

COMPAGNIE DE FINANCEMENT FONCIER

Universal Registration Document

including the 2019 half-year financial report





This is a free translation into English of Compagnie de Financement Foncier Universal Registration Document issued in the French language and is provided solely for the convenience of English speaking readers. In case of discrepancy the French version prevails. Only the French version of the Universal Registration Document has been submitted to the Autorité des Marchés Financiers (French Financial Market's Authority). It is therefore the only version that is binding in law.



This Universal Registration Document was filed on August 23, 2019 with the *Autorité des Marchés Financiers* (AMF – French Financial Markets Authority), as the competent authority under Regulation (EU) 2017/1129, without prior approval pursuant to Article 9 of that Regulation.

This Universal Registration Document may be used for the purposes of an offer to the public of securities or the admission of securities to trading on a regulated market if supplemented by a securities note and, as appropriate, a summary and any amendments to the Universal Registration Document. The whole is approved by the AMF pursuant to regulation (EU) 2017/1129.

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Abbreviations used in the document: Billions of euros: €bn / Millions of euros: €m / Thousands of euros: €k

TRANSITION FROM THE REGISTRATION DOCUMENT TO THE UNIVERSAL REGISTRATION DOCUMENT

In June 2017, European lawmakers adopted a new regulation on prospectuses to be published for offers to the public of securities or for the admission of securities to trading on a regulated market ("Prospectus 3"). This Regulation (EU) 2017/1129 of the European Parliament and of the Council applies from July 21, 2019.

Its purpose is to simplify the presentation of disclosures for issuers while making the document more useful for investors. In particular, it establishes a European format for a "Universal

Registration Document" (URD), a single document and central source of information drawn from the french Registration document, which it replaces as of July 21, 2019.

In accordance with the "Prospectus 3" regulation, European Delegated Regulation 2019/980 published by the European Commission on March 14, 2019 sets out the content of the Universal Registration Document in its Annex1 and 2.

INCORPORATION BY REFERENCE OF COMPAGNIE DE FINANCEMENT FONCIER'S 2018 REGISTRATION DOCUMENT

Compagnie de Financement Foncier's 2018 Registration document was filed with the *Autorité des Marchés Financiers* (AMF) on March 22, 2019 under number D. 19-0190.

It is available on the website of the *Autorité des Marchés Financiers* (AMF) in the Decisions and Financial Disclosures section: <https://www.amf-france.org/Fiche-BDIF> and on the Company's website <https://foncier.fr/en/annual-reports/>.

In accordance with Article 19 of Regulation (EU) No 2017/1129, Compagnie de Financement Foncier's 2018 Registration document is incorporated by reference in this Universal Registration Document.

Chapter 6 contains the cross-reference table between Annex 1 and 2 of Delegated Regulation 2019/980 and the Compagnie de Financement Foncier 2018 Registration document.



PRESENTATION OF COMPAGNIE DE FINANCEMENT FONCIER

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Profile

Compagnie de Financement Foncier is a credit institution approved as a specialised credit institution and a *société de crédit foncier* (a French legal covered bonds issuer).

As a wholly-owned subsidiary of Crédit Foncier [A (stable)/A1 (stable)/A+(stable)/AA-(stable)]⁽¹⁾ and as an affiliate of BPCE [A+(stable)/A1(stable)/A+(stable)]⁽²⁾ the Company's sole purpose is to finance the lending activities of both its parent company and Groupe BPCE as a whole, through the issuance of *obligations foncières* rated [AAA(stable)/Aaa (stable)/AAA(stable)]⁽³⁾.

Compagnie de Financement Foncier's *obligations* are French legal covered bonds that comply with the European directives UCITS

52-4⁽⁴⁾ and CRD⁽⁵⁾ and with the Article 129 of the European Regulation CRR⁽⁶⁾. All *obligations foncières* of Compagnie de Financement Foncier are eligible for the European Central Bank (ECB) refinancing operations except for some private placements and some issues in foreign currencies.

Since 2012, Compagnie de Financement Foncier is a member of the ECBC (European Covered Bond Council) Covered Bond Label.

In 2019, Compagnie de Financement Foncier continued to be a major player in its market, with a total *obligations foncières* outstanding of €61bn (including related receivables) as of June 30, 2019 and an issuance volume of €1.8bn.

Economic environment

Growth in the global economy has slowed since 2018. The weakness persisted in the 1st half of 2019, with the International Monetary Fund now pointing to a slowdown in growth for 70% of the world economy in 2019. Global growth is expected to slow to 3.3% in 2019 from 3.6% in 2018⁽⁷⁾.

This downturn in the global economy results from escalating trade tensions between the United States and China, disruptions in the German auto sector, tighter credit policies in China and tighter financial conditions combined with the normalization of monetary policy in the largest advanced economies.

In the eurozone, growth is expected to slow from 1.8% to 1.3% in 2019. Growth rate projections have been revised down for several countries including Germany, Italy and France. For emerging countries and developing countries in Europe, growth forecasts have been sharply cut back, with a projection of 0.8% in 2019, down from 3.8% in 2018⁽⁷⁾.

Real GDP growth is expected at 1.3% in France in 2019-20 according to the OECD⁽⁸⁾. Disposable income and household consumption will continue to be supported from the effects of

measures taken in response to urgent economic and social issues. In June 2019, mortgage rates reached a record low of 1.25%⁽⁹⁾, allowing French households to borrow at rates close to the inflation rate. Inflation was 1.2%⁽¹⁰⁾ on an annualized basis in June 2019.

In May 2019, the main forecasts of the OECD are the following: assuming a soft Brexit after 2020, growth in the United Kingdom should slightly exceed 1.0% this year and next year⁽⁸⁾. Inflation eased from 2.2% in April 2018 to 2.0% in April 2019⁽¹¹⁾.

In Italy, the OECD forecasts stagnant GDP in 2019 before edging up by 0.6% in 2020⁽⁸⁾. Household consumption has been weakened by the lack of employment growth and a rise in the household savings rate. Inflation is hovering around 1% in 2019⁽¹¹⁾.

Trade and political tension is dampening growth in the United States, where the economy is slowing despite a very strong job market. The OECD is forecasting real GDP growth of 2.8% for 2019 and 2.3% for 2020 (compared with 2.9% in 2018)⁽⁸⁾. Exports and investment are slowing as a result of uncertainties in trade policy. Inflation is expected to ease to approximately 2%⁽¹¹⁾.

(1) Standard & Poor's/Moody's/Fitch/Scope Ratings, updated as of the Universal Registration Document's filing date.

(2) Standard & Poor's/Moody's/Fitch Ratings, updated as of the Universal Registration Document's filing date.

(3) Standard & Poor's/Moody's/Scope Ratings, updated as of the Universal Registration Document's filing date.

(4) UCITS: Undertakings for Collective Investment in Transferable Securities, directive on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities.

(5) CRD: Capital Requirements Directive.

(6) CRR: Capital Requirements Regulation.

(7) International Monetary Fund (IMF) – Global Economic Forecasts – April 2019.

(8) Organisation for Economic Co-operation and Development (OECD) – Economic Forecasts – May 30, 2019.

(9) L'Observatoire Crédit Logement/CSA, 2nd quarter 2019.

(10) INSEE – Consumer Price Index – June 2019.

(11) Organisation for Economic Co-operation and Development (OECD), Inflation Measurement (CPI) – May 2019.

Key figures

Issuer information

Issuer: Compagnie de Financement Foncier, affiliated with Groupe BPCE

Parent company: Crédit Foncier (100%), a subsidiary of BPCE (100%)

Type of bonds issued: obligations foncières

Issuance programmes: EMTN, AMTN & USMTS

Sole service provider:

Crédit Foncier [A (stable)/A1(stable)/A+(stable)/AA-(stable)]⁽¹⁾
A subsidiary of BPCE [A+ (stable)/A1(stable)/A+(stable)]⁽²⁾

Ratings of obligations foncières	Long-term rating	Outlook
Standard & Poor's	AAA	Stable
Moody's	Aaa	Stable
Scope Ratings	AAA	Stable

Simplified economic balance sheet

	06/30/2019		12/31/2018		12/31/2017	
	€bn	%	€bn	%	€bn	%
ASSETS (by type of exposures)						
Mortgage loans or equivalent	40.2	53.8	40.5	52.8	39.4	50.3
Public sector exposures	26.6	35.6	28.0	36.5	29.8	38.0
French public sector*	19.0	25.4	19.5	25.4	21.2	27.1
Foreign public sector	7.6	10.1	8.5	11.1	8.6	11.0
Replacement values and other assets	7.9	10.6	8.2	10.7	9.2	11.7
Replacement values	6.7	8.9	6.7	8.7	6.8	8.6
Other assets	1.3	1.7	1.5	2.0	2.4	3.1
TOTAL ASSETS	74.7	100.0	76.7	100.0	78.4	100.0

* Including deposits and short term loans at Banque de France of €1.5bn at the end of 2019, €0.7bn at the end of 2018 and 2017.

	06/30/2019		12/31/2018		12/31/2017	
	€bn	%	€bn	%	€bn	%
LIABILITIES						
Privileged resources	60.9	81.5	63.5	82.8	63.3	80.8
Obligations foncières	61.0	81.6	63.5	82.8	63.4	80.9
Foreign exchange rate difference on obligations foncières	-0.2	-0.2	-0.1	-0.1	-0.3	-0.3
Other privileged resources	0.1	0.1	0.1	0.1	0.2	0.2
Difference associated with hedging balance sheet items	1.2	1.6	1.1	1.4	0.9	1.2
Non-privileged resources	12.6	16.9	12.1	15.8	14.1	18.0
Unsecured debt	7.2	9.7	6.6	8.6	8.7	11.1
Subordinated debt or equivalent	2.2	3.0	2.3	3.0	2.3	2.9
Shareholders' equity, provisions and reserve for general banking risks	3.2	4.3	3.2	4.2	3.2	4.0
TOTAL LIABILITIES	74.7	100.0	76.7	100.0	78.4	100.0
Regulatory capital according to CRR/CRD IV	3.1	4.2	3.1	4.1	3.1	4.0

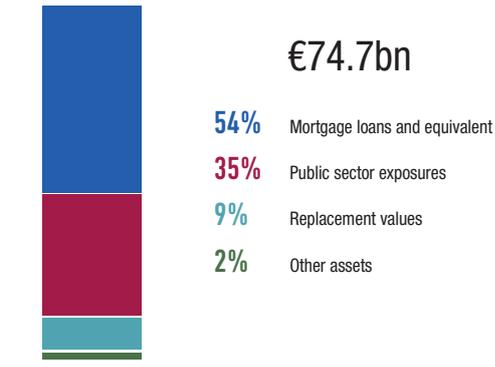
(1) Standard & Poor's/Moody's/Fitch/Scope Ratings, updated as of the Universal Registration Document's filing date.

(2) Standard & Poor's/Moody's/Fitch Ratings, updated as of the Universal Registration Document's filing date.

— Breakdown of assets

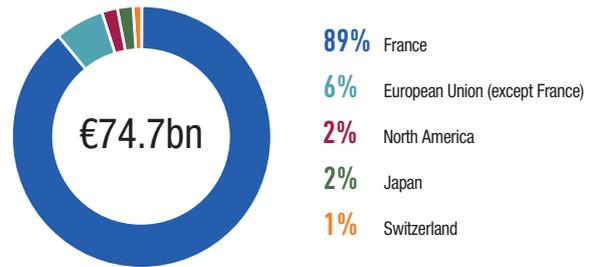
By type of assets

JUNE 30, 2019

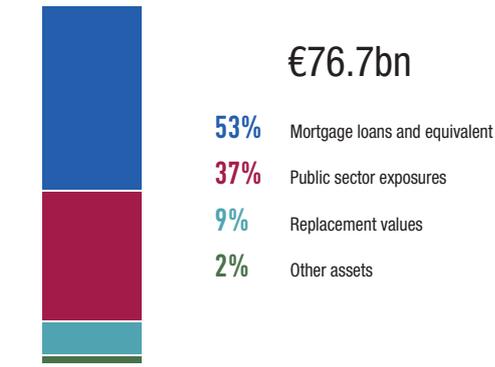


By region

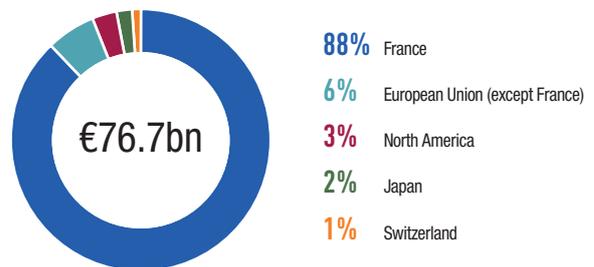
JUNE 30, 2019



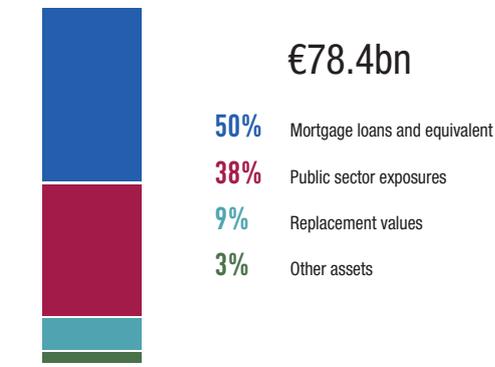
DECEMBER 31, 2018



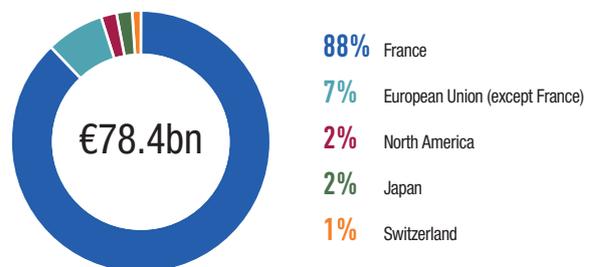
DECEMBER 31, 2018



DECEMBER 31, 2017



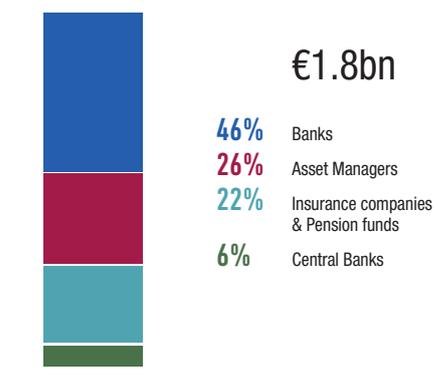
DECEMBER 31, 2017



Breakdown of issuances

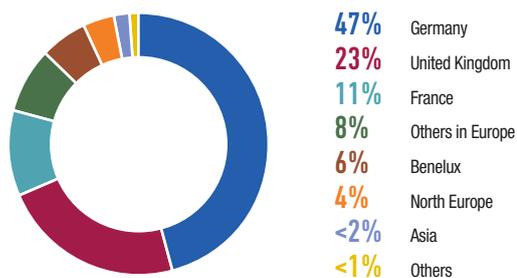
By type of assets

JUNE 30, 2019

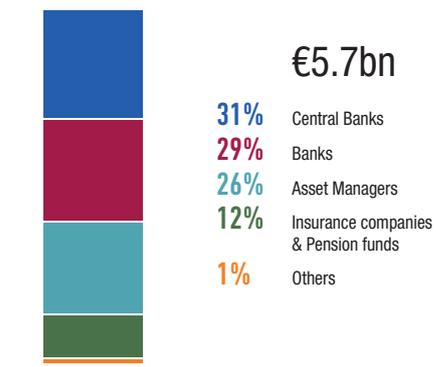


By region

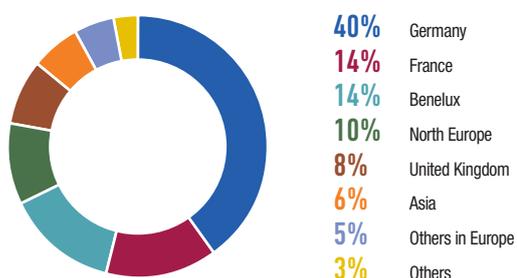
JUNE 30, 2019



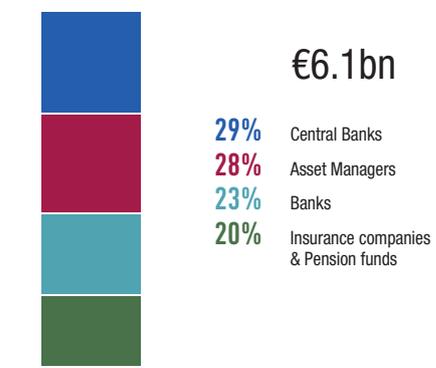
DECEMBER 31, 2018



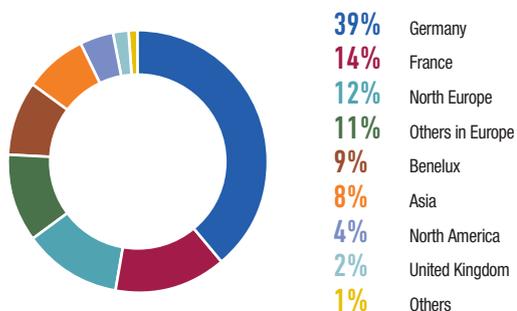
DECEMBER 31, 2018*



DECEMBER 31, 2017



DECEMBER 31, 2017*



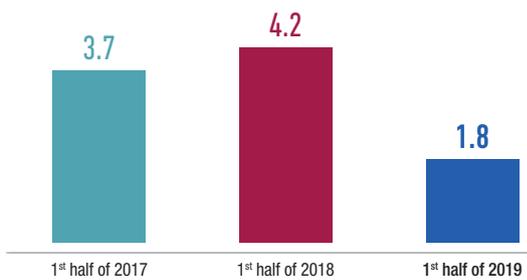
*Excluding Eurosystem.

Performance indicators

Activity

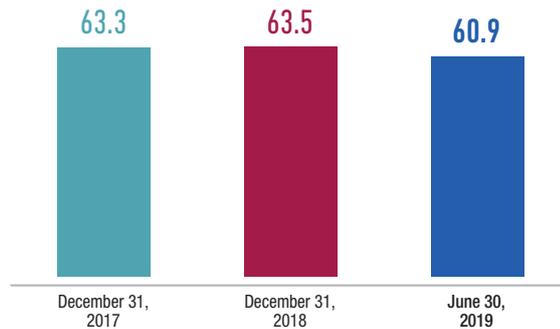
OBLIGATIONS FONCIÈRES ISSUES

(in €bn)



PRIVILEGED LIABILITIES

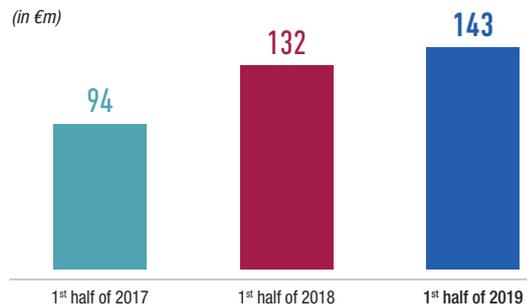
(in €bn)



Results

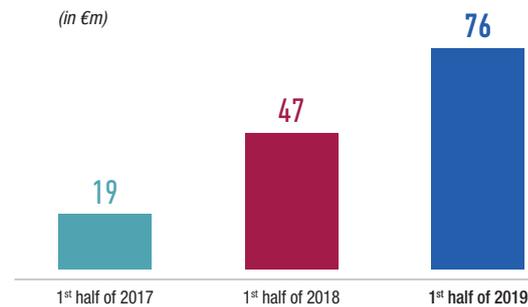
NET BANKING PRODUCT

(in €m)



NET INCOME

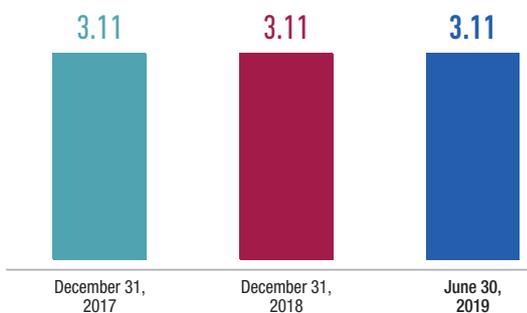
(in €m)



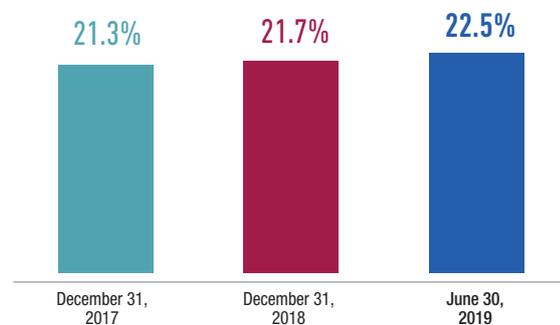
Financial structure

REGULATORY CAPITAL

(in €bn)



PRUDENTIAL RATIOS

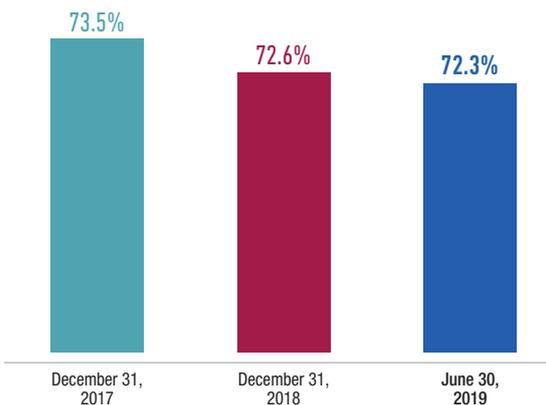


Ratio de solvabilité = Common Equity Tier 1

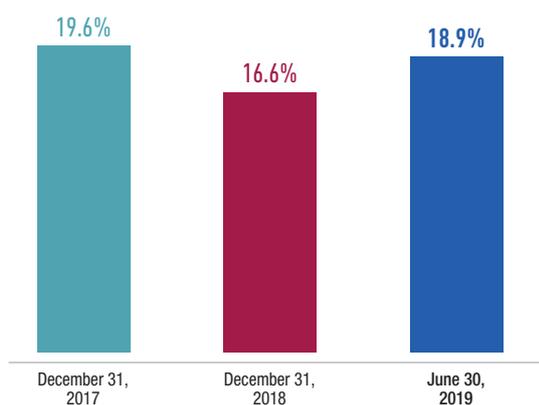
Performance indicators

Société de crédit foncier's specific ratios

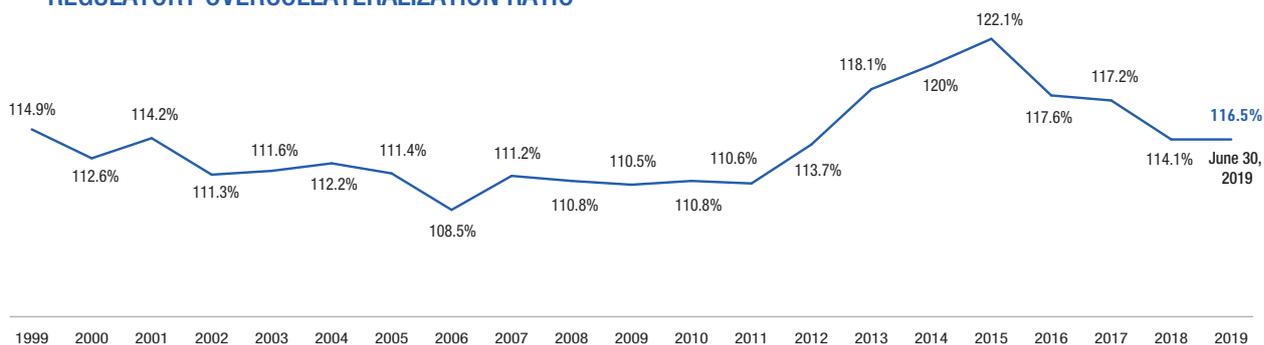
AVERAGE LTV OF MORTGAGE LOANS FOR INDIVIDUALS



NON-PRIVILEGED RESOURCES/ PRIVILEGED RESOURCES RATIO

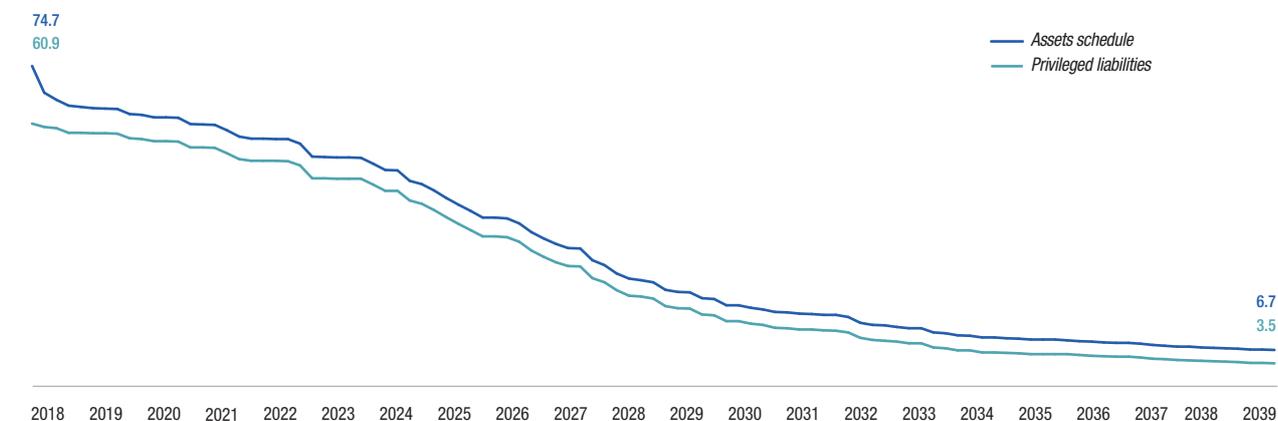


REGULATORY OVERCOLLATERALIZATION RATIO



AMORTISATION OF ASSETS AND PRIVILEGED LIABILITIES

(in €bn)



HIGHLIGHTS

As a strategic subsidiary of Groupe BPCE under the affiliation regime, Compagnie de Financement Foncier is impacted by the implementation of Crédit Foncier's new industrial scheme since April 1, 2019. The positioning of Compagnie de Financement Foncier is described in the "Strategy" section.

