

COMPAGNIE DE FINANCEMENT FONCIER

2018 Registration document

including the annual financial report





Presentation of Compagnie
de Financement Foncier



Report on corporate
governance



Management report



Risk management report



Financial statements



Legal information



This is a free translation into English of Compagnie de Financement Foncier 2018 annual report 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 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.

The original document was filed with the Autorité des Marchés Financiers (AMF) on March 22, 2019, in accordance with Article 212-13 of its general regulation and represents the French "Document de référence" of Compagnie de Financement Foncier.

As such, it may be used in support of a financial transaction when accompanied by a prospectus duly approved by the AMF. It was prepared by the Issuer and its signatories assume responsibility for it.

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



Presentation of Compagnie de Financement Foncier

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Profile

Compagnie de Financement Foncier is a credit institution company 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 mortgage and public-sector 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 placement and some issues in foreign currencies.

Since 2012, Compagnie de Financement Foncier is a member of the ECBC⁽⁷⁾ Covered Bond Label.

Firmly supported by its parent company, Crédit Foncier, French issuer of obligations foncières since 1852, Compagnie de Financement Foncier continued to be a major player in its market, with a total obligations foncières outstanding of €63.4bn as of December 31, 2018 and an issuance volume of €5.7bn.

(1) Standard & Poor's/Moody's/Fitch/Scope Ratings, updated as of the 2018 Registration document's filing date.

(2) Standard & Poor's/Moody's/Fitch Ratings, updated as of the 2018 Registration document's filing date.

(3) Standard & Poor's/Moody's/Scope Ratings, updated as of the 2018 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) ECBC: European Covered Bond Council.

Chairman's message

« IN 2019, COMPAGNIE DE FINANCEMENT FONCIER,
WHOSE COVERED BONDS ARE RATED AAA/Aaa/AAA,
WILL CONTINUE TO PROVIDE THE GROUP WITH FUNDING
UNDER THE BEST FINANCIAL CONDITIONS »

BENOÎT CATEL



How does Compagnie de Financement Foncier fit in with Crédit Foncier and Groupe BPCE?

100% subsidiary of Crédit Foncier, in 2018 Compagnie de Financement Foncier demonstrated, once again, its capacity to provide funding for the lending activity in the real estate sector of Crédit Foncier. By raising long liabilities at competitive prices on the financial markets, Compagnie de Financement Foncier has enabled Crédit Foncier to register a loan production of €10.7bn including €7.1bn to private individuals; this in a context of very low rates and intense competition.

As an issuer of covered bonds, Compagnie de Financement Foncier occupies a preponderant position in the funding strategy of all Groupe BPCE entities.

A strategic subsidiary of the Group under the affiliation regime, Compagnie de Financement Foncier has been affected by the project linked to the development of Crédit Foncier's business lines announced in June 2018.

In this new context, how is 2019 looking for Compagnie de Financement Foncier?

Specializing in the funding of Public sector and similar assets across Groupe BPCE, Compagnie de Financement Foncier will be consolidated in its service to the Group.

This positioning is also consistent with the model of Compagnie de Financement Foncier, 36.5% of whose assets are currently from the Public sector, proof of its relevance.

In 2019, Compagnie de Financement Foncier, whose covered bonds are rated AAA/Aaa/AAA, will continue to provide the Group with funding under the best financial

Chief Executive Officer's message

« COMPAGNIE DE FINANCEMENT FONCIER
WILL MAINLY POSITION ITSELF ON THE REFINANCING
OF PUBLIC SECTOR AND SIMILAR ASSETS OF THE WHOLE
OF GROUPE BPCE »

OLIVIER AVIS



How did Compagnie de Financement Foncier position itself on the covered bonds market in 2018?

After three years of falling issues, the euro benchmark covered bonds market has been particularly dynamic, amounting to €136bn, up by over 20% compared with 2017. In addition, 2018 marked an important stage in the European Central Bank's (ECB) asset repurchase program. The ECB started to reduce its net monthly purchases, significantly reducing its involvement in primary issues.

In this context, Compagnie de Financement Foncier, with a net volume of issues of €5.7bn, was still a key player on the capital markets.

What did Compagnie de Financement Foncier achieve in 2018?

In 2018, Compagnie de Financement Foncier made €5.7bn worth of new issues. This includes four benchmarks: a 10-year €1.0bn issue in January, a €1.5bn 5-year issue in April, a €1.25bn 8-year issue in May and a €1bn 10-year issue in September. These benchmarks benefited from high levels of over-subscription on the part of investors.

Compagnie de Financement Foncier thus successfully issued €4.75bn in public format and was also capable of meeting investor demand in private placements.

Compagnie de Financement Foncier won the "Deal of the Year 2018" award for a leveraged CMS private placement with a 20-year maturity. This prize, awarded by MTN-I, is proof of Compagnie de Financement Foncier's innovation and sophistication in terms of structures.

After these good performances in 2018, on both public issues and private placements, what are Compagnie de Financement Foncier's objectives for 2019?

As part of the plan to integrate the activities and teams of Crédit Foncier into the Groupe BPCE in which real estate loan production will be redeployed to the Group's banks, Compagnie de Financement Foncier will mainly position itself on the refinancing of Public sector and similar assets of Groupe BPCE. The amount of its issue program will be adjusted to the requirements of Groupe BPCE.

Compagnie de Financement Foncier will also continue to manage its outstanding amounts of covered bonds, which at December 31, 2018 amounted to €63.4bn.

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 |

(1) Standard & Poor's/Moody's/Fitch/Scope Ratings updated as of the 2018 Registration Document's filing date.

(2) Standard & Poor's/Moody's/Fitch Ratings updated as of the 2018 Registration Document's filing date.

SIMPLIFIED ECONOMIC BALANCE SHEET

| Assets (by type of exposures) | 12/31/2018 | | 12/31/2017 | | 12/31/2016 | |
|--|-------------|--------------|-------------|--------------|-------------|--------------|
| | €bn | % | €bn | % | €bn | % |
| Mortgage loans or equivalent | 40.5 | 52.8 | 39.4 | 50.3 | 39.4 | 46.7 |
| Public sector exposures | 28.0 | 36.5 | 29.8 | 38.0 | 34.7 | 41.2 |
| French public sector * | 19.5 | 25.4 | 21.2 | 27.1 | 25.0 | 29.6 |
| Foreign public sector | 8.5 | 11.1 | 8.6 | 11.0 | 9.7 | 11.5 |
| Replacement values and other assets | 8.2 | 10.7 | 9.2 | 11.7 | 10.3 | 12.2 |
| Replacement values | 6.7 | 8.7 | 6.8 | 8.6 | 6.8 | 8.1 |
| Other assets | 1.5 | 2.0 | 2.4 | 3.1 | 3.4 | 4.0 |
| TOTAL ASSETS | 76.7 | 100.0 | 78.4 | 100.0 | 84.3 | 100.0 |

* Including deposits and short term loans at Banque de France of €0.7bn at the end of 2018, €0.7bn at the end of 2017 and €2.4bn at the end of 2016.

| Liabilities | 12/31/2018 | | 12/31/2017 | | 12/31/2016 | |
|--|-------------|--------------|-------------|--------------|-------------|--------------|
| | €bn | % | €bn | % | €bn | % |
| Privileged resources | 63.5 | 82.8 | 63.3 | 80.8 | 66.8 | 79.2 |
| Obligations foncières | 63.5 | 82.8 | 63.4 | 80.9 | 67.4 | 80.0 |
| Foreign exchange rate difference on obligations foncières | -0.1 | -0.1 | -0.3 | -0.3 | -0.8 | -1.0 |
| Other privileged resources | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 |
| Difference associated with hedging balance sheet items | 1.1 | 1.4 | 0.9 | 1.2 | 1.6 | 1.9 |
| Non-privileged resources | 12.1 | 15.8 | 14.1 | 18.0 | 15.9 | 18.9 |
| Unsecured debt | 6.6 | 8.6 | 8.7 | 11.1 | 10.5 | 12.5 |
| Subordinated debt or equivalent | 2.3 | 3.0 | 2.3 | 2.9 | 2.2 | 2.6 |
| Shareholders' equity, provisions and reserve for general banking risks | 3.2 | 4.2 | 3.2 | 4.0 | 3.2 | 3.8 |
| TOTAL LIABILITIES | 76.7 | 100.0 | 78.4 | 100.0 | 84.3 | 100.0 |

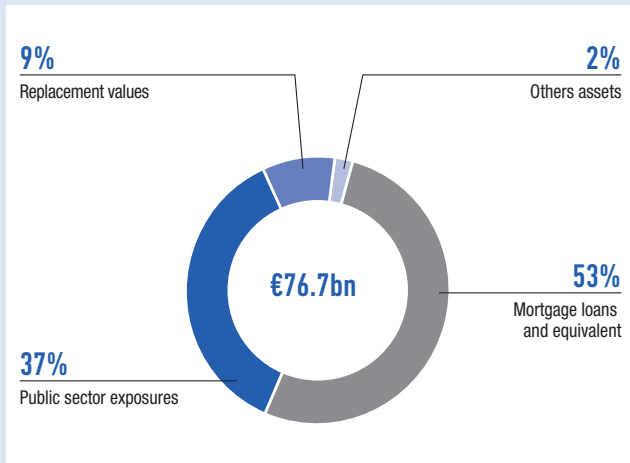
Regulatory capital according to CRR/CRD IV

| | 12/31/2018 | 12/31/2017 | 12/31/2016 |
|--|------------|------------|------------|
| | 3.1 | 3.1 | 3.0 |
| | 4.1 | 4.0 | 3.6 |

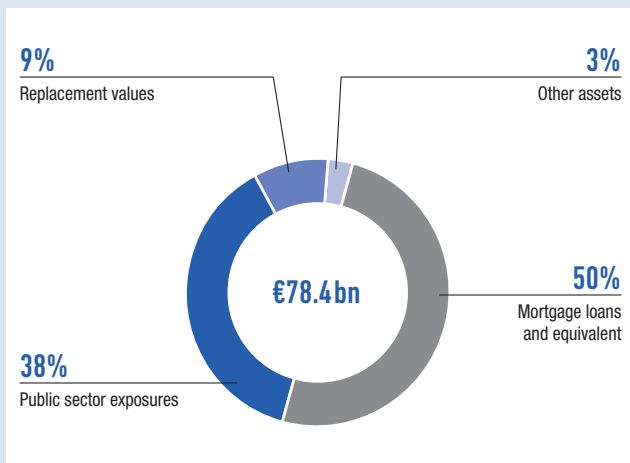
BREAKDOWN OF ASSETS

By type of assets

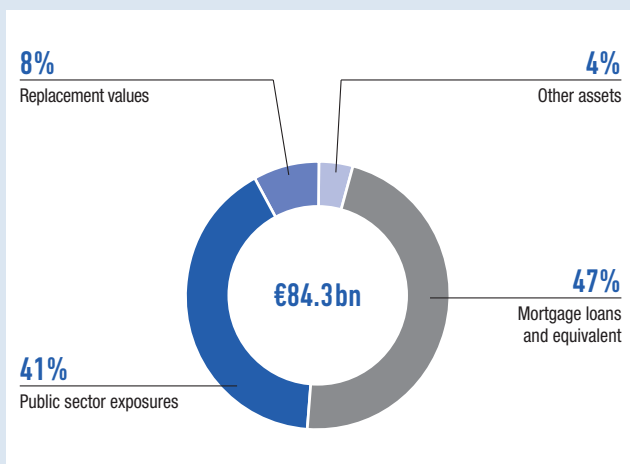
DECEMBER 31, 2018



DECEMBER 31, 2017

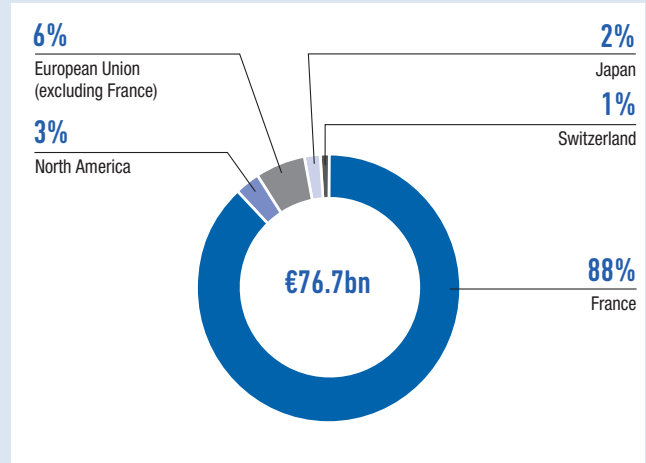


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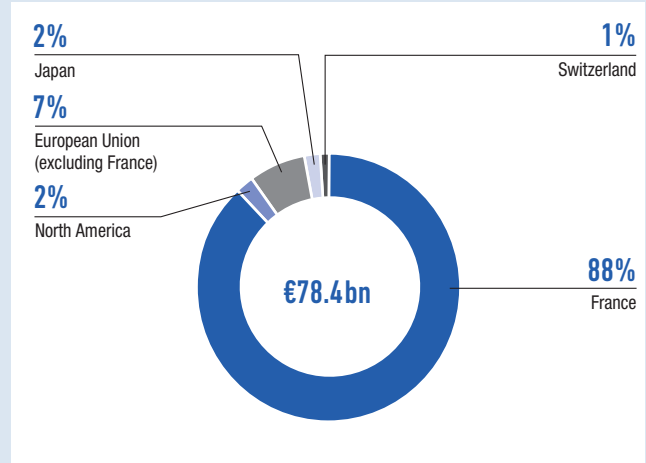


