. Its head office is located at 23-25 rue de Berri in the 8th arrondissement of Paris.

La Compagnie des Techniques Financières' term of office will expire after the general meeting that will be held to approve the annual financial statements for the year ending 31 December 2021.

RESOLUTION 8

The General Meeting hereby renews the term of office of the deputy statutory auditor, Mr Christophe Kica, also for a period of six years. Mr Kica may be called on to replace La Compagnie des Techniques Financières by virtue of Article L.823-1 of the French "Code du Commerce".

Mr Kica was born in Valenciennes (Nord) on 14 October 1971 and resides at 59 bis rue du Murier in Saint Cyr sur Loire (postcode: 37540).

RESOLUTION 8

The General Meeting gives full powers to the bearer of excerpts from or copies of these minutes to perform all legal formalities.

STATUTORY AUDITORS REPORT ON THE ANNUAL FINANCIAL STATEMENTS

To the shareholders,

In fulfilment of the assignment entrusted to us by your General Meeting, we present our report on the financial year ending 31 December 2015, on:

- the audit of Crédit Logement's annual financial statements as they are attached to the present report;
- explanations of our assessments;
- the specific information and checks specified by the law.

The annual financial statements were adopted by the Board of Directors. It is our duty to express an opinion on these statements on the basis of our audit.

I. Opinion on the annual financial statements

We have performed our audit according to the professional standards applicable in France. These standards require the performance of checks to provide reasonable assurance that the annual financial statements do not contain significant anomalies. An audit consists of checking, by sample investigation or through other selection methods, the elements justifying the amounts and information shown in the annual financial statements. It also consists of assessing the accounting principles followed, the significant estimates accepted and the overall presentation of the financial statements. We consider that the information that we have collected is sufficient and appropriate to form the basis of our opinion.

We certify that, with regard to French accounting rules and principles, the annual financial statements are in order and honest and give a true image of the result of the transactions in the elapsed financial year and the financial situation and assets of the company at the end of this year.

II. Substantiation of assessment

In application of the provisions of article L. 823-9 of the French Commercial Code relative to the substantiation of our assessment, we bring the following items to your attention.

Test on value

The "non-performing loans" note in the appendix explains that when it is ascertained that the debt is not recoverable, any amount remaining due is deducted from the mutual guarantee fund. As part of our assessment of the significant estimates used for accounts closure, we examined the control system relative to the identification and monitoring of risks for the guarantee business, the assessment of risks of non-recovery and their coverage by the mutual guarantee fund.

The "securities portfolio" note in the appendix (accounting methods and principles) explains the methodology used to value the securities portfolios (marketable securities, investment securities and equity securities) and to constitute any necessary depreciation.

As part of our examination of the significant estimates used for closing the accounts, we examined the system for monitoring and examining these securities, leading to assessment of the necessary level of depreciation.

The assessments thus made come within the framework of our audit of the annual financial statements as a whole and have therefore contributed to forming our opinion expressed in the first part of this report.

III. Specific checks and information

In accordance with the professional standards applicable in France, we have also carried out the specific checks specified by the law.

We have no comment to make on the honesty and coherence with the annual financial statements of the information given in the Board of Directors' management report and in the documents sent to shareholders concerning the financial situation and the annual financial statements.

Paris and Neuilly sur Seine, 11 April 2016

Statutory Auditors

C.T.F.
Jean-Marie IDELON-RITON

Deloitte & Associés
Jean-Vincent COUSTEL

BALANCE SHEET
AT DECEMBER 31, 2015
in thousand euros

	2014	2015	Notes		2014	2015	Notes
CASH, CENTRAL BANKS, CCP	3	9		DEBTS TOWARDS CREDIT INSTITUTIONS	52 085	35 676	A7
				Term	52 085	35 676	
DEPOSITS ON CREDIT INSTITUTIONS	7 481 902	8 073 706	A1	CUSTOMER TRANSACTIONS	19 454	22 135	A7
On sight	301 025	355 238					
Term	7 180 877	7 718 468		OTHER LIABILITIES	11 717	61 518	A8
				ACCRUALS	590 566	643 971	A8
CUSTOMER TRANSACTIONS	889 724	1 079 010	A3	DEPRECIATIONS FOR RISK AND EXPENSES	361	1 058	A8
Other customer loans	561	582					
Bad debt	889 163	1 078 428		SUBORDINATED DEBT	7 179 377	7 609 968	
				Mutual guarantee deposits	4 140 212	4 571 424	A9-1
BONDS AND OTHER FIXED-INCOME SECURITIES	484 853	555 794	A4-1	Subordinated borrowings	1 712 624	1 712 624	A9-2
SHARES AND OTHER VARIABLE-INCOME SECURITIES	121 944	6 663	A4-1	Accrual on borrowings	2 270	1 724	A9-2
				Subordinated securities	1 300 000	1 300 000	A9-2
EQUITY INTERESTS AND OTHER LONG-TERM SECURITIES	30		A4-1	Accruals on subordinated securities	24 271	24 196	A9-2
INTERESTS IN AFFILIATED COMPANIES	3 964	9 625	A4-2	FUNDS FOR GENERAL BANKING RISKS	610	610	A9-3
INTANGIBLE FIXED ASSETS	3 903	3 495	A5	SHAREHOLDERS' EQUITY	1 513 142	1 749 155	
TANGIBLE FIXED ASSETS	13 395	13 741	A5	Capital	1 259 850	1 259 850	A9-4
OTHER ASSETS	2 296	2 443	A6	Reserves	117 187	120 666	A9-4
ACCRUALS	355 298	379 605	A6	Regulatory provisions	56 947	56 947	A9-3
				Retained earnings	9 560	75 677	
				Earnings for the year	69 598	236 015	
TOTAL ASSETS	9 367 312	10 124 091		TOTAL LIABILITIES	9 367 312	10 124 091	
Customer guarantee commitments implemented	254 287 714	280 343 833	A12-1	Guarantee commitments received from credit institutions	3 301 184	2 927 647	A11
Customer guarantee commitments not yet implemented	32 034 769	35 535 020	A12-1				
COMMITMENTS GIVEN	286 322 483	315 878 853		COMMITMENTS RECEIVED	3 301 184	2 927 647	

PROFIT AND LOSS ACCOUNT
AT DECEMBER 31, 2015
in thousand euros

	2014	2013	Notes
Interest income	172 751	296 469	B1
Interest expenses	-71 737	-60 116	
Income from variable-income securities	50	59	B2
Commission (income))	110 521	176 334	B3
Commission (expenses)	- 1 203	-1 414	B4
Income on marketable securities	2 309	19 313	
Gain or loss on exchange		6	B5
Other banking operating income	3 291	4 519	B6
Other banking operating expenses	-322	-511	
NET BANKING INCOME	215 660	434 659	
General operating expense	-96 675	-59 009	B7
Allowances for depreciation and amortisation on tangible and intangible fixed assets including equity securities	-3 649	-3 752	B8
OVERHEADS	-100 324	-62 761	
GROSS OPERATING INCOME	115 336	371 898	
Gains on long terms investments and changes in provisions	-18	-43	B9
INCOME BEFORE TAX	115 318	371 855	
Non-recurring income/loss			B10
Corporate income tax	-45 720	-135 840	
NET INCOME FOR THE YEAR	69 598	236 015	

NOTES TO THE FINANCIAL STATEMENTS

I - PRESENTATION OF THE ACCOUNTS

The rules applied for drawing up Crédit Logement's financial statements are based on principles adopted by the French National Accounting Board (Comité de Réglementation Comptable, CRC), on the regulation of the French Banking and Financial Regulations Committee (Comité de la Réglementation Bancaire et Financière, CRBF) and the instructions of the French Prudential Supervision Authority (Autorité de Contrôle Prudentiel et de Résolution, ACPR) relative to the drawing up and publication of individual annual financial statements for Financial Institutions.