In the 1st half of 2019, Compagnie de Financement Foncier issued a net amount of €1.8bn of *obligations foncières* including €555m of private placements. All insurances were denominated in euros.

The 1st half of 2019 was marked by the success of a public issuance of a new 8 year covered bond benchmark of €1.25bn in April 2019. The order book reached a volume of €3bn and enabled the issuer to fix a 8bps spread, that was a level of secondary issues at that moment. In terms of geographical distribution German and Austrian investors represented 41% of allocations with Fance accounting for 14% and investors from United Kingdom and Ireland 13%. Banks and private banks accounted for 54% of the allocations.

Strategy

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.

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

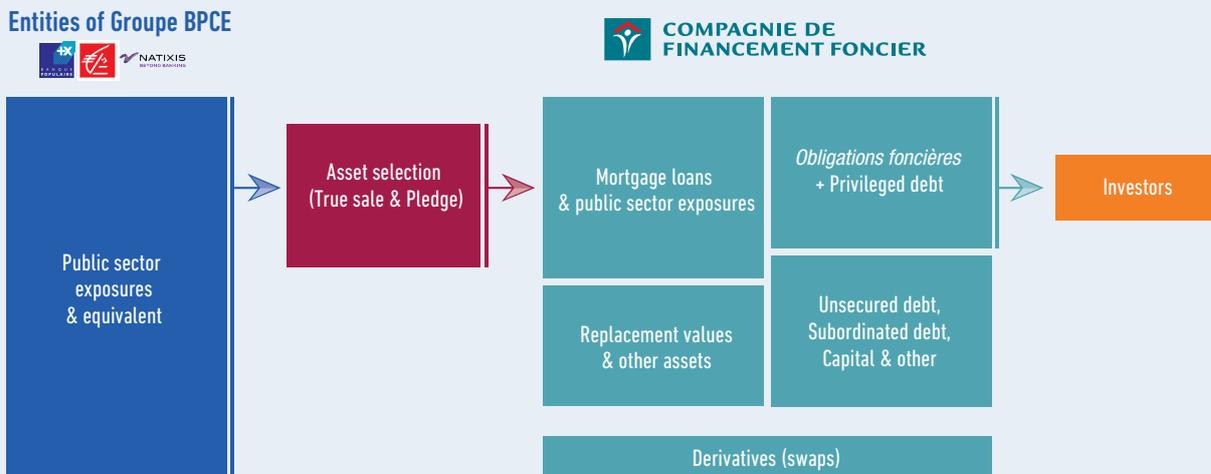
Business model of Compagnie de Financement Foncier

Compagnie de Financement Foncier is a credit institution approved as a specialised credit institution and a *société de crédit foncier*. As a wholly-owned subsidiary of Crédit Foncier, affiliated to BPCE, Compagnie de Financement Foncier is an issuer of AAA rated covered bonds and one of the vehicles for the funding of Groupe BPCE.

Structure of a *société de crédit foncier*'s balance sheet

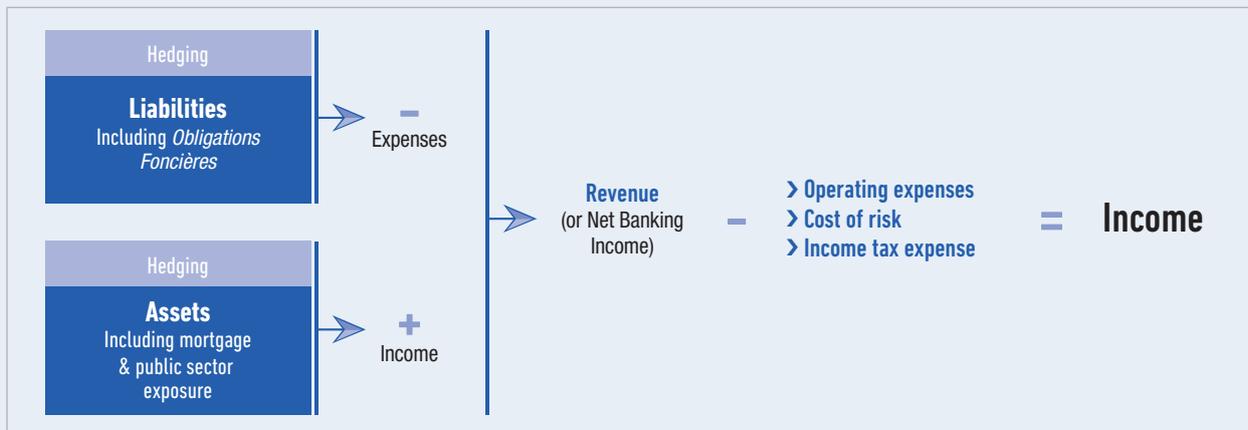
Assets	Liabilities
<ul style="list-style-type: none"> Guaranteed loans: backed by a first-rank mortgage or real estate securities conferring at least an equivalent guarantee 	<ul style="list-style-type: none"> Privileged resources (mainly <i>obligations foncières</i>)
<ul style="list-style-type: none"> Exposures on public entities 	<ul style="list-style-type: none"> Non-privileged resources: senior debt (unsecured debt), subordinated and related debts
<ul style="list-style-type: none"> Replacement values 	<ul style="list-style-type: none"> Provisions
	<ul style="list-style-type: none"> Shareholders' equity

Following the implementation of a new industrial scheme of Crédit Foncier starting from April 1, 2019, Compagnie de Financement Foncier is now focused on the refinancing of Public sector assets or equivalent from Groupe BPCE entities.



This model is based on the selection and purchase of eligible assets originated by its parent company, Crédit Foncier, or by Groupe BPCE's entities. These assets are financed by issuing *obligations foncières*, that are granted with a legal privilege on the flows from the assets guaranteeing both principal and interest, with priority over all other creditors.

Compagnie de Financement Foncier is a refinancing vehicle, its business depends on Crédit Foncier as well as on other entities of Groupe BPCE.



NB: This is a deliberately simplified description and does not necessarily take into account certain extraordinary situations. For example, cash currently on deposit with the Banque de France is an asset, yet incurs a financial expense due to negative interest rates.

In addition to the quality of its asset cover pool, security and robustness are the main features of its economic model.

The asset selection and purchase are subject to rigorous scrutiny: this asset-selection process allows Compagnie de Financement Foncier to purchase only high quality loans, in line with its risk policy.



REPORT ON CORPORATE GOVERNANCE

COMPOSITION OF EXECUTIVE AND MANAGEMENT BODIES

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POTENTIAL CONFLICTS OF INTEREST

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REMUNERATION

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Composition of executive and management bodies

Executive management as of June 30, 2019

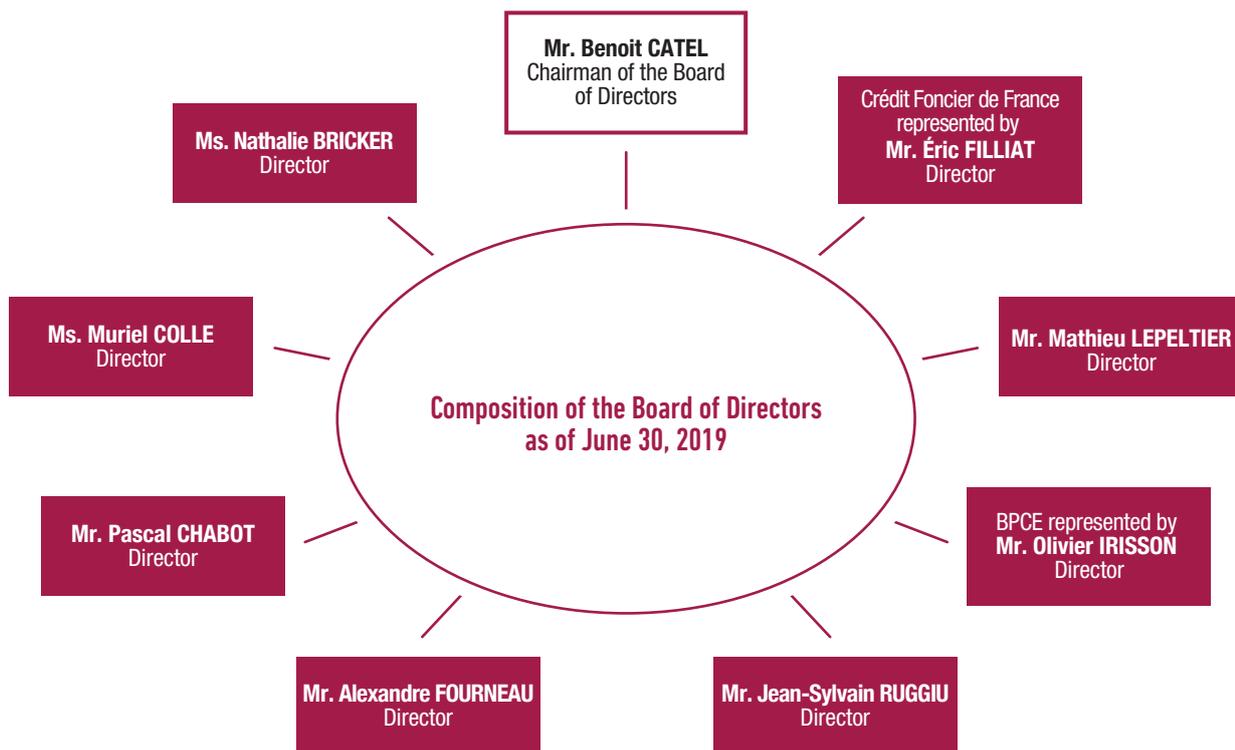
Mr Olivier AVIS, Chief Executive Officer;

Mr Paul DUDOUIT, Deputy Chief Executive Officer.

CHANGES IN EXECUTIVE MANAGEMENT IN THE 1ST HALF OF 2019

None

Board of Directors in the 1st half of 2019



Compagnie de Financement Foncier's two Statutory Auditors and its Specific Controller also attend the Board Meetings.

CHANGES WITHIN THE BOARD OF DIRECTORS IN THE 1ST HALF OF 2019

None

The institutions set up by the Board of Directors on June 30, 2019

The Company has the following Committees:

APPOINTMENTS COMMITTEE

The Appointments Committee is responsible for nominating candidates for Board membership, assessing knowledge diversity and setting a target for male/female representation.

AUDIT COMMITTEE

The Audit Committee operates in accordance with a charter approved by the Board of Directors at its meeting of June 29, 2004 and most recently updated by the Board on December 19, 2018.

The Audit Committee is responsible for advising the Board of Directors on the clarity of the information provided and the relevance of the accounting methods used to prepare the parent company financial statements.

Its usual scope includes:

- budget procedures;
- financial statements closing;
- agreements monitoring;
- coverage plan for privileged liabilities;
- appointment of Statutory Auditors and Specific Controller.

RISK COMMITTEE

The Risk Committee operates in accordance with a charter approved by the Board of Directors in its meeting of August 25, 2015, updated on December 19, 2018.

The Risk Committee is responsible for advising the Board of Directors on the quality of internal control, in particular the consistency of risk measurement, supervision and management, and is responsible for proposing, when appropriate, additional measures in this respect.

Its usual scope includes:

- assessing the overall risk exposure of Compagnie de Financement Foncier based on available reports;
- advising the Board of Directors on the overall strategy of Compagnie de Financement Foncier and risk appetite, both current and future;
- reviewing reports on internal control, compliance and permanent control;
- monitoring the independence of the General Inspection Division of Crédit Foncier and reviewing its work and annual plan;
- following up on the findings of missions of the French Prudential Supervisory and Resolution Authority (*Autorité de Contrôle Prudentiel et de Résolution – ACPR*) and/or the European Central Bank (ECB) and the General Inspection Division of Crédit Foncier and of BPCE;
- reviewing product and service pricing (mentioned in Books II and III of the French Monetary and Financial Code (CMF): financial instruments, savings products, banking operations, investment services, etc.).

There were no changes within the Committees in the 1st half of 2019.

Olivier AVIS, Chief Executive Officer, is in charge of permanent and periodic control and compliance for Compagnie de Financement Foncier.

This appointment meets the requirements of Articles 14 *et seq.* of the Order of November 3, 2014 concerning the internal control of credit institutions, companies providing payment and investment services that are subject to the supervision of the French Prudential Supervisory and Resolution Authority, previously Article 7.1 of Regulation No. 97-02 as amended of the Committee on Banking and Financial Regulation (CRBF), and to the principle applied by the management of Crédit Foncier under which the executive bodies of credit institutions' subsidiaries may draw on the parent company's structure to fulfil their obligations in terms of permanent and periodic control and compliance.

Remuneration

The variable pay of Mr Benoît CATEL, Chairman of the Board of Directors in his capacity as Chief Executive Officer of Crédit Foncier, was not available at the filing date of the Registration document on March 22, 2019.

Remuneration of Benoît CATEL, executive officer non-director from Crédit Foncier de France (in euros)

Benoît CATEL	2017		2018	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed pay	260,000	260,000	400,000	400,000
Variable pay	99,000	99,000	400,000	99,000
Exceptional remuneration	-	-	-	-
Supplement retirement pay	12,105	12,105	16,767	16,767
Attendance fees	-	-	-	-
Benefits in kind	4,500	4,500	4,500	4,500
TOTAL	375,605	375,605	821,267	520,267



Potential conflicts of interest

The potential conflicts of interest are detailed in Compagnie de Financement Foncier's 2018 Registration document (p. 62).



MANAGEMENT REPORT

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During the 1st half of 2019, Compagnie de Financement Foncier issued €1.8bn in legal covered bonds that, like all its privileged debt, are rated AAA/Aaa/AAA⁽¹⁾. The rating agencies thereby acknowledge the security provided by the *société de crédit foncier* status and the additional commitments made by the Company in terms of financial and risk management.

At June 30, 2019, the balance sheet of Compagnie de Financement Foncier totaled €74.7bn and its net income for the fiscal year is €75.6m.

In June 2018, Crédit Foncier and Groupe BPCE announced a project to integrate the activities and skills of Crédit Foncier within Groupe BPCE entities, subject to notification and consultation of the employee representative bodies of Crédit Foncier and of the group entities concerned. The Crédit Foncier Board of Directors, at its November 21, 2018 meeting, confirmed the project that had been in its implementation phase since April 1, 2019.

In this new framework, Compagnie de Financement Foncier will remain a strategic subsidiary of Crédit Foncier and of Groupe BPCE under the affiliation regime, and therefore part of the Groupe BPCE solidarity mechanism. Compagnie de Financement Foncier is now mainly dedicated to refinancing public sector assets and similar assets of the Groupe BPCE as a whole.

1. Main operations of the fiscal year

— Acquisitions and disposals

During the 1st half of 2019, Compagnie de Financement Foncier acquired €2.0bn in loans from Crédit Foncier including related receivables, plus €0.2bn in financing commitments.

— Funding and cash management

Compagnie de Financement Foncier issued, in the 1st half of 2019, €1.8bn of covered bonds including €555m in the form of private investments. This liquidity was raised over a high average maturity of 11 years to benefit from currently favorable spreads.

The 1st half of 2019 was highlighted by a benchmark transaction launched in April. This issuance of €1.25bn was carried out at a favorable rate and benefited from a very high level of subscription.

All issuances in the half year were denominated in euros. The breakdown of their placement demonstrates the diversity and depth of Compagnie de Financement Foncier's investor base, in particular with the strong presence of banks and asset managers.

The French and German investors still represent the great majority of the subscribers for the covered bonds of Compagnie de Financement Foncier with 58% of allocations.

(1) Standard & Poor's/Moody's/Scope Ratings, updated as of the filing date of this Universal Registration Document.

2. Changes in assets

ASSETS <i>(in €k)</i>	06/30/2019	12/31/2018
Cash and amounts due from central banks	1,522,831	705,379
Treasury bills and equivalent	3,273,503	3,270,999
Loans and receivables due from credit institutions repayable on demand	24,339,076	26,449,694
• Demand	52,393	56,663
• Term	24,286,683	26,393,031
Customer transactions	39,196,882	39,643,161
Bonds and other fixed income securities	4,587,341	4,565,859
Equity interests and other long-term investments	0	0
Intangible assets and property plant and equipment	0	0
Others assets	27,944	52,591
Accrual accounts	1,795,776	1,977,089
TOTAL ASSETS	74,743,352	76,664,772

The balance sheet total of Compagnie de Financement Foncier stood at €74.7bn at the end of June 2019, down by 2.5% compared with the end of 2018.

The change in Compagnie de Financement Foncier's assets was marked in particular by:

- a decrease in loans and receivables outstanding on credit establishments (-€2.1bn compared with end-December 2018); this decrease concerns, in particular, loans with BPCE, Caisses d'Épargne, and Banques Populaires, guaranteed by receivables governed by Article L. 211-38 (-€1bn compared with

December 31, 2018) and, to a lesser extent, the loans with Crédit Foncier (-€0.7bn compared with December 31, 2018);

- an increase in deposits outstanding at Banque de France (€1.5bn at June 30, 2019 compared with €705m at December 31, 2018).

Home loans and impact of early repayments

Overall, the home loans outstanding, either held directly or assigned under L. 211-38, remained stable compared with end-2018.

<i>(in €m)</i>	06/30/2019	12/31/2018	Change
Non-commercial mortgage-backed securities (See note 2)	32,910	33,362	-452
Loans to private individuals guaranteed by real estate loans under L. 211-38 (See note 23)	7,080	7,179	-99
TOTAL	39,990	40,541	-551

Group funding and assignment of receivables

As part of its business activities, Compagnie de Financement Foncier also offers Crédit Foncier and other Groupe BPCE entities refinancing through loans backed by loan assignments.

These loans are classified as term loans and receivables from credit institutions. In the 1st half of 2019, these loans totaled €23.7bn. This amount broke down into:

- €15.7bn in loans to Crédit Foncier, a majority of which are guaranteed by exposures to French local authorities;
- €1.5bn in loans to other Groupe BPCE entities, also guaranteed by exposures to French local authorities;

- €6.6bn of loans to BPCE as replacement values.

The total amount of guarantees received to cover these loans amounted to €23.9bn at June 30, 2019.

Other assets and accrual accounts

Other assets totaled €27.9m at end-June 2019 compared with €52.6m at December 31, 2018.

The accrual accounts stood at €1.8bn at June 30, 2019, a slight drop compared with €2.0bn at December 31, 2018.

3. Changes in liabilities

LIABILITIES <i>(in €k)</i>	06/30/2019	12/31/2018
Amount due to central banks	0	0
Amounts due to credit institutions	7,240,317	6,601,591
• Demand	0	159
• Term	7,240,317	6,601,432
Customer transactions	0	0
• Demand	0	0
Debt securities	61,014,153	63,547,037
• Interbank market instruments and negotiable debt securities	150,487	151,865
• Bonds (obligations foncières)	60,863,666	63,395,172
Other liabilities	1,159,757	1,107,531
Accrual accounts	2,137,993	2,205,340
Provisions	8,617	6,559
Subordinated debt	0	0
Reserve for general banking risks	20,000	20,000
Equity excluding reserve for general banking risks	3,162,515	3,176,713
• Share capital	2,537,460	2,537,460
• Additional paid-in capital	343,002	343,002
• Reserves	126,553	122,063
• Regulated provisions and investment subsidies	0	0
• Retained earnings	79,914	84,404
• Income to be allocated	0	0
• Net income for the period	75,585	89,784
TOTAL LIABILITIES	74,743,352	76,664,772

Payables to credit institutions increased by €0.6bn in the 1st half of 2019.

Debt securities decreased by €2.5bn, mainly due to the drop in privileged loans (covered bond maturities were greater than new issuances).

Shareholders' equity stood at €3.2bn, unchanged compared with end-2018.

4. Analysis of the income statement

(in €k)	06/30/2019	6/30/2018
Net banking income	143,092	131,730
General operating expenses	-38,625	-44,279
Gross operating income	104,467	87,451
Cost of risk	10,930	-2,541
Operating income	115,397	84,910
Gains or losses on long-term investments	0	0
Income before tax	115,397	84,910
Income tax	-39,811	-37,515
NET INCOME	75,585	47,396

Net banking income

Net banking income in the 1st half of 2019 stood at €143m, up by €11.4m compared with the 1st half of 2018, mainly under the impact of the decrease in accelerated depreciation charges of premiums/discounts, linked to a lower volume of early repayments than in 2018.

Net interest margin was up compared with the 1st half of 2018 (€126.4m compared with €111.5m in the 1st half of 2018). Nevertheless, it remained negatively impacted by the accelerated amortization of premiums/discounts linked to early repayments as well as by the decrease in loans due at the end of production of loans at Crédit Foncier.

Net fees and commissions were slightly lower than in the 1st half of 2018 owing to the drop in prepayment penalties received.

Gross operating income

Management fees were down sharply from €44.3m at end-June 2018 to €38.6m at end-June 2019, which is explained by:

- the decrease in the remuneration for services of Crédit Foncier in the private sector (linked to the decrease in outstanding and the decrease in management fees of Crédit Foncier);
- the decrease in payments for early repayments made to Crédit Foncier.

Gross operating income came to €104.5m at June 30, 2019 compared with €87.5m at June 30, 2018.

Cost of risk

The cost of risk represented €10.9m in income in the 1st half of 2019 (compared with an expense of €2.5m in the 1st half of 2018). This positive change was due mainly to net non-recurring reversals linked to the implementation of a computing correction on the assignment of guarantees.