By region

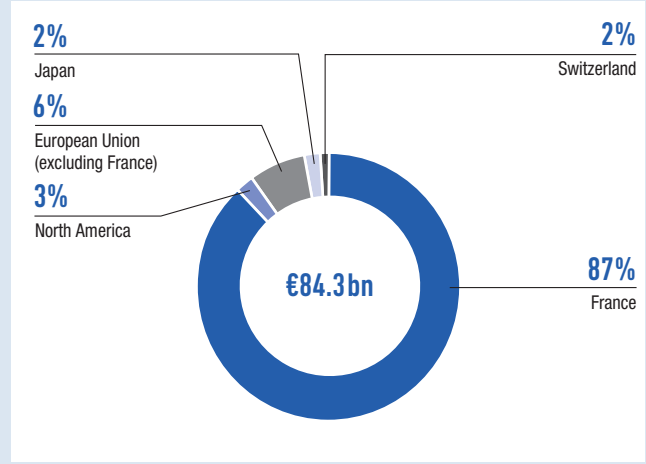
DECEMBER 31, 2018



DECEMBER 31, 2017



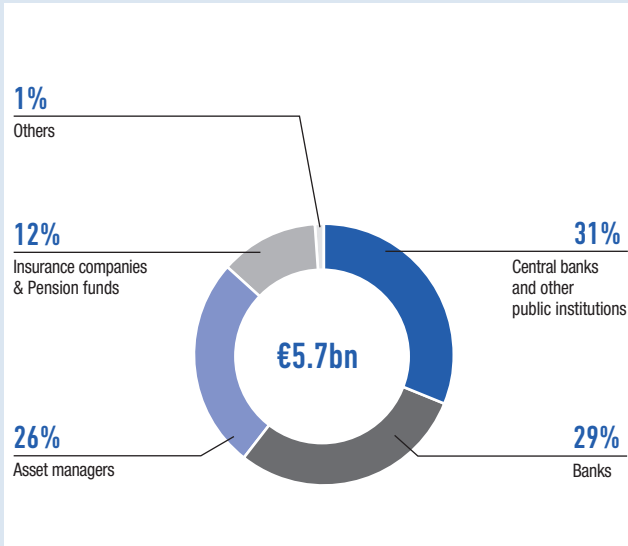
DECEMBER 31, 2016



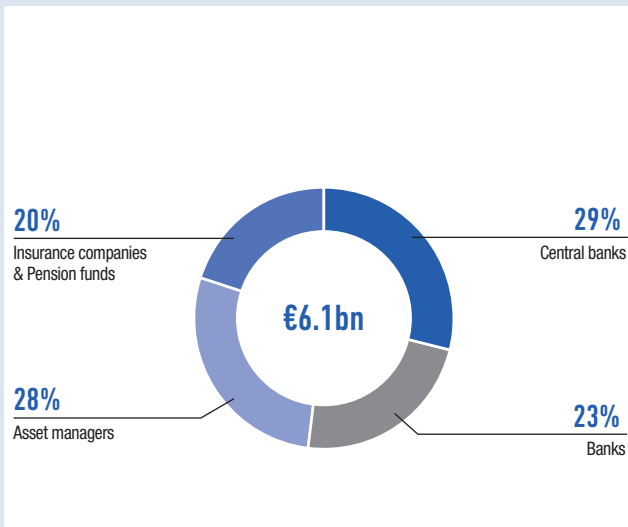
BREAKDOWN OF ISSUANCES

By investor type

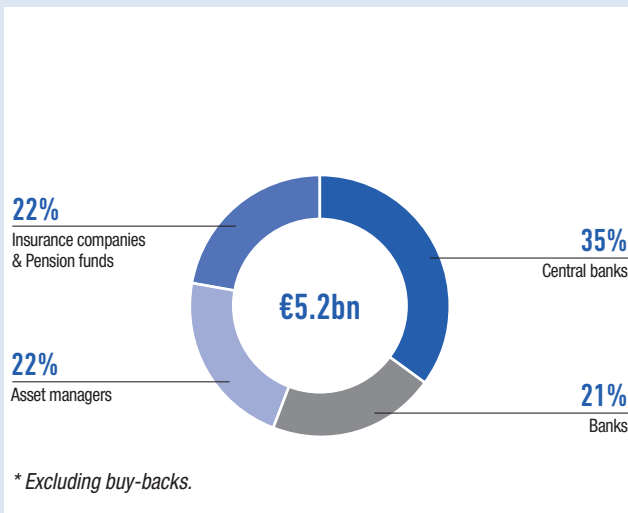
DECEMBER 31, 2018



DECEMBER 31, 2017

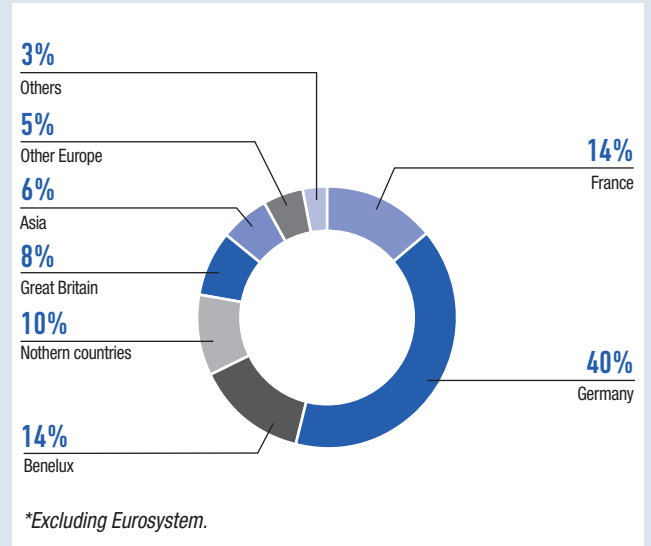


DECEMBER 31, 2016*

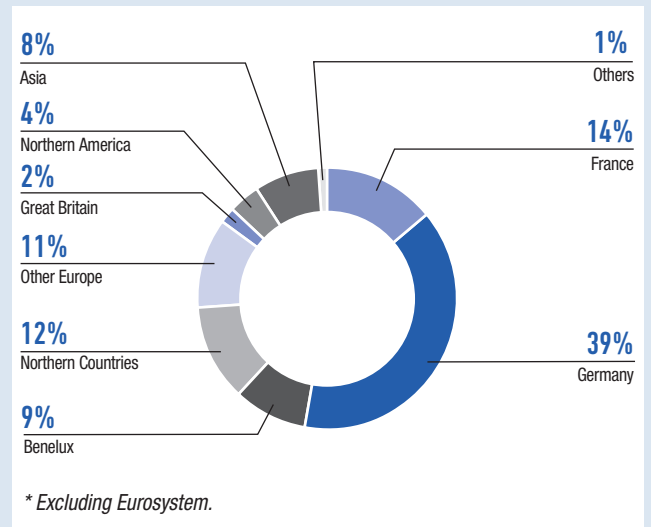


By region

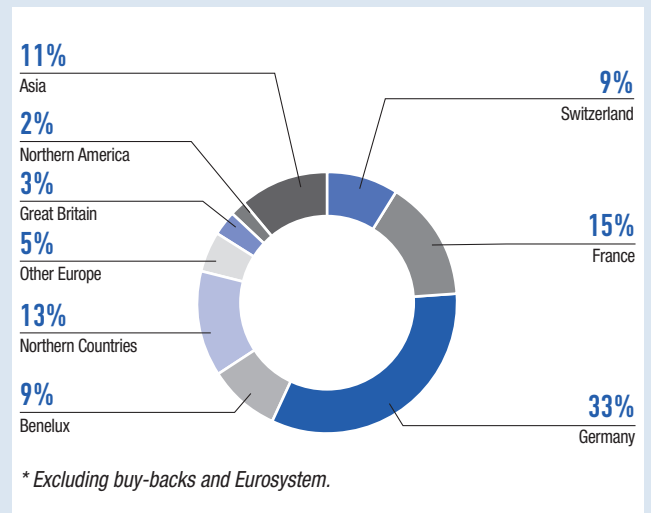
DECEMBER 31, 2018*



DECEMBER 31, 2017*



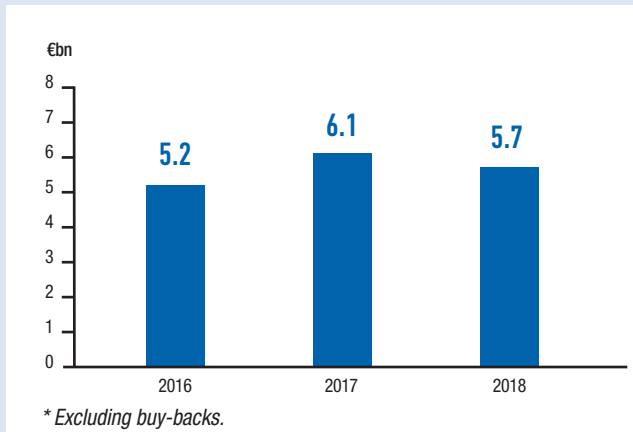
DECEMBER 31, 2016*



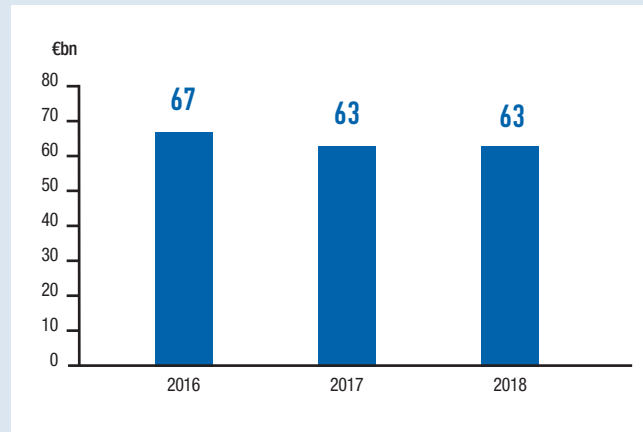
PERFORMANCE INDICATORS

ACTIVITY

■ Obligations foncières issued*

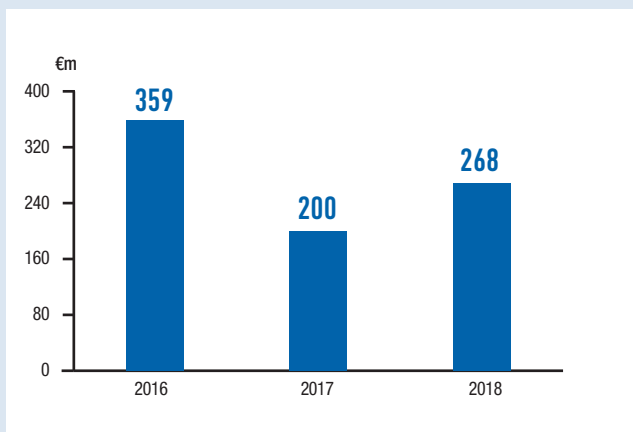


■ Privileged liabilities

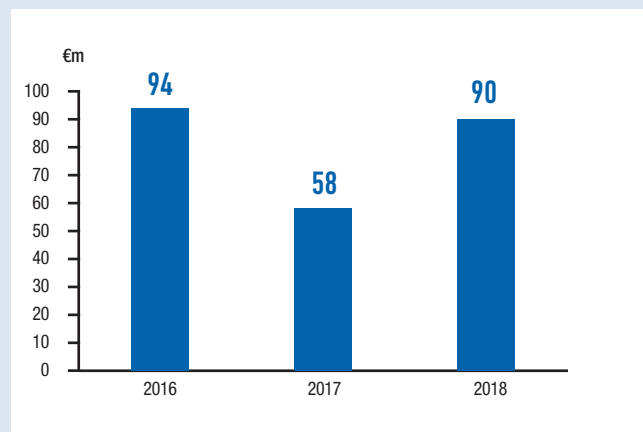


RESULTS

■ Net banking income

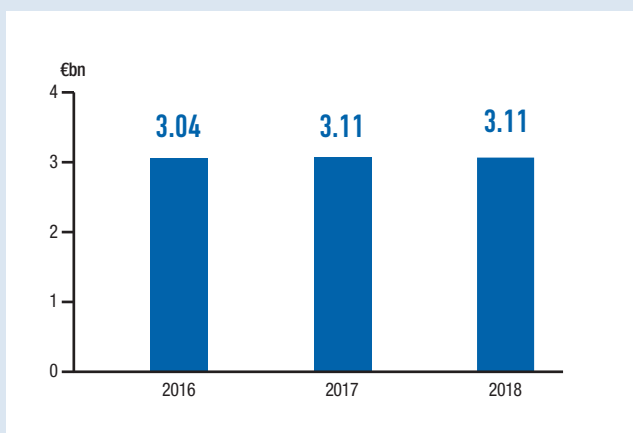


■ Net income

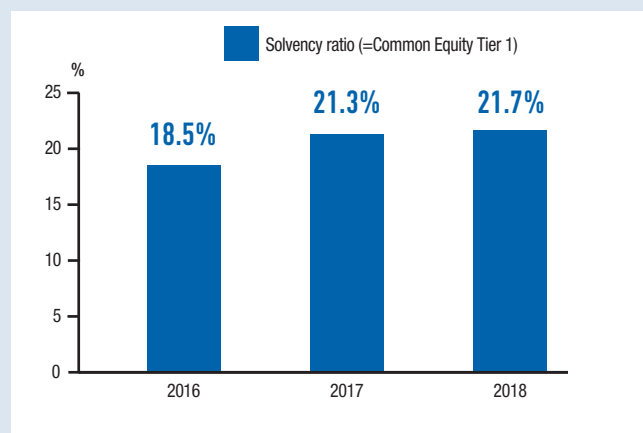


FINANCIAL STRUCTURE

■ Regulatory capital

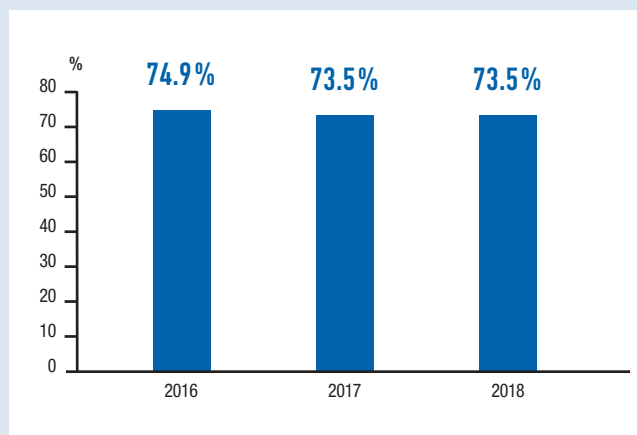


■ Prudential ratios

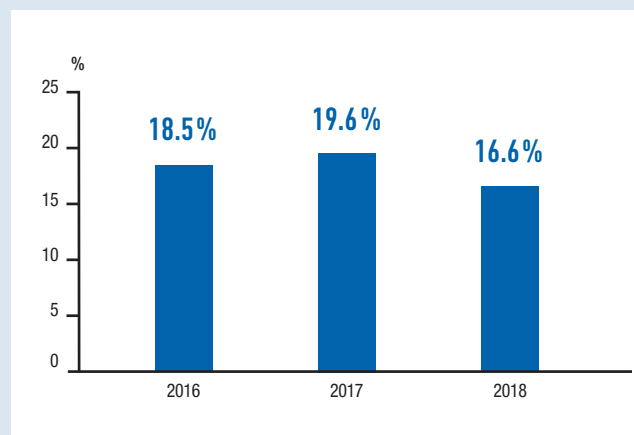


SOCIÉTÉ DE CRÉDIT FONCIER'S SPECIFIC RATIOS

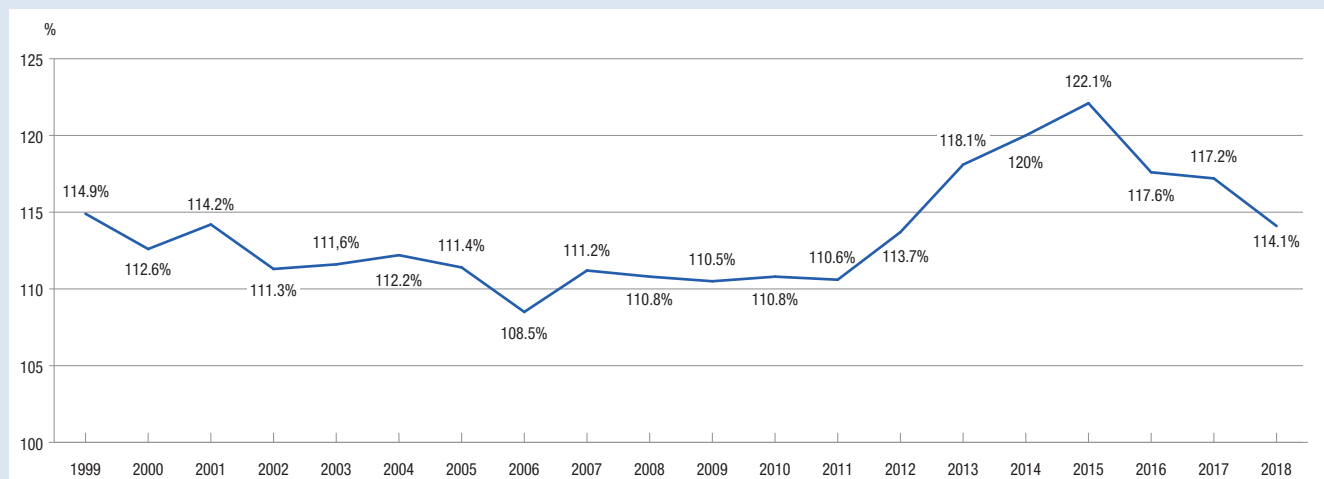
■ Average LTV of mortgage loans for individuals



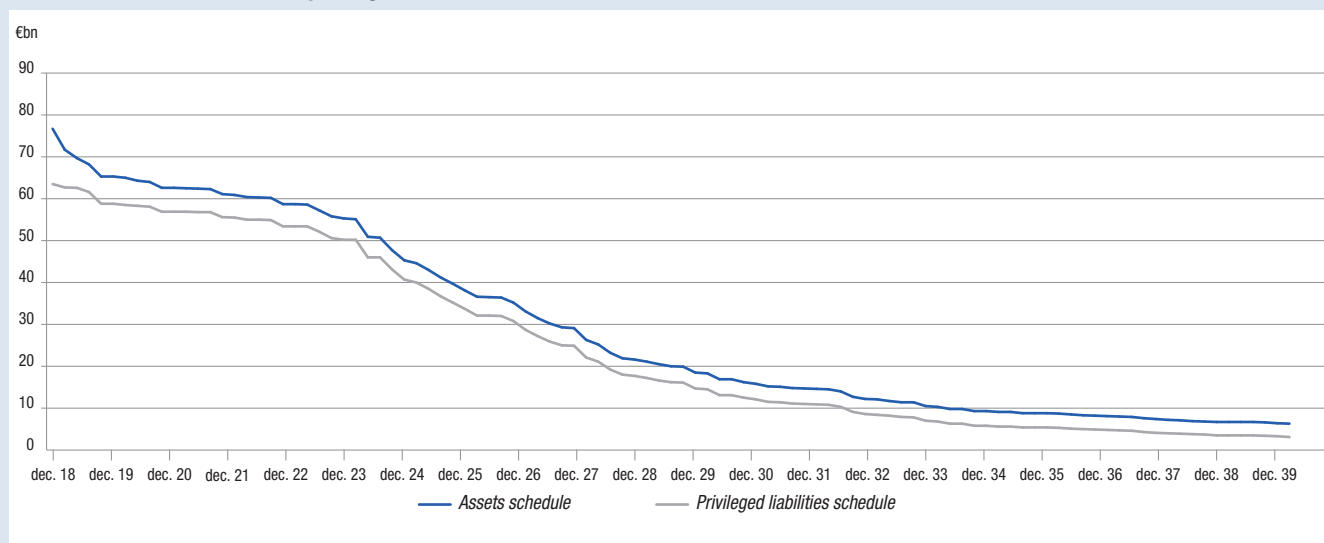
■ Non-privileged resources / privileged resources ratio



■ Regulatory overcollateralization ratio



■ Amortisation of assets and privileged liabilities



HIGHLIGHTS OF 2018