The balance sheet, profit and loss account and notes have been drawn up in accordance with Regulation 2014-03 on the general accounting plan issued by the French Accounting Standards Authority (ANC), subject to modifications provided for in ANC Regulation 2014-07 of 26 November 2014 on the financial statements of companies in the banking sector, enacted by the decree of 26 December 2014 published in the French Official Journal on 31 December 2014.

The items making up assets, liabilities and off-balance-sheet commitments expressed in foreign currency are recorded and valued according to the principles set out in the abovementioned Regulation 2014-07 of 26 November 2014.

Transactions in foreign currencies are valued based on prices on the date of closure of the financial year. Gains or losses that occur are booked to the income statement.

No change in accounting methods took place during 2015.

II - ACCOUNTING PRINCIPLES AND METHODS

ASSETS

DEPOSITS ON CREDIT INSTITUTIONS

Deposits are broken down in the notes as follows:

- on sight or term;
- based on the residual duration.

CUSTOMER CREDIT

Other customer loans

They represent loans granted to the company's salaried staff, and come in two types:

- capped loans for a maximum period of three years;
- zero-rate cash advances for the mutual guarantee fund due in relation to the surety for one or more residential loans for the duration of the loans guaranteed.

Bad debt

This item includes all amounts settled in connection with unpaid instalment (principal and interest), penalties, event of default and any collection costs and fees for which Crédit Logement has been subrogated as per its right as initial lender and those required to launch collection proceedings (expenses and fees). Where relevant, if it has been established that the debt cannot be recovered, the amount still due is withdrawn from the mutual guarantee fund in accordance with the regulations of the said fund.

According to the abovementioned Regulation 2014-07 of 26 november 2014 on the accounting treatment of credit risk in companies coming under the Financial Regulations Committee (Comité de la Réglementation Bancaire et Financière, CRBF), bad debts have been divided according to the following categories :

- doubtful debts;
- compromised doubtful debts.

The definition of each category retained is described at the end of this note under off-balance sheet commitments. On account of the existence of the mutual guarantee fund, which covers the loss ratio for the guarantee portfolio on residential loans, such bad debt is not provisioned.

SECURITY PORTFOLIO

We differentiate between three types of securities:

- marketable securities;
- investment securities;
- equity securities and interests in affiliated companies.

The presentation of the portfolio in statements for publication is broken down into the following categories:

- government securities and assimilated;
- bonds and other fixed-income securities;
- shares and other variable-income securities;
- equity interests and other long-term security holdings;
- interests in affiliated companies.

Marketable securities

Marketable securities are fixed- or variable-income securities that are not recognised neither as trading securities, nor as investment securities, nor among the type of securities referred to in chapter 5, title 3, Book II of the aforementioned Regulation 2014-07 of 26 November 2014 (trading securities, other long-term securities, equity securities and shares in associated undertakings).

These securities are booked at their acquisition date for their acquisition price, net of costs and accrued interest. Securities are withdrawn based on the FIFO method.

At each year-end, the cost price of securities bearing interest is increased or decreased as relevant in order to factor in interest from the difference between the nominal rate for the security applied to the redemption value and the negotiated rate applied to the acquisition price. For other securities, the cost price is the acquisition price.

At year-end, the value of the securities is retained for the lowest of the following two values: cost price or market value. If the market value is lower than the cost price, the unrealised capital losses are booked as valuation allowances. Unrealised capital gains are not recorded.

Investment securities

According to chapter 5 of Regulation 2014-07 of 26 November 2014, investment securities are fixed-income securities that the company intends to hold through to maturity and that it has made a commitment, at the time of acquisition, to finance through permanent resources.

They are subscribed with the manifest intention and ability to hold them until maturity. These securities must not be subject to any existing restriction, legal or other, which may be likely to call into question the intention to hold them until the securities mature. The classification as investment securities is no obstacle to their designation as items covered against interest-rate risk.

They are booked at their redemption value. The discounts or premiums are amortised or spread over the residual life of the securities, according to the straight-line method. The book value of securities is thus gradually adjusted to their redemption value. The interest relating to these securities is booked to the income statement in the section "Other interest and equivalent income".

For securities that have been reclassified from the "marketable securities" category, they are recorded at their acquisition price and the depreciation booked previously is written back over the residual term of the securities concerned. The intention to hold them to maturity must be clear, and they must also be covered by permanent resources in order to finance them through to their maturity.

At each year-end, the cost price of securities is increased or decreased as relevant in order to factor in interest from the difference between the nominal interest rate for the security applied to the redemption value and the rate negotiated applied to the acquisition price. If the market value is lower than the acquisition value adjusted for depreciation and write-backs linked to the difference between the acquisition cost and the redemption value of the security, no valuation allowances are booked.

An allowance for depreciation is booked if there is a strong probability that the institution will not keep the securities until maturity due to new circumstances, for example, when the impairment of the quality of the issuers' signature might compromise the redemption at maturity, in which case the depreciation is classified as the cost of risk. Unrealised capital gains are not recorded.

Equity securities

According to chapt V of abovementioned Regulation 2014-07 of 26 november 2014, the heading for “equity securities and interests in affiliated companies” groups together securities whose long-term ownership is considered to be useful for the company's activity. Such securities are recorded on the balance sheet at their acquisition value.

Investments of a financial nature in companies that may be included within the scope of consolidation are considered as associated interests.

When the going concern value is lower than the acquisition value, any unrealised capital losses are booked through provisions. Unrealised capital gains are not recorded. The going concern value is determined based on a number of economic criteria (estimated net assets, profitability and outlook for profitability, cost price, revalued net position, etc.).

FIXED ASSETS

Pursuant Regulation 2002-10 and 2004-06 of the CRC, accounting rules have been in effect with regard to asset definition, valuation and depreciation since 1 January 2005.

Our establishment opted for the so-called “forward-looking” simplification measure set out in Article 17 of Regulation 2004-06 repeated and substituted by ANC Regulation 2014-03.

Tangible fixed assets involving buildings have been divided using the simplified re-allocation method, by component, based on the relevant net accounting values on January 1st, 2005.

The change in method has no impact, whether on net assets or tax income. An inventory of the components was drawn up with the assistance of an external firm. Fully depreciated capital assets are not restated.

The fully-depreciated fixed assets were not included. Taking into account the nature of our fixed assets relating to buildings, only four components have been used, namely:

- structural components;
- Roof / front;
- technical equipment;
- fixture and fittings.