Net income

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

5. Risk factors

The banking and financial environment in which Compagnie de Financement Foncier operates exposes it to many types of risk and requires it to implement a demanding and rigorous policy to monitor and control these risks.

Compagnie de Financement Foncier's business model is, by its very nature, highly secured. The legislative framework prevents it from holding a trading book, which protects it against market risks

associated with proprietary trading, and from holding interests in affiliates.

Some of the risks faced by Compagnie de Financement Foncier are described below. This is not an exhaustive list of all the risks faced by Compagnie de Financement Foncier, but the risks considered as the most significant.

1 Credit and counterparty risk

1.1 DEFAULT AND COUNTERPARTY RISK

A substantial increase in expenses for depreciation of assets recognized in the portfolio of loans and receivables of Compagnie de Financement Foncier could impact its income and its financial situation

As part of its activities, Compagnie de Financement Foncier conducts regular asset impairments in order to reflect, if necessary, actual or potential losses in its portfolio of loans and receivables, which are recognized in its income statement under "Cost of risk". The overall level of asset impairment is based on the valuation of the guarantees associated with the loans, Compagnie de Financement Foncier's assessment of the history of loan losses, the volumes and the types of loans made, industry standards, arrears on loans, economic conditions and other factors related to the degree of recovery of various types of loans.

Compagnie de Financement Foncier is exposed to any substantial increase in charges for losses on loans, material change in its risk of loss estimate associated with the portfolio of unimpaired loans, or any loss on loans exceeding the recognized charges. These variations could have an adverse impact on Compagnie de Financement Foncier's results and profitability.

However, this risk is limited because as a *société de crédit foncier*, Compagnie de Financement Foncier must respect strict rules regarding the choice of the assets it holds, by verifying in particular the credit quality of its counterparties and ensuring that guarantees are in place.

In addition to these risk management procedures, Compagnie de Financement Foncier could, under certain extreme circumstances, be forced to recognize significant losses:

- on its portfolio of real estate loans in the event of a sharp rise in defaults combined with a sudden and significant drop in the value of the properties used to guarantee these loans;
- in the case of the default of a public entity to which Compagnie de Financement Foncier has significant exposure, in particular Italy, the United States, Switzerland, and some Canadian and Japanese public entities.

Also, the cost of risk of Compagnie de Financement Foncier reached €11m in the 1st half of 2019. For further information, please refer to the 2018 Registration Document of Compagnie de Financement Foncier (page 142).

The degradation of the financial stability and performance of other financial institutions and market players could have an unfavorable impact on Compagnie de Financement Foncier

The ability of Compagnie de Financement Foncier to carry out its transactions could be affected by the financial stability of other financial institutions and market players. The financial institutions are closely interconnected, in particular due to their compensation, counterparty and financing activities. The default of an industry player, even simple rumors or questions concerning one or more financial institutions or the financial industry in general, can cause a

generalized shrinking of liquidity in the market and thereafter lead to additional losses or defaults.

Compagnie de Financement Foncier is exposed to different financial counterparties such as commercial or investment banks and central counterparties with which it ordinarily conducts transactions whose default or failure to meet any of its commitments could have an unfavorable impact on the financial situation of Compagnie de Financement Foncier. This risk would be exacerbated if the assets held as collateral by Compagnie de Financement Foncier cannot be sold or if their price would not make it possible to cover all of the exposure of Compagnie de Financement Foncier for the exposures to derivative products in default.

1.2 CONCENTRATION RISK

The volume of exposures in the Public sector is mainly concentrated in France, while abroad, the exposure of Compagnie de Financement Foncier on Public sector is subject to a few significant individual concentrations, particularly Italy for sovereigns and the Jehdra agency in Japan. As a reminder, Compagnie de Financement Foncier has no longer been purchasing Public sector loans abroad for several years. Real estate loans recognized in Compagnie de Financement Foncier's balance sheet are mainly composed of residential loans (assets with high granularity) produced in France. In the event that the French real estate market suffers a significant downturn, this could have adverse consequences on the quality of Compagnie de Financement Foncier's portfolio of real estate assets.

1.3 COUNTRY RISK

Compagnie de Financement Foncier could be vulnerable to political, societal, macroeconomic and financial risk or to special situations in the countries in which it operates

Compagnie de Financement Foncier is exposed to country risk, which is the risk that a foreign country's economic, financial, political or social conditions impact their financial interests. Due to the nature of its activity, Compagnie de Financement Foncier is particularly sensitive to the economic environment in France or elsewhere in Europe.

The European markets can experience disturbances that impact economic growth and can impact the financial markets, both in Europe and in the rest of the world.

Compagnie de Financement Foncier has significant exposure in international public entities, in particular in Italy, the United States, Switzerland and certain Canadian and Japanese public entities. These are subject to different macroeconomic influences, in particular through the actions of local central banks or structural reforms carried out therein, that could, in the long term, affect the quality of the loans concerned.

Nevertheless, the direct impact on Compagnie de Financement Foncier is expected to be moderate. The international exposure of Compagnie de Financement Foncier is approximately €9,128m as at June 30, 2019, stable compared with December 31, 2018 (€9,306m).

2 Financial risks

2.1 INTEREST RATE AND OPTIONS RISKS

Significant volumes of early repayments could unfavorably impact the net banking income and the profitability of Compagnie de Financement Foncier

The prolonged period of interest rates' drop in the last few years increases the number of borrowers renegotiating their interest rates, generating therefore an interest rate downturn of the balance sheet exposures or early repayments.

Compagnie de Financement Foncier buys via its True Sale model mortgages to private individuals at market prices. Although Compagnie de Financement Foncier covers its exposures at the macro and / or micro level, in the event of very high rates of renegotiation or early repayment, Compagnie de Financement Foncier's net banking income would be falling because the average rate of its asset exposures would fall faster than the average rate of its resources, and the commissions received on early repayments would not fully cover the cost of adjusting the interest rate hedges.

In addition, Compagnie de Financement Foncier hedges all its assets and liabilities when they enter the balance sheet through the implementation of micro-hedging and / or macro-hedging derivatives. In the event of early repayment, the commission received may not cover the entire cost of this hedge and Compagnie de Financement Foncier will then be exposed to a cost that affects its net interest margin.

Early repayments and renegotiations of Compagnie de Financement Foncier totaled 10.1% of the outstandings as at June 30, 2019, slightly down compared with December 31, 2018 (11.9%). The ongoing low interest rates explains the stabilization of the requests for early repayment and renegotiations.

2.2 CREDIT SPREAD RISKS

Compagnie de Financement Foncier's refinancing cost could be affected by a drop in the credit rating levels of its assets, its *obligations foncières* or its parent company

In order to maintain a very competitive refinancing cost, Compagnie de Financement Foncier aims for the AAA credit rating of its *obligations foncières*: it carefully selects quality assets (acquired or assigned) and carefully controls the coverage ratio of its balance sheet compared to *obligations foncières*'s outstandings.

In the event of a severe financial crisis, the downgrading of the credit ratings of assets on the balance sheet or provided as collateral to Compagnie de Financement Foncier could end up calling into question the AAA rating of *obligations foncières*. In addition, the deterioration in the credit rating of Crédit Foncier or Groupe BPCE could also ultimately impact the AAA rating of *obligations foncières*. The decline in the credit rating of the *obligations foncières* would increase the refinancing cost of Compagnie de Financement Foncier and could potentially impair its profitability.

At June 30, 2019, the covered bonds of Compagnie de Financement Foncier were rated AAA/Aaa/AAA with stable outlooks by three rating agencies (S&P, Moody's and Scope Ratings).

2.3 LIQUIDITY RISK

Compagnie de Financement Foncier's liquidity could be affected in the event of a major financial crisis

Compagnie de Financement Foncier derives its liquidity from several sources:

- the issue of *obligations foncières* on the market;
- the assignment of eligible assets for ECB refinancing and/ or repo operations;
- the liquidity lines granted by Crédit Foncier and/ or Groupe BPCE.

In the event of a major financial crisis, these sources of liquidity could dry up:

- closure of bond issuance markets;
- deterioration of the credit rating of assets acquired or pledged to Compagnie de Financement Foncier making them ineligible for ECB refinancing and / or repo operations;
- reduction of liquidity lines granted by Crédit Foncier and / or Groupe BPCE.

Nevertheless, Compagnie de Financement Foncier holds €10.1bn in assets in the 1st half of 2019 that can be mobilized from the ECB. In addition, Compagnie de Financement Foncier has committed to having sufficient short-term cash to meet the contractual maturities of its preferred debt for a period of one year at all times.

2.4 EXCHANGE RATE RISK

Assets in foreign currencies that are recognized on Compagnie de Financement's balance sheet, are systematically hedged, which cancels out any exchange risk.

3 Strategic, activity and ecosystem risks

3.1 STRATEGIC AND ACTIVITY RISKS

Risk resulting from the operational dependency of Compagnie de Financement Foncier on its parent company

Given its status as a *société de crédit foncier*, Compagnie de Financement Foncier depends on resources supplied by its parent company to pursue its current activities and in particular, for management of mortgage loans.

In accordance with agreements concluded between Crédit Foncier and Compagnie de Financement Foncier (including an agreement on debt management and recovery, an administrative and accounting management agreement, a service agreement on internal control and compliance, an agreement related to the implementation of information technology services, an agreement concerning human resources, an agreement related to settlement of bank services), Crédit Foncier is responsible for monitoring Compagnie de Financement Foncier's credit risks, counterparty risks, interest rate and foreign exchange risks, market risk, operational risk and liquidity and settlement risk.

Even if it does not seem very probable, Compagnie de Financement Foncier could be exposed to the risk of noncompliance by Crédit Foncier with the agreements binding it to Compagnie de Financement Foncier.

3.2 ECOSYSTEM RISKS

Macroeconomic risks

In Europe, the recent economic and financial context has an impact on Compagnie de Financement Foncier and the markets on which it operates and this trend will continue.

If the economic or market conditions in France or elsewhere in Europe were to deteriorate, the markets in which Compagnie de Financement Foncier operates could experience significant disruptions and its activity, its results and its financial position could be unfavorably affected.

Regulatory risk

Laws and regulatory measures proposed in response to the global financial crisis could have a financial impact on Compagnie de Financement Foncier and on the financial and economic environment in which it operates

Laws and regulations have been enacted or proposed to introduce a series of changes to the global financial framework, some of which are permanent. Although such new measures are intended to prevent a new global financial crisis, they are likely to continue to radically alter the environment in which Compagnie de Financement Foncier and other financial institutions operate. Some of these measures could also increase the financing costs of Compagnie de Financement Foncier. Without being exhaustive, one can cite the following measures, either approved or being considered: changes in regulations relating to covered bonds, new methodologies for credit risk weighting, creation of regulatory bodies or enhancement of the resources of existing bodies, taxes on financial transactions etc. Some of these measures are only at the draft stage and their contents will probably be revised and interpreted, in particular for reasons of compliance with national prudential policies in each country. Some of these measures could also increase the issuer's fixed costs. Compagnie de Financement Foncier may be subject to additional constraints.

The groupe Crédit Foncier's ability to attract and retain qualified employees is crucial to the success of Compagnie de Financement Foncier's business, and any failure in this respect could affect its performance

Groupe Crédit Foncier's employees are the most important resource for Compagnie de Financement Foncier. Competition for qualified personnel is intense in many areas of the financial services sector. The results and performance of Compagnie de Financement Foncier depend directly on Crédit Foncier's ability to attract new employees and retain and motivate its current employees.

4 Non-financial risks

4.1 SECURITY AND INFORMATION TECHNOLOGY RISK

An interruption or failure of computer systems of Compagnie de Financement Foncier or of third parties could lead to losses and costs

Compagnie de Financement Foncier is highly dependent on its communication and information systems provided by ITCE and BPCE-IT (Groupe BPCE service providers). These occur at the

scope of Groupe Crédit Foncier and are envisioned as part of a third-party applicative maintenance (see section 3.1 "Risk resulting from operational dependency of Compagnie de Financement Foncier on its parent company").

For further information, please refer to the 2018 Registration document of Compagnie de Financement Foncier (page 106).

4.2 EXECUTION, DELIVERY AND PROCESS MANAGEMENT RISKS

The failure or the unsuitability of the policies, procedures and strategies of risk management of Compagnie de Financement Foncier could expose it to unidentified or unanticipated risks leading to losses

The techniques and strategies of risk management of Compagnie de Financement Foncier might not be successful in effectively limiting its exposure to any type of market environment or any type of risk, including risks that the group has not been able to identify or anticipate. The techniques and strategies of risk management used by Compagnie de Financement Foncier also cannot guarantee an effective decrease of risks in all market configurations.

4.3 LEGAL AND REPUTATION RISKS

Reputation risk, risk of poor conduct and legal conduct could impact the profitability and the business outlook of Compagnie de Financement Foncier

The reputation of Compagnie de Financement Foncier is primordial for ensuring its refinancing activity – mainly in the public sector – originated by the Group. As such, inadequate management of potential conflicts of interest, legal and regulatory requirements, ethical problems, poor conduct, laws concerning money laundering, the fight against terrorism, the requirements of economic sanctions, policies regarding data security and practices linked to methods of managing its activity, or any other poor conduct, could stain the reputation of Compagnie de Financement Foncier.

Any inappropriate behavior of an employee of Crédit Foncier, any fraud, misappropriation of funds or any other wrongdoing committed by any player in the financial sector to which Compagnie de Financement Foncier is exposed, any decrease, restatement or correction of financial results, or any other legal or regulatory action with a potentially unfavorable outcome could also damage its reputation. Any harm to the reputation of Compagnie de Financement Foncier could be accompanied by a loss of business, which could threaten its results and its financial position. Inadequate management of these aspects could also increase the legal risk of Compagnie de Financement Foncier or expose it to sanctions from an authority.

For further information, please refer to the 2018 Registration document of Compagnie de Financement Foncier (page 107).

In addition to the risks presented above, other risks not identified to date or considered today as non-material for Compagnie de Financement Foncier could have an unfavorable impact on its activity, financial position, and/or results.

6. Credit risk analysis

Overall analysis

Compagnie de Financement Foncier is mainly exposed to credit risk and counterparty risk. The exposure to this type of risk, however, is limited by:

- rigorous selection of its assets and counterparties;
- the presence of guarantees in compliance with the legal framework applicable to *sociétés de crédit foncier*;
- specific internal monitoring environment within groupe Crédit Foncier's own monitoring environment, and more broadly within that of Groupe BPCE.

Loans and receivables due from credit institutions repayable on demand

No loan or receivable due from credit institutions was reclassified as doubtful in the 1st half of 2019. Out of the €24.3bn in loans and receivables due from credit institutions €23.7bn are term loans to Groupe BPCE entities. Moreover, these loans are fully secured by receivables, in accordance with Article L. 211-38 of the French Monetary and Financial Code.

The creditworthiness of all Groupe BPCE entities, together with the quality of the receivables posted as collateral, thereby greatly limit the risk associated with this exposure.

Loans and receivables due from customers

Loans and receivables due from customers amounted to €39.2bn at June 30, 2019, including €1.5bn of doubtful loans, compared with €39.6bn and €1.6bn at December 31, 2018. Doubtful loans remained almost exclusively concentrated on home loans for 99.8%. At the same time, out of a total of €79.0m in impairments at June 30, 2019, €78.0m concern home loans.

Held to maturity securities

Outstanding held-to-maturity securities amounted to €7.7bn (excluding accrued interest and after premiums or discounts) at June 30, 2019. None of these loans or receivables was reclassified as doubtful or impaired in the 1st half of 2019.

The outstanding amount (excluding accrued interest and after premiums or discounts) was split across Italy (37%), the United States (20%), Japan (18%), France (10%), Canada (6%), Poland (5%), Spain (3%) and other countries with non-material amounts (1%).

7. Financial risk analysis

Exchange rate and foreign exchange risk

Compagnie de Financement Foncier has no open currency positions except for a few very small ones resulting from adjustments inherent in any hedging transaction. Transactions initiated in non-euro currencies are swapped into euro at the moment of their execution.

Compagnie de Financement Foncier is only very marginally exposed to interest rate risks thanks to the hedging mechanisms implemented.

As soon as an asset is recorded on the balance sheet, it is transformed, if necessary, into a variable-rate asset in euros. Macro-hedging swaps are entered into when acquiring loan portfolios, micro-hedging swaps are entered into for every transaction of significant size. Similarly, the debt issued by Compagnie de Financement Foncier is micro swapped at the outset to transform it into variable rate liabilities in euros.

The interest rate position is also reviewed each quarter and transactions to adjust hedging are carried out as necessary to maintain the rate gaps within the tight limits to which Compagnie de Financement Foncier has committed. The basic risks, resulting from different reference rates on positions already transformed into variable rates by swaps, are also managed through macro hedges.

All of the counterparties to these currency or interest rate swaps have concluded collateralization agreements with Compagnie de Financement Foncier that require them to provide a security deposit to the benefit of the Compagnie de Financement Foncier in case of a debit position and depending on their rating. In the majority of cases, these requests are made on a daily basis.

If the opposite situation occurs, these agreements stipulate that Compagnie de Financement Foncier shall not deposit any collateral. As of June 30, 2019, the amount of deposits received was €1.0bn.

Because of these ALM principles, Compagnie de Financement Foncier holds significant amounts of outstanding financial instruments for micro- and macro-hedging in interest rates and currencies.

In total, at June 30, 2019, micro- and macro-hedging instruments amounted to €69.9bn, of which €55.5bn in interest rate swaps and €14.4bn in currency swaps; this compares with €78.6bn in 2018, of which €63.7bn in interest rate swaps and €14.9bn in currency swaps.

Given the management rules of Compagnie de Financement Foncier, changes in the interest rate position are a result of events not known when the transaction was entered into and which occurred during the term of the contract. These consist mainly of early repayments of fixed-rate loans granted to private individuals in the competitive sector.

As the date of the event is not predictable, and the repayment fees received by the lender are capped by law, Compagnie de Financement Foncier cannot completely cover the original risks incurred.

In the 1st half of 2019, across all loans to individuals in the balance sheet of Compagnie de Financement Foncier, the repayment rate was 7.5%, compared with 8.3% for 2018.

Compagnie de Financement Foncier's interest rate risk is monitored by calculating interest rate gaps subject to very tight limits per

observation period. Should any of these limits be exceeded, the situation is corrected by means of a macro-hedging adjustment.

In the 1st half of 2019, this rate was exceeded once, on March 31, 2019, for the two year term. This excess was resolved as of April 9 following a bond issuance.

— Liquidity risk

The very prudent liquidity management policy continued in the 1st half of 2019. Compagnie de Financement Foncier can always raise a sufficient amount of cash to meet the contractual maturities on all of its privileged debt, for one year, without recourse to new resources.

At June 30, 2019, Compagnie de Financement Foncier had cash of €1.6bn, of which €1.5bn with Banque de France, and €6.6bn loaned to BPCE with maturity of less than two months and fully guaranteed by a loan portfolio.

Compagnie de Financement Foncier's liquidity ratio, required since October 1, 2015 following the transposition into law of the applicable regulations of the CRD IV directive, known as the "LCR" ratio (Liquidity Coverage Ratio), has moreover always been above 110% since that date.

8. Information on internal control

For all information related to internal control, please refer to the 2018 Registration document of Compagnie de Financement Foncier (pages 72-75).

9. Regulatory and prudential information

Compagnie de Financement Foncier publishes a risk management report in which all the ratios and indicators applicable to sociétés de crédit foncier are disclosed in accordance with the regulations in force.

Furthermore, this report includes additional information on the risks supervision of Compagnie de Financement Foncier.

10. Other information

Supplier payment period (Article L. 441-6-1 of the French Commercial Code)⁽¹⁾

Compagnie de Financement Foncier complies with regulations on supplier payment periods, in accordance with the LME Act (economic modernization act) of August 4, 2008, which requires that suppliers are paid within 60 days from the date on which the invoice is issued.

Most of Compagnie de Financement Foncier's management is outsourced to Crédit Foncier, and billed by the latter. The breakdown of the amount of supplier invoices received and not yet paid at the close of the year is presented in note 8 "Other liabilities" of the separate financial statements of Compagnie de Financement Foncier.

Customer payment period (Article L. 441-6-1 of the French Commercial Code)⁽¹⁾

There was no customer receivable not part of the banking business in Compagnie de Financement Foncier's balance sheet as of June 30, 2019.

Information on subsidiaries and equity investments

Not applicable. As a société de crédit foncier, Compagnie de Financement Foncier cannot legally hold equity investments.

Employee participation in the share capital

Not applicable. Compagnie de Financement Foncier does not have any employees of its own.

Information on establishments and activities

Not applicable. Compagnie de Financement Foncier does not have any premises of its own.

Investments

Compagnie de Financement Foncier did not make any major investments (investment of over €30m requiring a qualified majority of the Board of Directors) between January 1, 2019 and the Registration document filing date.

To the best of the Company's knowledge, there is no agreement providing for the realization of such an investment in the future.

For further information, please refer to the 2018 Registration document of Compagnie de Financement Foncier (page 76).

Research and development

No research and development activity was carried out by Compagnie de Financement Foncier in the 1st half of 2019.

Main risks and uncertainties

The information on the main risks and uncertainties can be found in chapter 4 "Risk management report".

(1) The information below does not include banking and related operations.

11. Outlook

The strategy of Compagnie de Financement Foncier is part of the implementation of the new business plan of Crédit Foncier, whose operations began on April 1, 2019.

In this context, Compagnie de Financement Foncier, which remains a strategic subsidiary of Groupe BPCE under the affiliation regime, will be tasked with asset funding, primarily in the public sector, on the Group's behalf.

Groupe BPCE is very active in the public sector market with outstanding loans amounting to €48.3bn as of December 31, 2018.

12. Social and environmental information

For all social and environmental information, please refer to the 2018 Registration document of Compagnie de Financement Foncier (page 77).



RISK MANAGEMENT REPORT

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1. Governance and risk management system

For information on governance and the risk management system, please refer to the Compagnie de Financement Foncier 2018 Registration document (pages 79-83).

2. Changes in assets

In accordance with its *société de crédit foncier* status, Compagnie de Financement Foncier's assets are broken down into three main categories:

- secured loans, as defined under Articles L. 513-3 and L. 513-6 of the French Monetary and Financial Code, backed by a first-rank mortgage (or, to a lesser extent, equivalent real estate collateral or a surety);

- exposures to public entities, as defined under Article L. 513-4;
- and replacement values as defined in Article L. 513-7, limited to 15% of the nominal value of the privileged resources.

Breakdown of assets by guarantee

	06/30/2019		12/31/2018	
	in €m	% balance sheet	in €m	% balance sheet
Secured loans	40,227	53.8%	40,459	52.8%
• mortgage loans secured by the FGAS	18,587	24.9%	18,656	24.3%
• other mortgage loans	16,517	22.1%	17,059	22.3%
• loans with institutional guarantees	5,123	6.9%	4,744	6.2%
Exposures on public entities	26,613	35.6%	28,032	36.5%
• Public sector loans	7,695	10.3%	8,222	10.7%
• public loans assigned under L. 211-38	9,534	12.8%	11,268	14.7%
• public entity securities	7,861	10.5%	7,837	10.2%
• deposits at Banque de France	1,523	2.0%	705	0.9%
Other assets (interests on IFAT, adjustment accounts, etc.)	1,254	1.7%	1,520	2.0%
Replacement values	6,650	8.9%	6,654	8.7%
TOTAL ASSETS	74,743	100.0%	76,665	100.0%

During the 1st half of the year, Compagnie de Financement Foncier's balance sheet decreased by €1.9bn compared to December 31, 2018, due mainly to refinanced Public sector loans, which decreased by €1.7bn as a result of the repayment of BCPE Group loan L. 211-38 SPT in March 2019 (€1bn) and the amortization of Crédit Foncier loan L. 211-38 SPT (€0.7bn).