“Deal of the Year” award

Compagnie de Financement Foncier won the 2018 “Deal of the Year” award for its leveraged CMS private placement. This issue was the first leveraged CMS in covered bond format in almost 4 years.

This prize, awarded by MTN-i, demonstrates the innovation and sophistication of Compagnie de Financement Foncier in terms of structures for private placements.

Consequences for Compagnie de Financement Foncier of the project linked to changes in the business lines of Crédit Foncier, parent company of Compagnie de Financement Foncier

On June 26, 2018, Crédit Foncier and Groupe BPCE announced a project to integrate the activities and skills of Crédit Foncier within the Groupe BPCE entities. This project, subject to information-gathering and consultation between the employee representative bodies of Crédit Foncier and the Group entities concerned, has been approved by the competent corporate bodies.

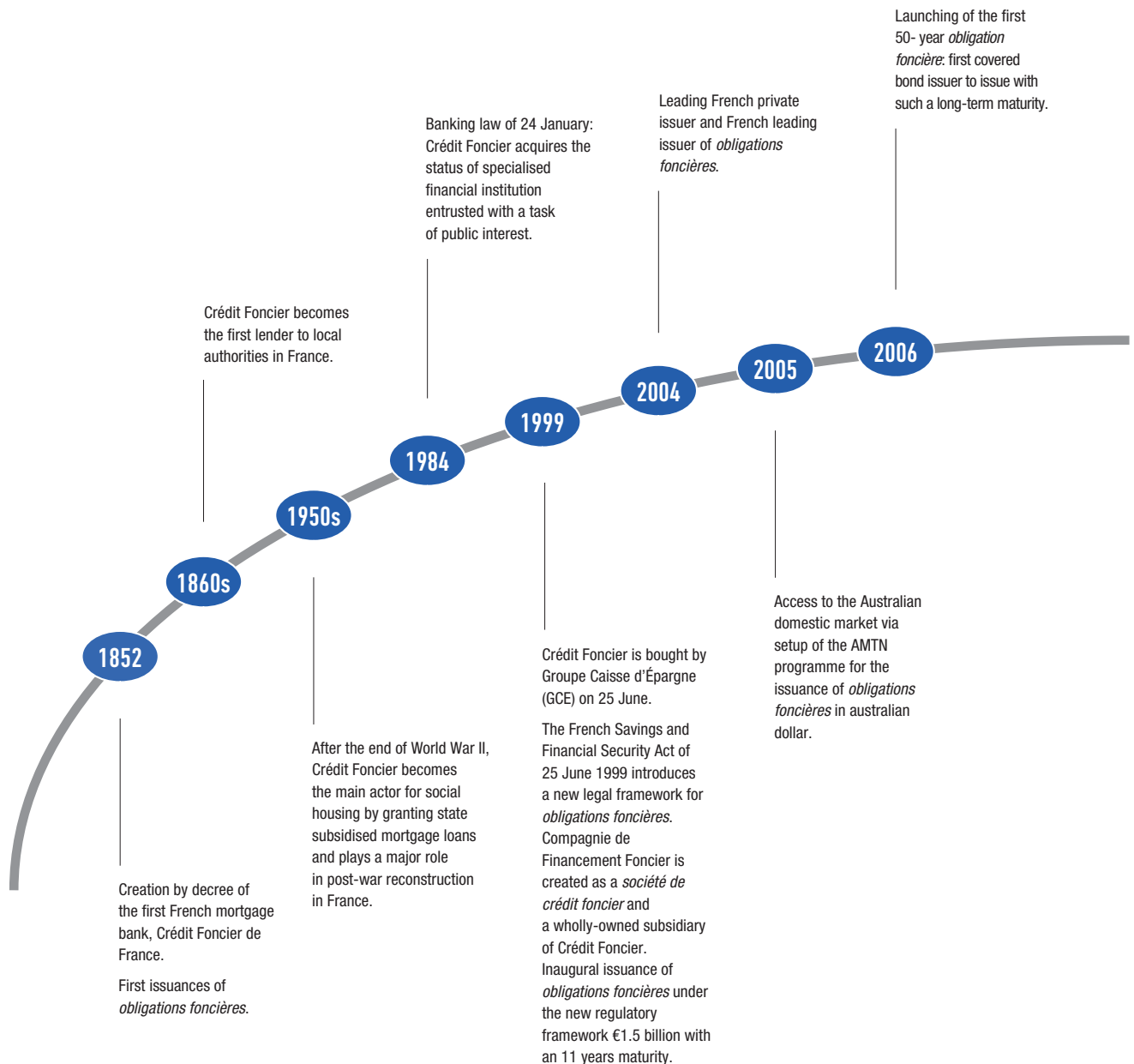
As part of this plan, Compagnie de Financement Foncier will remain a strategic subsidiary of Groupe BPCE under the affiliation regime, and therefore part of the Group solidarity mechanism. BPCE would continue to ensure the proper repayment of the debt issued by the Compagnie de Financement Foncier.

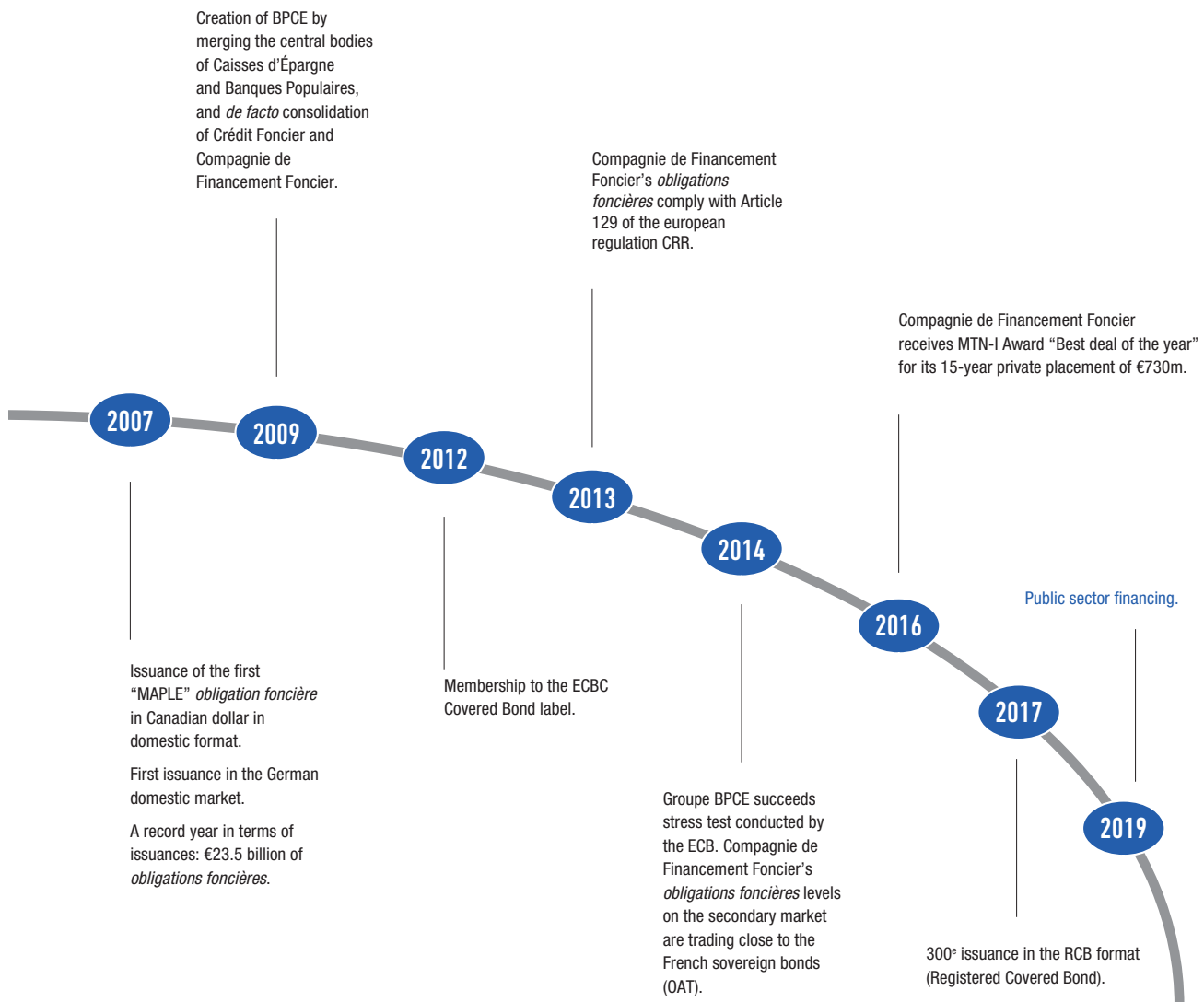
Compagnie de Financement Foncier will be positioned on refinancing Public sector and assimilated assets for the entire Groupe BPCE.