The depreciations are shown hereinafter:

Depreciations	Method	Period
ASSETS UNDER CONSTRUCTION	N/A	
INTANGIBLE FIXED ASSETS		
Lease	N/A	
Software	Straight-line	1,3,4 or 5 years
TANGIBLE FIXED ASSETS		
Land	N/A	
Buildings	Straight-line	150 years from 01/01/1945
Roof/front	Straight-line	30 years
Vehicles	Straight-line	4 years
Office equipment	Straight-line or diminishing balance	5 years
Technical equipment	Straight-line	10 years
Furniture	Straight-line	5 to 10 years
Computer equipment	Diminishing balance	3, 4 or 5 years
Technical equipment	Straight-line	20 years
Fittings and fixtures	Straight-line	10 ans

ACCRUALS AND OTHER ASSETS

ASSETS

Deferred expenses

These are composed mainly of the costs and expenses arising from the issue of deeply subordinated securities. The expenses are settled during the year in which the transaction is put in place and are spread in accounting terms over a period of up to five years, on a prorata basis, which matches the early exist option available on each operation. From the tax standpoint, the expenses actually paid out are deducted and the expenses allocated to each fiscal year are factored back in.

Income to be received

It concerns, a new guarantee product implemented with a different tariff structure. The special characteristic relates to the postponement of the payment of the guarantee commission to the release of the guarantee and the collection of the fee is settled against the released share of the mutual fund at the end of guarantee.

ON THE LIABILITY SIDE

LIABILITIES

TRANSACTIONS WITH CREDIT INSTITUTIONS

Within the framework of financial guarantee agreements in accordance with Art. L211-38 of the French Monetary and Financial Code (CMF) established during the financial year, cash security deposits can be put in place. Regular adjustments under the framework agreement are performed each quarter.

TRANSACTIONS WITH THE CLIENTELE

GUARANTEE DEPOSITS RECEIVED

In 2009, under the tax regime to aid investment in French overseas municipalities, shares in a real-estate company (SCI) in New Caledonia were purchased.

In order to ensure the repurchase of the securities in 2017, a cash collateral account with capitalised interest was set up by the other partner in the SCI, a semi-public low-cost housing company, thus underwriting the promise by this company concerning the repurchase of shares in the SCI. Each year, the value of securities on the balance sheet is adjusted to the balance of the cash collateral account.

Other amounts due

These include sums payable to customers, either for the mutual fund guarantee release, overpayments received on equity interests, or sums whose allocation is still being determined.

The sums release under the mutual guarantee, owed to borrowers whose loans have been completed, according to information unchallenged by the lending banks, held by Crédit Logement and for which the banks cannot find the original borrowers, are listed under "Other Amounts Due – Segregation.

OTHER LIABILITIES

They comprise amounts due that can be broken down as follows:

- sums to be paid back for the collection activity on behalf of third parties, which are unavailable in light of the collection and payback periods;
- sums due to suppliers (invoices for overheads or fixed assets);
- sums due to staff and employee profit-sharing linked to the company's growth;
- tax and social security liabilities.

In accordance with article L.441-6 paragraphs 8 and 9 of the French Commercial Code, the settlement deadline for amounts due is fixed either at the 30th day following the date of reception of goods or execution of the requested service, without exceeding 45 days from the end of the month, or 60 days from the date of issue of the invoice. The balance of accounts payable, distributed by payment due date, is shown in the appendix.

ACCRUALS - LIABILITIES

Pre-booked income

In response to the continuous guarantee service as practiced by our company, guarantee commissions are allocated to earnings based on a constant equal to the total amount of commissions acquired for a contract, divided by the duration of the loan expressed in years, multiplied by a factor F, factoring in adjustments for the first and final year.

This formula makes it possible to respect the principle of adequacy between the staggered allocation rate for commissions and the commitment rate for expenses attributable to the transactions in question.

Deferred income concerns guaranteed files on which the guarantee commission is payable as soon as the loan is put in place by the lender.

Prepaid income concerns guaranteed files on which the guarantee commission is payable at the end of the loan. The receivable concerning the guarantee commission is recorded as an asset under "income receivable" and the collection will be made by deducting against the mutual guarantee release at the normal or early term of the loan.

This account is also used to recognise the amount of cash guarantees received to cover positive interest rate swap valuations pursuant to the FBF (French Banking Federation) master agreement to forward market operations signed with our counterparties.

RESERVE FOR RISKS AND EXPENSES

In addition to reserve on option, they include reserves for litigation, compensation risks, damages and fees for legal proceedings resulting from ongoing proceedings or those subject to appeal.

A reserve is booked:

- if the company has actual commitment in relation to a third party on the date of closure;
- and if, on the date of closure, it is probable that the company will have to withdraw resources for the benefit of this third party, without at least an equivalent service from the third party after the date of closure;
- and if it is possible to reliably estimate this resource withdrawal.

SUBORDINATED DEBT

MUTUAL GUARANTEE FUNDS

According to Regulation 2014-07 of 26 november 2014 related to the financial statement of the banking sector and approved by the the abovementioned Regulation 2014-07 of 26 november 2014, the guarantee funds are grouped together under “subordinated debt”.

The guarantee system used by Crédit Logement is based on the principle of mutualisation, as reflected in the financial contribution of each borrower in a mutual guarantee fund intended to take the place of any borrower who defaults on loan repayments, partially for unpaid instalments and totally when an event of default has been pronounced.

In accordance with mutual guarantee fund regulations, the contribution of each borrower may be returned after Crédit Logement's commitment has been released on a pro rata of the fraction not used by the legal department in connection with the defaulting borrowers.

The calculation of the reimbursement rate takes into account the risk of non-repayment prudentially evaluated on all the dossiers contributing to the fund (ex-ante provisioning), and also the expected recovery rate on non-performing loans.

An amended version of the regulations of the mutual guarantee fund (FMG), applicable from 1 January 2014, makes the restoral of mutualisation subject to the prior agreement of the French Prudential Supervisory Authority (ACPR) and the Board of Directors. It also covers the other recognised losses in proportion to its weight in the regulatory capital.

SUBORDINATED SECURITIES AND SUBORDINATED BORROWINGS

These various issues were carried out in accordance with article L228-97 of the Commercial Code (Code de Commerce), with law n° 2003-706 dated 1st August 2003 and with article 2 of rule 90-02 dated 23/02/1990 of the Committee for Financial and Banking Regulation (Comité de la Réglementation Bancaire et Financière, CRBF). In the event of the company's liquidation, the nominal liabilities will be paid back in line with the seniority of the debt : first, unsecured debt, then Tier Two debt, then subordinated borrowings, and lastly Tier One.

Undated deeply subordinated bond issue, with no step-up clause (Tier One) - FR0010301713.

16,000 undated deeply subordinated securities of 50,000 € nominal were issued on 16 March 2006 and can be taken in additional Tier 1 capital. However, as they do not meet all the criterias laid down in EU Regulation 275/2013, they are subject to grandfathering.

They include :

- an early call option, at the exclusive initiative of the issuer, which can be exercised quarterly from 16 March 2011, providing that prior agreement has been obtained from the French Prudential Supervisory and Resolution Authority (ACPR).
- a clause taking them from fixed-rate remuneration to variable rate, applicable to holders of these securities after 16 March 2011 and are quoted on the Luxembourg market.

Subordination conditions

Interest is payable annually in aeras on 16 March of each year, at the fixed rate of 4.604% until 16 March 2011 and quarterly in aeras on March 16 at the Euribor 3 month rate plus 115 bp. However, the company may, if its financial situation requires it for the continuation of its business, postpone the payment of the said interest, this being able to be assigned, together with the principal, for absorption of any losses sustained by the company.