Furthermore, the regional breakdown remained identical during the half-year period with the large majority of balance sheet assets (88.8% as of June 30, 2019) still with an underlying asset located in France.

At June 30, 2019, international assets, mainly from the Public sector, amounted to €8.4bn, broken down into three categories:

- four countries with the highest exposures, namely Italy (€2.9bn), the United States (€1.5bn), Japan (€1.4bn) and Belgium (€0.7bn);
- four countries with moderate exposure, namely Switzerland (€0.5bn), Canada (€0.5bn), Poland (€0.4bn) and Spain (€0.3bn);
- two other countries with outstandings of less than €0.1bn, namely Portugal and the Netherlands.

3. Changes in liabilities

Pursuant to regulations governing *sociétés de crédit foncier*, Compagnie de Financement Foncier's liabilities may be divided into two main categories:

- privileged resources that legally protect bondholders by guaranteeing priority repayment and compliance with repayment schedules, even in the event of default of the issuer or its parent company;
- other resources that help reinforce the security of privileged debt holders. These resources which come after the privileged debts in terms of debt ranking priority consist of unsecured debts with different counterparties, subordinated debts and lastly equity which is mainly provided by Crédit Foncier.

BREAKDOWN OF LIABILITIES BY GUARANTEE RANK

	06/30/2019		12/31/2018	
	in €m	% balance sheet	in €m	% balance sheet
Privileged resources	60,903	81.5%	63,469	82.8%
Covered bonds at the reporting date	61,014	81.6%	63,547	82.8%
Foreign exchange difference on covered bonds	-160	-0.2%	-133	-0.1%
Other privileged resources	49	0.1%	55	0.1%
Translation difference associated with hedging balance sheet items	1,193	1.6%	1,113	1.4%
Non-privileged resources	12,647	16.9%	12,083	15.8%
Unsecured debt	7,216	9.7%	6,637	8.6%
Subordinated debt or equivalent	2,248	3.0%	2,250	3.0%
<i>of which associate current account</i>	<i>2,100</i>	<i>2.8%</i>	<i>2,100</i>	<i>2.7%</i>
Shareholders' equity, provisions and reserve for general banking risks	3,183	4.3%	3,197	4.2%
TOTAL LIABILITIES	74,743	100.0%	76,665	100.0%
<i>Regulatory capital according to CRR/CRD IV:</i>	<i>3,107</i>	<i>4.16%</i>	<i>3,107</i>	<i>4.1%</i>
<i>of which Common Equity Tier 1 capital</i>	<i>3,107</i>	<i>4.16%</i>	<i>3,107</i>	<i>4.1%</i>
<i>of which Additional Tier 1 capital</i>	<i>0</i>	<i>0.0%</i>	<i>0</i>	<i>0.0%</i>
<i>of which Tier 2 capital</i>	<i>0</i>	<i>0.0%</i>	<i>0</i>	<i>0.0%</i>

During the year, preferred resources decreased by €2.5bn, with contractual amortization of debt amounting to €4.2bn higher than new issues in the 1st half of the year (€1.8bn).

Unsecured liabilities increased by €0.6bn.

The item comprising subordinated debts and equity remained stable over the year at €5.4bn, or close to 7.3% of balance sheet assets at June 30, 2019.

4. Capital adequacy ratios

4.1. SPECIFIC RATIOS

As a *société de crédit foncier*, Compagnie de Financement Foncier is subject to several specific regulatory ratios that must be complied with at all times and that are regularly validated by the Specific Controller.

Coverage ratio

First, Compagnie de Financement Foncier measures the coverage ratio that corresponds to the ratio between weighted assets and privileged debt, which must remain above 105% at all times.

In the case of Compagnie de Financement Foncier, restatements affected three types of assets:

- LTV overruns on mortgage loans either held directly or assigned;
- assets sold under repos and;
- the portion of unsecured intragroup loans above the regulatory threshold of 25% of non-privileged liabilities.

Regulations limit outstanding loans financed with covered bonds to the fraction of outstanding loans with an LTV ratio (equal to the outstanding principal in relation to the updated value of the collateral) lower than 100% for loans guaranteed by FGAS, lower than 80% for residential loans granted to individuals and lower than 60% for other mortgage loans.

At June 30, 2019, loans outstanding in excess of the LTV threshold amounted to €213m, still significantly lower than those for non-privileged liabilities, standing at €12.6bn at that date.

In addition, assets used to secure other transactions are deducted from the assets recognized on the balance sheet. Thus the outstanding amount of securities sold to Crédit Foncier under repurchase agreements, representing €1.1bn at June 30, 2019, was not included for the purposes of calculating the ratio.

Finally, application of the new limit on intragroup exposure introduced by the order of May 26, 2014 resulted in a €1.7bn drop in BPCE loans because the loan portfolio posted as collateral failed to meet all eligibility criteria for financing by covered bonds.

As a result, the coverage ratio was 116.5% at end 2019 (vs. 114.1% at end 2018), including any associated currency hedging for assets and liabilities.

Regardless of the minimum ratio required by law, Compagnie de Financement Foncier already committed to maintain at any time a level of non-privileged liabilities in excess of 5% of privileged liabilities (both considered after currency swaps). At June 30, 2019, this ratio was 18.9%, down on the end-2018 level of 16.6%.

Loan to value

As part of its risk monitoring and management rules, Compagnie de Financement Foncier sets the LTV of mortgage loans that it holds directly or through assignment. This LTV is also the ratio of the present value of the collateral to the outstanding principal. Every year, Compagnie de Financement Foncier, like every *société de crédit foncier*, re-examines the value of this collateral using procedures that are checked for compliance by the Specific Controller. This certification and a description of the methods used to value and re-value property together with their results are presented in the risk management report in section 5.3.2 of the 2018 Registration document.

Taking into account all outstanding mortgage loans, both directly held or used to guarantee mortgage notes, the average LTV at the end of 2019 came to 71.6% for a total outstanding amount of €40.4bn. This breaks down as follows:

- 79.6% for loans guaranteed by FGAS in the amount of €21.0bn;
- 64.1% for other mortgage loans to individuals, with €18.5bn outstanding;
- 37.0% for mortgage loans to Corporates amounting to €0.9bn.

Other limits

Compliance with the various holding limits applicable to certain assets is also verified. Notably, at June 30, 2019:

- guaranteed loans amounted to 8.97% of total assets, still well below the legal limit of 35% of the balance sheet; this calculation factors in directly held guaranteed loans (6.85%) as well as loans used to guarantee mortgage notes (2.11%);
- replacement values had an outstanding amount equal to 9.43% of the nominal amount of privileged liabilities, below the mandatory limit of 15%;
- the hedging of cash requirements, taking into account cash flow forecasts, is secured over a period of 180 days.

Liquidity and solvency ratios

As a credit institution, Compagnie de Financement Foncier monitors its liquidity ratios, which remain well above the minimum requirements set by banking regulations mainly thanks to its cash commitments available within one year. In addition, Compagnie de Financement Foncier has €10.1bn in assets that can be mobilized by the Eurosystem (excluding repurchase agreements) that could provide it with an estimated additional €7.6bn in cash resources after discount and on the basis of the ECB's current rules, while maintaining its coverage rate at above the legal minimum of 105%.

The other prudential ratios applicable to credit institutions are monitored by Crédit Foncier at the consolidated level. However, Compagnie de Financement Foncier calculates solvency ratios within its own scope on an individual basis. Since January 1, 2014, it has been doing so in accordance with the CRD IV directive and

the CRR Regulation and reports them to the French Prudential Supervision and Resolution Authority (ACPR).

At the end of June 2019, its Common Equity Tier One (CET1) ratio was 22.5%, equal to its Tier One ratio and its solvency ratio. Total risk exposures (RWA) amounted to €13.8bn.

4.2. MANAGEMENT OF CAPITAL

The management of Compagnie de Financement Foncier's capital is supervised directly by its Executive Management. Its management ensures permanent compliance with regulatory ratios and aims to optimize the allocation of capital and secure its overcollateralization ratio; as such, it contributes directly to the Aaa/AAA/AAA rating by Moody's/S&P/Scope Ratings.

The solvency ratio is calculated for informational purpose at the individual Compagnie de Financement Foncier's level.

The amount of capital of Compagnie de Financement Foncier was €3.11bn at June 30, 2019. This amount also represents the Core Equity Tier-1 capital.

Capital requirements

Capital requirements were calculated using the standard Basel III method. French local authorities outstandings assigned to L. 211-38 loans are treated in a transparent manner, that is, by calculating the requirements based on the underlying loans.

Loans to Groupe BPCE affiliates are weighted at 0%.

Moreover, in the case of partial transfer of loans originated by Crédit Foncier to Compagnie de Financement Foncier and in connection with the assignment and recovery agreements, collected sums are allocated in their entirety and in priority to Compagnie de Financement Foncier. Under the standard approach, this allows to adjust the level of risk-weighting in order to reflect the priority allocation of collections to Compagnie de Financement Foncier and the resulting lower loss rate.

Exposure categories (in €m)	06/30/2019		12/31/2018	
	Capital requirements	RWA	Capital requirements	RWA
Central governments	44	548	48	594
Institutions	6	74	13	156
Regional governments	342	4,274	363	4,540
Corporations	46	569	47	584
Retail customers	44	555	49	613
Mortgage-backed exposure	507	6,340	513	6,408
Exposure at default	52	655	49	614
Others assets	3	34	4	49
Requirements for credit risk (A)	1,044	13,050	1,085	13,558
Requirements for market risk (B)	-	-	-	-
Requirements for operational risk (C)	37	465	37	465
Credit value adjustment (D)	22	277	26	320
CAPITAL REQUIREMENTS (A)+(B)+(C)+(D)	1,103	13,792	1,147	14,343

Solvency ratio

Compagnie de Financement Foncier's solvency ratio at June 30, 2019 was determined using the standard approach.

	06/30/2019	12/31/2018
Solvency ratio	22.53%	21.66%
CET1 ratio	22.53%	21.66%
Tier-1 ratio	22.53%	21.66%

Source: COREP (Common Solvency Ratio Reporting) as of June 30, 2019.

5. Analysis of credit and counterparty risk

The balance sheet comprises two major categories: assets financed by preferential debts in the form of loans or securities, and replacement values corresponding to a portion of cash balances. These assets meet differentiated approaches as to the measuring and monitoring of their credit risk:

- loans granted to private individuals and loans to business customers mainly in the Public sector: these loans are acquired either directly by Compagnie de Financement Foncier or mobilized through Crédit Foncier or any other entity of Groupe BPCE, in the form of L. 211-38 Public sector or mortgage loans;

- subsidized loans which benefit from the guarantee of the French State were transferred to Compagnie de Financement Foncier when it was created in 1999; with no new loans of this type being granted;
- Public sector securities, which comprise Compagnie de Financement Foncier's main international exposure;
- replacement values comprised of short-term investments with credit institutions that have the second highest external rating.

5.1. BREAKDOWN OF COMPAGNIE DE FINANCEMENT FONCIER'S COMMITMENTS

— 5.1.1. Analysis of credit risk exposures

Financed assets are analyzed transparently: the analysis covers the assigned assets in the form of loans under Article L. 211-38 of the French Monetary and Financial Code.

Replacement values, on the other hand, are analyzed by counterparty: loans granted to BPCE, essentially in the form of loans under L. 211-38 RV⁽¹⁾, although collateralized, are considered as an exposure to BPCE.

Compagnie de Financement Foncier reports that it still has no exposure to the following asset classes:

- CDO (Collateralized Debt Obligation) or direct exposures to monoline insurers;
- exposures to CMBS (Commercial Mortgage-Backed Securities);
- other sub-prime exposures, Alt-A or, more broadly, any exposure to US mortgage securities;
- special purpose vehicles;
- leveraged or leveraged buyout (LBO) transactions.

(1) Short-term loans to BPCE, guaranteed by collateralized assets.

Risk exposures <i>(in €m)</i>	Exposures as of 06/30/2019			Exposures as of 12/31/2018		
	Sold	Assigned	Total	Sold	Assigned	Total
A – Private Individuals' mortgage loans⁽¹⁾⁽²⁾	31,783	6,924	38,708	32,105	6,997	39,101
B – Public sector	16,728	9,585	26,313	16,398	11,326	27,724
French public sector	8,184	8,994	17,179	7,785	10,724	18,509
<i>Social housing</i>	905	1,891	2,796	974	2,002	2,976
<i>French local authorities (FLA)⁽³⁾</i>	5,188	7,104	12,292	5,128	8,722	13,850
<i>Sovereign France</i>	2,091		2,091	1,683		1,683
Infrastructure project financing (IPF)	615	591	1,206	621	602	1,223
International public sector	7,928		7,928	7,992		7,992
<i>International public sector (IPS)</i>	4,905		4,905	4,985		4,985
<i>International Sovereign</i>	2,600		2,600	2,585		2,585
<i>Public sector large corporations</i>	424		424	422		422
C – Commercial mortgage exposures	104	581	685	134	479	613
D – Banking sector exposures	651	6,600	7,251	650	6,600	7,250
Banks with sovereign guarantees or similar	540		540	533		533
Other banks	111		111	117		117
L. 211-38-RV ⁽⁴⁾		6,600	6,600		6,600	6,600
Total risk exposure (A + B + C + D)	49,266	23,691	72,957	49,286	25,402	74,688
Miscellaneous adjustments and Other items ⁽⁵⁾	1,809	46	1,856	2,014	42	2,056
TOTAL	51,075	23,737	74,813	51,300	25,444	76,744

(1) The "Private Individuals' mortgage loans" line item includes a limited amount of outstanding Dutch loans (€37m).

(2) Of which L. 211-38 Belgium for €711m (carrying amount).

(3) Of which €69m L. 211.38 with Caisses d'Épargne and €95m with Banques Populaires.

(4) Short-term loans to BPCE, guaranteed by collateralized assets.

(5) The "Miscellaneous adjustments and other assets" line item is mainly composed of accrued interest on forward financial instruments and adjustment accounts.

At June 30, 2019, the total risk exposure was down by €1.7bn to €73bn. This change was due to:

- the €1.3bn decrease in the French public sector to €17.2bn, due mainly to lower mobilization in the FLA sector of €1.6bn;

- the €0.4bn decline in mortgage loans to €38.7bn, which mostly had an amortization effect following a halt in the production of new loans from the end of March 2019.

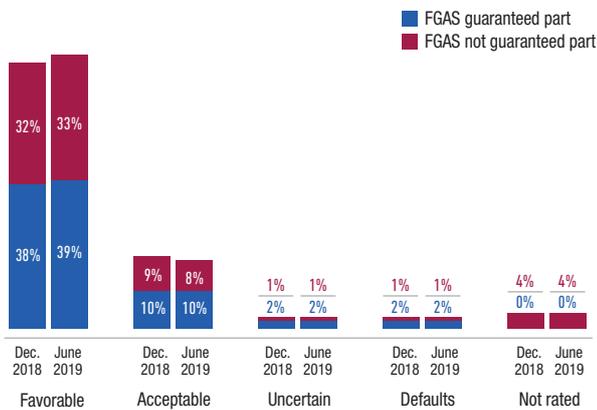
Geographical breakdown of exposures

	06/30/2019		12/31/2018	
	Balance sheet <i>(in € m)</i>	%		%
France	65,595	88		88
Other countries in the European Economic Area	4,783	6		6
• of which Italy	3,282	4		4
• of which Belgium	711	not reported		not reported
• of which Spain	287	not reported		not reported
• of which Poland	377	not reported		not reported
• of which Portugal	88	not reported		not reported
• of which the Netherlands	39	not reported		not reported
Switzerland	1,048	1		1
North America (USA & Canada)	1,971	3		3
Japan	1,416	2		2
TOTAL	74,813	100		100
Reminder of total exposures at 12/31/2018 (in €m)				76,744

5.1.2. Quality of the portfolio exposed to credit risk

PORTFOLIO OF LOANS TO INDIVIDUALS

Internal rating and quality of mortgage loans made to private individuals



At June 30, 2019: €38,708m
At December 31, 2018: €39,101m

The ratings attest to the ongoing good quality of outstanding loans.

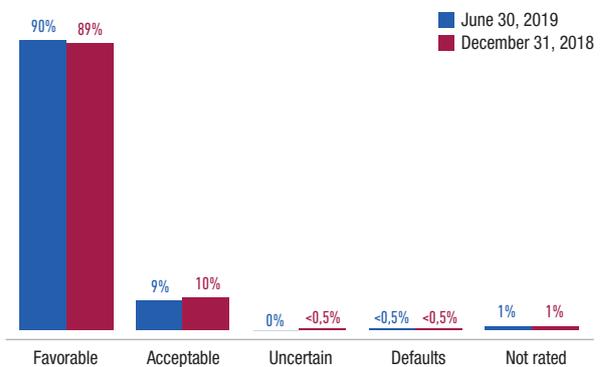
FRENCH PUBLIC SECTOR PORTFOLIO

The French public sector portfolio stood at €17.2bn, breaking down as follows:

- French local authorities: €12.3bn;
- Social housing: €2.8bn;
- Sovereign France: €2.1bn.

FRENCH LOCAL AUTHORITIES

Portfolio of French public operators – Breakdown by Basel II rating

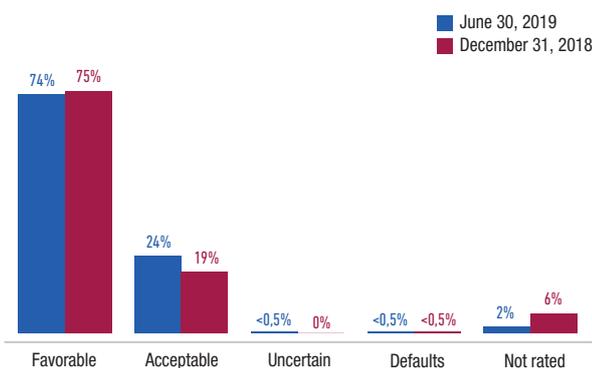


At June 30, 2019: €12,292m
At December 31, 2018: €13,850m

The quality of French local authorities' outstandings held by Compagnie de Financement Foncier stays at a very high level.

SOCIAL HOUSING

Social housing – Breakdown by Basel II rating



At June 30, 2019: €2,796m
At December 31, 2018: €2,976m

The quality of Social housing portfolio held by Compagnie de Financement Foncier stays at a very high level.

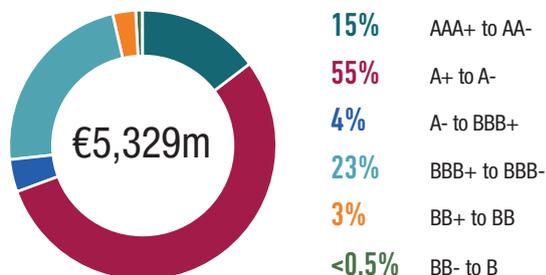
INTERNATIONAL PUBLIC SECTOR PORTFOLIO

International public sector (excluding Sovereigns) and Large Public sector Corporations

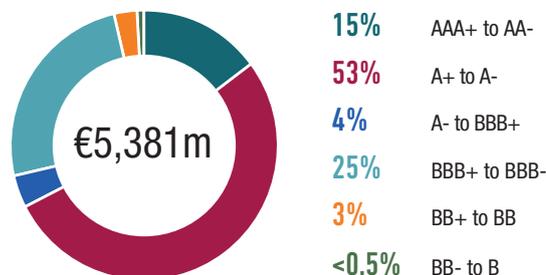
The IPS portfolio (excluding Sovereigns) and Large Public sector Corporations remained stable at €5.3bn at June 30, 2019 compared with December 31, 2018. Compagnie de Financement Foncier has stopped making new acquisitions in recent years.

Breakdown of exposures by internal rating on International public sector and Large public sector Corporations (net carrying amount before taking swaps into account)

June 30, 2019

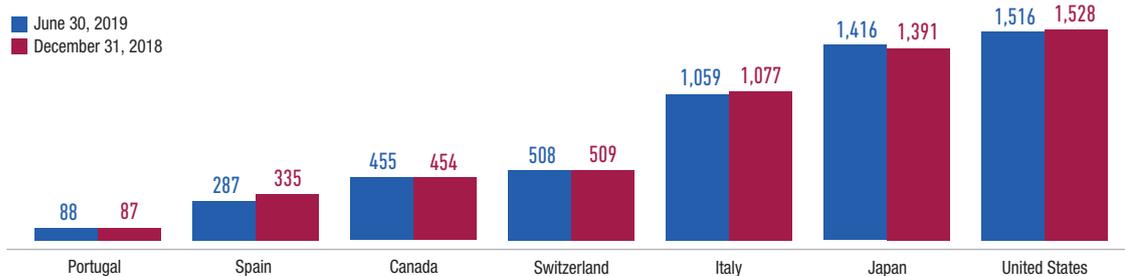


December 31, 2018



The quality of the rating continues to be high.

Breakdown of direct exposures to International public sector and Large Corporates (in €m) (net carrying amount before taking swaps into account)



At June 30, 2019: €5,329m
At December 31, 2018: €5,381m

The increase in exposures to Japan is due to exchange rate fluctuations. The maturity of the Comunidad de Aragon's debt has reduced exposures for Spain.

It should be noted that currency exchange fluctuations affect the outstandings of assets denominated in foreign currencies (USD, JPY, CAD, etc.), shown before swap effects.

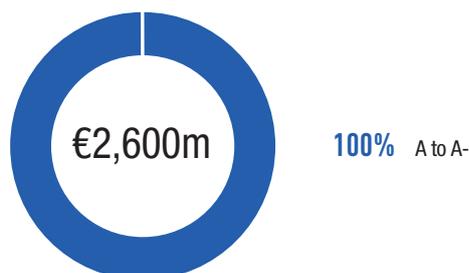
Compagnie de Financement Foncier has no direct exposures to monoline insurers but does have credit enhancements acquired from them for certain assets in the portfolio.

International Sovereign

Following the disposals and repayments, Compagnie de Financement Foncier's residual exposure to sovereign issuers is concentrated on Italy and, to a lesser extent, on Poland. The variation of outstandings from one year to another is explained by exchange rate fluctuations as some of the exposures are in foreign currencies and given the fact that the presentation is made on before swaps basis.

Breakdown of exposures by internal rating of Sovereigns excluding France

June 30, 2019

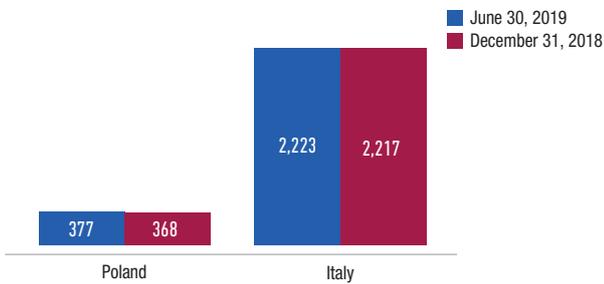


December 31, 2018



Compagnie de Financement Foncier's whole International Sovereign portfolio is rated investment grade (rating ≥ A-). The ratings used are those of Groupe BPCE.

Breakdown of direct exposures to Sovereigns outside France (in €m)



Given the disposals, Compagnie de Financement Foncier is now exposed exclusively to Italian and Polish Sovereigns. The variation of outstandings from one year to another is explained by exchange rate fluctuations as some of the exposures are in foreign currencies and given the fact that the presentation is made on before swaps basis.

Monoline insurers on exposures to IPS, Large Corporates and Sovereigns

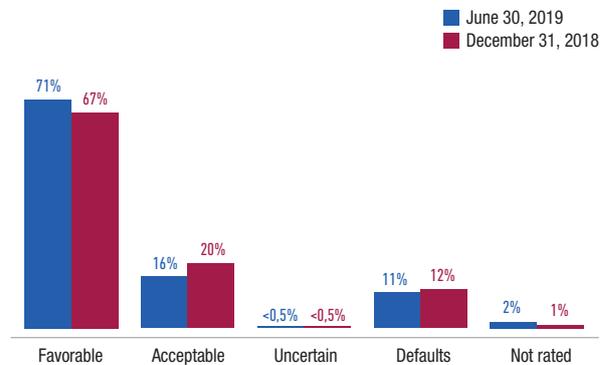
Compagnie de Financement Foncier has no direct exposures to monoline insurers but does have credit enhancements acquired from them for certain assets in the portfolio.