This project implies no financial consequences for Compagnie de Financement Foncier nor for its business continuity.

History

Created in 1852, Crédit Foncier de France, whose main activity is to grant property loans backed by first-ranking mortgages, became the leading lender to local authorities in France and maintained that position until World War II. From the 1950s onward, Crédit Foncier was entrusted with numerous public interest assignments and thus played a key role in the real estate sector. In 1999 Crédit Foncier de France was bought by Groupe Caisse d'Épargne and in 2009 it became Groupe BPCE following the merger with Banque Populaire banks. The same year Compagnie de Financement Foncier was created as a *société de crédit foncier* and wholly owned by Crédit Foncier. It is now a key player on the covered bond market.



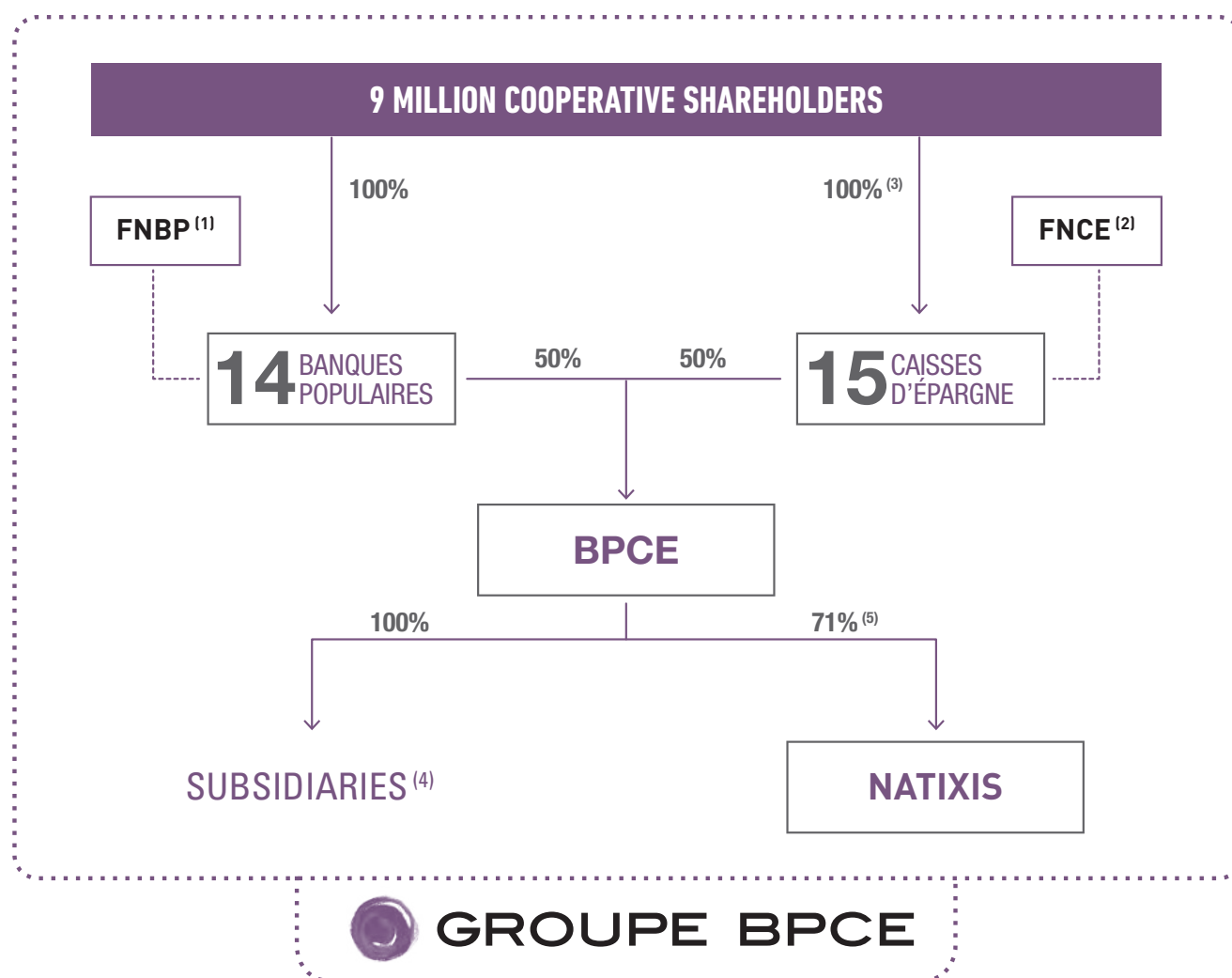


Positioning

Positioning of Crédit Foncier, fully-owner of Compagnie de Financement Foncier, within Groupe BPCE

Crédit Foncier is fully owned by BPCE and is thus an integral part of Groupe BPCE, the second banking group in France ⁽¹⁾.

Organization chart of Groupe BPCE at December 31, 2018



(1) Fédération Nationale des Banques Populaires.

(2) Fédération Nationale des Caisses d'Épargne.

(3) Via local savings companies (Sociétés Locales d'Épargne : SLE).

(4) Banque Palatine, Crédit Foncier, BPCE International...

(5) Float : 29%.

(1) Market shares: 21.5 % of market share for customer savings and 21.1 % for customer credits (source: Banque de France Q3-2018 – all non-financial customers).

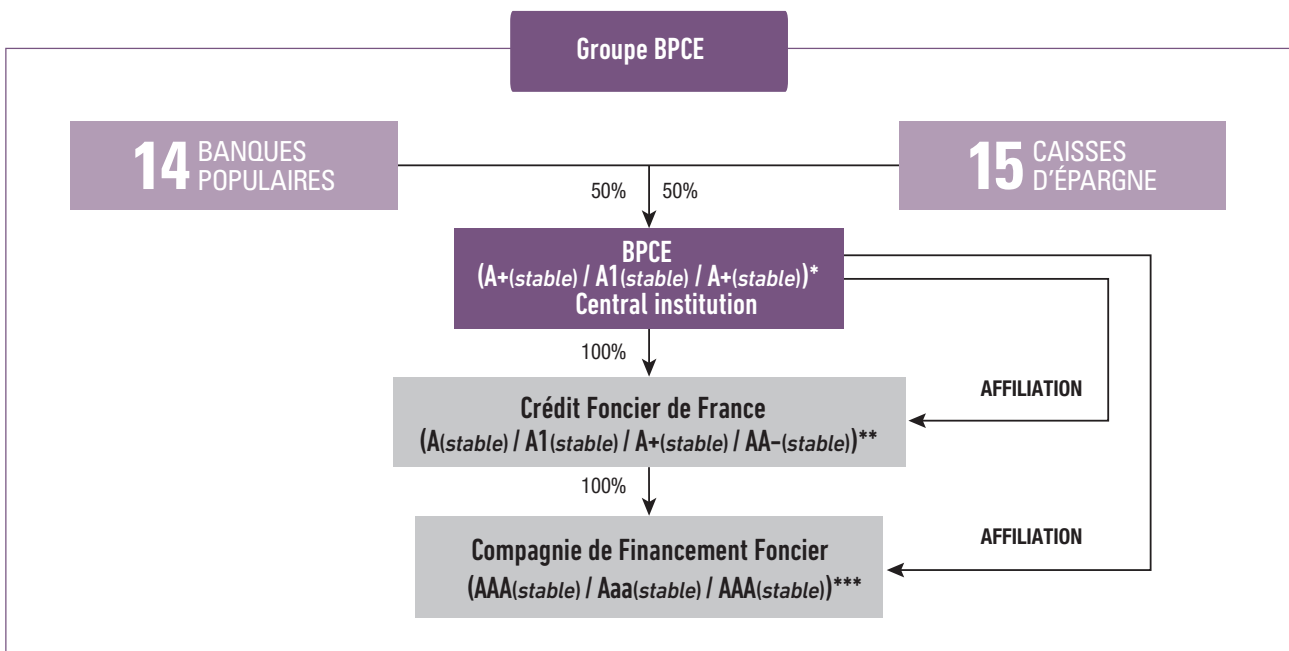
Groupe BPCE at a glance

Groupe BPCE, the second largest banking group in France, has put down deep roots in its local markets. Its 105,000 employees serve a total of 30 million customers, 9 million of whom have decided to become cooperative shareholders.

Groupe BPCE pursues its activities in banking and insurance with the support of its two cooperative networks, Banque Populaire and Caisse d'Épargne banks, as well as its other subsidiaries.

Groupe BPCE posted solid performance in 2018 thanks to its diversified universal banking model. The 2018 net income attributable to equity holders of the parent is stable compared with 2017 and amounts to €3bn. The Common Equity Tier-1 ratio of the Group has strengthened further from 15.4% in 2017 to 15.5% in 2018. The group regulatory capital amounts to €76.9bn at December 31, 2018.

Focus-on the positioning of Compagnie de Financement Foncier



* Standard & Poor's/Moody's/Fitch ratings updated as of the 2018 Registration document's filing date.

** Standard & Poor's/Moody's/Fitch/Scope ratings updated as of the 2018 Registration document's filing date.

*** Standard & Poor's/Moody's/Scope ratings updated as of the 2018 Registration document's filing date.

Synergies with Groupe BPCE

In 2018, groupe Crédit Foncier continued to develop synergies with other Group entities, in particular with regard to Corporate financing via the syndicated operations with other entities of Groupe BPCE.

Groupe Crédit Foncier has also positioned itself as an arranger of disposals of exposures to French Local Authorities, on behalf of other entities of Groupe BPCE.

The development of synergies with BPCE entities also focused on IT systems. In fact, the management of Crédit Foncier's financial operations has migrated to a BPCE community platform (CHROME program).

Covered bonds: legal and regulatory framework

The European regulatory framework regarding covered bonds has been constantly undergoing changes since the beginning of the financial crisis and this has translated into the European and national legislative frameworks.

At the European level, two pieces govern the legal framework of covered bonds: the UCITS and the CRD directives. These European directives are transposed into French law in the French Monetary and Financial Code (*Code Monétaire et Financier* - CMF).

Covered bonds

Covered bonds are bonds backed by an asset cover pool. Cash flows deriving from these assets enable bondholders to be repaid, in priority over all other creditors.

In the European Union, covered bond features are defined by Article 52-4 of the European UCITS directive (2009/65/EC amended), according to the following criteria:

- the issuer must be a credit institution having its registered office in a European Union member State and subject to a specific and legal supervision;
- the bondholder must have a preferential claim on cash flows deriving from underlying assets, in the event of the issuer's default, over all other creditors. The exposure limit to this type of assets can be raised up to 25%.

The compliance of covered bond issuers with the Article 52-4 of the UCITS directive has enabled to standardise the asset cover pool controls and their banking supervision.

The second European text providing definition of covered bonds is the Capital Requirements Directive (CRD) on regulatory capital adequacy. Covered bond holders, particularly European banks and insurance companies, benefit from a favourable regulatory framework. Indeed, the latter are taking advantage of a favourable risk weighting of their covered bonds with the highest rating.

The main feature of covered bonds is the specific mechanism established to protect bondholders. Indeed, bondholders benefit from a special legal privilege on the underlying assets of the cover pool in case of the issuer's default, giving them the right to be paid prior to all other creditors. To ensure a sufficient level of quality, said assets are strictly defined in the appropriate legislation (mainly real estate with first rank guarantee and claims on central or regional governments, or local authorities).