Dated bond issue (lower Tier Two) – FR 0011000231

5,000 dated subordinated bonds were issued with a par value of 100,000 euros on 16 February 2011, in accordance with Article 2 of Regulation 90-02 dated 23 February 1990 of the Committee for Financial and Banking Regulation, and can be included into Tier 2 capital. However, as they do not meet all the criteria laid down in UE Regulation 575/2013, they are subject to grandfathering.

They are quoted on the Luxembourg market. Interest is payable quarterly in arrears on 16 February of each year, at a fixed rate of 5.454 %.

Subordinated borrowings

Subordinated borrowings, granted to the company by its shareholders and partners, are held in the Tier 2 capital, and are of two types:

- subordinated borrowings that are undated, but that may be paid back after eight years solely on the initiative of the borrower, and subject to the prior agreement of the General Secretariat of the French Prudential Supervisory and Resolution Authority (ACPR). These subordinated borrowings do not meet all the criteria laid down in EU Regulation 575/2013 and there are subject to a grandfather clause;
- subordinated borrowings that were amended in 2014, and which have a twelve year term but may be paid back after five years solely on the initiative of the borrower, and subject to the prior agreement of the General Secretariat of the French Prudential Supervisory and Resolution Authority (ACPR). These subordinated borrowings meet all the criteria laid down in EU Regulation 575/2013 and are held in full in Tier 2.

FUNDS FOR GENERAL BANKING RISKS

The booking of a provision for general banking risks, as provided for under Article 3 of the CRBF Regulation 90-02, is intended to cover general risks linked to the banking activity.

The fund for general banking risks includes general provisions that have not been booked to cover various expenses or likely risks and that are clearly identified.

The amounts retained are net of tax in accordance with the conditions of Article 9 of CRBF Regulation 90-02.

EQUITY

SHARE CAPITAL

In accordance with the combined general meeting of shareholders dated 9 May 2012, the equity capital was composed of 17,997,861 ordinary shares of €70 each, fully paid up. These new shares were issued value date 1st January 2012. The entitlements conferred by each share are fixed as follows.

Distribution of profit according to article 18 of the Articles of Association:

"From the distributable profit, deductions are made for any amount that the general meeting may decide to carry over to the following financial year or assign to the creation of any extraordinary reserve, contingency fund or other fund, whether with special assignment or not.

The general meeting, reviewing the financial statements for the year, may grant to each shareholder the option to receive all or part of the dividend or interim dividends to be paid out in cash or shares."

OFF-BALANCE SHEET COMMITMENTS

Requested by customer

Financial Guarantees

The guarantee offered by Crédit Logement is implemented within the framework of contracts of services and signed in the form of bank guarantees in the context of an auction. It is booked for an amount representing a maximum of 10% of the amount of the upset price, without the amount of this guarantee being able to be less than 3,000 euros.

The guarantee is valid for an undated period and expires, according to the case:

- on the day of the auction, with the purchase by a third party other than the guaranteed party;
- the date of payment of the auction price and associated fees, in the case where the purchase is for the benefit of guaranteed party.

Crédit Logement provides bank guarantees for the benefit of the ordering district court and on behalf of its customer and books this guarantee in its off balance sheet.

Guarantee commitments distributed by other credit institution

The guarantee offered by Crédit Logement, "la caution solidaire" to cover residential loans granted to retail customers, is booked for the amount of capital still due by the borrowers at the end of each year.

In accordance with abovementioned Regulation 2014-07 of 26 november 2014, commitments relative to deposit agreements given have been broken down into the following categories as of this year:

- healthy outstanding guarantee ;
- healthy outstanding guarantee for restructured loans;
- doubtful guarantee;
- compromised doubtful guarantee;
- doubtful outstandings by contagion.

Debts outstanding have been segmented based on the following criteria:

- Healthy loans outstanding. All loans not meeting the conditions of non-performing loans, including the following aspects:
 - the first three instalments unpaid before a guarantee claim are included in off-balance-sheet guarantee liabilities. The method applied to calculate this amount is to obtain from our main partners the delinquency rates at one month, two months and three months, and apply, by a conservative approach, the maximum rates obtained to all the healthy off-balance-sheet loans outstanding;
 - customer order guarantee commitments not yet put in place have been included in off-balance-sheet items since 2013.
- Healthy outstanding guarantee for restructured loans: commitments that have been restructured at non-market conditions. They have been identified and must remain in this category through to their final instalment, except for in cases of failure to comply with the terms and conditions set; in this way, the transfer will be made directly into the category for compromised doubtful debt;
- Doubtful guarantee : all commitments with a recognised credit risk in the following cases:
 - existence of one or more outstanding payments covering a period of at least three months;
 - knowledge of a deteriorated financial position for a counterparty, including without any outstanding payments recorded previously;
 - existence of contentious proceedings relative to a dispute between the institution and the counterparty.

The conditions for a return to healthy outstanding debt are only justified if regular payments have resumed for the amounts corresponding to the initial contractual instalments.

- Compromised doubtful guarantee : this category includes the following commitments:
 - any commitments that have remained doubtful for one year and for which no reclassification as healthy outstanding guarantee is likely, or when an event of default is pronounced;
 - any failure to comply with the instalments and due dates set as part of a restructuring (restructured healthy guarantee).
- Doubtful by contagion. The classification of a counterparty into one of two categories of doubtful guarantee automatically results in all of the guarantee and commitments relating to this counterparty being given an identical rating.

GUARANTEE COMMITMENTS RECEIVED

Mutual guarantee fund reconstitution commitment

Commitment given by Crédit Logement's shareholders and/or partners on a prorata of their guaranteed commitments to reconstitute the mutual guarantee fund under the rules applying to contribution settled before the 1st January 2014 in the event of the latter being used up. This commitment is updated on a half-yearly basis.

Commitments to forward financial instruments

Recording and qualification principles of the operation.

Transactions on forward financial instruments outstanding at the date of closure are shown in the off-balance-sheet commitments. Transactions on forward financial instruments covering interest rates and foreign exchange are recorded in accordance with the provisions of the abovementioned Regulation 2014-07 of 26 november 2014.

Although they do not figure in the publishable off-balance-sheet, the amounts are booked in the off-balance-sheet accounts for their notional amount are detailed in the note appendix A13. They represent the volume of transactions and not the risks that are associated with them.

For commitments on interest rate instruments, the amounts are recognised for the notional of the contracts.

When each transaction is established, the category of position is immediately assigned, namely:

- Isolated opened positions. Contracts classified in the portfolios of isolated opened positions are valued at the lowest of the acquisition price or their market value. Unrealised capital gains are not booked and unrealised capital losses are subject to provision for risk only if there is a counterparty risk.
- Micro-hedging transactions. For transactions qualified as macro-hedging, the expenses and income relative to the forward financial instruments used, assigned from the outset to an item or to a consistent set of identified items, are recognised in the results symmetrically with the recognition of income and expenses on the items hedged.
- Macro-hedging transactions. For transactions qualified as micro-hedging, the expenses and income are booked on a pro rata basis to the income statement.

The adjustments recognised at the conclusion of a contract are booked to the income statement over the lifetime of the contract. In case of termination or assignment of a contract, or its replacement by another contract, the adjustments recognised are immediately booked to the income statement. They are depreciated on a pro rata basis for macro hedging and micro-hedging transactions.

The expenses and income are booked on a pro rata basis to the income statement. The counterpart to this entry is booked to the accruals-liabilities accounts until the date of collection or disbursement of the funds.