Thus, €1.5bn in outstandings in the portfolio is counter-guaranteed by the monoline insurers. For FGIC, the deterioration of its creditworthiness means that its guarantee is less effective than at the outset (due to fact that the transaction's intrinsic credit rating is higher than the one of the credit guarantor).

This is, however, not the case of Assured Guaranty Municipal Corp. (formerly FSA) and of Assured Guaranty Corp (which took over CIFG), rated respectively AA/A2 and AA/A3 by S&P and by Moody's, which guarantees a total outstanding amount of €1.23bn in securities; or of National Public Finance Guarantee Corp. (formerly MBIA), rated Baa2 by Moody's, and which guarantees a total outstanding amount of €0.14bn in securities.

PRIVATE CORPORATES PORTFOLIO

At June 30, 2019, Private corporate outstandings sold and assigned amounted to €685m, with 87% of the outstandings having "Favorable" or "Acceptable" ratings.



At June 30, 2019: €685m
At December 31, 2018: €613m

BANKING SECTOR PORTFOLIO

With €7.25bn of outstandings, banking sector exposures remained stable compared to December 31, 2018. They consist mainly of short-term transactions with BPCE (€6.6bn). Compagnie de Financement Foncier also had an exposure to financial institutions benefiting from public authority guarantees, Swiss cantonal banks, as part of long-term loans from the former IPS activity.

5.2. DELINQUENCY

5.2.1. Compagnie de Financement Foncier's risk hedging

The table below shows the breakdown of assets excluding endorsements and financial guarantees given along with the doubtful loan rates.

Risk exposures <i>(in €m)</i>	Gross exposures as of 06/30/2019				Gross exposures as of 12/31/2018			
	Total balance sheet	Doubtful loan rate	Doubtful loan rate Assigned	Doubtful loan rate global	Total balance sheet	Doubtful loan rate	Doubtful loan rate assigned	Doubtful loan rate global
A – Private Individuals' mortgage loans⁽¹⁾⁽²⁾	38,708	4.43%	0.03%	3.64%	39,101	4.61%	0.17%	3.81%
B – Public sector	26,313	0.01%	0.00%	0.00%	27,724	0.03%	0.00%	0.02%
French public sector	17,179	<0.5%	-	<0.5%	18,509	<0.5%	-	<0.5%
<i>Social housing</i>	2,796	<0.5%	-	<0.5%	2,976	<0.5%	-	<0.5%
<i>French local authorities (FLA)⁽³⁾</i>	12,292	<0.5%	-	<0.5%	13,850	<0.5%	-	<0.5%
<i>Sovereign France</i>	2,091	-	-	-	1,683	-	-	-
Infrastructure project financing (IPF)	1,206	-	-	-	1,223	-	-	-
International public sector	7,928	-	-	-	7,992	-	-	-
<i>International public sector (IPS)</i>	4,905	-	-	-	4,985	-	-	-
<i>International Sovereign</i>	2,600	-	-	-	2,585	-	-	-
<i>Public sector large corporations</i>	424	-	-	-	422	-	-	-
C – Commercial mortgage exposures	685	72.21%	-	10.91%	613	54.21%	-	11.82%
D – Banking sector exposures	7,251	-	-	-	7,250	-	-	-
Banks with sovereign guarantees or similar	540	-	-	-	533	-	-	-
Other banks	111	-	-	-	117	-	-	-
L. 211-38-RV ⁽⁴⁾	6,600	-	-	-	6,600	-	-	-
Total risk exposure (A + B + C + D)	72,957	3.01%	<0.5%	2.04%	74,688	3.16%	<0.5%	2.10%
Miscellaneous adjustments and Other items ⁽⁵⁾	1,856	-	-	-	2,056	-	-	-
TOTAL	74,813	2.90%	<0.5%	1.99%	76,744	3.04%	<0.5%	2.04%

(1) The "Private Individuals' mortgage loans" line item includes a limited amount of outstanding Dutch loans (€37m).

(2) Of which L. 211-38 Belgium for €711m (carrying amount).

(3) Of which €69m L. 211.38 with Caisses d'Épargne and €95m with Banques Populaires.

(4) Short-term loans to BPCE, guaranteed by collateralized assets.

(5) The "Miscellaneous adjustments and other assets" line item is mainly composed of accrued interest on forward financial instruments and adjustment accounts.

The overall doubtful loan rate was low at 2%.

For mortgages, the doubtful loan rate changed to 3.6% at end-June 2019 from 3.8% at end-December 2018.

The Public sector portfolio has a very marginal rate of doubtful loans, corresponding to old cases, attesting to the good quality of the portfolio.

The doubtful loan rate for commercial mortgage exposures held by Compagnie de Financement Foncier rose from 54.2% to 72.2% due to the smaller base, but it mainly concerns a single case in the subsidized sector for an amount of €73m.

5.2.2. Risk charge of Compagnie de Financement Foncier

<i>(in €m)</i>	06/30/2019	12/31/2018
Individual cost of risk (A)	7.3	-18
Collective provisions (B)	3.6	2
Cost of risk (A + B)	10.9	-16
Risk charge, net banking income (C)	0.1	0.9
NET (A + B + C)	11	-15.1

At June 30, 2019, Compagnie de Financement Foncier's risk charge was €11m. It induces the cost of risk on an individual basis (€7.3m), the cost of risk on a collective basis (€3.6m) and the cost of risk recognized in net banking income (€0.1m).

5.3. RISK MITIGATION TECHNIQUES

5.3.1. Risk mitigation factors

Compagnie de Financement Foncier's portfolio is very secure as it consists mainly of either risks secured by mortgages or equivalent or risk exposures to the Public sector. Both risks are further reduced by additional guarantees. Thus, for example, 56.5% of outstanding loans to private individuals are covered by a FGAS guarantee.

In relation to individual customers, the main provider of personal guarantees belongs to the Sovereign segment: the *Société de gestion du fonds de garantie à l'accession sociale à la propriété* (SGFGAS) provides a guarantee from the French government for home ownership loans governed by the regulations of loan agreements and guaranteed by first-rank collateral (mortgage or lender's lien). For this reason, SGFGAS benefits from the external ratings assigned to the French state and allows a 0% weighting of loans for which FGAS coverage was signed prior to December 31, 2006. Due to a change in FGAS coverage methods, guarantees granted thereafter have a Basel III weighting equal to a half of what would have been obtained with only a mortgage guarantee. Nevertheless, the part not guaranteed by FGAS, but borne by Crédit Foncier, benefits from a weighting of 0% for Compagnie de Financement Foncier.

Furthermore, some loans to individual customers benefit from sureties and financial guarantees, related to a financial institution risk: mainly Crédit Logement, the subsidiary of most major French banking networks.

Loans covered by Crédit Logement were assigned to Basel III weighting of 35%.

The transfer facilities between Compagnie de Financement Foncier and Crédit Foncier or other Groupe BPCE entities (agreements, contracts) explicitly provide the cancellation of the transfer in the event of non-compliance of the acquired receivables.

Regarding immovable guarantees, in accordance with the regulations, Compagnie de Financement Foncier annually carries out a very detailed revaluation of registered mortgage guarantees. Compagnie de Financement Foncier's Specific Controller issues an opinion on the validity of real estate asset valuation approaches and their results as well as periodic review procedures.

5.3.2. Valuation and periodic review methods for real estate assets

The methodology remained unchanged in the 1st half of 2019.

For more information, see Compagnie de Financement Foncier's 2018 Registration document (pages 93 to 102).

6. Financial risk analysis

Compagnie de Financement Foncier does not conduct any proprietary trading and does not have any positions in the trading book. Its activities in the markets are limited to the balance sheet hedging operations.

Crédit Foncier provides Compagnie de Financement Foncier with Asset and Liability Management (ALM) structural risk monitoring services, pursuant to an agreement to this effect. The related rules are set out in Compagnie de Financement Foncier's Financial Charter.

6.1. VALUATION METHODOLOGY LIQUIDITY, INTEREST RATE AND EXCHANGE RATE RISKS

The methodology remained unchanged in the 1st half of 2019.

For more information, see Compagnie de Financement Foncier's 2018 Registration document (page 103).

6.2. LIQUIDITY RISK MONITORING

6.2.1. Organization of Compagnie de Financement Foncier's funding

The bulk of Compagnie de Financement Foncier's resources comes from medium and long-term issuances of *obligations foncières*.

At June 30, 2019, Compagnie de Financement Foncier issued €1.8bn in covered bonds (*obligations foncières*).

Furthermore, Compagnie de Financement Foncier has a number of potentially assignable assets that are eligible for the ECB's refinancing operations. At June 30, 2019, these outstandings amounted to nearly €10.1bn in nominal value, divided into:

- €7.3bn in Public sector loans;
- €2.8bn in securities.

In the 1st half of 2019, Compagnie de Financement Foncier did not use this financing facility.

6.2.2. Liquidity risk monitoring

Liquidity risk is the risk that Compagnie de Financement Foncier may not be able to honor its liquidity requirements.

As explained in the 2018 Registration document, liquidity requirements are analyzed according to a combined static and dynamic approach. With the static approach, liquidity monitoring

ensures that medium-term liquidity management does not concentrate liquidity requirements excessively over certain periods. The main indicator used is the static liquidity gap, depending on whether or not account is taken of Compagnie de Financement Foncier's capacity to raise liquidity over the next 20 years. The concentration of future bond maturities was also looked at.

The very prudent liquidity management policy is being continued in 2019. Other than regulatory requirements, Compagnie de Financement Foncier's ALM rules ensure that its exposure to liquidity risk remains very limited. They are managed using a system of internal limits and are monitored by the ALM and Liquidity Oversight Committee as well as by the Risk Executive Committee.

In particular, Compagnie de Financement Foncier is committed to dispose of sufficient short-term liquidity to cover its privileged debt repayment commitments for a period of one year.

At June 30, 2019, Compagnie de Financement Foncier had available cash of €1.52bn on current accounts with the Banque de France.

It also had €6.65bn in replacement values, including investments of which €6.6bn lent to BPCE with a term of less than two months and fully guaranteed by a loans portfolio.

In a crisis, Compagnie de Financement Foncier would benefit from the mechanism available to group Crédit Foncier and described in its Contingency Plan (See 6.2.4.).

6.2.3. Indices and compliance with limits

INTRADAY MONITORING

As Compagnie de Financement Foncier has an account with the ECB, an intraday liquidity monitoring and oversight mechanism was implemented.

Compagnie de Financement Foncier thus has a certain amount of collateral at the ECB.

LCR (LIQUIDITY COVERAGE RATIO)

Compagnie de Financement Foncier's LCR complies with the 100% limit applicable since January 1, 2018.

LIQUIDITY STRESS

Compagnie de Financement Foncier prepares liquidity forecast measures on the basis of a central, one-year scenario and under stress conditions:

- major stress at 3 months (maintenance of a proportion of new production and a proportion of the refinancing) and subject to limits: a check is thus done to verify whether the liquidity buffer covers all the cash needs provoked by the stress incident;
- disaster stress at 3 months resulting notably in the stopping of all new issuances and financing roll-overs; the liquidity position is compared with the liquidity buffer;
- moderate system-wide stress and high specific stress round out the system.

The stress test limit was complied with in the 1st half of 2019.

COMPLIANCE WITH THE PROVISIONS OF THE MAY 26, 2014 DECREE

180-day liquidity forecast

Compagnie de Financement Foncier ensures that at any given time its cash requirements are covered for a period of 180 days in accordance with the decree. This condition was complied with during the 1st half of 2019. A 180-day liquidity forecast is sent for certification to the Specific Controller and then to the ACPR quarterly.

Asset/liability matching indicator and maturity gap

The asset/liability matching indicator requires that the average maturity of eligible assets, held to cover the 105% minimum regulatory overcollateralization ratio, may not exceed the average maturity of outstanding privileged liabilities by more than 18 months. The calculation is submitted quarterly for very close scrutiny to the Specific Controller and then to the ACPR.

In the 1st half of 2019, without restricting eligible assets within the requirements of the regulatory overcollateralization ratio, this limit was also respected.

In addition to these requirements, Compagnie de Financement Foncier undertook to ensure a maximum gap of 2 years between the average maturity of all its liabilities and assets. On the liabilities side, equity is included for an average maturity equal to the longest issued liabilities. At June 30, 2019, this commitment was also honored.

Coverage plan for privileged liabilities

The reporting institution defines, depending on its specific characteristics, the quarterly coverage plan of privileged liabilities that shall be applied in case it may no longer issue privileged liabilities. It is also sent for certification to the Specific Controller and then to the ACPR quarterly.

On the liabilities side, equity is included for a maturity equal to the longest issued liabilities:

- assets used to cover privileged liabilities;
- safe and liquid securities and assets pursuant to Article R. 513-6 of the French Monetary and Financial Code;
- cash flows generated by all balance sheet assets and privileged liabilities;
- privileged liabilities.

The calculation of the level of coverage takes into account early repayments assumptions and a final asset loss rate.

6.2.4. Liquidity contingency plan

A liquidity contingency plan was defined for group Crédit Foncier, Crédit Foncier and Compagnie de Financement Foncier in implementation of the Groupe BPCE liquidity contingency plan.

It sets out the associated governance and liquidity measures with regard to the three stress levels: tension, high stress and crash stress.

6.3. MONITORING OF OVERALL INTEREST RATE RISK

6.3.1. Management procedures

The management procedures remained unchanged in the 1st half of 2019.

For more information, see Compagnie de Financement Foncier's 2018 Registration document (p. 104).

6.3.2. Interest rate risk monitoring

The interest rate risk monitoring remained unchanged in the 1st half of 2019.

For more information, see Compagnie de Financement Foncier's 2018 Registration document (p. 104).

6.3.3. Compliance with limits

LIMIT RELATED TO THE STATIC RATE GAP

Compagnie de Financement Foncier is committed to maintaining the level of its interest rate mismatches or gaps within the very narrow range defined by periods of observation.

These limits are determined every year on the basis of a percentage of the balance sheet.

Capital is treated as a liability amortizable linearly over 20 years.

The current limits for interest rate gaps are:

Horizon	Limits expressed as a percentage of the projected balance sheet
0-2 years	2%
2-4 years	3%
4-8 years	5%
Threshold over 8 years	5%

In the 1st half of 2019, this rate was exceeded once, on March 31, 2019, for the two-year term. This excess was resolved as of April 9 following a bond issuance.

6.4. MONITORING FOREIGN EXCHANGE RISK

Foreign exchange risk monitoring remained unchanged in the 1st half of 2019.

Compagnie de Financement Foncier's internal exposure limit was extended for 2019, with the limit corresponding to the exchange value of €5m for all currencies combined and to €3m per currency. This limit was obeyed for the 1st half of the year.

For more information, see Compagnie de Financement Foncier's 2018 Registration document (p. 105).

6.5. MONITORING SETTLEMENT RISK

The settlement risk monitoring remained unchanged in the 1st half of 2019.

For more information, see Compagnie de Financement Foncier's 2018 Registration document (p. 105).

7. Operating risks

Within Groupe BPCE, operating risks are defined as the risk of loss resulting from inadequate or faulty procedures, personnel, information systems or external events. Operating risks include internal and external fraud, model risk and reputational risk.

Compagnie de Financement Foncier's operating risk management is entrusted to Crédit Foncier under service agreements signed between the two institutions. The greater part of operational risk is linked to the services outsourced to the parent company. Any consequence of operational incidents detected in the framework of a Crédit Foncier process relating to a Compagnie de Financement Foncier balance sheet item is borne by Crédit Foncier.

These risks include in particular accounting, legal, regulatory and tax risks, as well as risks relating to security of staff, property and information systems and models.

Compagnie de Financement Foncier's operating risk management, limited to the Compagnie de Financement Foncier Oversight and Forecasting department activities, relies on Crédit Foncier's system according to Groupe BPCE rules. These operational risks are specifically mapped and presented to the Operating Risks Committee every quarter. No incident related to Compagnie de Financement Foncier was detected in the 1st half of 2019.

7.1. GENERAL MANAGEMENT

All of group Crédit Foncier's Operational Risk processes, including those of Compagnie de Financement Foncier, are managed by its Risk department, which relies on the operating risk standards and methods employed by Groupe BPCE's Risk department and on group Crédit Foncier's operational risk policy.

7.2. GOVERNANCE

For more information, see Compagnie de Financement Foncier's 2018 Registration document (p. 106).

7.3. MANAGEMENT ENVIRONMENT

7.3.1. Management network

Operational risk oversight and management is delegated to the managers of various divisions. Each manager relies on a network of representatives coordinated by a risk manager, with a functional link to the Risk department. The network of Risk Officers was reviewed in April 2019 to take into account the growth of Crédit Foncier.

7.3.2. Methods and tools

For more information, see Compagnie de Financement Foncier's 2018 Registration document (p. 106).

7.4. ORGANIZATION OF THE CONTINGENCY AND BUSINESS CONTINUITY PLAN (CBCP)

For more information, see Compagnie de Financement Foncier's 2018 Registration document (p. 106).

7.5. INFORMATION TECHNOLOGY RISK

Under the agreements governing its activity, Compagnie de Financement Foncier makes use of human and technical resources provided by Crédit Foncier. Accordingly, Compagnie de Financement Foncier fully benefits from upgrades to Crédit Foncier's IT systems and from all the mechanisms that guarantee its smooth operation.

The same is true for data protection, for which Crédit Foncier adapted to new European regulations in 2018.

In the 1st half of 2019, the Head of IS Security was replaced by a new employee and the Contingency and Business Continuity Plan (CBCP) was disassociated from IS Security. Permanent control Division is now in charge of the CBCP monitoring.

7.6. INSURANCE

For more information, see Compagnie de Financement Foncier's 2018 Registration document (p. 107).

7.7. LEGAL RISKS

Among the highlights of the 1st half of 2019, the following points should be noted:

According to the service agreements that link Crédit Foncier to Compagnie de Financement Foncier, legal risks incurred by the latter are monitored by the Crédit Foncier's Legal Division.

In the 1980s and 1990s, a French Overseas departments (DOM) operator took out subsidized loans distributed by Crédit Foncier on behalf of the French State to finance the construction of rental properties with intermediate rents.

The difficulties it encountered led it to initiate bankruptcy proceedings at the end of 2016, at the same time as the collective insolvency proceedings of the other companies in the Group.

With regard to the borrowing company, the Court handling the insolvency proceedings prepared a recovery plan in the 1st quarter of 2018, which the court-appointed agents appealed as the other companies of the Group were being liquidated.

In the 3rd quarter, the Court of Appeal overturned the lower court's judgment and declared that the restructuring would be converted into a liquidation by excluding, in the case of the borrowing company, a takeover bid for assets from an institutional body for a price that would have discharged all liabilities. The borrower lodged an appeal on procedural grounds.

In this regard, it should be noted that the corresponding loan is secured by both real estate collateral on these assets and the guarantee of the State, under Article L. 312-1 of the Code of Construction and Housing.

The sale of the assets had just been authorized by the bankruptcy judge for an amount greater than the declared liabilities of the borrowing company. To allow the regularization of the sale, a discontinuance of the appeal was announced.

The statements of claims prepared by Crédit Foncier were contested.

Since the beginning of 2019, Crédit Foncier has been the target of a proliferation of civil and criminal legal actions initiated by both the legal representatives and the manager on behalf of the Group companies. Their aim is to hold Crédit Foncier (and, indirectly, the French State) liable for allegedly unfair loans. The subsequent restructuring of these loans, which were implemented with the agreement of the French State and under the auspices of the Court, was also called into question. This restructuring was retrospectively considered to have been insufficient given the financial capacity of the borrower.

Group Crédit Foncier strongly disputes all of these motions and holds that these allegations are totally unfounded.

Following a media campaign, notably on the internet, all market participants received a number of complaints from borrowers, claiming that the effective annual interest rate (TEG rate) on their loan was wrong, and were subject to a number of legal proceedings on this matter. An appropriate defense was made in response to these claims both in and out of court. A body of significant decisions favorable to the interests of lenders has gradually formed and strengthens the position of the creditor in the pending proceedings, enabling it to have counter claims thrown out in virtually all cases.

DEPENDENCY

Compagnie de Financement Foncier is not dependent upon any specific patents, licenses, industrial procurement contracts, or commercial or financial agreements.

8. Non-compliance risk

Compliance responsibilities for Compagnie de Financement Foncier are performed by the Crédit Foncier's Compliance Division in accordance with the terms of the relevant agreements (framework agreement and internal control and compliance service agreement) between the two entities. The Compliance Division is organized into

two separate units: compliance and ethics on one hand, and financial security on the other. Crédit Foncier's Director of Compliance is the person responsible for the compliance of Compagnie de Financement Foncier's Investment Services.

8.1. GENERAL MANAGEMENT

Non-compliance risk monitoring and control is based on the methods used by BPCE. Non-compliance risk management is based on the risk mapping approach used by Groupe BPCE compliance.

It enables a permanent overview:

- non-compliance risks, on the basis of 12 aggregate risks (including money laundering risk), break down into several risks detailed in specific elements of Compagnie de Financement Foncier's range of activities;
- of the system implemented to prevent or reduce them and to ensure, for the most significant risks, that they control them, if needed, and produce action plans to better oversee them.

Non-compliance risks are identified using a dual approach:

- detecting and factoring the specific aspects of Compagnie de Financement Foncier into the implementation of statutory instruments to avoid potential implementation difficulties and to guarantee accurate translation into operating procedures;
- analyzing the results of first-level controls by Crédit Foncier's operational teams within the scope of Compagnie de Financement Foncier. These controls target the thematic non-compliance areas identified in the Group's compliance standards or the results of thematic approaches.

The control of non-compliance risks is divided between:

- the controls carried out by Crédit Foncier on its business activity (real estate financing, financial management, etc.) which directly benefit Compagnie de Financement Foncier;
- the compliance controls specifically set up for Compagnie de Financement Foncier notably relate to compliance with the regulations that apply to the acquisition of receivables and the updating of the value of collateral.

Specific action plans are drawn up by the operational units to address dysfunctions identified during audits or revealed by recurrent operational risk incidents. These action plans are monitored by the Permanent Control and Compliance Officers of the departments concerned. The monitoring of these dysfunctions and the progress of the corresponding action plans is undertaken by the Heads of Permanent Control at Crédit Foncier, for the purposes of reporting to the Internal Control Committee and Compagnie de Financement Foncier's Risk Executive Committee.

8.2. FINANCIAL SECURITY

Group Crédit Foncier ensures on behalf of Compagnie de Financement Foncier anti-money laundering and the financing of terrorism by means of a due diligence and monitoring system involving all Group stakeholders across the banking and credit transactions processes. This system includes adequate procedures as well as training and awareness programs for staff.

The system, incorporating the risk approach deriving from the anti-money-laundering regulations, provides for systematic scrutiny prior to forming any new customer relationship. Outstandings are regularly checked against international lists of persons with links to terrorism and for the enforcement of embargoes. Unusual events during the life of loans, in particular prepayments, are scrutinized by the Financial Security Unit of the Compliance Division.

8.3. COMPLIANCE

Banking compliance

In addition to the application of the general compliance risk management system described above, the Compliance Division of Crédit Foncier coordinates a number of systems.

It oversees the compliance and listing of Critical or Important Outsourcing Services (CIOS) as per Articles 231 to 240 of the Decree of November 3, 2014 concerning the internal control of companies in the banking, payment services and investment services sector. These services are covered by agreements between Crédit Foncier and Compagnie de Financement Foncier. The Compagnie de Financement Foncier Oversight and Forecasting department, working with the Crédit Foncier Permanent Control Coordination department, is responsible, in particular, for the monitoring of services outsourced to Crédit Foncier.

