

Results of Compagnie de Financement Foncier for the first half of 2017

Compagnie de Financement Foncier's Board of Directors met on July 31, 2017 under the chairmanship of Bruno Deletré to approve the 2017 half-year accounts.

During the first half of 2017, the slight increase in interest rates and home prices did not affect the vitality of the French real estate market, which remained very dynamic. With the upturn in economic activity and the continuation of the state-funded schemes to promote home-ownership, households continue to be encouraged to invest in real estate. However, credit institutions are still faced with a large volume of early repayments of housing loans.

During the first half of 2017, 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 first half of 2017, Compagnie de Financement Foncier issued €3.7bn of *obligations foncières*. This volume includes private placements, and notably two benchmarks: a six-year €1.5bn issuance in January and a five-year €1.5bn issuance in May. These issuances were carried out under excellent conditions and with very high subscription levels, thus demonstrating the constant acknowledgement by the markets of the Compagnie de Financement Foncier's creditworthiness.
- *Obligations foncières* outstanding (including related payables) amounted to €66.3bn on June 30, 2017, compared with €67.4bn on December 31, 2016.

Purchases and assignment of receivables:

- At the beginning of the year, Crédit Foncier repaid to Compagnie de Financement Foncier nearly all the mortgage notes that it had subscribed and replaced these securities with funding secured in accordance with Article L. 211-38 of the French Monetary and Financial Code with the same portfolios of real estate loans.
- In the first half of 2017, Compagnie de Financement Foncier refinanced nearly €3.4bn (outstanding principal amount) of mortgage loans and/or public loans granted by Crédit Foncier. Thanks to the resilience of its parent company, Compagnie de Financement Foncier managed to contain the drop in volume of mortgage assets on its balance sheet resulting from the exceptionally high level of early repayments of personal property loans (€3.2bn against €1.6bn as at the first half of 2016).

Disposal of receivables:

- Compagnie de Financement Foncier further reduced its international public sector exposure and sold €202.4m in loans and securities in the first half of 2017.



II. Compagnie de Financement Foncier's income statement

<i>in millions of euros</i>	1st half of 2017	1st half of 2016	Change in %
Net interest margin - excluding amortization of discounts/premiums	232.7	252.8	-8.0%
Amortization of acquisition premiums/discounts on customer loans	-204.0	-96.0	-112.5%
- <i>Including accelerated amortization of premiums/discounts</i>	-162.1	-60.5	-167.9%
Net interest margin	28.7	156.8	-81.7%
Net fees/commissions and other	64.8	31.8	+103.8%
Net banking income	93.4	188.6	-50.5%
Operating expenses	-64.8	-59.8	8.4%
Gross operating income	28.6	128.8	-77.8%
Cost of risk	-3.6	-4.4	-18.2%
Gains or losses on long-term investments	7.3	0	ns
Income before tax	32.3	124.4	-74.0%
Income tax	-13.2	-45.5	-71.0%
Net income	19.1	78.9	-75.8%

Net interest margin excluding amortization of premiums and discounts stood at €233m compared with €253m as at the first half of 2016. As at the first half of 2017, the level of early repayments of retail mortgages was exceptionally high (20.4% compared with 10.3% in first half of 2016) and the acceleration of the amortization induced of premiums and discounts on loans (-€102m compared with the first half of 2016) adversely affected the net interest margin.

Net banking income stood at €93m at June 30, 2017 compared with €189m at June 30, 2016.

The operating expenses accounted for €65m as of June 30, 2017.

The gross operating income was €29m.

Cost of risk represented a charge of €4m at June 30, 2017 that is a lower level than in the first half of 2016.

Net income stood at €19m on June 30, 2017.

III. Balance sheet information

The balance sheet totaled €80.3bn as of June 30, 2017 compared with €84.3bn as of December 31, 2016, in line with the groupe Crédit Foncier's strategy to reduce the size of its balance sheet.

Doubtful loans stood at €1.5bn as of June 30, 2017 compared with €1.4bn as of December 31, 2016 and concerned only customer transactions. Over 99.8% of these transactions concerned personal home loans.

IV. Prudential information

Although it is exempted from the regulatory requirement concerning solvency ratios, Compagnie de Financement Foncier's Common Equity Tier One ratio continues to be well above the thresholds specified in CRR regulation 575/2013.

Furthermore, Compagnie de Financement Foncier continued to carry out an extremely prudent liquidity policy throughout the first half of 2017 and therefore had an adequate amount of cash deposits with the Bank of France as of June 30, 2017.

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 of weighted assets to privileged debt) greater than 105% at all times. As of March 31, 2017, the ratio stood at 117.3%.



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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