

Results of Compagnie de Financement Foncier in 2017

Compagnie de Financement Foncier's Board of Directors met on February 9, 2018 under the chairmanship of Benoît Catel, to approve the 2017 annual financial statements.

Despite the slight increase in interest rates and real estate prices in 2017, the context remains positive and the real estate loan market remains dynamic and very attractive. Real estate sales were at record levels, particularly in the market for existing homes whose volume reached 970,000 transactions, up by 15% over one year ⁽¹⁾. Loan origination activity continued to grow in 2017, reaching €178bn compared to €156bn in 2016, excluding loan repurchases ⁽²⁾.

During the 2017 financial year, 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

Issuances of obligations foncières:

- Compagnie de Financement Foncier issued €6.1bn in *obligations foncières* in 2017. Compagnie de Financement Foncier successfully conducted 4 benchmark public issuances denominated in euro and carried out under excellent conditions, with very high subscription levels. It demonstrates the constant acknowledgement by the financial markets of the Compagnie de Financement Foncier's creditworthiness.
- Outstanding *obligations foncières* stood at €63.4bn at December 31, 2017, related payables included, versus €67.4bn one year previously.

Purchases and assignment of receivables:

- In 2017, Compagnie de Financement Foncier directly acquired and refinanced €5.1bn (outstanding principle amount and related receivables) of mortgage loans and/or public loans granted by Crédit Foncier.

Transfer of receivables:

- Compagnie de Financement Foncier continued to reduce its international public sector exposure and sold €296m in securities in 2017.

¹ *Notaires de France, National Real Estate Press Conference (Conférence de presse immobilière nationale), December 19, 2017.*

² *Annual real estate markets' conference of Crédit Foncier, January 31, 2018.*

II. Compagnie de Financement Foncier's income statement

| <i>in millions of euros</i> | 2017 | 2016 | Change, in % |
|--|-------------|-------------|---------------------|
| Net interest margin - excluding amortization of discounts/premiums | 413 | 542 | -25% |
| Amortization of acquisition premiums/discounts on customer loans | -306 | -263 | +16% |
| - Including accelerated amortization of premiums/discounts | -249 | -140 | +78% |
| Net interest margin | 107 | 279 | -62% |
| Net commissions | 95 | 81 | +17% |
| Net banking income | 200 | 359 | -45% |
| General operating expenses | -118 | -128 | -8% |
| Gross operating income | 82 | 232 | -65% |
| Cost of risk | -5 | -27 | -82% |
| Gains or losses on long-term investments | 7 | - | N/A |
| Income before tax | 84 | 205 | -59% |
| Income tax | -26 | -111 | -76% |
| Net income | 58 | 94 | -38% |

Net interest margin excluding amortization of premiums and discounts stood at €413m compared with €542m in 2016. The level of early repayments of retail real estate loans was exceptionally high (16.5% in 2017 compared to 13.1% in 2016) and the resulting acceleration of the amortization of premiums and discounts on loans adversely affected the net interest margin.

Net banking income stood at €200m in 2017 versus €359 m in 2016, down by 45%.

General operating expenses amounted to €118m in 2017, down by 8% compared to 2016. General operating expenses mainly include expenses for services provided by Crédit Foncier (as a reminder, Compagnie de Financement Foncier does not employ its own employees; most of its management is subcontracted to the parent company) as well as the repayment to Crédit Foncier of a share of the prepayment penalties collected.

The gross operating income was €82m.

The cost of risk improved to €5m (compared to €27m in 2016) due in particular to the positive effect produced by the annual revaluation of guarantees and a disposal of doubtful loans.

Income tax of the year totaled €26m.

Net income amounted to €58m in 2017, versus €94m in 2016.

III. Balance sheet information

Compagnie de Financement Foncier's balance sheet totaled €78.4bn at December 31, 2017, compared with €84.3bn at December 31, 2016, in line with the Crédit Foncier group's strategy to master its balance sheet.

Doubtful loans amounted to €1.4bn, stable compared to December 31, 2016, and only related to customer transactions. Over 99% of these transactions concerned personal home loans. At the same time, impairments decreased to €90m, compared with €106m at December 31, 2016.

IV. Prudential information

Although it is exempted from the regulatory requirement concerning solvency ratios, the Common Equity Tier One (CET 1) ratio calculated for Compagnie de Financement Foncier is estimated at 21%.

Furthermore, Compagnie de Financement Foncier continued to strictly and prudently control its liquidity in 2017 by optimizing its costs of carry.

Lastly, in accordance with the law applicable to *sociétés de crédit foncier*, Compagnie de Financement Foncier must maintain a coverage ratio greater than 105%; it was 117% at September 30, 2017.

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 annual financial statements by the statutory auditors ("Commissaires aux comptes") is still in progress.

Compagnie de Financement Foncier is a credit institution registered as a specialized credit institution and a société de crédit foncier (a French legal covered bonds issuer), an 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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