The Crédit Foncier Compliance Division also coordinates the process of reviewing, producing and approving every new product, activity, distribution channel or service as all changes to an existing product. As part of this process, issues specific to Compagnie de Financement Foncier, in particular the eligibility of future outstandings for its balance sheet, are systematically examined.

Volcker Rule and the law on the separation and regulation of banking activities (SRBA)

Crédit Foncier is subject to the French law No. 2013-672 dated July 26, 2013 on the Separation and Regulation of Banking Activities ("SRBA"), and, as subsidiary of BPCE SA to section 13 of the Bank Holding Company Act in the United States ("BHCA"), as amended by section 619 of the US Dodd-Frank Wall Street Reform and Consumer Protection Act (Pub. L. 111 – 203, H.R. 4173), and the related implementing regulations ("Volcker Rule").

In application, the Compliance Division completed the final certification phase for Compagnie de Financement Foncier. In particular, the draft Senior Management report, which details the advanced compliance program was approved by the Executive Management Committee of Crédit Foncier and its Board of Directors. All sub-certifications of Compagnie de Financement Foncier were sent to Groupe BPCE for the Group's final certification.

Investment services

Blackout periods are applied in compliance with the calendars of Crédit Foncier and BPCE. The Compliance Division also periodically reviews the list of insiders.

8.4. ETHICS

Financial ethics standards incorporate market abuse regulatory measures pursuant to Regulation 596/2014 of the European Parliament, both regarding closely related persons and permanent insiders. An internal procedure circulated to all employees lists their

obligations. In parallel, the persons concerned receive an individual reminder of each blackout period during which securities may not be purchased or sold.



FINANCIAL REPORT

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Financial statements

BALANCE SHEET (IN €K)

ASSETS	Notes	06/30/2019	06/30/2018	12/31/2018
Cash and amounts due from central banks		1,522,831	445,900	705,379
Treasury bills and equivalent	3	3,273,503	3,379,947	3,270,999
Loans and receivables due from credit institutions	1	24,339,076	26,645,290	26,449,694
• Demand		52,393	54,214	56,663
• Term		24,286,683	26,591,076	26,393,031
Customers transactions	2	39,196,882	39,847,966	39,643,161
• Other facilities granted to customers		39,196,882	39,847,966	39,643,161
Bonds and other fixed-income securities	3	4,587,341	4,537,314	4,565,859
Equity interests and other long term investments		0	0	0
Intangible assets and property plant and equipment		0	0	0
Other assets	4	27,944	63,556	52,591
Accrual accounts	5	1,795,776	2,037,065	1,977,089
TOTAL ASSETS		74,743,352	76,957,040	76,664,772
LIABILITIES	Notes	06/30/2019	06/30/2018	12/31/2018
Central banks		0	0	0
Due to credit institutions	6	7,240,317	7,509,596	6,601,591
• Demand		0	0	159
• Term		7,240,317	7,509,596	6,601,432
Customer transactions		0	0	0
• Demand		0	0	0
Debt securities	7	61,014,153	62,833,214	63,547,037
• Interbank market instruments and negotiable debt securities		150,487	150,712	151,865
• Bond issues (obligations foncières)		60,863,666	62,682,502	63,395,172
Other liabilities	8	1,159,757	1,427,641	1,107,531
Accrual accounts	9	2,137,993	2,012,104	2,205,340
Provisions	10	8,617	20,161	6,559
Subordinated debts		0	0	0
Fund for general banking risks		20,000	20,000	20,000
Equity excluding fund for general banking risks	11	3,162,515	3,134,325	3,176,713
• Suscribed capital		2,537,460	2,537,460	2,537,460
• Additional paid-in capital		343,002	343,002	343,002
• Reserves		126,553	122,063	122,063
• Regulated provisions and investment subsidies		0	0	0
• Retained earnings		79,914	84,404	84,404
• Income to be allocated		0	0	0
• Net income for the period		75,585	47,396	89,784
TOTAL LIABILITIES		74,743,352	76,957,040	76,664,772

OFF-BALANCE SHEET (IN €K)

	Notes	06/30/2019	06/30/2018	12/31/2018
TOTAL COMMITMENTS GIVEN				
Financing commitments		1,403,986	1,300,613	1,465,178
• Commitments given to credit institutions	12	0	0	0
• Commitments given to customers	12	1,195,982	1,014,164	1,185,156
• Other securities pledged as collateral	12	208,003	286,449	280,022
Guarantee commitments		0	0	0
• Commitments given to credit institutions	12	0	0	0
• Commitments given to customers	12	0	0	0
Commitments on securities		0	0	0
• Other commitments given	12	0	0	0
TOTAL COMMITMENTS RECEIVED				
Financing commitments		26,624,374	29,776,401	28,565,657
• Guarantees received from credit institutions	13	2,689,580	3,767,854	2,756,142
• Other securities received as collateral from the Group	13	23,934,794	26,008,547	25,809,515
Guarantee commitments		38,114,339	38,201,174	38,527,020
• Guarantees received from credit institutions	13	7,135,361	6,536,695	6,941,055
• Commitments received from customers	13	30,978,979	31,664,478	31,585,965
Commitments on securities		0	0	0
TOTAL RECIPROCAL COMMITMENTS				
• Sale and purchase of foreign currencies	14	14,434,334	12,579,534	14,916,577
• Other financial instruments	14	56,802,618	67,558,014	65,036,854

INCOME STATEMENT *(IN €K)*

	Notes	06/30/2019	06/30/2018	12/31/2018
Interest and similar income	15	1,058,221	1,127,903	2,221,758
Interest and similar expenses	15	-931,794	-1,016,414	-1,993,403
Net interests margin		126,427	111,489	228,356
Fees and commissions income	16	19,236	21,426	44,047
Fees and commissions expenses	16	-830	-592	-1,525
Net gains or losses on trading books transactions	17	10	809	-65
Other banking income	18	67	19	98
Other banking expenses	18	-1,816	-1,422	-3,037
Net banking income		143,092	131,730	267,873
Payroll costs	19	0	0	-45
Taxes and regulated provisions	19	-3,899	-11,663	-6,926
External services and other expenses	19	-34,726	-32,616	-87,938
Amortization		0	0	0
Total operating expenses		-38,625	-44,279	-94,909
Gross operating income		104,467	87,451	172,964
Cost of risk	20	10,930	-2,541	-16,039
Operating income		115,397	84,910	156,925
Gains or losses on fixed assets	21	0	0	421
Income before tax		115,397	84,910	157,346
Non-recurring income		0	0	0
Income tax	22	-39,811	-37,515	-67,562
NET INCOME		75,585	47,396	89,784
Earnings per share ⁽¹⁾ (in €)		0.48	0.30	0.57
Diluted earnings per share (in €)		0.48	0.30	0.57

(1) Earnings per share are calculated by dividing net income by the average number of shares outstanding in the period.

The notes on the following pages are part of the half-year separate financial statements.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS OF COMPAGNIE DE FINANCEMENT FONCIER

1. General framework

Compagnie de Financement Foncier is approved to operate as a société de crédit foncier under the Act of June 25, 1999, which deals with savings and financial security. As such, it is subject to Articles L. 513-2 to L. 513-27 of the French Monetary and Financial Code.

It is a credit institution accredited as a specialized credit institution under Act No. 2013-544 of June 27, 2013 on credit institutions and financing companies, in force as of January 1, 2014, which transposes into French legislation the European Regulation (CRR) and directive (CRD IV). As such, it must comply with Regulation 99-10 of the French Banking and Financial Regulation Committee (*Comité de la Réglementation Bancaire et Financière* or CRBF) as amended, which mainly concerns sociétés de crédit foncier and notably:

- the valuation of real property that is financed by eligible loans that can be held as assets by sociétés de crédit foncier;
- the valuation of the assets and liabilities of such companies;
- their specific management policies.

Compagnie de Financement Foncier is affiliated to BPCE. As such, it is protected by the guarantee and liquidity facilities of Groupe BPCE. As an affiliate, Compagnie de Financement Foncier does not contribute to the guarantee mechanism of Groupe BPCE and will not be called upon in case of a Banque Populaire or a Caisse d'Épargne default.

2. Significant events of the 1st half of 2019

2.1. COMMERCIAL ACTIVITY

During the 1st half of 2019, Compagnie de Financement Foncier acquired €2,048m in loans from Crédit Foncier including related receivables, plus €198m in financing commitments.

Article L. 211-38 of the French Monetary and Financial Code specifies the possibility for an institution to grant a loan to another financial institution, a loan whose repayment is secured by the creation of a guarantee on a group of receivables. Compagnie de Financement Foncier as such carries loans with its parent company, Crédit Foncier, in the total amount of €15,658.5m at June 30, 2019 and with certain Caisses d'Épargne or Banques Populaires banks for a total amount of €158.9m. The same facility was also granted to BPCE SA, amounting to €7,920m at June 30, 2019 excluding related receivables. Total loans granted were collateralized for €23,935m.

Replacement values of Compagnie de Financement Foncier, defined according to Decree 2007-745 of May 9, 2007 on the solvency of credit institutions, investment firms and sociétés de crédit foncier and amending the French Monetary and Financial Code, amounted to €6,655.1m including related receivables. In

addition to working cash balances, replacement values essentially comprise loans granted under Article L. 211-38 of the French Monetary and Financial Code.

With respect to refinancing, Compagnie de Financement Foncier issued €1,805m of covered bonds during the 1st half year.

Compagnie de Financement Foncier can also access refinancing lines with the Banque de France (Overall collateral management - pool 3G). However, this option was not used in 2019.

2.2. EARLY REPAYMENTS AND RENEGOTIATIONS

The overall rate of early repayments and renegotiations of loans to individuals stood at 10.1%. The asset outflows linked to early repayments amounted to €1,212m for the half year.

Early repayments had several effects on net banking income:

- accelerated amortization of acquisition premiums/discounts, whose impact is estimated at -€20.9m for the fiscal half year;
- the collection of early repayment penalties from individual customers of just over €18.6m; as a reminder, according to the agreement on services rendered by Crédit Foncier, one third of these penalties is transferred to the latter;
- the impact of renegotiation fees for approximately €1.1m.

In the 1st half of 2019, the rate of early repayments on corporate accounts was 1.2%, down compared with the 1st half of 2018 by 2.3%.

2.3. BUYBACK OF COVERED BONDS

During the 1st half of 2019, Compagnie de Financement Foncier did not buy back any covered bonds.

2.4. PERFORMING LOAN PROVISIONS

As of 2018 and in accordance with the rules recommended by Groupe BPCE, Compagnie de Financement Foncier converged its model for provisioning non doubtful loans presenting significant degradation of credit risk with the assessment procedures used in IFRS 9 (Status 2 (S2) outstanding). The impact of this convergence has been treated as a change in estimate in the financial statements for the year 2018.

The impact on income recognized in "Cost of Risk" in the 1st half of 2019 is a reversal of €3.6m.

2.5. TAXES

In accordance with the consolidated tax agreement signed with Crédit Foncier, Compagnie de Financement Foncier recognized a tax charge of -€21m vis-à-vis its parent company on the basis of its taxable income. In addition, a deferred tax expense is recognized for nearly -€19m, bringing the income tax item to a total amount of -€40m.

3. Post-balance sheet events

No subsequent event liable to have a significant impact on the June 30, 2019 financial statements occurred between the closing date and July 31, 2019, the date on which the Board of Directors approved the financial statements.

4. Accounting principles and methods

4.1. PRESENTATION AND VALUATION METHODS

The half-year separate financial statements of Compagnie de Financement Foncier are prepared and presented in accordance with the rules defined by BPCE, in compliance with Regulation No. 2014-07 of the French National Accounting Standards Authority (*Autorité des Normes Comptables* – ANC).

4.2. CHANGES IN ACCOUNTING METHODS

No changes were made to the accounting policies used to prepare the financial statements for the 1st half of 2019.

The texts adopted by the Accounting Standards Authority and mandatory application in the 1st half of 2019 do not have a significant impact on the institution's individual financial statements.

The Company does not opt for early application of texts adopted by the French National Accounting Standards Authority, where such application is optional, unless specifically mentioned.

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Note 1. Loans and receivables due from credit institutions

(in €k)	06/30/2019	06/30/2018	12/31/2018
Demand loans to credit institutions	52,393	54,214	56,663
Current accounts with overdrafts	52,393	54,214	56,663
Overnight loans			
Unallocated items (demand)			
Related receivables			
Term loans to credit institutions	24,286,683	26,591,076	26,393,031
Term accounts and loans	540,277	908,147	911,734
Loans guaranteed under L. 211-38 (described in greater detail in note 1 A)	23,737,398	25,668,949	25,443,649
Securities bought under repurchase agreements			
Subordinated loans and participating loans			
Related receivables	9,008	13,980	37,648
Doubtful loans			
GROSS AMOUNT OF TERM LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS	24,339,076	26,645,290	26,449,694
Impairment of doubtful loans			
Impairment of doubtful loans			
NET AMOUNT OF TERM LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS	24,339,076	26,645,290	26,449,694
BREAKDOWN OF TERM ACCOUNTS (GROUP/NON-GROUP)			
Term accounts and loans			
• of which Group transactions			
• of which non-Group transactions	540,277	908,147	911,734
Secured receivables			
• of which Group transactions	23,737,398	25,668,949	25,443,649
• of which non-Group transactions			
Related receivables			
• of which Group transactions	9,008	11,526	13,129
• of which non-Group transactions		2,454	24,519
Group loans	23,746,406	25,680,475	25,456,778
Non-Group loans	540,277	910,601	936,253
TOTAL	24,286,683	26,591,076	26,393,031
BREAKDOWN OF DEMAND ACCOUNTS (GROUP/NON-GROUP)			
Demand accounts and loans			
• of which Group transactions	52,101	51,162	51,403
• of which non-Group transactions	291	3,052	5,260
Related receivables			
• of which Group transactions			
• of which non-Group transactions			
Unallocated items			
• of which Group transactions (at Crédit Foncier's scope)			
• of which non-Group transactions			
Group loans	52,101	51,162	51,403
Non-Group loans	291	3,052	5,260
TOTAL	52,393	54,214	56,663

Note 1 A. Breakdown of outstanding term loans and receivables due from credit institutions

(in €k)	06/30/2019			06/30/2018	12/31/2018
	Gross amount	Impairment	Net amount	Net amount	Net amount
TERM LOANS					
Refinancing of subsidized residential property					
Refinancing of unsubsidized residential property					
Public entities	540,277		540,277	910,601	936,253
Other loans to credit institutions*	23,746,406		23,746,406	25,680,475	25,456,778
Doubtful term loans					
NET AMOUNT OF TERM LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS	24,286,683	0	24,286,683	26,591,076	26,393,031
* of which:					
Replacement values pursuant to L. 211-38, with BPCE	6,600,000		6,600,000	6,600,000	6,600,000
Loans guaranteed by loans and receivables (Local authorities, Individuals, Corporates) pursuant to L. 211-38, with Crédit Foncier	15,658,500		15,658,500	16,572,500	16,354,500
Loans guaranteed by local authority receivables pursuant to L. 211-38, with BPCE, Caisses d'Épargne and Banques Populaires	1,478,898		1,478,898	2,496,449	2,489,149
Related and other receivables	9,008		9,008	11,526	13,129
TOTAL	23,746,406	0	23,746,406	25,680,475	25,456,778

Note 2. Loans and receivables due from customers

(in €k)	Performing loans			Doubtful loans			Write-downs ⁽⁴⁾			Net amounts		
	06/30/2019	06/30/2018	12/31/2018	06/30/2019	06/30/2018	12/31/2018	06/30/2019	06/30/2018	12/31/2018	06/30/2019	06/30/2018	12/31/2018
Current accounts with overdrafts												
Facilities granted to customers	37,780,998	38,290,740	38,166,567	1,494,946	1,645,257	1,568,790	79,062	88,031	92,196	39,196,882	39,847,966	39,643,161
Loans to financial customers	237,868	239,700	238,538							237,868	239,700	238,538
Export credits												
Short-term credit facilities ⁽¹⁾	510,576	751,186	625,859				104		237	510,473	751,186	625,622
Equipment loans ⁽²⁾	5,425,791	5,626,988	5,314,417	327	5,137	2,912	881	45	1,448	5,425,237	5,632,080	5,315,880
Home loans	31,496,240	31,558,198	31,889,223	1,492,303	1,637,050	1,563,145	78,049	87,963	90,474	32,910,494	33,107,285	33,361,894
Other customer loans	2,717	3,283	2,703	65	169	77	29	23	36	2,753	3,430	2,744
Unallocated items	21	24	21							21	24	21
Related receivables	107,785	111,360	95,807	2,251	2,902	2,656				110,036	114,262	98,462
GENERAL ⁽³⁾	37,780,998	38,290,740	38,166,567	1,494,946	1,645,257	1,568,790	79,062	88,031	92,196	39,196,882	39,847,966	39,643,161

Restructured loans amounted to €505.7m at June 30, 2019, of which €124.70m classified as performing loans.

Note: Compagnie de Financement Foncier does not include any intragroup loans in customer loans.

(1) In 2007, the Company purchased the local authority loans of Ixis CIB, now Natixis, which include revolving credit lines of €510.6m at June 30, 2019, versus €622.8m at December 31, 2018.

(2) Equipment loans are loans to local authorities.

(3) Customer loans eligible for refinancing with the Central Bank amounted to €2.7bn at June 30, 2019 in outstanding capital. This amount represents €1.7bn after haircut and overcollateralization constraints.

(4) Write-downs on customer loans include, on one hand, write-downs on doubtful debts for €69.39m and, on the other hand, write-downs due to significant increases in credit risk on performing loans for €9.67m.

Note 2 A 1. Impairment and provisions for credit risks

(in €k)	12/31/2017	Reclas- sification	Increases	Reversals	12/31/2018	Reclas- sification	Increases	Reversals	Reversals used	06/30/2019
IMPAIRMENT OF ASSETS										
Customer loans and due from credit institutions ^{(1) (2)}	90,108	429	91,767	-90,108	92,196		25,179	-38,314		79,062
PROVISIONS RECOGNIZED AS LIABILITIES										
Customer loans and due from credit institutions and provisions on securities ⁽³⁾	15,866		698	-15,866	698		123	-19		802
TOTAL	105,974	429	92 465	-105,974	92,894	0	25,302	-38,333	0	79,864

(1) Loan impairment is measured at discounted value in accordance with the Regulation No. 2014-07 of the French Accounting Standards Authority.

(2) In accordance with the Regulation No. 2014-07 of the French accounting standards authority, Compagnie de Financement Foncier now recognizes its impairment flows in accumulated stock: reversal of all impairment for the previous fiscal year and full allocation of impairment for the current fiscal year.

(3) A provision for risk is included in the scope of non-doubtful off-balance sheet commitments, for which the available information makes it possible to anticipate a risk of default and losses at maturity.

Note 2 A 2. Premiums/discounts on acquired receivables

(in €k)	12/31/2017	Reclas- sification - Repayment	Additions	Amortiza- tion	12/31/2018	Reclas- sification - Repayment	Additions	Amortiza- tion	06/30/2019
DUE FROM CREDIT INSTITUTIONS									
Premiums	26,937			-17,407	9,530			-9,530	
Discounts									
Net	26,937			-17,407	9,530			-9,530	
CUSTOMER LOANS									
Performing loans and receivables									
Premiums	1,141,772	-23,973	55,948	-221,884	951,863	-3,912	45,073	-95,150	897,874
Discounts	-1,276,483	18,768	-317,698	135,970	-1,439,443	5,131	-87,479	71,984	-1,449,807
Doubtful loans and receivables									
Premiums	38,032	23,973		-18,666	43,339	3,912		-7,430	39,821
Discounts	-28,728	-18,768		11,936	-35,560	-5,131		6,345	-34,346
Net	-125,407		-261,750	-92,644	-479,801		-42,406	-24,251	-546,458
TOTAL	-98,470	0	-261,750	-110,051	-470,271	0	-42,406	-33,781	-546,458

Note 3. Securities available for sale and investment

(in €k)	06/30/2019			06/30/2018			12/31/2018		
	Securities available for sale	Held-to-maturity securities	Total	Securities available for sale	Securities held to maturity	Total	Securities available for sale	Securities held to maturity	Total
Treasury bills and equivalent*		3,211,204	3,211,204		3,321,538	3,321,538		3,230,668	3,230,668
Related receivables		62,298	62,298		58,409	58,409		40,331	40,331
Subtotal		3,273,503	3,273,503		3,379,947	3,379,947		3,270,999	3,270,999
Bonds*		4,524,265	4,524,265		4,474,971	4,474,971		4,504,696	4,504,696
Interbank market instruments (mortgage notes)*									
Negotiable debt securities									
Securitization units*									
Related receivables		63,076	63,076		62,343	62,343		61,163	61,163
Subtotal		4,587,341	4,587,341		4,537,314	4,537,314		4,565,859	4,565,859
Doubtful loans and securities including related receivables									
GROSS AMOUNTS	0	7,860,843	7,860,843	0	7,917,261	7,917,261	0	7,836,858	7,836,858
Impairment on fixed-income securities									
NET AMOUNTS	0	7,860,843	7,860,843	0	7,917,261	7,917,261	0	7,836,858	7,836,858

* Of which:

	06/30/2019	06/30/2018	12/31/2018
Listed securities	7,362,893	7,372,054	7,362,376
Unlisted securities	372,576	424,455	372,989
TOTAL EXCLUDING RELATED RECEIVABLES	7,735,469	7,796,509	7,735,365

Listed securities are normally available securities denominated in euro that are eligible for the ECB operations, as well as listed securities in other currencies. Unlisted securities now consist solely of bonds.

Under the Regulation No.2014-07 of the French National Accounting Standards Authority, the aggregate fair value of the investment portfolio amounted to €9,120.83m at June 30, 2019, excluding related receivables.

Unrealized capital gains on held-to-maturity securities amounted to €1,509.67m at June 30, 2019, before swaps. At December 31, 2018, unrealized capital gains on held-to-maturity securities amounted to €1,118.44m, before swaps.

Unrealized capital losses on held-to-maturity securities amounted to €124.32m at June 30, 2019, before swaps. At December 31, 2018, unrealized capital losses on held-to-maturity securities amounted to €136.39m, before swaps.

The Company did not reclassify any securities to the "Held-to-maturity securities" portfolio either during the 1st half of 2019 or in previous years.

Note 3 A. Sovereign risk

At June 30, 2019, the net exposures of the Compagnie de Financement Foncier sovereign risk in these countries are:

Held-to-maturity securities (in €m)	06/30/2019			06/30/2018			12/31/2018		
	Carrying amount	Market value	Value after swap*	Carrying amount	Market value	Value after swap*	Carrying amount	Market value	Value after swap*
Italy	2,178.6	2,662.2	1,564.6	2,196.2	2,567.7	1,632.7	2,187.7	2,529.3	1,597.6
Poland	375.7	450.7	297.7	356.5	419.7	285.4	367.3	436.0	295.3
TOTAL	2,554.3	3,112.9	1,862.3	2,552.7	2,987.4	1,918.1	2,555.0	2,965.3	1,892.9

* Fair value of the note taking into account micro hedging swap.

The values given above exclude related receivables. Carrying amounts are measured at the closing date if the securities are denominated in foreign currencies.

The maturity dates of net exposures in nominal value as of June 30, 2019 are presented below:

	Residual maturity		
	< 8 years	> 8 years and < 10 years	> 10 years
Italy	292.0	789.1	937.8
Poland	172.0		203.7
TOTAL	464.0	789.1	1,141.5

The global exposure of the Compagnie de Financement Foncier to the International public sector is also identified in the risk management report.

