

Compagnie de Financement Foncier's Board of Directors met on February 11, 2019 under the chairmanship of Benoît CATEL, to approve the 2018 annual financial statements.

## **Results of Compagnie de Financement Foncier in 2018**

On June 26, 2018, Crédit Foncier and Groupe BPCE announced their plan of setting up a new industrial scheme for Crédit Foncier, which will be implemented on April 1<sup>st</sup>, 2019.

In this context, the industrial aspect of the project is characterized by the following guidelines:

- the new production will be redeployed within the Group BPCE entities and Crédit Foncier will manage outstanding loans;
- Compagnie de Financement Foncier will refinance public sector assets originated by Group BPCE entities.

Compagnie de Financement Foncier remains a strategic subsidiary for Groupe BPCE, under the affiliation regime, and therefore part of the Group solidarity mechanism, which continues to ensure the proper repayment of the debt issued by Compagnie de Financement Foncier.

### **I. Activity of Compagnie de Financement Foncier**

#### Issuance of *obligations foncières*

- Compagnie de Financement Foncier issued €5.7bn in *obligations foncières* in 2018, of which 4 benchmark public issuances denominated in euro and carried out under excellent financial conditions (in January 2018 the 10-year issue reached a historically tight level) and with a very high investor demand. It demonstrates the quality of the Compagnie de Financement Foncier's creditworthiness on the financial markets.
- At December 31, 2018, outstanding covered bonds stood at €63.4bn, related payables included, stable compared to the previous year.

#### Purchases and assignment of receivables

- In 2018, Compagnie de Financement Foncier directly acquired and refinanced €6.4bn (outstanding principal amount, related payables included) of mortgage loans and/or public loans granted by Crédit Foncier, a level of €1.3bn higher than that of December 31, 2017.

## II. Compagnie de Financement Foncier's income statement

<i>in millions of euros</i>	<b>2018</b>	<b>2017</b>
Net interest margin - excluding amortization of discounts/premiums	321	413
Amortization of acquisition premiums/discounts on customer loans	-93	-306
- Including accelerated amortization of premiums/discounts	-65	-249
<b>Net interest margin</b>	<b>228</b>	<b>107</b>
Net commissions	43	95
Other banking expenses	-3	-2
<b>Net banking income</b>	<b>268</b>	<b>200</b>
General operating expenses	-95	-118
<b>Gross operating income</b>	<b>173</b>	<b>82</b>
Cost of risk	-16	-5
Gains or losses on long-term investments	0.4	7
<b>Income before tax</b>	<b>157</b>	<b>84</b>
Income tax	-68	-26
<b>Net income</b>	<b>90</b>	<b>58</b>

Net interest margin stood at €228m, substantially higher than in 2017. It is mainly due to the drop in early repayments compared to 2017 (and thus to the fall in the accelerated amortization of premiums and discounts on loans held).

Net banking income stood at €268m in 2018 versus €200m in 2017, an improvement due to the slowdown in early repayments observed since the second half of 2017 and throughout 2018.

Net commissions (€43m) were down sharply due to the drop in early repayments penalties received.

General operating expenses amounted to €95m in 2018, down by 19% compared to 2017. The drop is mostly explained by a decrease in early repayments penalties, a share of which is paid over to Crédit Foncier and recognized under operating expenses by Compagnie de Financement Foncier, and also by the fall in operating expenses of Crédit Foncier invoiced to Compagnie de Financement Foncier.

Gross operating income was €173m.

Cost of risk stood at a moderate level at €16m in 2018 (versus €5m in 2017) in regard to 39.6bn€ of outstanding loans held by the company.

Income tax of the year totaled €68m.

Net income amounted to €90m in 2018, versus €58m in 2017.

## III. Balance sheet information

Compagnie de Financement Foncier's balance sheet totaled €76.7bn at December 31, 2018, compared with €78.4bn at December 31, 2017.

Doubtful loans stood at €1.6bn as of December 31, 2018 compared with €1.4bn as of December 31, 2017 and concerned only customer transactions. This has to be considered in regard to the extra overcollateralization level, which was more than €6bn above legal requirements at September 30, 2018. Over 99% of these doubtful loans concerned personal home loans. At the same time, impairments decreased to €79m, compared with €90m at December 31, 2017.

#### **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 December 31, 2018, this ratio remained well above the minimum thresholds specified in CRR regulation 575/2013.

Furthermore, Compagnie de Financement Foncier continued to strictly and prudently control its liquidity in 2018.

Lastly, in accordance with the law applicable to *sociétés de crédit foncier*, Compagnie de Financement Foncier must maintain a coverage ratio greater than 105% at all times. As of September 30, 2018, this ratio was 115%.

#### **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](http://www.foncier.fr) under "Financial communication/Regulated information".*

#### **Contacts: Investor relations**

Email: [ir@foncier.fr](mailto:ir@foncier.fr)

Tel. : +33 (0) 1 57 44 85 71