The LCR (Liquidity Coverage Ratio) regulation enables investors to include covered bonds in their liquidity reserves, as long as they comply with certain criteria. The main eligibility criteria for covered bonds at each liquidity reserve level are as follows:

| Eligibility criteria | Level 1 | Level 2A EU member issuer | Level 2B* |
|---|---|------------------------------|-------------------------------|
| Compliance with Article 52-4 of the UCITS directive or with Article 129 of the CRR. | | | |
| Minimum rating or, in case of no available rating, risk weighting in accordance with the CRR | AA- or 10% | A- or 20% | 35% |
| Minimum issuance amount | €500m | €250m | €250m |
| Minimum overcollateralisation ratio to be respected | 2% | 7% or 2% if rating ≥ AA- | 10% and monthly disclosure |
| Disclosure of the information below, in compliance with Article 129 (7) of the CRR regulation, and according to the applicable periodicity: | Semi-annually | Semi-annually | Quarterly |
| | <ul style="list-style-type: none"> • the value of the cover pool and the outstanding of the covered bonds; • the geographical distribution and type of cover assets, loan size, interest rate and currency risks; • the maturity structure of cover assets and covered bonds; • the percentage of loans more than ninety days past due. | | |

* For level 2B, the cover pool must consist of residential property and exposures on public entities.

Within the context of ECBC Covered Bond Label reporting, Compagnie de Financement Foncier publishes the information listed in the table above on its website (www.foncier.fr) according to the periodicity scheduled.

The European Covered Bond Council, an association representing mainly issuers whose members account for over 95% of outstanding covered bonds, established the Covered Bond Label in 2012, who performs its own governance in which French issuers are represented. For investors, regulators and key market players, the label promotes access to relevant, uniform and transparent information on 105 issuers and 122 cover pools in 18 European countries. This quality label is based on a convention, which defines the core characteristics and criteria for a covered bond programme to qualify.

For issuers, the label requires compliance with Articles 52 (4) of the UCITS directive and 129 of the CRR regulation and enhanced transparency of information provided. Information for investors is also subject to specific reporting drawn up in accordance with common national frameworks and harmonized under a single format by the end of 2016. Under this label, the French template already allows all information required pursuant to Article 129 (7) of the CRR to be provided to investors.

Compagnie de Financement Foncier complies with all the label requirements, and has therefore renewed its membership for 2019. All information and reports are available on the website www.coveredbondlabel.com.

A french covered bond: the *obligations foncières*

THE BASICS OF OBLIGATIONS FONCIÈRES

FRENCH LAW AND COMPLIANCE WITH EUROPEAN REGULATIONS

In 1999, the French government passed legislation on the modernisation of the *obligations foncières* framework. This law provides the French financial markets with a category of bond instruments, which are competitive and uniform in terms of risks and liquidity, controlled by the *Autorité de Contrôle Prudentiel et de Résolution* (ACPR)⁽¹⁾ and by a Specific Controller. Until then, the legislation of 1852 on *sociétés de crédit foncier* allowed only *Crédit Foncier de France* or *Crédit Foncier et Communal d'Alsace et de Lorraine* to issue *obligations foncières*. Since 1999, *société de crédit foncier*'s business activities have been governed by the French Monetary and Financial Code (CMF).

French law is the transposition of the European directives UCITS and CRD on covered bonds:

- *sociétés de crédit foncier* are credit institutions having their registered office in a member State of the European Union, France. They are legally subject to specific supervision protecting the holders of those bonds, via a Specific Controller, whose appointment is approved by the ACPR;
- bondholders of *obligations foncières* are protected by a pool of underlying assets (whose eligibility criteria are defined by law) towards which they have priority recourse in the event of the issuer's default: this is the legal privilege granted to bondholders.

The french legal framework also imposes additional requirements in terms of liquidity and reporting.

SOCIÉTÉS DE CRÉDIT FONCIER

Sociétés de crédit foncier are credit institutions whose sole purpose is defined in Article L. 513-2 of the French Monetary and Financial Code: granting or acquiring guaranteed loans *i.e.* loans that are backed by first-rank mortgages or real property collateral conferring at least an equivalent guarantee, or exposures to public entities, and financing them by issuing *obligations foncières*. The business activities of a *société de crédit foncier* are restricted by law: they are not allowed to hold equity interests or share portfolios.

Obligations foncières, which finance eligible assets, are covered bonds that have a legal privilege that confers to their holders a preferential claim on cash flows deriving from the underlying assets.

The eligibility criteria for *sociétés de crédit foncier*'s assets are defined in Articles L. 513-3 to L. 513-7 of the French Monetary and Financial Code. The following assets are eligible:

- loans guaranteed by a first-rank mortgage or equivalent guarantee, when the underlying assets are located in the European Economic Area or in a country with the highest credit rating;
- exposures on public entities such as loans or off-balance sheet commitments, when they concern public entities or entities that are totally guaranteed by them (central administrations, central banks, public institutions, local authorities or their associations, etc.), and having the highest credit quality step established by an ECAI recognised by the *Autorité de Contrôle Prudentiel et de Résolution* (ACPR French Prudential Supervisory and Resolution Authority) in accordance with Article L. 511-44 (or the second highest quality step under conditions). Exposures to public entities particularly include debt securities issued or totally guaranteed by one or more public entities. Shares and debt securities issued by securitisation vehicles as well as those issued by similar entities are considered as loans and exposures;
- replacement values (limited to 15% of the face value of the privileged resources): securities, and deposits that are adequately safe and liquid.

INVESTOR PROTECTION

LEGAL PRIVILEGE OF HOLDERS OF OBLIGATIONS FONCIÈRES

According to Article L. 513-11 of the French Monetary and Financial Code, which defines the legal privilege on cash flows from assets and the terms of the guarantee that it provides, the assets held by a *société de crédit foncier* allow the priority repayment of privileged debt, *i.e.* *obligations foncières*. The legal privilege is the fundamental principle of legal security for *obligations foncières*' holders. It remains valid even if the *société de crédit foncier* or its parent company goes bankrupt or goes into receivership. It thus affords investors the maximum protection. Privileged debts are paid on their contractual due date, in priority to all other debts, for both their interest and principal payments, until they have been fully repaid, under all circumstances.

The bondholders of *obligations foncières* are also protected by the following legal and regulatory frameworks:

Overcollateralisation

The total amount of the *société de crédit foncier*'s assets must be higher than the amount of their liabilities benefiting from the privilege. Article R. 513-8 of the CRBF (French Banking and Financial Regulatory Committee) regulation sets the minimum legal overcollateralisation ratio at 105%.

It should be noted that non-collateralised exposures in the Group may not exceed 25% of non-privileged resources. One of the Specific Controller's duties is to monitor compliance with this overcollateralisation rule.

The regulatory overcollateralisation ratio of *Compagnie de Financement Foncier* has always exceeded 108% since its establishment in 1999.

Asset-liability matching in terms of maturity and interest rates

Article 12 of CRBF No. 99-10 requires that matching of maturity and interest rates of assets and liabilities has to be respected in the *société de crédit foncier*'s balance sheet management. It is subject to very close scrutiny by the Specific Controller, who instructs the executives and the ACPR if he or she determines that the matching of interest rates and maturity could create excessive risks for privileged creditors (decree of February 23, 2011). The decree of May 23, 2014 then the order of May 26, 2014 established a maximum duration gap of 18 months between assets and liabilities.

The average maturity for assets held to maintain a cover ratio of 105% and used by transparency in the case of collateralised assets (such as mortgage notes or mobilisations pursuant to Article L. 211-38), may not exceed the average maturity of outstanding privileged liabilities by more than 18 months.

Since May 2014, *sociétés de crédit foncier* are also obliged to prepare an estimate, based on a yearly plan approved by the decision-making body and submitted to the ACPR, of the privileged resources' cover ratio up to their maturity, considering the available eligible assets and the forecasted new production based on conservative assumptions.

180-day liquidity buffer

At all times, *sociétés de crédit foncier* must ensure that all cash requirements are covered for a period of 180 days.

Therefore, *sociétés de crédit foncier* hold replacement values, cash deposits at *Banque de France*, assets eligible for *Banque de France* monetary policy operations or other assets defined by Article R. 513-7 that permanently cover all identified cash requirements for the next 180 days.

(1) French Prudential Supervisory and Resolution Authority is an administrative authority that supervises the activity of financial institutions. For further details, please refer to the dedicated paragraph under "Regulatory bodies" on page 20.

NON-EXTENSION OF THE PARENT'S INSOLVENCY TO ITS SOCIÉTÉ DE CRÉDIT FONCIER SUBSIDIARY

Under French law, a *société de crédit foncier* has a specific legal framework guaranteeing that the holders of *obligations foncières* receive favourable treatment under normal management conditions and in the event of insolvency proceedings being initiated against its parent.

The cash flows derived from *société de crédit foncier's* assets are, under all circumstances, used to repay privileged debt. In the event of default of its parent, the *société de crédit foncier* and the holders of *obligations foncières* are fully protected by virtue of this non-extension rule.

If a French company is subject to insolvency proceedings, there will be no vacuum in authority at its level, as a legal receiver is appointed to ensure the continuity of management.

As a separate legal entity, a *société de crédit foncier's* subsidiary is not affected by the insolvency of its parent, the management of a *société de crédit foncier* is conducted *in bonis*, i.e. under normal management conditions, by its own managers.

If the parent is subject to preservation or insolvency proceedings, the *société de crédit foncier* may terminate its service and receivable management contracts if it determines this course to be appropriate. The *société de crédit foncier* may therefore change its service provider at any time to ensure the continued management of its assets and liabilities.

Since the decree of May 23, 2014 and the order of May 26, 2014, the Company must also identify the staff and resources required to recover receivables and to enforce contracts entered into by the Company, in addition to drafting a plan defining the conditions for transferring all of the required technical resources and data to perform recovery actions.

IMMUNITY OF OBLIGATIONS FONCIÈRES HOLDERS

In the event of insolvency proceedings being initiated against a *société de crédit foncier*, holders of *obligations foncières* are entirely protected by the following procedures:

Repayment schedule of privileged debt is maintained

In the event of judicial liquidation, debt payment is not accelerated. The debts due deriving from the transactions shall be paid on their contractual due date and repayment of debts that do not benefit from the privilege will only take place after repayment of *obligations foncières* and other privileged debts.

All other creditors (including the French State) are not paid until all *obligations foncières* holders' claims have been satisfied, as set out in the initial schedule. In contrast with the general law that transactions made when companies are in financial difficulty may be invalidated, *sociétés de crédit foncier's* asset transfers made prior to a declaration of insolvency remain valid.

Continuity of management in case of insolvency of a société de crédit foncier

Article L. 612-34 of the French Monetary and Financial Code provides that, depending on the situation, a provisional administrator may oversee or advise managers or be given full powers. The provisional administrator can use the same asset-liability management (ALM) tools that are usually available to a *société de crédit foncier*, such as:

- disposing assets;
- assigning assets;
- issuing new *obligations foncières*;
- issuing non-privileged liabilities.

A *société de crédit foncier* continues its business according to the same rules, under all circumstances.

Thus, a *société de crédit foncier* carries out its business under normal management conditions because the provisional administrator has the same duties as the managers had previously. All activities are carried on to ensure the Company is well managed, and all privileged debts are repaid in compliance with existing commitments.

In the event of insolvency of a *société de crédit foncier*, the Specific Controller, as set out in Article L. 513-22 of the French Monetary and Financial Code, must file claim statements on behalf of privileged creditors.

The Specific Controller continues to inform and notify the French Prudential Supervisory and Resolution Authority (ACPR), just as he or she must do when the *société de crédit foncier* is operating normally.

Affiliation to a central body

French cooperative banking groups have a central body and some of their subsidiaries may use a specific guarantee scheme: the affiliation (articles L. 512-106 to L. 512-108 of the CMF).

Compagnie de Financement Foncier is directly affiliated with BPCE SA, the central body of Groupe BPCE; holders of *obligations foncières* benefit from this additional protection.

REGULATORY BODIES

THE EUROPEAN CENTRAL BANK

Since November 2014, Compagnie de Financement Foncier is supervised by the European Central Bank according to the Single Supervisory Mechanism (SSM); while remaining under the supervision of the national competent authority, the ACPR.

THE AUTORITÉ DE CONTRÔLE PRUDENTIEL ET DE RÉOLUTION (ACPR – FRENCH PRUDENTIAL SUPERVISORY AND RESOLUTION AUTHORITY)

The tasks of the French Prudential Supervisory and Resolution Authority are defined by Article L. 612-1 of the French Monetary and Financial Code.

The ACPR is responsible for three main tasks:

- contributing to the stability of the financial sector;
- protecting customers;
- strengthening the influence of France at European and international level.

As authorised credit institutions, *sociétés de crédit foncier* are placed under its authority.

The ACPR monitors these companies by examining reports and financial statements that they are required to provide and can also conduct on-site investigations.

As credit institutions, the *sociétés de crédit foncier* have to provide information about:

- internal control (Articles 258 to 270 of the Decree of November 3, 2014 on internal control of the banking sector);
- liquidity, via the liquidity and observation ratios.

The *sociétés de crédit foncier* must also publish specific reports about:

- the quality of their financed assets and, in particular, the characteristics and breakdown of loans and guarantees, liquidity at 180 days in a run-off scenario, as well as the level and sensitivity of interest rate positions. The report on these points is published on Compagnie de Financement Foncier's website and submitted to the ACPR four times a year, within 45 days following the end of each quarter;
- the calculation of the overcollateralisation ratio, which includes limits on the composition of assets, and the calculation of amounts eligible for refinancing by privileged resources.

The report on this information, completed with other regulatory indicators, is certified by the Specific Controller, and submitted to the ACPR within three months following the end of each quarter.

The *sociétés de crédit foncier* determine the solvency ratio and the regulatory overcollateralisation ratio provided to the French Prudential Supervisory and Resolution Authority. These audits performed by the ACPR are an additional guarantee for the holders of *obligations foncières*.

