

Results of Compagnie de Financement Foncier for the 1st half of 2018

The Board of Directors of Compagnie de Financement Foncier met on August 1st, 2018 under the chairmanship of Benoît Catel, to approve the 2018 half-year financial statements.

The real estate loan market has remained dynamic since the beginning of 2018, but has shown a slight drop due to the increase in real estate prices in the most sought-after areas and the slowdown in demand. Despite low interest rates and intense competition between credit institutions, there has been a continued fall in early repayments since the second half of 2017.

During the 1st half of 2018, Compagnie de Financement Foncier's business activity remained in line with Crédit Foncier's strategic guidelines in close synergy with Groupe BPCE and with its own management commitments.

I. Activity of Compagnie de Financement Foncier

Issuance of obligations foncières:

- In the 1st half of 2018, Compagnie de Financement Foncier issued €4.2bn of *obligations foncières*. This volume includes private placements and three benchmarks: a ten-year €1.0bn issuance in January, a five-year €1.5bn issuance in April, and an eight-year €1.25bn issuance in May. These issuances were carried out under excellent conditions and with high subscription levels, demonstrating investor confidence in the creditworthiness of Compagnie de Financement Foncier.
- *Obligations foncières* outstanding (including related payables) amounted to €62.7bn on June 30, 2018, compared with €63.4bn on December 31, 2017.

Purchases and assignment of receivables:

- During the 1st half of 2018, Compagnie de Financement Foncier refinanced €3.9bn of loans including related receivables, in addition to €0.2bn in financing commitments. The drop in the rate of early repayments between the end of December 2017 (16.5%) and the end of June 2018 (7.9%) limited the decline in mortgage assets on Compagnie de Financement Foncier's balance sheet.

II. Compagnie de Financement Foncier's income statement

<i>In millions of euros</i>	1 st half of 2018	1 st half of 2017	Change in %
Net banking income	131.7	93.4	+41.0%
Operating expenses	-44.3	-64.8	-31.6%
Gross operating income	87.5	28.6	+205.9%
Cost of risk	-2.5	-3.6	-30.6%
Gains or losses on long-term investments	0	7.3	n/a
Income before tax	84.9	32.3	+162.8%
Income tax	-37.5	-13.2	+184.1%
Net income	47.4	19.1	+148.2%

The net banking income stood at €131.7m, up compared with the 1st half of 2017 (€93.4m), with the net interest margin improvement partially offset by the decrease in the level of prepayment penalties on home loans.



The operating expenses accounted for €44.3m as of June 30, 2018, down by €20.5m compared with the 1st half of 2017.

There were no net gains on long-term investments in the 1st half of 2018, compared with €7.3m for the same period in 2017 which recorded gains on sales of international securities.

The gross operating income was €87.5m.

The cost of risk represented a €2.5m expense as of June 30, 2018, a slight improvement compared with the 1st half of 2017 (less than 1bp of home loans to individuals).

Net income stood at €47.4m on June 30, 2018.

III. Balance sheet information

The balance sheet totaled €77.0bn as of June 30, 2018 compared with €78.4bn as of December 31, 2017, in line with Crédit Foncier group's strategy to reduce the size of its balance sheet.

Doubtful loans stood at €1.6bn as of June 30, 2018 compared with €1.4bn as of December 31, 2017 and were concentrated for over 99.5% on home loans to individuals.

IV. Prudential information

Although exempted from regulatory requirements concerning solvency ratios, Compagnie de Financement Foncier calculates a Common Equity Tier One ratio for indicative purposes. As of June 30, 2018, this ratio remained well above the minimum thresholds specified in CRR regulation 575/2013.

Furthermore, Compagnie de Financement Foncier continued to carry out an extremely prudent liquidity management and had a consistent level of cash deposited with the Bank of France as of June 30, 2018.

Finally, in accordance with the law applicable to *sociétés de crédit foncier*, Compagnie de Financement Foncier must maintain a coverage ratio (equal to the ratio between weighted assets and privileged debt) greater than 105% at all times. As of March 31, 2018, this ratio was 114.3%.

V. Repositioning project of Compagnie de Financement Foncier

On June 26, 2018, Crédit Foncier and the Groupe BPCE announced a project to integrate the activities and skills of Crédit Foncier within Groupe BPCE entities. This project is subject to information-gathering and consultation between the employee representative bodies of Crédit Foncier and the group entities concerned and to approval by the competent corporate bodies. Once approval is obtained from these bodies, subject to any changes and if this project is implemented, Compagnie de Financement Foncier would remain a strategic subsidiary of Groupe BPCE, under the affiliation scheme, thus joining the Groupe BPCE solidarity mechanism. Beyond the guarantees provided by the regulation applicable to *sociétés de crédit foncier*, holders of *obligations foncières* would therefore continue to benefit from this additional guarantee.



Appendix

Unless otherwise specified, the financial information included in this press release is estimated and taken from the financial statements of Compagnie de Financement Foncier. Those statements include the individual accounts and related explanatory notes, prepared in compliance with French accounting standards and the applicable BPCE standards.

At the date of this press release, the audit of the half-year financial statements by the Statutory Auditors ("Commissaires aux comptes") is still in progress.

Compagnie de Financement Foncier is a credit institution company registered as a specialized credit institution and a société de crédit foncier (a French legal covered bonds issuer), affiliate of BPCE and fully-owned by Crédit Foncier.

Regulated information is available on our website www.foncier.fr under "Financial communication/Regulated information".

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