Note 3 B. Financial fixed assets

(in €k)	12/31/2017						12/31/2018						Gross 06/30/2019
	Gross	Acquisi- tions	Disposals/ Redemp- tions*	Reclas- sifications	Current change	Currency differences	Gross	Acquisi- tions	Disposals/ Redemp- tions*	Reclas- sifications	Current change	Currency differences	
Held-to-maturity securities	7,774,328		-67,000		-155,449	183,486	7,735,365				-47,467	47,572	7,735,469
TOTAL	7,774,328	0	-67,000		155,449	183,486	7,735,365	0	0		-47,467	47,572	7,735,469
Related receivables	101,650				-156		101,494				23,880		125,374
TOTAL	7,875,978	0	-67,000	0	155,605	183,486	7,836,859	0	0	0	-23,587	47,572	7,860,843

* Disposals were conducted in accordance with the possibilities offered by the Regulation No. 2014-07 of the French National Accounting Standards Authority, Article no. 2341-2, especially in cases of regulatory constraints.

These data are valued before swap, at the closing exchange rate.

Note 4. Other assets

<i>(in €k)</i>	06/30/2019	06/30/2018	12/31/2018
Options bought			
Securities settlement accounts			
Other debtors	27,944	63,556	52,591
Deposits on collateralization transactions			
Other deposits and guarantees *	10,137	8,021	8,021
Tax consolidation receivables			
Other non-trade receivables	17,807	55,535	44,570
Special bonus account			
TOTAL	27,944	63,556	52,591

* As of June 30, 2019, this item includes mainly the guarantee deposits for 2015 - 2019 years set up in the framework of the Single Resolution Fund amounting to of €10,136k.

Note 5. Accrual accounts – assets

<i>(in €k)</i>	06/30/2019	06/30/2018	12/31/2018
Collection accounts	2		
Deferred expenses	220,894	232,749	233,554
Issue and redemption premiums on fixed income securities	220,894	232,749	233,554
Other deferred expenses			
Prepaid expenses	1,060,514	1,210,039	1,121,149
Termination balances of paid swaps to be amortized	1,053,703	1,202,437	1,121,149
Other prepaid expenses	6,811	7,602	
Accrued income	325,930	338,116	433,537
Accrued interest on swaps	325,930	338,116	433,537
Other accrued income			
Other accrual accounts – assets	188,437	256,161	188,848
Cash in domiciliation	1,585	1,857	1,585
Deferred tax assets	167,766	216,185	186,557
Currency adjustment accounts			
Other accrued income*	19,087	38,118	707
TOTAL	1,795,776	2,037,065	1,977,089

* Essentially composed of transit accounts or financial relations with Crédit Foncier.

Note 6. Due to credit institutions

<i>(in €k)</i>	06/30/2019	06/30/2018	12/31/2018
Due to credit institutions – on demand ⁽¹⁾			159
Current accounts of credit institutions			159
Demand loans from credit institutions			
Other amounts due to credit institutions			
Related payables			
Due to credit institutions – at maturity ⁽²⁾	7,240,317	7,509,596	6,601,432
Term deposits and loans	6,088,874	5,736,394	5,051,057
Values sold under repurchase agreements			
Securities sold under repurchase agreements	1,150,488	1,771,750	1,549,272
Related payables	955	1,452	1,103
TOTAL	7,240,317	7,509,596	6,601,591
(1) Details on due to credit institutions – on demand (Group/non-Group)			159
Of which Group			
• Other amounts due to credit institutions			
• Demand loans to credit institutions			
• Related payables			
Of which non-Group			159
• Other amounts due to credit institutions			159
(2) Details on due to credit institutions – at maturity (Group/non-Group)	7,240,317	7,509,596	6,601,432
Of which Group	7,240,248	7,416,066	6,512,830
• Term deposits and loans	6,089,760	5,644,316	4,963,558
• Securities sold under repurchase agreements	1,150,488		1,549,272
Of which non-Group	68	93,530	88,602
• Term deposits and loans	68	93,530	88,602
• Banque de France refinancing (3G pool)			
• Other term loans			
• Securities sold under repurchase agreements			
• Related payables			
Sub-total due to Group credit institutions	7,240,248	7,416,066	6,512,830
Sub-total due to non-Group credit institutions	68	93,530	88,761
TOTAL	7,240,317	7,509,596	6,601,591

Note 7. Debt securities

(in €k)	06/30/2019	06/30/2018	12/31/2018
Negotiable debt securities	150,000	150,000	150,000
Related payables	487	712	1,865
Negotiable debt securities and related payables	150,487	150,712	151,865
Obligations foncières	60,276,205	62,067,491	62,653,800
Related payables	587,462	615,011	741,372
Obligations foncières and related payables	60,863,666	62,682,502	63,395,172
TOTAL	61,014,153	62,833,214	63,547,037

All of these debt securities benefit from a preferential payment claim defined by Article L. 513-11 of the French Monetary and Financial Code (*privilège of obligations foncières*).

Note 8. Other liabilities

(in €k)	06/30/2019	06/30/2018	12/31/2018
Options sold			
Other payables	1,117,977	1,384,584	1,065,354
Deposits on collateralization transactions	966,163	1,190,430	882,205
Margin calls on repurchase agreements			
Trade payables *	40,556	25,370	35,204
Tax consolidation liabilities ⁽¹⁾	9,386	24,709	12,853
Other fiscal and social debts	1	4	-2
Other payables accounts	3,775	53,541	39,784
Special bonus account	98,097	90,530	95,310
Allocated public funds ⁽²⁾	41,780	43,057	42,177
TOTAL	1,159,757	1,427,641	1,107,531

(1) Corporate tax due to Crédit Foncier (tax consolidation)

9,386 24,709 12,853

(2) Of which subsidized sector

37,825 37,752 37,461

* Pursuant to provisions of article D.441-4 of the French Commercial Code, the breakdown of the amount of the suppliers invoices received and not settled at the closing date is the following:

Suppliers' invoices received and not settled as of June 30, 2019	From 1 to 30 days	From 31 to 60 days	From 61 to 90 days	more than 91 days	Total
The total amount of the invoices concerned (TTC, in €k)	11	-	-	-	11
Percentage of the total amount of the year purchases (TTC)	0.00%	-	-	-	0.00%
Number of invoices	2	-	-	-	2

Note 9. Accrual accounts – liabilities

(in €k)	06/30/2019	06/30/2018	12/31/2018
Collection accounts	3	38	3
Unearned income	1,024,603	1,220,817	1,111,732
Subsidies on loans for low-income households (PAS) and former interest-free loans (PTZ)	20,589	31,928	25,749
Balances of swaps received to be amortized	941,105	1,116,643	1,019,774
Other unearned income	62,909	72,246	66,209
Accrued expenses	193,699	195,537	175,377
Accrued interest on derivatives (swaps)	188,949	189,848	168,563
Other accrued expenses	4,750	5,690	6,814
Other accrual accounts	919,689	595,712	918,229
Currency adjustment accounts*	892,624	568,022	866,397
Other items	27,066	27,690	51,832
TOTAL	2,137,993	2,012,104	2,205,340

* This item restores the balance between assets and liabilities, following the recognition in the income statement of gains or losses relating to the measurement of off-balance sheet transactions in foreign currency. A similar item can be found in note 5.

Note 10. Provisions

(in €k)	06/30/2019	06/30/2018	12/31/2018
Provisions for counterparty risks	802	15,866	698
Provisions for potential risks on performing loans	567	15,866	444
Sectoral provisions			
Provisions for execution risks on endorsements	235		254
Provisions for litigation	7,073	3,642	5,258
Tax litigation			
Other litigation	7,073	3,642	5,258
Other provisions	742	653	603
Other provisions*	742	653	603
TOTAL	8,617	20,161	6,559

* A provision related to an estimate of an accelerated amortization of several termination balances.

(in €k)	12/31/2018	Changes in 2019				06/30/2019
		Additions	Reversals		Other changes	
	Used		Not used			
Changes in the period						
Provisions for counterparty risks	698	123		19		802
Provisions for counterparty risks on performing loans	444	123				567
Sectoral provisions						
Provisions for execution risks on endorsements	254			19		235
Provisions for litigation	5,258	1,815				7,073
Tax litigation						
Other litigation	5,258	1,815				7,073
Other provisions	603	139				742
Other provisions	603	139				742
TOTAL	6,559	2,077	0	19	0	8,617

Note 11. Changes in equity

(in €k)	Opening balance at 01/01/2018	Changes in capital and reserves			Balance at 12/31/2018	Changes in capital and reserves			Balance at 06/30/2019
		Allocation	Dividends paid in shares	Other		Allocation	Dividends paid in shares	Other	
Share capital*	2,537,460				2,537,460				2,537,460
Share premiums*	343,002				343,002				343,002
Reserves									
Legal reserve	63,635	2,911			66,546	4,490			71,036
General reserve	55,517				55,517				55,517
Regulated reserves									
of which:									
• Regulated reserves for revaluation									
• Special reserves for long-term capital gains									
Retained earnings	87,313	- 2,909			84,404	- 4,490			79,914
Net equity before net income for the year	3,086,927				3,086,929				3,086,930
Net income for the year before distributions	58,205	- 58,205			89,784	- 89,784			75,585
Equity after net income for the year	3,145,132				3,176,713				3,162,515
Dividends paid		58,203				89,784			

(in €k)	Opening balance at 01/01/2018	Changes in provisions			Balance at 12/31/2018	Changes in provisions			Balance at 06/30/2019
		Allocation	Additions	Reversals		Allocation	Additions	Reversals	
Special revaluation provision									
Other regulated provisions									
Regulated provisions									
Equity before distributions	3,145,132				3,176,713				3,162,515

	Opening balance at 01/01/2018	Changes in the reserve for general banking risks (RGBR)			Balance at 12/31/2018	Changes in the reserve for general banking risks (RGBR)			Balance at 06/30/2019
		Allocation	Additions	Reversals		Allocation	Additions	Reversals	
Fund for general banking risks	20,000				20,000				20,000
TOTAL	3,165,132				3,196,713				3,182,515

* After the capital increase on September 15, 2015, share capital comprises 158,591,246 ordinary shares with a face value of €16, which confer identical rights on all shareholders.

No revaluation has been carried out to date.

Note 12. Commitments given

(in €k)	06/30/2019		06/30/2018		12/31/2018	
	Loans authorized but not yet established	Amounts not drawn down on loans already partially established	Loans authorized but not yet established	Amounts not drawn down on loans already partially established	Loans authorized but not yet established	Amounts not drawn down on loans already partially established
FINANCING COMMITMENTS	1,195,672	310	1,013,841	323	1,184,853	303
Subsidized sector commitments						
Non-Group commitments						
Credit institutions						
Customers						
Unsubsidized sector commitments	1,195,672	310	1,013,841	323	1,184,853	303
Non-Group commitments	1,195,672	310	1,013,841	323	1,184,853	303
Customers ⁽¹⁾	1,195,672	310	1,013,841	323	1,184,853	303
Group commitments						
Credit institutions						
GUARANTEE COMMITMENTS	208,003		286,449		280,022	
Non-Group commitments	208,003		286,449		280,022	
Other values used as collateral ⁽²⁾	208,003		286,449		280,022	
COMMITMENTS ON SECURITIES						
Other commitments given						
TOTAL ⁽³⁾	1,403,986		1,300,613		1,465,178	

(1) The main changes concerning financing commitments given to customers are:

(in €k)	06/30/2019	06/30/2018	12/31/2018
Permanent credit lines (outstanding transferred from Ixis CIB)	1,143,605	960,788	1,132,786
State housing savings accounts (<i>primes d'épargne logement</i>)	52,067	53,053	52,067

(2) This item represents assets and securities given as collateral to the Banque de France, in the framework of the pool of the Gestion globale des garanties (3G) of which:

(in €k)	06/30/2019	06/30/2018	12/31/2018
Securities	145,783	214,394	215,183
Receivables	62,220	72,055	64,838

Receivables presented and accepted by the Banque de France are valued at their book value; securities are valued at ECB value before valuation haircut.

(3) Of which:

(in €k)	06/30/2019	06/30/2018	12/31/2018
Doubtful commitments	310	323	303

Note 13. Commitments received

(in €k)	06/30/2019	06/30/2018	12/31/2018
FINANCING COMMITMENTS	26,624,374	29,776,401	28,565,657
Non-Group commitments	689,580	767,854	756,142
Credit institutions ⁽¹⁾	689,580	767,854	756,142
Group commitments	25,934,794	29,008,547	27,809,515
Repurchase guarantee			
Credit institutions ⁽²⁾	2,000,000	3,000,000	2,000,000
Other assets received as collateral from the Group ⁽³⁾	23,934,794	26,008,547	25,809,515
GUARANTEE COMMITMENTS	38,114,340	38,201,174	38,527,020
Non-Group commitments	36,236,022	36,109,569	36,538,187
Credit institutions and similar institutions ⁽⁴⁾	5,300,926	4,491,875	4,997,453
Customers ⁽⁵⁾	30,935,096	31,617,693	31,540,734
Group commitments ⁽⁶⁾	1,878,318	2,091,605	1,988,833
Credit institutions and similar items	1,834,435	2,044,820	1,943,602
Customers	43,883	46,785	45,231
COMMITMENTS ON SECURITIES			
Other securities to be received			
TOTAL	64,738,714	67,977,574	67,092,677

(1) Non-Group financing commitments include a commitment received from the Banque de France in relation to the pool of Gestion Globale des Garanties (3G), including an amount of €163.24m at June 30, 2019, compared with €224.4m at December 31, 2018.

(2) Credit line entered into by Compagnie de Financement Foncier and BPCE on June 30, 2018 for €2bn.

(3) Guarantees related to receivables and securities held and put in place within the framework of loans authorized pursuant to Article L. 211-38 and mortgage notes.

(in €k)	06/30/2019	06/30/2018	12/31/2018
• Guarantees received from Crédit Foncier for loans to French local authorities (L. 211-38)	15,741,817	16,905,037	16,649,479
• Guarantees received from BPCE SA as replacement values (L. 211-38- RV)	6,600,768	6,622,907	6,521,696
• Guarantees received from Caisses d'Épargne, Banques Populaires and BPCE for loans to French local authorities (L. 211-38)	1,592,208	2,480,603	2,638,341
• Guarantees received from Crédit Foncier for mortgage notes			

(4) Mainly including:

(in €k)	06/30/2019	06/30/2018	12/31/2018
• Guarantees received from Crédit Logement rated Aa3 (Moody's)	4,951,031	4,051,303	4,559,966
• Guarantees received from Créserfi	286,074	281,127	289,817
• Security enhancement guarantees received from insurance companies	1,482,790	1,462,441	1,481,050

(5) Compagnie de Financement Foncier posts guarantees to the balance sheet related to certain types of customer loans on the balance sheet, in view of their materiality. These guarantees are broken down as follows:

(in €k)	06/30/2019	06/30/2018	12/31/2018
• Government guarantees on loans, mainly to the subsidized sector	122,141	138,079	128,725
• Guarantees from the SGFGAS on FGAS-eligible loans and covered by the government	18,662,725	18,200,818	18,726,867
• Mortgage guarantees for mortgage loans that are only covered by this guarantee	8,767,346	9,773,932	9,234,166
• Guarantees given by local authorities and other organizations	788,448	935,745	865,421
• Security enhancement guarantees given by governments	1,059,646	1,033,200	1,052,603

(6) At June 30, 2019, a guarantee received from BPCE on securities for €800m.

Note 14. Commitments on forwards and options contracts

(in €k)	06/30/2019		06/30/2018		12/31/2018	
	Euros	Other currencies ⁽³⁾	Euros	Other currencies ⁽³⁾	Euros	Other currencies ⁽³⁾
OVER-THE-COUNTER MARKETS						
Options (nominal amounts)	1,308,122		1,540,671		1,384,671	
Hedging transactions (purchases)						
• Interest rate instruments	1,308,122		1,540,671		1,384,671	
• Foreign exchange instruments						
• Other instruments						
Other options						
Options (fair value)						
Forward transactions (nominal amounts)	61,801,830	8,127,000	73,328,693	5,268,184	70,228,657	8,340,103
Hedging transactions						
• Interest rate instruments	55,180,953	313,543	65,704,929	312,414	63,340,619	311,564
• Foreign exchange instruments ⁽¹⁾	6,620,877	7,813,457	7,623,765	4,955,769	6,888,038	8,028,539
• Other instruments						
Other transactions						
Forward transactions (fair value) ⁽²⁾	1,387,776	-2,153,459	702,903	-1,176,632	1,493,526	-2,107,778
Forward and options transactions	63,109,953	8,127,000	74,869,365	5,268,184	71,613,328	8,340,103
TOTAL ⁽³⁾ (NOMINAL AMOUNTS)	71,236,952		80,137,548		79,953,431	
TOTAL (FAIR VALUE)	-765,683		-473,729		-614,252	

Compagnie de Financement Foncier has no derivatives traded on the organized markets.

(1) These items are financial micro-hedging currency swaps. They represent a foreign exchange forward position; the inverse position, spot currency transactions, is included in the balance sheet assets (see note 24).

(2) Data disclosed in accordance with the Regulation No. 2014-07 of the French National Accounting Standards Authority.

(3) Notional amounts in euros at the reporting date.

Note 15. Interest and similar income and expenses

(in €k)	06/30/2019			06/30/2018	12/31/2018
	Income	Expenses	Net	Net	Net
Interbank transactions	124,950	-44,236	80,714	101,224	198,811
Interest on Central Bank accounts		-1,513	-1,513	-3,402	-4,983
Interest on current accounts	1	- 89	-87	-164	-294
Interest on forwards	123,399	-33,768	89,631	112,037	217,462
Interest on subordinated loans					
Interest on receivables guaranteed (replacement values)					
Interest on securities received/sold under repurchase agreements	1,550		1,550	3,463	6,600
Financing and guarantee commitments					
Other interest income and expenses					
Hedging transactions (netting)		-8,866	-8,866	-10,710	-19,974
Hedged losses on receivables					
Non-hedged losses on receivables					
Net changes of provisions					
Customer transactions	440,514	-31,524	408,990	392,353	799,685
Interest on demand deposits, term deposits and regulated savings accounts					
Interest on loans to customers	416,446		416,446	401,056	818,706
Interest on subordinated loans					
Interest on doubtful loans	21,895		21,895	26,432	47,449
Amortization of additional loans fees (CRC Regulation 2009-03)	2,105		2,105	1,674	3,808
Interest on ABS cash collateral					
Other interest income and expenses	69	-2,034	-1,965	-3,358	-5,500
Income on financing and guarantee commitments				-1,838	1
Hedging transactions (netting)		-29,620	-29,620	-32,360	-63,886
Hedged losses on receivables		-486	-486	-1,042	-2,681
Non-hedged losses on receivables		-29	-29		-841
Net changes in provisions*		645	645	1,788	2,629
Finance lease transactions					
Securities portfolio transactions	485,986	-745,674	-259,689	-250,187	-519,765
Interest on investment securities					
Spreading of discounts/premiums on investment securities					
Interest on held-to-maturity securities	164,866		164,866	162,378	333,825
Amortization of discounts/premiums on held-to-maturity securities		-18,191	-18,191	-18,505	-37,359
Interest on medium-term notes (BMTN) issued		-938	-938	-1,095	-2,247
Interest on certificates of deposits issued					
Interest on mortgage notes issued					
Interest and expenses on bond issuances		-726,545	-726,545	-793,364	-1,555,905
Interest on doubtful securities					
Hedging transactions (netting)	321,120		321,120	400,399	741,921
Losses on non-recoverable receivables					
Net changes of provisions					
Subordinated debts				34	34
Payables on subordinated term securities				34	34
Payables on subordinated debt - credit institutions					
Payables on subordinated debt - customers					
Other interest and similar income and expenses	6,771	-110,360	-103,589	-131,935	-250,411
Income on debt securities	6,771		6,771	7,350	14,137
Fees on credit derivatives					
Commitments received/given on securities		-1,393	-1,393	-407	-1,509
Other interest income and expenses		-48	-48	-9,660	-9,660
Macro-hedging transactions (netting)		-108,779	-108,779	-129,388	-253,598
Net changes of provisions		-139	-139	170	219
TOTAL INTEREST AND SIMILAR INCOME AND EXPENSES	1,058,221	-931,794	126,427	111,488	228,356

* Net impact on customer interest listed on Net interest margin.

Note 16. Net fees and commissions

(in €k)	06/30/2019	06/30/2018	12/31/2018
Commissions on interbank and cash transactions (net)	-4	-5	906
Income			913
Expenses	-4	-5	-8
Commissions on transactions with customers (net)*	19,233	21,426	43,067
Income	19,233	21,426	43,067
Expenses			
Commissions on securities transactions (net)	-389	-334	-1,020
Income			
Expenses	-389	-334	-1,020
Other commissions (net)	-434	-252	-430
Income	3		67
Expenses	-437	-252	-497
Income	19,236	21,426	44,047
Expenses	-830	-592	-1,525
NET FEES AND COMMISSIONS	18,406	20,834	42,522

* Commissions on customer transactions are the fees received from customers following the early repayments. The level of these fees is therefore directly correlated to the volume of loans repaid. The average early repayment rate on loans to individuals was 7.5% of outstanding loans in the 1st half of 2019.

Note 17. Gains/losses on trading portfolio transactions

(in €k)	06/30/2019	06/30/2018	12/31/2018
Gains on currency and arbitrage transactions	10	809	-65
Losses on other financial instruments			
Gains on other financial instruments			
Addition to provisions for risks on financial forward instruments			
Reversals from provisions for risks on financial forward instruments			
NET GAINS/LOSSES ON TRADING BOOK TRANSACTIONS	10	809	-65

Note 18. Other banking income and expenses

<i>(in €k)</i>	06/30/2019			06/30/2018	12/31/2018
	Income	Expenses	Net	Net	Net
Transfers of expenses and income, reallocated expenses					
Other banking income and expenses	67	-1,816	-1,749	-1,402	-2,939
Other operating income and expenses*	67	-1	66	12	90
Additions to and reversals from provisions for other operating income and expenses*		-1,815	-1,815	-1,414	-3,030
TOTAL	67	-1,816	-1,749	-1,402	-2,939
* <i>Details</i>					
Other operating income and expenses	67	-1,816	-1,750	-1,402	-2,939
• <i>transfers to exceptional gains</i>					
• <i>other operating income</i>	67		67	19	98
• <i>losses on deferred interests and variable rate loans</i>				-7	-7
• <i>transfers to exceptional losses</i>					
• <i>other operating expenses</i>		-1	-1		
• <i>additions to provisions</i>		-1,815	-1,815	-1,414	-3,030

Note 19. General operating expenses

(in €k)	06/30/2019	06/30/2018	12/31/2018
TOTAL PAYROLL COSTS			-45
Wages and salaries ⁽¹⁾			-45
Costs of defined-contribution plans			
Other social security costs and payroll-based taxes			
Charges/reversals of provisions for litigation			
OTHER ADMINISTRATIVE EXPENSES	-38,625	-44,279	-94,864
Taxes and other contributions	-3,899	-11,663	-6,926
CET (local business tax) and CVAE (tax on company value added)	-1,768	-1,489	-2,693
Social solidarity contribution	-1,628	-1,814	-3,507
Other taxes	-503	-315	-726
Contribution to the supervision expenses of the French Prudential Supervision and Resolution Authority (ACPR) ⁽²⁾		-387	
Systemic banking risk tax		-1,016	
Contributions to Single Resolution Fund		-6,012	
Management fees paid to ECB		-629	
Charges/reversals of provisions for tax disputes			
External services	-34,726	-32,616	-87,938
Leasing			
External services provided by the Group	-26,622	-30,962	-68,901
Contribution to the supervision expenses of the French Prudential Supervision and Resolution Authority	-354		-774
Systemic banking risk tax			-2,032
Contributions to Single Resolution Fund	-5,996		-12,024
Management fees to ECB	-653		-1,071
Fees, subcontracting and services	-951	-1,506	-2,919
Advertising	-61	-89	-129
Remuneration of intermediaries			
Transport and travel			
Maintenance and repairs			
Insurance premiums			
Other external services	-90	-60	-88
Additions to/reversals from provisions for disputes relating to external services			
Additions to/reversals from provisions for external services costs			
Other expenses			
Transfers of expenses			
TOTAL OPERATING EXPENSES	-38,625	-44,279	-94,909

(1) The total amount of remuneration received by governing bodies at December 31, 2018 amounted to €45k. Following the decision by the Board of Directors of Compagnie de Financement Foncier on February 9, 2016, no additional remuneration has been paid to the executive bodies since February 1, 2016.