Risk assessment and monitoring

Credit institutions subject to these rules must also implement risk assessment tools and methods in order to ensure effective management and monitoring of their risks. Selection processes (limits, approval delegations and methods of analysis) as well as monitoring tools and procedures for regularly assessing the levels of risks managed.

The regulation requires a periodic review of these assessment methods and tools.

These tools and procedures are used to assess, select and monitor the following types of risks:

- credit;
- liquidity;
- interest rate;
- foreign exchange;
- compliance;
- settlement and intermediation;
- legal;
- operational;
- extreme events (solutions provided in the Contingency and Business Continuity Plan).

Documentation and information

Credit institutions are required to document the following:

- their organisation and the role of their staff;
- their information systems security procedures;
- risk assessment systems and their operational characteristics (limits, selection criteria, monitoring, etc.).

The following supervisory and control bodies must be kept informed:

- decision-making body: the Board of Directors and its sub-committees, the Audit Committee and the Risk Committee;
- the Company's central body or its shareholder;
- external auditors (Statutory Auditors, Specific Controller);
- regulatory authorities (ACPR, AMF).

STATUTORY AUDITORS

Appointment of the Statutory Auditors

As a French public limited company, *sociétés de crédit foncier's* financial statements must be audited by Statutory Auditors. Article L. 511-38 of the French Monetary and Financial Code requires that credit institutions be audited by at least two Statutory Auditors, employed by two different auditing firms (whereas other countries require only one).

They are appointed by the General shareholder's meeting, and not by executive officers, for a six years term.

As credit institutions, *sociétés de crédit foncier* must first have their Statutory Auditors approved by the General Meeting for a six-year term, following a prior consultation.

The Statutory Auditors have a permanent legal obligation to ensure the quality and reliability of the financial and accounting information provided by their clients. Their duties include:

Audit and certification

Pursuant to the French Commercial Code, the Statutory Auditors must certify, while justifying their opinion, whether or not the annual financial statements give a true and fair view of the Company's results for the accounting period concerned and of its financial position and assets and liabilities at the end of each period. Their certification is published in this Registration document. For this purpose they carry out an audit, in accordance with the professional standards of the National Association of Statutory Auditors (CNCC, *Compagnie Nationale des Commissaires aux Comptes*).

General report

In their report to the Ordinary Shareholders' Meeting, the Statutory Auditors must report on the execution of their assignment. By certifying the Company's financial statements, they express that during the course of their assignment they have obtained reasonable assurance that the financial statements do not contain any material misstatement.

They must inform the Shareholders' Meeting of any irregularities or inaccurate information they may have observed during their assignment.

Specific verifications

The Statutory Auditors verify the fairness of the following information and its consistency with the annual and half-year financial statements:

- the information provided in the management report;
- the documents sent to shareholders concerning the financial position and annual financial statements.

To carry out their assignment, the Statutory Auditors hold extended investigative powers.

Pursuant to the law, at any time of the year, the Statutory Auditors, together or individually, may carry out all verifications and controls they deem appropriate and may provide on-site and request any documents they consider necessary for their assignment, including contracts, accounting records and documents, and minutes of meetings.

These investigations may be conducted at the Company or at its parent, or if necessary at any subsidiary or at any entity included in the consolidation scope.

SPECIFIC CONTROLLER

The Specific Controller is selected from the official list of Statutory Auditors (French National Association of Auditors – CNCC). His appointment, proposed by the executive management of the *société de crédit foncier*, is subject to the approval of the ACPR for a four-year mandate. He is responsible for verifying that operations are functioning correctly and for ensuring strict compliance with laws and regulations. To avoid any conflict of interest, the Specific Controller may not be a Statutory Auditor for the Group that consolidates the *société de crédit foncier*. In accordance with the law and regulations, the Specific Controller must ensure that the *société de crédit foncier* is taking all necessary steps to secure the redemption of *obligations foncières* and other privileged resources. For this purpose, the Specific Controller must, either on an ongoing basis, or in response to specific events:

- assess the quality of the risk management and monitoring procedures that the *société de crédit foncier* has implemented in order to respect the principles above;
- control the eligibility of loans and other assets held by the *société de crédit foncier*;
- ensure the appropriate overcollateralisation of privileged resources by eligible assets, the compliance with regulatory limits and the LTV eligible for privileged refinancing;
- certify previous ratios, limits and LTV on a quarterly basis for the ACPR;
- issue certifications of quarterly bond issuance programmes and for issuances in euro equivalent of €500m or more;
- verify the asset-liability matching in maturities and interest rates of the *société de crédit foncier* (Article 12 of French Banking and Financial Regulatory Committee (CRBF) regulation No. 99-10);
- appraise the valuation and periodic review procedures of the underlying assets backing the eligible loans, pursuant to Article 5 of CRBF Regulation No. 99-10;
- certifies, on a quarterly basis, the new reports introduced by the decree of May 23, 2014 and the order of May 26, 2014, in particular the items used to calculate the overcollateralisation ratio and the resources needed to cover cash requirements, the difference in average maturity between assets and the provisional cover of privileged resources with eligible assets.

The Specific Controller's controls supplement the Company's standard internal controls and those conducted by the Statutory Auditors.

During its missions as defined by law (Article L. 513-23 and 24 of the CMF), and for which he benefits from an extended investigation right, the Specific Controller can also:

- attend any shareholders meeting and be heard at its demand by the Management Boards of the Company. He also has a duty of alerting the supervisory banking authorities;
- establish, for all Management Boards and social bodies, an annual report on the accomplishment of its mission, a copy of which is sent to the ACPR.

In the event the *société de crédit foncier* is subject to restructuring or insolvency proceedings, the Specific Controller would become the legal representative of the holders of *obligations foncières* and other privileged resources.

THE AUTORITÉ DES MARCHÉS FINANCIERS (AMF – FRENCH FINANCIAL MARKETS AUTHORITY)

Prospectus directive

The new European regulation 2017/1129 revising the Prospectus directive of 2003 was adopted in June 2017. Aimed at facilitating businesses' access to markets without compromising information useful for investors, this important text in the plans to unify capital markets will come into force on July 21, 2019.

Transparency directive

In force since the end of 2015, the revised Transparency directive (directive 2013/50/UE) provides for the establishment of a unique publication format for annual financial reports, in order to facilitate access to financial information and the comparability of company accounts. On December 18, 2017, ESMA published the final version of the Regulatory Technical Standards (RTS) for the European Single Electronic Format (ESEF). This format must be used by all issuers when preparing their annual financial reports from 2020 onwards.

Market and operating context

The nature of the assets that Compagnie de Financement Foncier may acquire, results in links with the following markets:

- home loans to private individuals, a market which is closely linked to the housing market;
- funding of local authorities and local public institution investments.

Compagnie de Financement Foncier can also grant long-term funding to other Groupe BPCE entities, by refinancing through the intermediary of Crédit Foncier, Research Tax Credits (*Crédit d'Impôt Recherche – CIR*), Employment Competitiveness Tax Credit (*Crédit d'Impôt Compétitivité Emploi – CICE*) or other exposures to the French State.

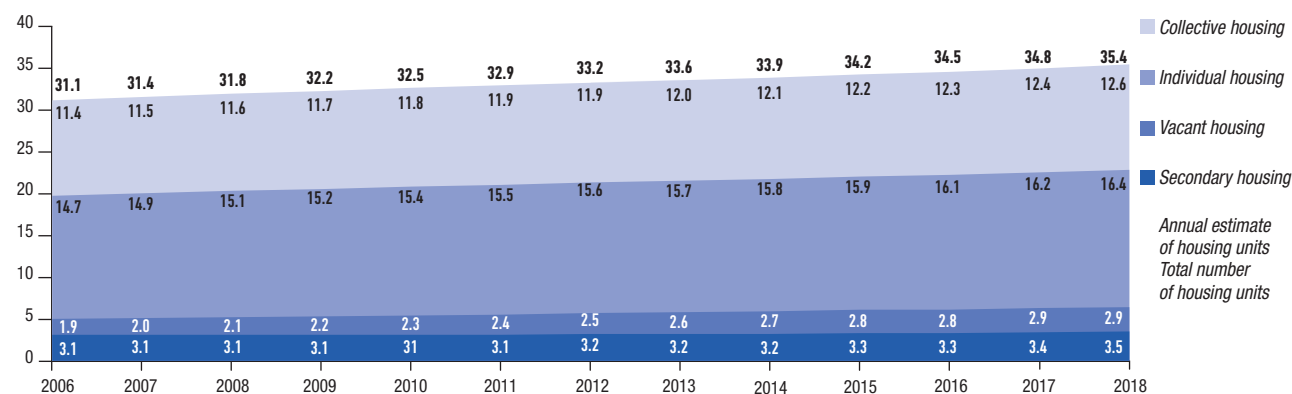
The french housing and home loans market

THE STRUCTURAL FEATURES OF THE FRENCH REAL ESTATE MARKET

The French housing market has been driven for many years by strong demand for new housing, due in particular to the country's demographic growth and societal changes such as the increase in life expectancy and the fragmentation of the family unit.

A study by the Crédit Foncier Real Estate Observatory takes the view that in order to meet household demand, the construction objective in France over the next few years is to start 500,000 housing projects per year ⁽¹⁾.

Distribution by type of housing (in million of units) ⁽²⁾



As at January 1, 2018, mainland France had 35.4 million homes. Over the last thirty years, the housing stock has grown by 1.1% per year on average ⁽²⁾.

Today, in France 82% of homes are main residences with almost 29 million units. Over the last ten years, collective housing has increased by around 1 million units and individual housing by 1.3 million units ⁽²⁾; this reflects the strong aspiration to individual housing, which has resulted, since the 1970s, in high concentrations of such dwellings in suburban areas.

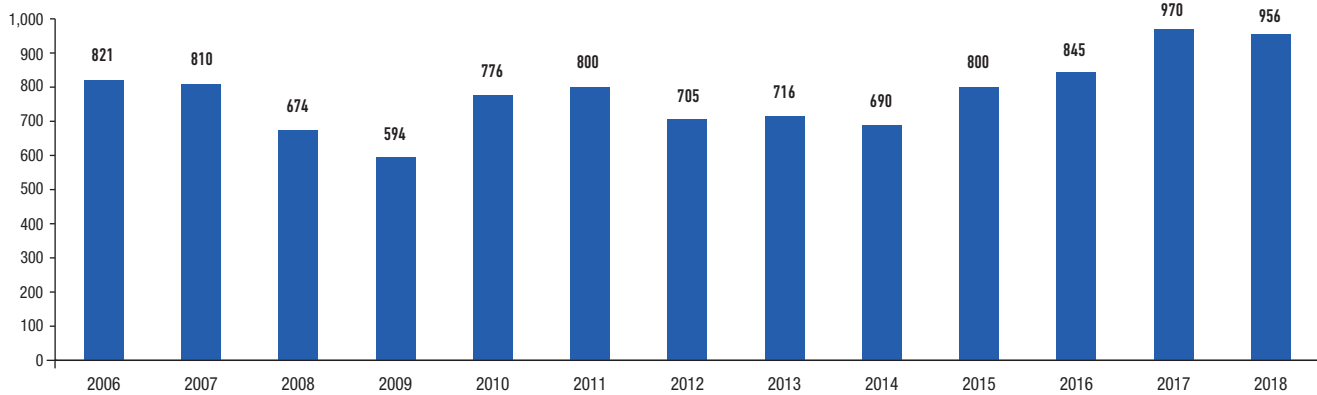
Most housing, whether new or existing, is in the Private sector. However, there is also a system of Social housing for low-income households, which benefits from different state programs. France has always sought to maintain a balanced split between various modes of occupation (home ownership, private rental, social housing), thus giving a free choice to everyone.

⁽¹⁾ Crédit Foncier Real Estate Observatory – n°95, November 2017.

⁽²⁾ INSEE – Housing stock in France as of January 1, 2018, October 2018.

THE HOUSING MARKET IN 2018

Number of transactions in existing property over a sliding 12-month period (in thousands) ⁽¹⁾



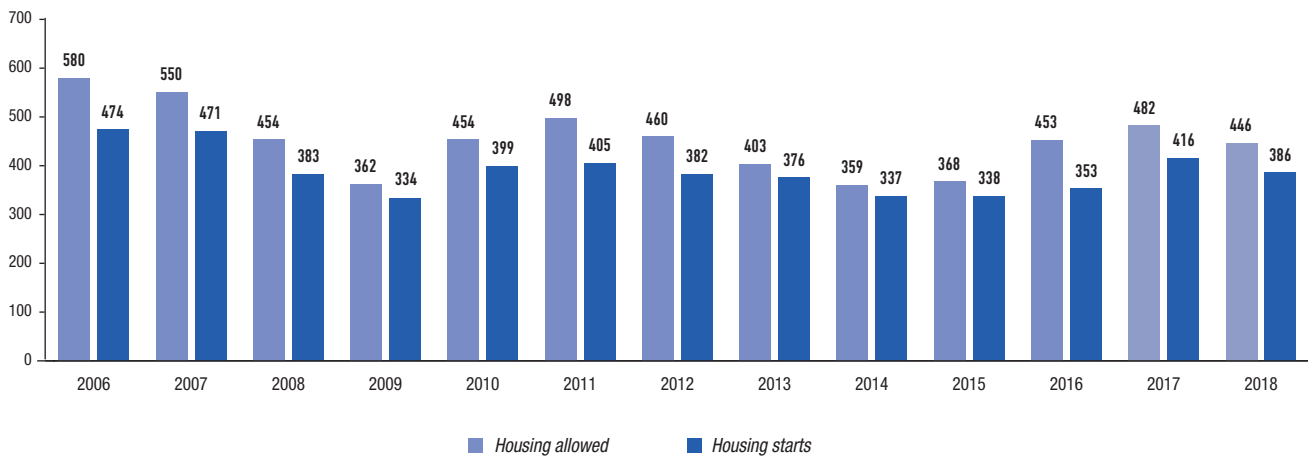
In the existing housing market, the prices continued to increase: +2.9% annually as compared to the 3rd quarter of 2017. This increase was greater for apartments (+3.3%) than for houses (+2.6%) ⁽²⁾.