The valuation rules are defined in the compensation master agreement to which the transaction is attached, according to the generally-applicable rules in the markets.

If the difference is negative, they are subject to a risk and liabilities provision only in case of isolated uper positions or, for micro-hedging transactions, when the unrealised gains on the hedged asset are recognised.

Firm transactions on interest-rate instruments

Hedging transactions

With the aim of making the results insensitive to short rates, Crédit Logement has decided to contract hedging swaps (seller variable/buyer fixed rate), commonly called interest-rate swaps. They are booked according to the categories specified in article 2 of regulation n° 90-15 and in accordance with the provisions of regulations n° 88-02 and 90-15 and of instruction n° 94-04.

Mechanism of credit risk mitigation on cash investments

This mechanism serves to cover the risk of financial loss in the event that a counterparty to a financial instrument fails to meet its contractual obligations.

To mitigate this risk, Crédit Logement has opted for the establishment of "FBF framework" contracts for collateralisation on derivatives signed with bank counterparties which provide for netting of exposure and the establishment of a regular margin call (cash deposit) which makes it possible to reduce the real exposure. Regular adjustments under the framework agreement are performed each week.

Other securities received as collateral

Financial guarantee framework agreements, established during the financial year, specify the conditions under which partner banks, counterparties to the investments of Crédit Logement, must pledge to it eligible assets within the framework of Article L. 211-38 of the French Monetary and Financial Code.

These guarantees, given by counterparties in the form of pledges, can be of several types:

- cash deposits in our books (these sums are recorded under cash guarantees on the liabilities side of the balance sheet);
- cash account opened in the name of our counterparty and pledged to us;
- eligible securities quoted in euros;
- claim on Crédit Logement - equity loans;
- claims eligible according to the criteria defined in the agreement, resulting from loans, credit or financing for businesses and legal entities.

Regular adjustments to the collateral under the framework agreement are performed each quarter.

OTHER INFORMATION

EMPLOYEE BENEFITS

Commitments relating to end-of-career benefits and the supplementary pension scheme for executive staff (collective supplementary pension insurance policy with defined benefits covering all executive staff under certain conditions) are covered by collective funds managed by an insurance company.

Crédit Logement pays a contribution to these funds on a regular basis, with the difference between the actuarial value of such commitments and the value of the funds managed by the insurance company not provisioned in Crédit Logement's accounts.

CONSOLIDATION SCOPE

Those companies which have no significant characteristic in accordance with the criteria set out in the regulatory provisions are not included in the consolidation scope. Under these conditions, the companies Crédit Logement Assurance, SNC Foncière Sébastopol and SCI Martawi are not consolidated.

As such, Crédit Logement does not draw up consolidated financial statements.

III – NOTES

Notes A: information on the balance sheet and off-balance sheet items

Notes B: information on income statement

Notes C: other informations

NOTES

NOTE A - INFORMATION ON THE BALANCE SHEET AND OFF-BALANCE SHEET ITEMS (in thousand euros)

NOTE A 1 - DEBT AND BREAKDOWN BY PERIOD LEFT TO RUN

	< 3 months	3 months to 1 year	1 to 5 years	> 5 years	Total
CREDIT INSTITUTIONS	559 275	522 204	2 939 795	4 052 432	8 073 706
Sight debt	355 223				355 223
Term debt	195 000	504 000	2 890 000	4 052 289	7 641 289
Related debt	9 052	18 204	49 795	143	77 194
CUSTOMER DEBT	1 078 465	107	175	263	1 079 010
Other customer loans	37	107	175	263	582
Bad debt	1 078 428				1 078 428
BONDS AND OTHER FIXED-INCOME SECURITIES	264 017	142 046	100 000	49 731	555 794

NOTE A 2 - DEPOSITS BREAKDOWN

	Affiliated companies	Equity interests	Other companies	Individuals	Total
DEPOSITS ON CREDIT INSTITUTIONS		7 870 333	203 373		8 073 706
DEPOSITS ON CUSTOMERS				1 079 010	1 079 010
BONDS AND OTHER FIXED-INCOME SECURITIES		555 794			555 794

NOTE A 3 - CUSTOMERS LOANS

NOTE A 3-1 - CHANGE IN OUTSTANDING CUSTOMER LOANS

	31/12/2014	Releases	Repayments	Debt write-offs	31/12/2015
Cash loans - loans to company staff	561	482	461		582
Bad debt	889 163	337 314	116 960	31 089	1 078 428
TOTAL	889 724	337 796	117 421	31 089	1 079 010

No allowance was recorded as at 31 December 2015

NOTE A 3-2 - CREDIT RISK: BREAKDOWN BY CATEGORY OF OUTSTANDINGS

	Healthy debt	O/w, restructured healthy	Bad debt	O/w, compromised bad	Total outstanding debt
Cash loans - loans to company staff	582				582
Bad debt			1 078 428	1 075 309	1 078 428
TOTAL	582		1 078 428	1 075 309	1 079 010

NOTE A 4 - SECURITIES PORTFOLIO

NOTE A 4-1 - BREAKDOWN OF SECURITIES PORTFOLIO (*)

Issued by public bodies	Acquisition value			Market or net asset value	Redemption value
	Other issuers				
	Listed	Unlisted	Total		
BONDS AND OTHER FIXED-INCOME SECURITIES					
Bonds received through repo.	262 856		262 856		
Related debt	1 193		1 193		
SECURITIES RECEIVED	264 049		264 049		
Bonds	189 728		189 728	200 114	190 000
Related Debt	1 766		1 766		
INVESTMENT SECURITIES	191 494		191 494	200 114	190 000
Bonds	100 000		100 000	100 270	100 000
Related Debt	251		251		
INVESTMENT SECURITIES	100 251		100 251	100 270	100 000
SHARES AND EQUITY RELATED SECURITIES					
Other securities		8 907	8 907	6 663	
Allowance for depreciation		-2 244	-2 244		
Marketable securities		6 663	6 663	6 663	
Investment in related companies		9 625	9 625	9 625	
INVESTMENT SECURITIES		9 625	9 625	9 625	
TOTAL SECURITIES PORTFOLIO	555 794	16 288	572 082	316 672	

(*) No trading or investment portfolio has been set up.

NOTE A 4 –2 – EQUITY INTERESTS AND INTERESTS IN AFFILIATED COMPANIES

	% interest	Share capital	Shareholders' equity other than capital *	Income at 31/12/2013	Gross inventory value	Net inventory value
OTHER SECURITIES						
Crédit Logement Assurance	81,74	3 050	520	3	6 829	6 829
SNC Foncière Sébastopol	99,90	15		-124	15	15
ADVANCES AND ASSOCIATED CURRENT ACCOUNTS						
SNC Foncière Sébastopol					2 781	2 781
INTERESTS IN AFFILIATED COMPANIES					9 625	9 625