(2) Compagnie de Financement Foncier is now following the position of Group BPCE and classifies in outside services its banking contributions.

Note 20. Cost of risk

(in €k)	06/30/2019			06/30/2018	12/31/2018
	Expenses	Income	Net	Net	Net
Net additions/reversals on held-to-maturity securities					
Net additions/reversals on securities transactions					
Net additions/reversals on customer transactions	-23,128	35,514	12,386	289	10,880
Impairment of customer transactions *				289	
Impairment of customer transactions on doubtful loans *	-23,128	31,875	8,747		9,129
Impairment of customer transactions on performing loans *		3,620	3,620		-13,861
Provisions for counterparty risks on performing loans					15,866
Other provisions for contingencies and charges		19	19		-254
Losses/recoveries on customer transactions	-5,630	4,174	-1,456	-2,830	-26,919
Losses on irrecoverable loans and receivables covered by provisions	-911		-911	-1,179	-16,789
Losses on irrecoverable loans and receivables not covered by provisions	-4,189		-4,189	-3,213	-9,438
Recoveries of bad debts written off		4,174	4,174	4,519	4,485
Legal fees and litigation	-530		-530	-2,957	-5,177
Losses/recoveries on other transactions					
Losses on the covered irrecoverable loans and receivables					
COST OF RISK	-28,758	39,688	10,930	-2,541	-16,039

* In the context of the financial statement closing at December 31, 2018, as a result of the coming into force of IFRS 9 and in accordance with the decision of the IFRS 9 Steering Committee on October 6, 2017, the Group decided to follow the methodology for determining collective provisions (previously based on IAS 39) on the methodology for assessing expected credit losses (ECL S2).

Note 21. Gains or losses on fixed assets

(in €k)	06/30/2019	06/30/2018	12/31/2018
Capital gains or losses on disposals of held-to-maturity securities			421
Additions for impairment on held-to-maturity securities			
Reversals for impairment on held-to-maturity securities			
GAINS OR LOSSES ON OTHER ASSETS	0	0	421

Note 22. Income tax

<i>(in €k)</i>	06/30/2019	06/30/2018	12/31/2018
Tax Expense Components			
Current tax expenses (income) ⁽¹⁾	-21,020	-24,709	-25,128
Deferred tax expenses (income) ^{(1) (2)}	-18,791	-12,806	-42,434
Provisions for deferred taxes			
Provisions for risks or for tax litigations			
TOTAL	-39,811	-37,515	-67,562
<i>(in €k)</i>	06/30/2019	06/30/2018	12/31/2018
Breakdown Of Deferred Taxes For The Period			
Termination swap balance	-15,324	-12,591	-36,854
Client provisions including credit risk provisions	-173	-5	-3,749
Provisions for investment securities			
Other temporary differences	-3,294	-210	-1,831
TOTAL	-18,791	-12,806	-42,434

(1) Pursuant to the tax consolidation agreement signed by Compagnie de Financement Foncier, BPCE and Crédit Foncier, the Company has recognized as income the potential tax saving stemming from the deficit recorded for the period, to be received from the consolidating parent company Crédit Foncier (see note 4). Conversely, the Company has recognized a potential tax expense stemming from the tax benefit recorded for the period, to be paid to the consolidating parent company Crédit Foncier.

(2) Including -€2,078k recorded on the liabilities method for the 1st half 2019.

Note 23. Transactions with related credit institutions ⁽¹⁾

	06/30/2019	06/30/2018	12/31/2018	06/30/2019
<i>(in €k)</i>				Valuation of assets received as collateral ⁽²⁾
BALANCE SHEET				
Assets items				
Receivables from credit institutions				
Demand	52,101	51,163	51,403	
Term				
Term deposits guaranteed by repo securities	23,746,406	25,680,475	25,456,778	23,934,793
• <i>Loans guaranteed by French local authority loans (SPT) under L. 211-38</i>	9,524,398	11,538,449	11,257,149	9,674,530
• <i>to Crédit Foncier</i>	8,045,500	9,042,000	8,768,000	8,082,322
• <i>to BPCE</i>	1,320,000	2,320,000	2,320,000	1,429,314
• <i>to other Group entities</i>	158,898	176,449	169,149	162,894
• <i>Loans guaranteed by mortgage loans under L. 211-38</i>	7,613,000	7,530,500	7,586,500	7,659,495
• <i>to Individuals</i>	7,080,000	7,261,000	7,178,500	7,123,814
• <i>to Corporates</i>	533,000	269,500	408,000	535,681
• <i>Loans registered as replacement values under L. 211-38</i>	6,600,000	6,600,000	6,600,000	6,600,000
• <i>to BPCE</i>	6,600,000	6,600,000	6,600,000	6,600,768
• <i>Related receivables</i>	9,008	11,526	13,129	
Customer transactions				
Receivables				
Securities transactions				
Bonds and other fixed income securities	58,740	59,963	60,490	
• <i>Mortgage notes</i>				
• <i>to Crédit Foncier</i>				
• <i>Other fixed income securities</i>	57,554	58,763	57,632	
• <i>Related receivables</i>	1,186	1,200	2,858	
Other assets ⁽²⁾				
Other debtors				
TOTAL ASSETS	23,857,248	25,791,601	25,568,671	23,934,793
Liabilities items				
Amounts due to credit institutions				
Demand				
Term	6,090,525	5,645,390	4,964,406	
Securities sold under repurchase agreements	1,151,252	1,772,826	1,550,119	
Customer transactions				
Demand				
Securities transactions				
Debt securities				
Subordinated debts				
Other liabilities				
Other creditors	39,213	23,978	33,220	
TOTAL LIABILITIES	7,280,990	7,442,194	6,547,745	

Compagnie de Financement Foncier does not conduct transactions not concluded under normal market conditions between related parties (Regulation No. 2014-07).

(1) The definition of related credit institutions refers to the scope of consolidation of Groupe BPCE to which Compagnie de Financement Foncier belongs.

(2) Assets received as collateral are valued at their outstanding principal amount determined on the closing date.

Note 24. Statement of foreign exchange positions

AT JUNE 30, 2019

Heading (in €k)	Australian \$	Canadian \$	US \$	£ Sterling	Swiss Franc	Yen	Hunga- rian Forint	New Zealand \$	Norwe- gian Krone	Danish Krone	TOTAL
BALANCE SHEET											
Financial assets	29	9	2,074,285	111,848	1,082,530	1,753,791	10	35	9,600	7	5,032,144
Financial liabilities			232,341	630,123	1,572,114	23,653			437,016		2,895,247
Balance sheet differential (I)	29	9	1,841,944	- 518,275	- 489,584	1,730,138	10	35	- 427,416	7	2,136,897
OFF-BALANCE SHEET											
Commitments received			249,569	614,615	1,539,789	8,149			427,416		2,839,538
Commitments given			2,091,493	96,327	1,047,845	1,738,253					4,973,918
Off-balance sheet differential (II)			1,841,924	518,288	491,944	1,730,104			427,416		-2,134,380
TOTAL DIFFERENTIAL (I)+(II)	29	9	20	13	2,360	34	10	35	0	7	2,517

Financial assets consist of amounts due from credit institutions and customers.

Financial liabilities are comprised of amounts due to credit institutions, customer deposits, and debt securities.

Note 25. Statement of liquidity position

AT JUNE 30, 2019

Heading (in €k)	Remaining maturity					TOTAL ⁽²⁾
	< 3 months	3M < T < 6M	6M < T < 1Y	1Y < T < 5Y	> 5 years	
BALANCE SHEET						
Financial assets ⁽¹⁾	8,847,919	1,130,912	1,838,724	14,559,373	43,284,127	69,661,055
Receivables from credit institutions	8,182,000	308,200	572,481	4,563,244	10,651,750	24,277,675
Receivables from customers	635,280	675,553	1,173,025	8,802,691	26,361,362	37,647,911
Bonds and other fixed-income securities	30,639	147,159	93,218	1,193,438	6,271,015	7,735,469
Subordinated term loans						
Financial liabilities	7,515,525	684,203	1,947,229	24,160,063	33,358,547	67,665,567
Due to credit institutions	5,846,640	591,768	977	7,403	792,574	7,239,362
Due to customers						
Debt securities:	1,668,885	92,435	1,946,252	24,152,660	32,565,973	60,426,205
• Retails certificates of deposit						
• Interbank market securities						
• Negotiable debt securities			150,000			150,000
• Bonds	1,668,885	92,435	1,796,252	24,152,660	32,565,973	60,276,205
• Other debt securities						
Subordinated term debt						
Balance sheet differential (I)	1,332,394	446,709	-108,505	-9,600,690	9,925,580	1,995,488
OFF-BALANCE SHEET						
Commitments given			1,195,672			1,195,672
Commitments received	164,328			2,000,000		2,164,328
Off-Balance sheet differential (II)	164,328		-1,195,672	2,000,000		968,656
TOTAL DIFFERENTIAL (I)+(II)	1,496,722	446,709	-1,304,177	-7,600,690	9,925,580	2,964,144
Conditional positions			4,524	16,549	1,287,049	1,308,122

(1) The financial assets of Compagnie de Financement Foncier include €5.5bn of securities (unencumbered assets) that meet the refinancing criteria of the European Central Bank.

(2) The difference with the amounts shown on the balance sheet is mainly due to unpaid loans, doubtful loans and related receivables.

Note 26. Cash flow statement

1. PRINCIPLES

The cash flow statement analyzes changes in cash flow from operating, investing and financing activities between two financial periods.

Compagnie de Financement Foncier's cash flow statement is presented in accordance with Recommendation 2004-R-03 of the French National Accounting Board (CNC), concerning the format of corporate financial statements as regulated by the French Banking and Financial Services Regulatory Committee (BFRC).

It is prepared using the indirect method: net income for the period is restated for non-monetary items: depreciation, amortization and impairment for tangible and intangible fixed assets, net depreciation provisions, provisions, other transactions without cash payments, such as accounts payable and accrued income. Cash flows from operating, investing and financing activities are determined according to the difference between the items in the annual financial statements for the previous year and for the current year. Capital transactions without cash flow or with no impact on income are neutral: dividend payment in shares, increase in provision through the allocation of retained earnings.

The breakdown of Compagnie de Financement Foncier activities between operating, investing and financing activities reflects its status as a *société de crédit foncier*.

Operating activities include:

- the acquisition of eligible loans;
- the acquisition of securitization tranches and securities issued by public entities;
- the issuance of *obligations foncières* and other unsubordinated long-term resources.

Financing activities include:

- dividends paid in cash;
- the issuance and redemption of subordinated debt.

Cash flow is defined according to the standards of the French National Accounting Board. It includes cash on hand and demand deposits at the Banque de France, in post office accounts and with credit institutions.

2. CASH FLOW STATEMENT

(in €k)	06/30/2019	06/30/2018	12/31/2018
OPERATING ACTIVITIES			
Net income for the year	75,585	47,396	89,784
Restatement of earnings related to operating activities			
Tangible and intangible fixed assets, excluding goodwill			
Net provisions charges/customers and credit institutions	-13,134	-2,077	1,659
Net provisions charges/available-for-sale securities			
Net provisions charges/held-to-maturity securities			
Net provisions charges/loans	243	-170	-15,388
Net gain on sale of fixed assets			
Other transactions without cash payments	27,788	-622,263	-344,232
Cash flows on loans to credit institutions and customers	2,548,694	899,643	1,306,625
Cash flows on securities available to sale			
Cash flows on held-to-maturity securities	-50,005	588,030	673,109
Cash flows on other assets	25,058	137,041	214,977
Cash flows on debts/credit institutions and customers	638,873	-436,644	-1,344,299
Net borrowing	-2,377,596	-492,089	94,221
Cash flows on other liabilities	27,459	-272,575	-568,236
Net cash flows used for operating activities	902,965	-153,708	108,220
INVESTING ACTIVITIES			
Cash flows related to the sale of:			
• Financial assets			
• Tangible and intangible fixed assets			
Disbursements for the acquisition of:			
• Financial assets			
• Tangible and intangible fixed assets			
Net cash flows from other investment activities			
Net cash flows used for investment activities			
FINANCING ACTIVITIES			
Cash flows from share issuances			
Dividends paid	-89,783	-58,203	-58,203
Net issuances of subordinated debt			
Other			
Net cash flows from financing activities	-89,783	-58,203	-58,203
NET CHANGE IN CASH POSITION	813,182	-211,911	50,017
Opening cash position	762,042	712,025	712,025
Closing cash position	1,575,224	500,114	762,042
NET	813,182	-211,911	50,017
Cash: deposits at Banque de France	1,522,831	445,900	705,379
Due to credit institutions on demand*	52,393	54,214	56,663
TOTAL	1,575,224	500,114	762,042
* Of which:			
BPCE	51,634	50,695	50,934

Statutory Auditor's report on the 2019 interim financial information

Compagnie de Financement Foncier SA

Registered office: 19, rue des Capucines – 75001 Paris

Share capital: €2,537,459,936

This is a free translation into English of the Statutory Auditors' review report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

For the six-month period ended June 30, 2019

To the Shareholders,

In compliance with the assignment entrusted to us by the Annual General Meeting and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code (*Code monétaire et financier*), we hereby report to you on:

- the review of the accompanying condensed interim financial statements of Compagnie de Financement Foncier SA, for the six months ended June 30, 2019;
- the verification of the information contained in the interim management report.

These condensed interim financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

I. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with the accounting rules and principles applicable in France.

II. Specific verification

We have also verified the information given in the interim management report on the condensed interim financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed interim financial statements.

Paris La Défense and Neuilly-sur-Seine, August 23, 2019

The Statutory Auditors
French original signed by

KPMG S.A.

Xavier de Coninck

PricewaterhouseCoopers Audit

Anik Chaumartin



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General information

General information on Compagnie de Financement Foncier is detailed in the 2018 Registration document (pages 161 to 164).

Material contracts

As of the date of publication of this financial information, with the exception of the agreements referred to in the 2018 Registration document (page 161), Compagnie de Financement Foncier has not entered into any material contracts other than those entered into in the normal course of business.

Outlook for Compagnie de Financement Foncier

TRENDS

No significant deterioration has affected the Company's outlook since its last financial report was audited and published.

No known trend, uncertainty, claim, commitment or event is likely to have a negative material influence on the Company's outlook.

CONTROL

To the Company's knowledge, no agreement exists of which the implementation at a later date could lead to a change in control of the Company.

MATERIAL EVENTS

No significant changes in the financial or commercial position have occurred between July 31, 2019 – the date at which the Board of Directors closed the accounts – and the filing date of this Universal Registration Document.

Location of legal documents concerning the Company

Legal documents concerning Compagnie de Financement Foncier can be consulted at 4, quai de Bercy, 94220 Charenton-le-Pont.

Shareholders' Meeting

An Ordinary General Meeting was held on May 6, 2019. The proposed resolutions were approved in their entirety.

Capital

SHARE CAPITAL

At June 30, 2019, the Company's subscribed capital amounted to €2,537,459,936. It is divided into 158,591,246 fully paid-up shares with a par value of €16 each.

SHARE CAPITAL AUTHORIZED BUT NOT SUBSCRIBED

No authorization to increase the share capital has been issued which has not been used, nor is there any potential capital share.

OWNERSHIP STRUCTURE AND VOTING RIGHTS

Major shareholders at June 30, 2019	Number of shares	In %
Crédit Foncier de France	158,591,245	100.00
Director	1	n.s.
TOTAL	158,591,246	100.00

NATURAL OR LEGAL PERSONS THAT EXERCISE CONTROL OVER THE COMPANY

Crédit Foncier de France – 19, rue des Capucines – 75001 Paris – 542 029 848 RCS (Trade and Companies Register) Paris

IMPROPER CONTROL

The Company is controlled as described in chapter "Distribution of capital and voting rights"; however, the Company believes there is no risk of said control being exercised improperly.

Statement from the persons who assume responsibility for the Universal Registration Document and the audit of the accounts

STATEMENT FROM THE PERSON RESPONSIBLE FOR THE UNIVERSAL REGISTRATION DOCUMENT

I certify, after having taken all reasonable measures to this purpose, that the information contained in this Universal Registration Document is, to the best of my knowledge, true to fact and that no information has been omitted that would change the interpretation of the information provided.

I certify that, to the best of my knowledge, the condensed financial statements for the previous half-year have been prepared in accordance with the applicable accounting standards and accurately represent the assets, financial situation and earnings of the Company and all of the entities within the scope of consolidation, and that the interim activity report it contains in pages

19 to 29 is an accurate representation of the material events that occurred in the first six months of the financial year, their impact on the financial statements, major related party transactions and a description of the primary risks and uncertainties in the remaining six months of the year.

Charenton-le-Pont, August 23, 2019

Chief Executive Officer of *Compagnie de Financement Foncier*

Olivier AVIS

PERSONS RESPONSIBLE FOR AUDITING THE FINANCIAL STATEMENTS

Principal

KPMG SA

Represented by Mr Xavier de CONINCK

Address: Tour EQHO – 2, avenue Gambetta –
92066 Paris La Défense

775 726 417 RCS Paris

Member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles* (Regional Association of Statutory Auditors of Versailles)

Start of term: May 25, 2005

Length of term: six fiscal years

End of term: at the end of the Ordinary General Shareholders' Meeting called to approve the financial statements for the 2022 fiscal year.

PRICEWATERHOUSECOOPERS AUDIT

Represented by Ms Anik CHAUMARTIN

Address: 63, rue de Villiers – 92200 Neuilly-sur-Seine
302 474 572 RCS Paris

Member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles* (Regional Association of Statutory Auditors of Versailles)

Start of term: June 30, 2003

Length of term: six fiscal years

End of term: at the end of the Annual General Shareholders' Meeting called to approve the financial statements for the 2019 fiscal year.

Alternates

KPMG AUDIT FS I

Represented by Ms Isabelle GOALEC

Address: Tour EQHO – 2, avenue Gambetta –
92066 Paris La Défense

512 802 596 RCS Paris

Start of term: May 23, 2011

Length of term: six fiscal years

End of term: at the end of the Ordinary General Shareholders'
Meeting called to approve the financial statements for the fiscal year
ending December 31, 2022.

MR ÉTIENNE BORIS

Address: 63, rue de Villiers – 92200 Neuilly-sur-Seine

Registration number CNCC 90000945

Start of term: May 26, 2008

Length of term: six fiscal years

End of term: at the end of the Annual General Shareholders'
Meeting called to approve the financial statements for the 2019
fiscal year.

SPECIFIC CONTROLLERS

Principal

CAILLIAU DEDOUIT & ASSOCIÉS

Represented by Mr Laurent BRUN

Address: 19, rue Clément-Marot 75008 Paris

Date of assent from the ACPR (French Prudential Supervisory and
Resolution Authority): January 4th, 2019

RCS number: 722 012 051

Start of term: June 29, 2004

Length of term: four fiscal years

End of term: after submission of the report and the certified
statements for the fiscal year ending December 31, 2022.

Alternates

MR RÉMI SAVOURNIN

Address: 19, rue Clément-Marot 75008 Paris

Date of assent from the ACPR: January 4th, 2019

RCS number: 722 012 051

Start of term: January 1, 2015

Length of term: four fiscal years

End of term: after submission of the report and the certified
statements for the fiscal year ending December 31, 2022.

Cross-reference table

Cross-reference table between Annex 1 and 2 of the delegated regulation 2019/980 and the 2018 Registration document

Headings of Annex 1 of the delegated regulation 2019/980		Pages of the Universal Registration Document filed with the AMF on August 23, 2019	Pages of the Registration document 2018 filed with the AMF on March 22, 2019
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8.4	Information regarding any restriction on the use of capital resources that have materially affected, or could materially affect the issuer's operation	na	na
8.5	Information regarding the anticipated sources of funds needed to fulfil commitments on material investments (which are ongoing or for which firm commitments have been made)	na	na
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In accordance with Article 19 of European regulation No. 2017/1129 of the European Parliament and of the Council of June 14, 2017, the following information is incorporated by reference in this Universal Registration Document:

- Compagnie de Financement Foncier's individual financial statements regarding the period from January 1, 2018 to June 30, 2018 and the Statutory Auditors' report, presented on pages 47 to 76 of the Update to the 2017 Registration document filed with the AMF on August 27, 2018 under number D. 18-0201-A01;
- Compagnie de Financement Foncier's individual financial statements regarding the period from January 1, 2017 to June 30, 2017 and the Statutory Auditors' report, presented on pages 15 to 46 of the Update to the 2016 Registration document filed with the AMF on August 29, 2017 under number D. 17-0215-A01;
- the management report regarding the 1st half of 2018 presented on pages 15 to 21 of the Update of the 2017 Registration

document filed with the French Financial Markets Authority (AMF) on August 27, 2018 under number D. 18-0201-A01;

- the management report for the 1st half of 2017 presented on pages 9 to 14 of the Update of the 2016 Registration document filed with the French Financial Markets Authority on August 29, 2017 under number D. 17-0215-A01;
- the principal markets in which the Compagnie de Financement Foncier competes presented on page 3 of the Update to the 2017 Registration document filed with the French Financial Markets Authority (AMF) on August 27, 2018 under number D. 18-0201-A01;
- the principal markets in which the Compagnie de Financement Foncier competes presented on page 3 of the Update to the 2016 Registration document filed with the French Financial Markets Authority on August 29, 2017 under number D. 17-0215-A01.

The 2018 Registration document can be consulted at: <https://www.amf-france.org/Fiche-BDIF>

The incorporations by reference made in the 2018 Registration document are incorporated by reference in the present Universal Registration Document:

- Compagnie de Financement Foncier's individual financial statements for the fiscal year ended December 31, 2017 and the Statutory Auditors' report, presented on pages 143 to 189 of the Registration document filed with the AMF on March 28, 2018 under number D. 18-0201;
- Compagnie de Financement Foncier's individual financial statements for the fiscal year ended December 31, 2016 and the Statutory Auditors' report, presented on pages 80 to 125 of the Registration document filed with the AMF on March 23, 2017 under number D. 17-0215;
- the management report for the year ended December 31, 2017 presented on pages 78 to 99 of the Registration document filed with the French Financial Markets Authority (AMF) on March 28, 2018 under number D.18-0201;
- the management report for the year ended December 31, 2016 presented on pages 44 to 78 of the Registration document filed with the French Financial Markets Authority on March 23, 2017 under number D. 17-0215;
- the principal markets in which the Compagnie de Financement Foncier competes presented on pages 28 to 35 and 39 to 41 of the 2017 Registration document filed with the French Financial Markets Authority (AMF) on March 28, 2018 under number D.18-0201;
- the principal markets in which the Compagnie de Financement Foncier competes presented on pages 28 to 35 and 39 to 41 of the 2016 Registration document filed with the French Financial Markets Authority on March 23, 2017 under number D. 17-0215.

Cross-reference table for the half-year Financial report

Pursuant to Article 212-13 of the French Financial Markets Authority's General Regulation, this update comprises the information of the interim financial report referred to in Article L. 451-1-2 of the French Monetary and Financial Code and Article 222-4 of the French Financial Markets Authority's General Regulation.

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The annual reports, half-year reports, quarterly reports relating to the quality of the financed assets and ECBC label reportings of Compagnie de Financement Foncier can be downloaded at www.foncier.fr

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