In Ile de France (greater Paris region), prices continued to rise, but at a slower rate. Over a year, the increase amounted to +3.5%. This acceleration is mainly due to higher prices for apartments in Paris, where prices have risen +6.2% in one year. The price rise for houses in the Paris region was less marked, at 2.0%.

In the provinces, the price rise was less than that observed in the Paris region. House prices rose by 2.7%, apartment prices by 2.6%.

The annual volume of transactions, for its part, remains at a high level, despite a slight fall compared with the previous year. In September 2018, the number of transactions over the last 12 months was 956,000 (compared with 970,000 a year earlier) ⁽¹⁾.

Number of housing authorised and started over a sliding 12-month period (in thousand of units) ⁽³⁾



The downward trend was confirmed for the new homes market. The number of authorizations for new homes over a 12 month period was 446,000 at the end of December 2018, i.e. -7.5% compared with the previous year ⁽³⁾.

The number of housing starts remains at a high level (386,000 starts at the end of December 2018) despite a slight fall compared with 2017 ⁽³⁾.

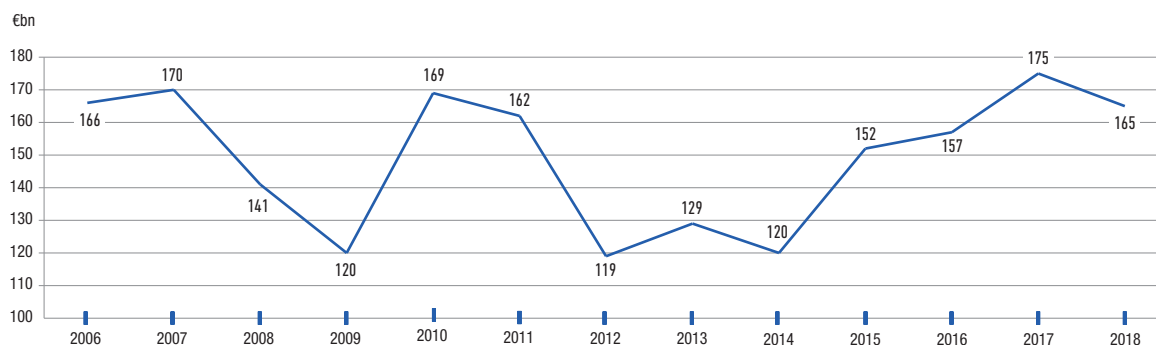
(1) INSEE/CGEDD/notarial basis – Annual volume of transactions – Q3 2018, November 2018.

(2) Notaries Indices – INSEE prices of old homes – Q3 2018, November 2018.

(3) INSEE - Housing authorised and started in mainland France, January 2019.

REAL ESTATE FINANCING IN 2018

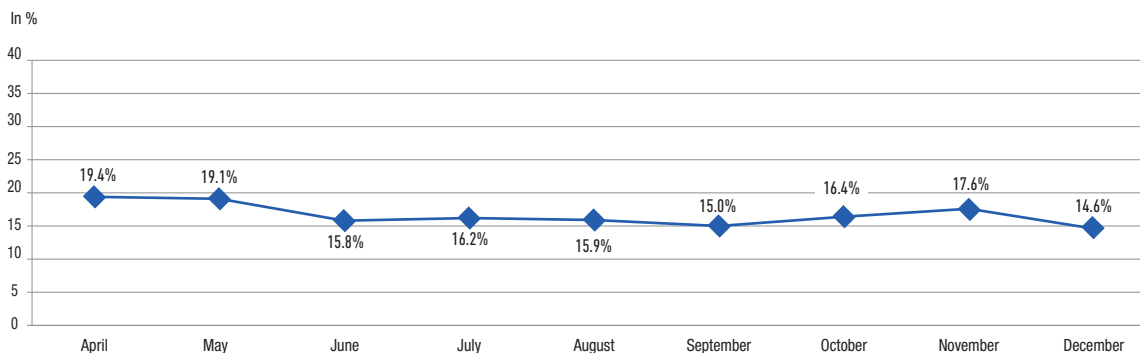
Annual production of mortgage loans (excluding renegotiations) ⁽¹⁾



The home loans market continues to be dynamic. The overall volume of accepted loans is estimated at about €165bn in 2018 compared with €175bn in 2017.

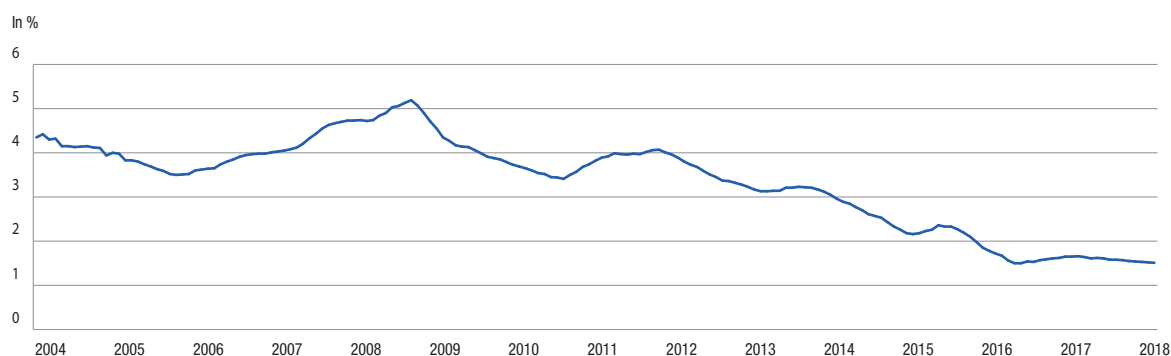
In this context, the parent company of Compagnie de Financement Foncier, Crédit Foncier, granted €7.1bn of loans to individuals in 2018.

Renegotiations' share in the overall production of mortgage loans in 2018 ⁽²⁾



The share of re-negotiations within home loan production was 15% in September, the lowest since 2014. As a reminder, in april 2017 it amounted to 50%.

Interest rates of mortgage loans with a maturity of more than one year ⁽¹⁾



The average interest rate of new home loans (long term and fixed rate) continues to fall gradually (1.49% in December 2018 compared with 1.62% at the start of the year).

(1) Crédit Foncier Real Estate Observatory, The market outlook, conference at January 17, 2019.

(2) Bank of France, Current data on loans to private individuals, February 2019.

The commercial real estate market

€26.5bn was invested in corporate real estate in 2018, a score higher than the excellent figure registered in 2017 for the French market⁽¹⁾.

At the end of the 3rd quarter of 2018, aggregate investments amounted to €17.3bn, 32% higher than the same period in 2017⁽¹⁾. These results are essentially due to the very high level of activity in the 1st half of 2018 which registered €12bn of transactions. During the 1st semester, two third of volumes invested involved transactions amounting over €100m, of which almost 40 % were over €200m mainly because of foreign investors.

In non-specialized corporate real estate (offices, retail business, warehouses and business premises), the global geographical breakdown of investments remains within the norm for the French market and it establishes the preponderance of the greater Paris region with 74 % of investments for the first nine months of 2018 and 26% for other French regions⁽¹⁾.

The breakdown by asset type is also over the first nine months of the year in line with previous years with 74% of the volumes devoted to office real estate. However, the logistics sector (warehouses and business premises) with 12% of volumes is now approaching the retail sector (14%)⁽¹⁾.

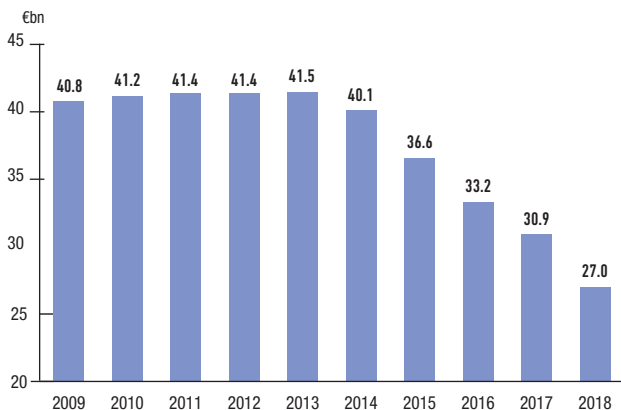
During the same period, the status quo was maintained on real estate yield rates. Nevertheless, some alternative asset classes, particularly logistics, which is widely acclaimed, have seen a decline in their floor real estate yield rate since the beginning of 2018.

While domestic investors remain the majority, foreign investors (45%) are also very present on the French market, which is at European level the most sought-after country in their real estate allocation.

As at December 31, 2018 Compagnie de Financement Foncier held an outstanding amount of €408m of private corporate loans, made under the conditions set out by Article L. 211-38 of the French Monetary and Financial Code.

The French public sector

The overall operating grant from the State to local authorities⁽²⁾



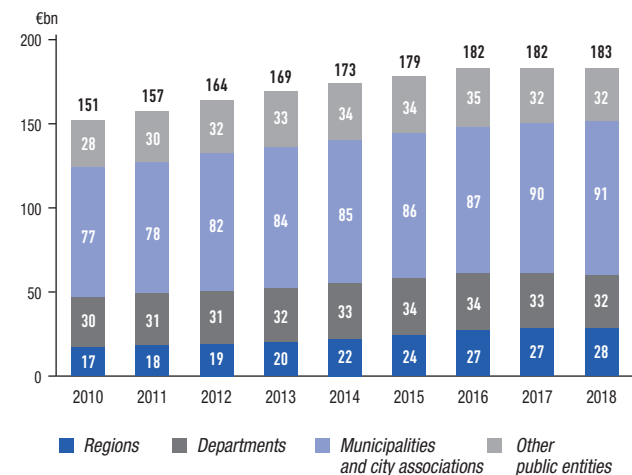
According to the DGCL, in 2018, operating revenue of local authorities should increase substantially at the same pace as in 2017 (+2.3 %)⁽⁴⁾.

Operating expenses (+1.8 % in 2017) should, on the other hand, be more contained and gross savings should therefore increase again (+5.0 % in 2017 after +4.6 % in 2016 and +1.7 % in 2015)⁽⁵⁾.

In line with the communal electoral cycle, investments in 2018 should be dynamic again in the municipal sector, and they should restart in the departments; on the other hand, investment would remain stable in the regions.

The increase in debt would again be limited in 2018. Improvements in debt ratios should therefore continue at all levels of local authorities⁽⁴⁾.

Debt of local authorities⁽³⁾



The year 2018 saw the creation of more than 200 new municipalities (compared to 37 in 2017) that opened on January 1, 2019, bringing together more than 600 existing municipalities. As a corollary of these groupings, the number of municipalities in France falls below the symbolic mark of 35,000 municipalities⁽⁶⁾.

In addition, a contractualization mechanism was set up in 2018 between the State and the major French authorities invited to sign a contract with the French State, including, in particular, a target of moderate growth in functioning (not more than 1.2 % on average) counterpart of the commitments of the State not to drastically reduce the overall operating allocations. As of June 30, 2018, 230 local authorities have signed a contract with the State, out of the 322 entrants in the field of contracting, i.e. 71 %⁽⁶⁾.

(1) Crédit Foncier Immobilier, "Commercial real estate situation", November 2018.

(2) Observatory of local finance and public administration, "The finances of local authorities in 2018", September 2018.

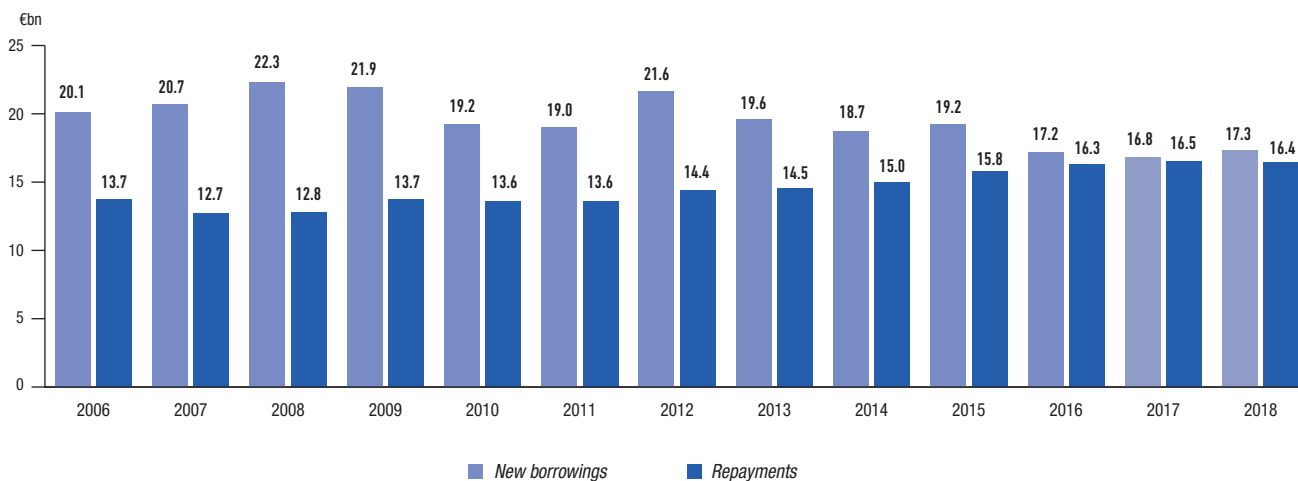
(3) La Banque Postale "2018 trends by level of local authorities", September 2018.

