

Results of Compagnie de Financement Foncier for the 1st half of 2019

Compagnie de Financement Foncier's Board of Directors met on July 31, 2019 under the chairmanship of Benoît Catel, to approve the 2019 half-year financial statements.

Since the end of the 1st quarter of 2019, groupe Crédit Foncier has been implementing its new industrial scheme; as such, Crédit Foncier is now refocusing its efforts on the management of outstanding loans that will continue to be refinanced by Compagnie de Financement Foncier.

Furthermore, Compagnie de Financement Foncier's mission is to ensure the refinancing of new public sector and similar assets from Groupe BPCE entities.

I. Activity of Compagnie de Financement Foncier

Issuance of covered bonds

- In the 1st half of 2019, Compagnie de Financement Foncier issued €1.8bn of *obligations foncières*, of which €0.55bn in private placements.

The 1st half of the year was marked in particular by the success of a public bond issuance of €1.25bn in April 2019. This transaction took place under excellent financial conditions and met with very strong investor demand, demonstrating recognition and the quality of Compagnie de Financement Foncier's signature on the financial markets.

- At June 30, 2019, the outstanding amount of *obligations foncières* came to €61bn, including related debts, down compared to December 31, 2018 (€63.4bn).

Purchases and assignment of receivables

In the 1st half of 2019, Compagnie de Financement Foncier acquired directly and refinanced more than €2.2bn in receivables to:

- individuals for €1.7bn, this amount corresponds to the refinancing of loans from applications registered up to mid-February 2019, the end of Crédit Foncier's loan production;
- public sector for €0.4bn;
- corporate loans for €0.1bn.

II. Compagnie de Financement Foncier's income statement

<i>In millions of euros</i>	1st half of 2019	1st half of 2018
Net interest margin - excluding amortization of discounts/premiums	150.7	164.8
Amortization of acquisition premiums/discounts on customer loans	-24.3	-53.4
- <i>Of which accelerated amortization of premiums/discounts</i>	-20.9	-34.4
Net interest margin	126.4	111.5
Net fees and commissions	18.4	20.8
Other banking expenses	-1.7	-0.6
Net banking income	143.1	131.7
Operating expenses	-38.6	-44.3
Gross operating income	104.5	87.5
Cost of risk	10.9	-2.5
Income before tax	115.4	84.9
Income tax	-39.8	-37.5
Net income	75.6	47.4

Net banking income amounted to €143.1m in the 1st half of 2019, up €11.4m compared to the 1st half of 2018. Net interest margin was up, reaching €126.4m (compared to €111.5m for the 1st half of 2018). Nevertheless, the net interest margin remained negatively impacted by the acceleration of the amortization of premiums/discounts from early repayments.

Operating expenses amounted to €38.6m in the 1st half of 2019, down 12.9% compared to the previous year. The drop is mostly explained by a decrease in the re-invoicing of Crédit Foncier's services (directly correlated to the decrease in its expenses) and by the decrease in the share of early repayments penalties that Compagnie de Financement Foncier pays over to Crédit Foncier and that are recorded in operating expenses.

In the 1st half of 2019, the gross operating income was €104.5m.

Cost of risk represented €10.9m in income in the 1st half of 2019 (compared to an expense of -€2.5m in the 1st half of 2018). This favorable development is explained both by non-recurring net reversals and by an improving level of individual risk.

Income tax of the year totaled €39.8m in the 1st half of 2019.

Net income amounted to €75.6m in the 1st half of 2019, compared to €47.4m in the 1st half of 2018.

III. Balance sheet information

Compagnie de Financement Foncier's balance sheet totaled €74.7bn at June 30, 2019, compared with €76.7bn at December 31, 2018.

Doubtful loans stood at €1.5bn as of June 30, 2019 compared with €1.6bn as of December 31, 2018 and were concentrated for over 99.8% on home loans to individuals. At the same time, impairments were also down to €78.0m at June 30, 2019, compared to €90.5m at December 31, 2018 and mainly concerned home loans.



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, 2019, this ratio remained well above the minimum thresholds specified in CRR regulation 575/2013.

Compagnie de Financement Foncier closely manages its matched balances and its liquidity coverage ratio (LCR) is greater than 110%.

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 March 31, 2019, this ratio was 113.05%.

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), an 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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