

Compagnie de Financement Foncier in the 1st half of 2016: a benchmark actor on the covered bonds market

Compagnie de Financement Foncier's Board of Directors met on July 26, 2016 under the chairmanship of Bruno Deletré to approve the 2016 half - year accounts.

During the 1st half of 2016, 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.

Issuance of obligations foncières :

- Compagnie de Financement Foncier issued €3.7bn in *obligations foncières* during the 1st half of 2016. This amount notably includes three benchmarks: a 10-year € 1 billion issuance in January, a 6-year € 1 billion issuance in March and a 8-year € 1 billion issuance in April. All the issuances were carried out under very favorable conditions and had satisfactory subscription levels, which has illustrated the creditworthiness of Compagnie de Financement Foncier.
- The *obligations foncières*' outstanding stood at €67bn as of June 30, 2016 compared with €69bn as of December 31, 2015.

Purchases and assignment of receivables:

- Compagnie de Financement Foncier used mortgage notes (« *billets hypothécaires* ») to fund its parent company, Crédit Foncier. The outstanding amount of these notes accounted for €6.2bn at June 30, 2016, up by €0.5bn compared with December 31, 2015.
- Compagnie de Financement Foncier acquired €3.8bn of receivables from its parent company, Crédit Foncier. As of June 30, 2016 the loans to customers accounted for €44.0bn, including €35.4bn of home loans.
- Compagnie de Financement Foncier continued to fund Groupe BPCE through loans fully secured by the assignment of public sector receivables in France. As of June 30, 2016 the outstanding amount of these loans was stable compared with December 31, 2015 and amounted to €12.7bn.

Transfer of receivables:

- Compagnie de Financement Foncier further reduced its international public sector exposure and sold €98m in loans and securities in the first half of 2016.

The balance sheet totalled €84.0bn as of June 30, 2016 compared with €87.6bn as of December 31, 2015, in line with the groupe Crédit Foncier's strategy to reduce the size of its balance sheet.

The net banking income stood at €189m as of June 30, 2016, up by €4m compared with €185m a year earlier.

The operating expenses accounted for €60m as of June 30, 2016.

The gross operating income was €129m.

The cost of risk represented a loss of €4m in the 1st half of 2016 versus a gain of €4m a year earlier. This gain recognized as of June 30, 2015 was mainly reflecting the extraordinary provision reversal following the disposal of its exposure to the Austrian bank HETA.

The net income of €79m as of June 30, 2016 was slightly up compared with €75m a year earlier.

Compagnie de Financement Foncier's income statement

<i>in millions of euros</i>	1st half of 2016	1st half of 2015	Change, in %
Net banking income	189	185	+ 2,2 %
Operating expenses	-60	-55	+ 9,1 %
Gross operating income	129	130	- 0,8 %
Cost of risk	-4	4	ns
Gains or losses on long-term investments	0	-16	ns
Income before tax	124	118	+ 5,1 %
Net income	79	75	+ 5,3 %

Calculated according to the standard Basel III method, its Common Equity Tier-1 ratio (CET1) was estimated at 18.1% at the end-June 2016, compared with 18.7% at year-end 2015.

Furthermore, Compagnie de Financement Foncier continued to carry out an extremely prudent liquidity policy throughout the first half of 2016 and had therefore an adequate amount of cash deposits with the Bank of France as of June 30, 2016. An important part of Compagnie de Financement Foncier's assets is eligible for refinancing operations with the European Central Bank.

In accordance with the law applicable to *sociétés de crédit foncier*, Compagnie de Financement Foncier must maintain a coverage ratio (equal to the ratio of weighted assets to privileged debt) greater than 105% at all times.

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 specialised credit institution and a société de crédit foncier (a French legal covered bonds issuer), affiliate of BPCE and fully-owned by Crédit Foncier and Groupe BPCE.

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

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