* Figures at 31/12/14

NOTE A 5 - FIXED ASSETS

GROSS FIXED ASSETS	Gross value at year-start	Acquisitions	Sales or Internal transfers	Gross value at year-end	Net value at year-end
INTANGIBLE FIXED ASSETS	31 443	2 065	-2 301	31 207	3 495
Assets under construction	2 367	475	-2 029	813	813
Software and licenses	29 076	1 590	-272	30 394	2 682
TANGIBLE FIXED ASSETS	36 551	1 668	-396	37 823	13 741
Assets under construction	984	775	-984	775	775
Land	2 909			2 909	2 909
Structural components	5 479			5 479	3 579
Roof / Front	2 078			2 078	565
Transport equipment	154			154	3
Office equipment	433	16	1	450	52
Club Affaires equipment and tools	82	9	-3	88	16
Office furniture	1 429	83	28	1 540	427
Club Affaires furniture	123			123	39
Computer equipment	3 546	337	-264	3 619	537
Fixture & fittings an rental premises	11 559	6	576	12 141	1 370
Fixture & fittings an building	3 490	304	115	3 909	1 481
Technical equipment	4 285	138	135	4 558	1 988
TOTAL	67 994	3 733	-2 697	69 030	17 236

DEPRECIATION OR PROVISIONS	Gross value at year-start	Charges	Write backs	Gross value at year-end
INTANGIBLE FIXED ASSETS	27 540	2 472	-2 300	27 712
Software and licenses	27 540	2 472	-2 300	27 712
TANGIBLE FIXED ASSETS	23 156	1 280	-354	24 082
Land				
Structural components	1 851	49		1 900
Roof / Front	1 411	102		1 513
Transport equipment	135	16		151
Office equipment	370	28		398
Club Affaires equipment and tools	71	4	-3	72
Office furniture	1 056	57	-73	1 113
Club Affaires furniture	83	1		84
Computer equipment	3 132	255	-305	3 082
Fixture & fittings an rental premises	10 533	238		10 771
Fixture & fittings an building	2 164	264		2 428
Technical equipment	2 350	266	-46	2 570
TOTAL	50 696	3 752	-2 654	51 794

All fixed assets are exclusively used by Credit Logement for its own activities

NOTE A 6 - OTHER ASSETS AND ACCRUALS

	31/12/2014	31/12/2015		31/12/2014	31/12/2015
Deposit guarantee fund (FGDR)	20	20	Currency adjustment	23	81
Deposits and sureties given	208	207	Loss to amortize on financial instruments	327	272
Tax and social security receivables	352	342	Pre-paid expenses	605	933
Debtors (staff)	70	81	Deferred expenses	1 731	1 450
Other debtors (customers)	1 620	1 635	Accrued revenue on guarantee	350 022	373 935
Other debtors	26	158	Accruals on interest rate swap	2 557	2 559
			Other accruals	10	301
			Other funds transfer to be charged	23	74
Other assets	2 296	2 443	Accruals	355 298	379 605

NOTE A 7 - DEBTS TO CREDIT INSTITUTIONS AND CUSTOMER

	31/12/2014	31/12/2015
Deposit of cash collateral	52 074	35 660
Related payables	11	16
Credit Institutions	52 085	35 676
Cash collateral received	6 542	6 663
Other amounts due - Confined amounts	12 912	15 472
Due to customer	19 454	22 135

NOTE A 8 - OTHER LIABILITIES, ACCRUALS AND PROVISIONS

	31/12/2014	31/12/2015		31/12/2014	31/12/2015
Tax and social security liabilities	4 053	48 711	Cashed in advance income on guarantee	287 702	325 351
Accounts payable – miscellaneous (staff)	3 058	3 281	Accrued income on guarantee	232 913	247 183
Accounts payable – miscellaneous (suppliers)	2 215	4 250	Accruals on interest rate swap	1 828	1 689
Staff liabilities	1 018	3 347	Currency adjustment	22	80
Other payables	1 373	1 929	Forward financial instrument adjustment accounts (cash margin calls)	68 100	69 600
			Other accruals	1	68
OTHER LIABILITIES	11 717	61 518	ACCRUALS	590 566	643 971

PROVISIONS FOR CONTINGENCIES

Type	31/12/2014	Allowed	Write-backs	Unused write-backs	31/12/2015
Provisions for litigations	361	713	-16		1 058
TOTAL	361	713	-16		1 058

ACCOUNTS PAYABLE SCHEDULE

In accordance with article L.441-6-1 of Code de Commerce introduced by LME law

Type	< 30 days	Within 30 and 60 days	> 60 days	Total
Accounts payable as at 31/12/2015	901			901
Accounts payable as at 31/12/2014	476	1		477

NOTE A 9 - SHAREHOLDERS' EQUITY AND ASSIMILATED
NOTE A 9 -1 - MUTUAL GUARANTEE FUND

	Balance at year start	Incoming	Outgoing	Balance at year-end
Gross mutual guarantee fund in euro	4 240 344	814 763	-352 679	4 702 428
Gross mutual guarantee fund in foreign currency	1 676	218		1 894
Use of mutual guarantee fund to cover irrecoverable bad debts	-101 808	-32 589	1 499	-132 898
Mutual guarantee fund in balance sheet liabilities	4 140 212	782 392	-351 180	4 571 424
Bad debt to recover in balance sheet assets	-889 163	-337 314	148 049	-1 078 428
Mutual guarantee fund available after doubtful debts	3 251 049	445 078	-203 131	3 492 996
Bad debt to recover balance sheet assets	889 163	337 314	-148 049	1 078 428
Expected loss on doubtful debts - loss forecast	-366 599	-136 003	60 825	-441 777
Recover forecasts on non performing loans	522 564	201 311	-87 224	636 651
Mutual guarantee fund less euro expected losses on doubtful debt to recover	3 773 613	646 389	-290 355	4 129 647

NOTE A 9-2 – SUBORDINATED DEBT

DEEPLY SUBORDINATED BORROWINGS	Issue date	Due date	31/12/2014		31/12/2015	
			Amounts	Associated debt	Amounts	Associated debt
	30/12/2009		194 284		194 284	
	30/12/2010		395 579		395 579	
	30/06/2011		415 186		415 186	
	30/12/2011		286 008		286 008	
UNDETERMINED			1 291 057	2 240	1 291 057	1 701
	30/06/2012	30/12/2026	300 830		300 830	
	30/06/2013	30/12/2026	120 737		120 737	
DETERMINED			421 567	30	421 567	23
TOTAL SUBORDINATED BORROWINGS			1 712 624	2 270	1 712 624	1 724
SUBORDINATED SECURITIES	Issue date/ due date	Number of titles				
Perpetual securities Code ISIN FR 0010301713	16/03/2006 indetermined	16 000	800 000	438	800 000	363
Term securities Code ISIN FR 0011000231	16/02/2011 16/02/2021	5 000	500 000	23 833	500 000	23 833
TOTAL SUBORDINATED SECURITIES			1 300 000	24 271	1 300 000	24 196
TOTAL SUBORDINATED DEBT			3 012 624	26 541	3 012 624	25 920

NOTE A 9 -3 – FUNDS FOR GENERAL BANKING RISKS AND REGULATORY PROVISIONS

	Balance at year start	Charges for the year	Write-backs for the year	Balance at year-end
Regulatory provision for medium and long-term credit risks	56 947			56 947
Funds for general banking risks	610			610
TOTAL	57 557			57 557

NOTE A 9 -4 - CHANGE IN CAPITAL AND RESERVES

- Crédit Agricole and LCL le Crédit Lyonnais 33,00 % - Crédit Mutuel and CIC 9,50 % - BNP Paribas 16,50 % - SF2 - Groupe La Banque Postale 6,00 % - Société Générale and Crédit du Nord 16,50 % - HSBC France 3,00 % - Groupe BPCE and Crédit Foncier de France 15,50 %				
The share capital (fully paid-up) comprises:	31/12/2014	Increase/ allocation	Reduction/ allocation	31/12/2015
- 17 997 861 Category A shares,	1 259 850			1 259 850
	1 259 850			1 259 850
Legal reserve	49 948	3 480		53 428
General reserve	67 238			67 238
TOTAL	117 186	3 480		120 666

NOTE A 10 - AMOUNT OF RECEIVABLES OR PAYABLES ASSOCIATED WITH EACH ITEM ON THE BALANCE SHEET

	31/12/2014	31/12/2015		31/12/2014	31/12/2015
Credit institutions	88 661	77 195	Credit institutions	10	16
Interests in affiliated companies	12	16	Subordinated debt	26 540	25 920
Bonds and other fixed-income securities	5 180	3 210	Other liabilities: tax and social		
Other assets : tax pay back	352	342	security liabilities	4 053	48 710
Other accruals			Other accruals :		
. on guarantee	350 021	373 935	. On financial instrument	1 828	1 689
. on suppliers	10	301			
. on financial instrument	2 556	2 559			
Accrued revenue	446 792	457 558	Expenses due and accrued	32 431	76 335
Other accruals :			Other accruals :		
. issue expenses to amortize	1 731	1 450	. sureties with INITIO tariff	232 914	247 183
. on suppliers	605	933	. sureties with CLASSIC tariff	287 702	325 343
PRE-PAID EXPENSES	2 336	2 383	Pre-booked income	520 616	572 526

NOTE A 11 - OFF-BALANCE SHEET COMMITMENTS RECEIVED

	31/12/2014	Changes	31/12/2015
Counter-guarantees received (from our shareholders or not) relative to the commitment to reconstitute the mutual guarantee fund	3 301 184	-373 537	2 927 647
TOTAL	3 301 184	-373 537	2 927 647
Financial guarantee Framework (art. L211-38 of CMF)			
Eligible abs euro listed titles	253 725	9 229	262 954
Receivable on Credit Logement subordinated borrowings	753 655		753 655
Eligible claims from loans, credit or finance to enterprises, legal persons	769 086	31 336	800 422
OTHER INFORMATIONS : OTHER ASSETS RECEIVED AS SECURITIES COLLATERAL	1 776 466	40 565	1 817 031

NOTE A 12 - OFF-BALANCE SHEET COMMITMENTS GIVEN
NOTE A 12 - 1 - CHANGE IN COMMITMENTS GIVEN

	31/12/2015	Put in place	Depreciation /Amortisation	Final repaiments	31/12/2015
Guarantee for individual residential loans - Commitments in place	254 268 507	80 489 231	-18 040 613	-36 394 502	280 322 623
Unpaid due payments estimated on real estate loan	19 159		1 968		21 127
	254 287 666	80 489 231	-18 038 645	-36 394 502	280 343 750
Commitments not yet in place	32 034 769		3 500 251		35 535 020
Guarantee for individual residential loans	286 322 435	80 489 231	-14 538 394	-36 394 502	315 878 770
Financial guarantee	48	83		-48	83
GUARANTEE GIVEN ON CUSTOMER	286 322 483	80 489 314	-14 538 394	-36 394 550	315 878 853

NOTE A 12- 2 - BREAKDOWN BY TIME LEFT TO RUN

	< 3 months	3 months to 1 year	1 to 5 years	> 5 years	TOTAL
Guarantee commitment customer order					
Guarantee for individual residential loans	178 108	1 247 786	13 774 404	265 122 325	280 322 623
Commitments not yet in place		35 535 020			35 535 020
Unpaid due payments estimated on real estate loan	21 127				21 127
Financial guarantee	83				83
TOTAL	199 318	36 782 806	13 774 404	265 122 325	315 878 853

NOTE A 12 - 3 - CREDIT RISK : BREAKDOWN BY CATEGORY OF OUTSTANDING DEBT

	Healthy debt	O/w, restructured healthy	Bad debt	O/w, compromised bad	Total debt
Guarantee commitment customer order					
Guarantee for individual residential loans	279 176 654	26 492	1 145 969	411 952	280 322 623
Unpaid due payments estimated on real estate loan before gaurantee call	21 127				21 127
Commitments not yet in place	35 535 020				35 535 020
Financial guarantee	83				83
TOTAL	314 732 884	26 492	1 145 969	411 952	315 878 853

NOTE A 13 - TERM FINANCIAL INSTRUMENTS

OTC interest rate transactions	Notional amount	Premium on options	Market value (interest include)	Market value (without interest)
Covered by FBF Framework	1 420 000	69 600	66 997	66 713
Not covered by framework	150 000		12 444	11 872
TOTAL	1 570 000		79 441	78 585

No transfer from one type to another in 2015

OTC interest rate transactions - by maturity	< 3 month	3 month to 1 year	1 year a 5 years	> 5 years	TOTAL
. micro hedge		40 000		50 000	90 000
. macro hedge (fix rate receivable)			610 000	870 000	1 480 000
TOTAL		40 000	610 000	920 000	1 570 000

NOTE B - INFORMATION ON PROFIT AND LOSS ACCOUNT (in thousand euros)
NOTE B 1 - INTEREST INCOME AND ASSIMILATED - INTEREST EXPENSE AND ASSIMILATED

	31/12/2014	31/12/2015
Interest on demand deposit accounts	1 006	185
Interest on term deposit accounts (counterparty for subordinated borrowings)	14 201	11 080
Interest on term accounts for "cash from capital subscriptions, Category B shares"	5 284	2 472
Interest on term deposit accounts and cash adjustment	122 858	239 295
Income on term financial instruments	19 396	22 236
Transactions with credit institutions	162 745	275 268
Loans to Crédit Logement staff	4	5
Interest on bad debt (interest for late payments on secured debt)	1 933	3 056
Transactions with customers	1 937	3 061
Interest on securities received	3 443	14 182
Interest income on investment securities	48	314
Interest income on financial securities	4 578	3 644
Interest on bonds and fixed-income securities	8 069	18 140
TOTAL INTEREST INCOME AND ASSIMILATED	172 751	296 469
Interest on right deposit		-13
Interest or interest compensation	-75	-17
Interest on undated subordinated borrowings	-19 696	-16 845
Interest on deeply subordinated securities and synthetic securitisations	-42 263	-36 636
Interest on cash collateral	-119	-121
Expenses on investment security	-326	
Interest on term subordinated borrowings	-9 258	-6 484
TOTAL INTEREST EXPENSES AND ASSIMILATED	-71 737	-60 116

NOTE B 2 - INCOME ON VARIABLE-INCOME SECURITIES

	31/12/2014	31/12/2015
Interest on the current account associated with SNC Foncière Sébastopol	50	59
TOTAL INCOME ON VARIABLE-INCOME SECURITIES	50	59

NOTE B 3 - COMMISSION (INCOME AND EXPENSES)

	31/12/2014	31/12/2015
Commission on off-balance sheet commitments given on residential loans	110 521	176 334
TOTAL COMMISSION (INCOME)	110 521	176 334
Banking commission and fees	-1 015	-1 220
Commission and fees on synthetic securitisations and subordinated securities	-188	-194
TOTAL COMMISSION (EXPENSES)	-1 203	-1 414

NOTE B 4 - INCOME ON INVESTMENT PORTFOLIO TRANSACTIONS AND ASSIMILATED

	31/12/2014	31/12/2015
Capital gains on marketable security disposals	2 190	19 192
Provision allocation and write backs on securities	119	121
TOTAL INVESTMENT PORTFOLIO TRANSACTIONS	2 309	19 313

NOTE B 5 - GAIN OR LOSS ON TRADING PORTFOLIO

	31/12/2014	31/12/2015
Capital gain on exchange		6
TOTAL RESULT ON TRADING PORTFOLIO		6

NOTE B 6 - OTHER OPERATING BANKING INCOME AND EXPENSES

	31/12/2014	31/12/2015
Third-party collection income (management and collection fees)	2 972	3 013
Ancillary income (Crédit Logement Assurance/SNC Foncière Sébastopol)	149	943
Other ancillary income	166	508
Other income	4	55
TOTAL OTHER OPERATING INCOME	3 291	4 519
SNC Foncière Sébastopol loss	-123	-334
Other expenses	-199	-177
TOTAL OTHER OPERATING EXPENSES	-322	-511

NOTE B 7 - GENERAL OPERATING EXPENSES

	31/12/2014	31/12/2015
Salaries and wages	-15 246	-16 525
Social security taxes	-7 486	-8 316
Salary-based taxes	-2 474	-2 857
Pension expenses	-2 297	-2 802
Performance-related bonus	-1 218	-300
Employee profit-sharing	-1 018	-3 347
Allowances for disputes		-96
Staff costs	-29 739	-34 243
Tax	-52 175	-10 362
Rentals	-1 243	-1 352
Transport	-143	-136
Other external services	-13 423	-12 316
Reserves on disputes	48	-600
External services	-14 761	-14 404
Other administrative costs	-66 936	-24 766
TOTAL GENERAL OPERATING EXPENSES	-96 675	-59 009

NOTE B 8 - DEPRECIATION AND ALORTISATION ON FIXED ASSETS INCLUDING EQUITY SECURITIES

	31/12/2014	31/12/2015
Software and licenses	-2 435	-2 472
Intangible fixed assets	-2 435	-2 472
Structural components	-49	-49
Roof / Front	-102	-102
Transport equipment	-38	-16
Office equipment	-32	-28
Club Affaires equipment and tools	-4	-4
Office furniture	-50	-57
Club Affaires furniture	-1	-1
Computer equipment	-288	-255
Fixture & fittings an rental premises	-182	-238
Fixture & fittings an building	-229	-264
Technical equipment	-239	-266
Tangible fixed assets	-1 214	-1 280
TOTAL	-3 649	-3 752

NOTE B 9 - INCOME OR LOSS ON CAPITALISED ASSETS

	31/12/2014	31/12/2015
Capital losses on fixed asset disposals	-18	-43
TOTAL	-18	-43

NOTE B 10 - CORPORATE INCOME TAX

	31/12/2014	31/12/2015
On ordinary income	-43 413	-135 840
On unrealised capital gains on the	-201	
Contribution on distributed revenues	-2 106	
TOTAL *	-45 720	-135 840

* including corporate income tax instalments already paid

-43 363 -97 256

NOTES C - OTHER INFORMATIONS (in thousand euros)

NOTE C 1 - TOTAL AMOUNT OF COMPENSATION FOR THE YEAR

	Compensation	Advances and loans	Off balance-sheet commitments
To all administrative bodies *	36		
To all executives **	796	3	205
- fix compensation	599		
- variable compensation	132		
- fringe benefits and pension	65		

* No benefits and compensation paid to subsidiary during year 2015

** A yearly extraordinary bonus, in accordance with the company's result and if the result justifies it, can be allocated to the Chief Executive Officer within the limits of 25% of his gross annual pay ; and to the Deputy Chief Executive Officer within the limits of 20% of their gross annual pay. The amounts are determined according to the results by the Chairman of the Board on behalf of the remunerations committee to which he is accountable.

NOTE C 2 - TOTAL AMOUNT OF THE FEES OF THE STATUTORY AUDITORS FOR THE YEAR

	Fees
Statutory audit	166
Ancillary services	12

NOTE C 3 - AVERAGE STAFF BREAKDOWN BY LEVEL

	31/12/2014	31/12/2015
Executives*	2	2
Managers	191	213
Supervisors	61	58
Employees	34	32
TOTAL	288	305

* without managing Director

NOTE C 4 - OTHER SOCIAL COMMITMENTS OUTSOURCED AND NOT PROVISIONED

Commitments corresponding to services provided under the different systems are covered by collective funds managed externally.			
Supplementary pension for managers		Voluntary or compulsory retirement benefits	
Value of the collective funds managed externally	3 898	Value of the collective funds managed externally	1 296
Present value of commitments	5 390	Present value of commitments	1 301
Provisioned amount at year end	1 465		
Collective supplementary pension insurance policy with defined benefits		Collective "end-of-career benefits" insurance policy	
Beneficiaries: all managers, subject to certain conditions of status and seniority when retiring		Beneficiaries: all company staff	
Increase of 2% per year up to 20% of annual earnings when retiring			
Expected annual pension of the corporate officers as at 31/12/2015 following rules edicted by art.D 225-104-1 of Commercial law : 82			
Rules and methods			
. Updates are carried out for each contract type using the "unit cost per year of service" method based on global or individual data provided to an independent actuarial company.			
. Total commitments are calculated for the total careers forecast for participants.			
. Actuarial debt corresponds to commitments updated on the end date for each contract.			
. Year end benefits will be paid out based on staff seniority and common law rules.			

NOTE C 5 - "AD HOC" COMPANIES

At the close of accounts, there were no interests in "ad hoc" companies.
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NOTE C 6 - PROPOSED ALLOCATION OF INCOME

Income for the year ended	236 015
Retained earnings for the previous year	75 677
INCOME TO BE ALLOCATED	311 692
BREAKDOWN OF ALLOCATION	
- Legal reserve	11 800
- General reserve	
- Retained earnings	299 892
TOTAL	311 692

FINANCIAL RESULTS

in thousand euros

	2011	2012	2013	2014	2015
Financial position at year-end					
Share capital	1 253 975	1 259 850	1 259 850	1 259 850	1 259 850
Number of shares issued					
. A shares	1 940 363	17 997 861	17 997 861	17 997 861	17 997 861
. B shares *	80 287 490				
Total earnings for effective operations					
Revenues (net of tax)	320 597	359 697	297 057	288 804	496 580
Earnings before tax, depreciation and provisions	146 157	172 747	127 266	118 800	376 183
Corporate income tax	50 684	59 990	45 892	45 720	135 840
Earnings after tax, depreciation and provisions	88 515	104 278	73 910	69 598	236 015
Profit distributed					
. A shares	71 696	52 194	70 192	0	0
. B shares *	12 413				
Earnings per share for operations (in euros)					
Earnings after tax but before depreciation and provisions *					
. A shares	42,80	6,27	5,05	4,59	17,56
. B shares	0,16				
Earnings after tax, depreciation and provisions *					
. A shares	39,23	5,79	4,64	4,40	17,32
. B shares	0,15				
Dividend per share *					
. A shares	36,95	2,90	3,90	0,00	0,00
. B shares	0,1546046				
Workforce					
Average headcount**	254	270	280	288	305
Payroll	13 311	13 473	14 336	15 246	16 525
Staff benefits	7 489	8 708	8 951	9 782	11 118

* B shares converted in ordinary shares following the 9th of may 2012 general meeting

** without managing director



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