(4) DGCL - Research and local statistics department, N°125, September 2018.

(5) INSEE "Communes nouvelles", January 2019.

(6) <https://xxx.collectivites-locales.gouv.fr> "Liste des collectivités signataires d'un contrat de maîtrise de dépense publique", October 2018.

■ Repayments and local authorities borrowings ⁽¹⁾



In 2018, local authority financing requirements rose once again. New loans amounted to €17.3bn ⁽¹⁾, i.e. +3% compared with last year.

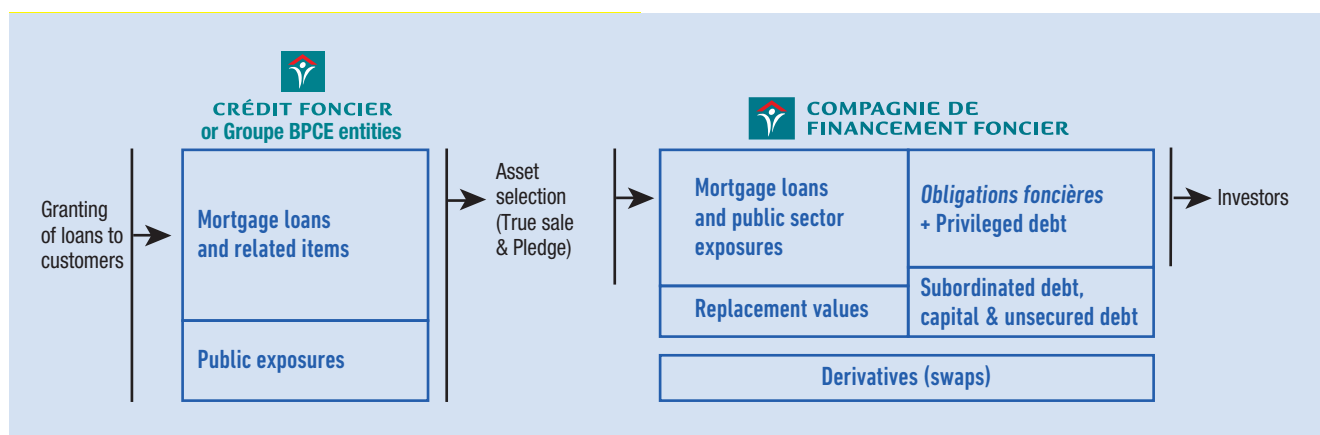
Compagnie de Financement Foncier has €3.6bn of local authority receivables on its balance sheet.

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 grants or acquires guaranteed loans or exposures to public entities, and finances them by issuing *obligations foncières*.

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

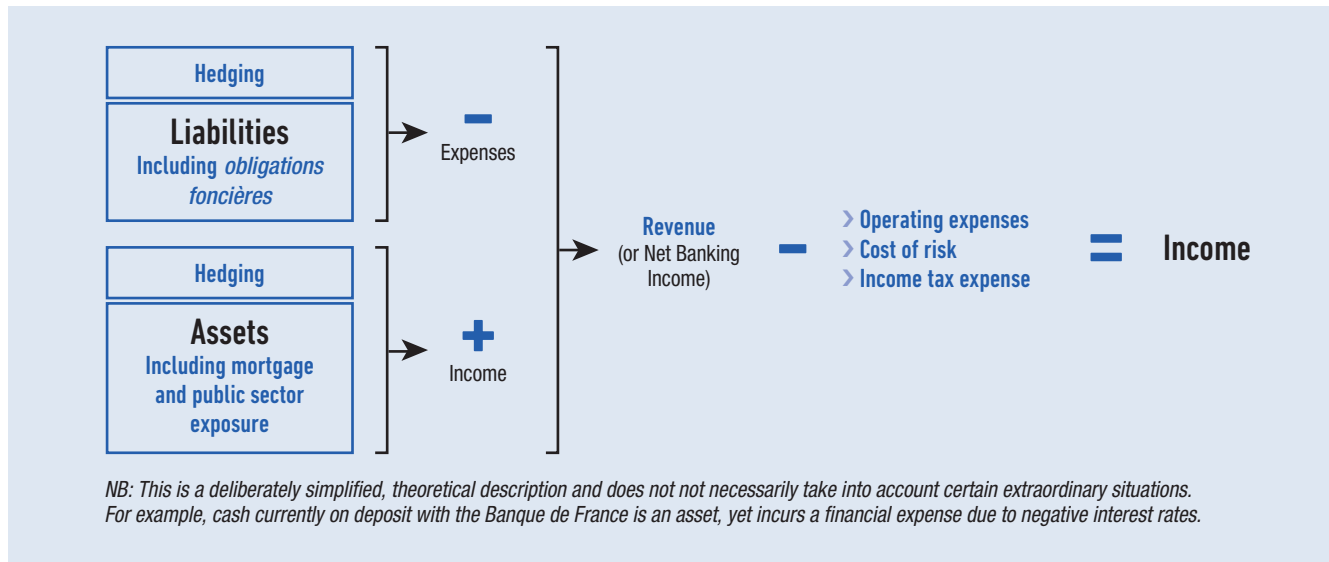
| Assets | Liabilities |
|---|--|
| <ul style="list-style-type: none"> Guaranteed loans: backed by a first-rank mortgage or real estate securities conferring at least an equivalent guarantee Exposures on public entities Replacement values | <ul style="list-style-type: none"> Privileged resources (mainly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



(1) La Banque Postale, "2018 Trends by level of local authorities", September 2018.

This model is based on the selection and purchase of eligible assets originated by its parent company, Cr dit Foncier, or by Groupe BPCE's entities. These assets are financed by issuing *obligations fonci res*, the holders of which 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 Cr dit Foncier as well as on other entities of Groupe BPCE.



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.

Compagnie de Financement Foncier's assets

COMPOSITION OF ASSETS, SELECTION AND MANAGEMENT RULES

ASSETS COMPOSITION

The rules governing the acquisition of Compagnie de Financement Foncier's assets are strictly defined and closely monitored:

- the assets must be eligible pursuant to the law governing the business of *soci t s de cr dit foncier*;
- their acquisition is subject to Compagnie de Financement Foncier's own additional requirements;
- these assets are purchased with a margin in order to ensure Compagnie de Financement Foncier's profitability at all times.

The quality of Compagnie de Financement Foncier's assets is also guaranteed by their intrinsic characteristics: they include loans or securities to Public sector entities or guaranteed by the Public sector and first-ranking mortgage loans or similar.

ASSET SELECTION

In addition to legal eligibility criteria and guarantees required before acquisition, Compagnie de Financement Foncier's business model is characterised by its rigorous asset selection process based on specific know-how, building on the expertise of Cr dit Foncier's experienced teams dedicated to these activities.

Eligible assets are selected and scored on their own characteristics, such as: the internal and/or external Basel rating, age, maximum financed loan to value (LTV – share of the project financed by a loan) for mortgage loans and related loans, statistical data including default experience, etc.

This selection process is subject to a permanent audit process to ensure the highest level of safety for *obligations fonci res*'s holders by a permanent quality of the assets that enter its balance sheet.

The price that Compagnie de Financement Foncier pays for its assets is determined on the basis of its funding costs, hedging costs, default and loss probabilities, servicing costs and its profitability.

MANAGEMENT OF PAYMENT DEFAULTS

Loan management is delegated to Cr dit Foncier by an agreement.

The debt-recovering process involves preventing problems, carrying out accurate analysis of risk, making use of guarantees if necessary, and ensuring the rigorous processing of loan applications.

For private individuals, the debt-recovering policy comprises three phases, depending on the length of arrears:

- automated recovery (arrears under two months) allowing arrears to be limited to three months;
- amicable recovery (arrears between two and three months, duration of the procedure up to six months), with a rate of return to normal management over 80%;
- litigation (arrears beyond six months) resulting in the settlement of a third of cases in the subsequent year.

MANAGEMENT RULES

OVERCOLLATERALISATION

Compliance with the regulatory overcollateralisation ratio (coverage ratio)

Overcollateralisation, defined by law (Article L. 513-12 of the French Monetary and Financial Code), requires that the total weighted assets amount of *soci t s de cr dit foncier* (in accordance with the regulations set by CRBF⁽¹⁾) is always at least 105% of the total amount of liabilities benefiting from the legal privilege. One of the Specific Controller's duties is to monitor compliance with this regulatory overcollateralisation rule.

(1) Regulation n  99-10 of July 9, 1999 concerning *soci t s de cr dit foncier* and *soci t s de financement de l'habitat* amended by regulations no. 2001-02 of June 26, 2001 and n  2002-02 of July 15, 2002 and orders of May 7, 2007 and February 23, 2011.

Since the creation of Compagnie de Financement Foncier in 1999, this regulatory ratio has always been above 108%.

Maintaining a high overcollateralisation ratio specific to Compagnie de Financement Foncier

In addition to the safety provided by the institutional framework and to ensure the best ratings from the major rating agencies, Compagnie de Financement Foncier has initiated additional management measures.

These measures result in compliance with a specific collateralisation ratio for each rating agency based on its methodology.

In particular, since 2009, it set up measures to maintain at all times a volume of non-privileged liabilities at least equal to 5% of the liabilities that benefit from the legal privilege.

The holders of *obligations foncières* who benefit from the privilege are also protected by the relative weight of non-privileged resource holders, since these are not repaid in priority.

As part of its internal rules, two minimum overcollateralisation levels, based on asset quality and interest rate risk, are regularly calculated in relation with the quality of its assets and with the interest rate risk estimated on Compagnie de Financement Foncier.

The first ratio covers the credit risk on its assets, while the second ensures that the overall interest rate risk on its balance sheet is covered.

The sum of these two ratios must meet Compagnie de Financement Foncier's minimum overcollateralisation commitment. Overcollateralisation – which in Compagnie de Financement Foncier's case consists of equity and long-term subordinated and unsecured liabilities – must enable a *société de crédit foncier* to withstand stress test scenarios on credit, interest rate and liquidity risk.

If some or all of these risk scenarios occur, this high level of overcollateralisation will enable Compagnie de Financement Foncier to maintain payments on its *obligations foncières*.

- Regarding overcollateralisation associated with credit risk, Compagnie de Financement Foncier's loan portfolio is divided into six sub-categories, by type of borrower, type of property being financed and type of collateral provided. Each sub category has its own minimum overcollateralisation ratio for outstanding loans and an overcollateralisation for the estimated loans anticipating a two year-production (see table below).

The following minimum overcollateralisation ratios are currently applied:

| Asset class | Outstanding | Origination |
|---|-------------|-------------|
| Subsidised sector (in run-off) | 3.0% | n.a. |
| Low-income home loans and Interest-free loans | 2.5% | 3.0% |
| Individuals/First-time home ownership loans | 3.0% | 3.5% |
| Individuals/Buy-to-let | 25.0% | 30.0% |
| Public sector | 3.0% | 3.0% |
| Social housing | 4.5% | 4.5% |

- The overcollateralisation required to cover Compagnie de Financement Foncier's overall interest rate risk depends on the size of its balance sheet and equals to 0.5% of Compagnie de Financement Foncier's total assets.

The overcollateralisation required is equal to the credit overcollateralisation to which the overcollateralisation related to the interest rate risk is added. The level chosen is thus globally more conservative.

CONTINUOUS MONITORING OF OVERCOLLATERALISATION LEVELS

To ensure that compliance with the overcollateralisation requirements is maintained at all times, it is monitored on an ongoing basis. In addition to the compliance of the regulatory ratio, if Compagnie de Financement Foncier observes on a quarterly basis, one of the above thresholds, all asset purchases are immediately suspended and non-privileged resources are used to increase overcollateralisation above the minimum required amount.

PRINCIPLE OF FINANCED LTV FOR RESIDENTIAL MORTGAGE LOANS

The Loan-to-Value ratio on residential mortgage loans is the ratio of the outstanding principal over the value of the underlying real estate asset. The present value of the asset is revalued annually to monitor compliance with this ratio.

The regulatory annual valuation of assets, as required by the regulation, is based on a prudent assessment of the property's long-term characteristics, local market conditions, the current use of the property and other possible uses. All of this information is provided by *Crédit Foncier Immobilier – Expertise*, *Crédit Foncier's* wholly-owned subsidiary, Veritas-certified, of which experts are either certified by a court and/or qualified as Chartered Surveyors (MRICS) ⁽¹⁾.

The Specific Controller monitors these appraisals each year to verify compliance with the real-estate market parameters used in the valuation process, as described in the risk control and management report of the Registration document.

CRÉDIT RISK

Asset purchasing criteria by category

Although regulations require that a *société de crédit foncier* invest only in high quality assets, Compagnie de Financement Foncier sets up additional asset purchasing criteria for each asset category, so as to limit its exposure to credit risk. Compagnie de Financement Foncier selects the assets that it wishes to acquire based on their rating, probability of default, score at origination, expected loss and any hedging of assets, as well as yield curves. The assets that meet Compagnie de Financement Foncier's criteria are then purchased at a price determined by the previous study.

Furthermore, Compagnie de Financement Foncier replacement values have very good external credit ratings. The minimum acceptable credit rating for each asset (except for intragroup assets and assets guaranteed by collateral) depends on the investment horizon and must meet the minimum rating criteria of each of the two major rating agencies, as shown below:

| | Standard & Poor's | Moody's |
|------------------------|-------------------|--------------------|
| From 0 to 59 days | ST: A1 | ST: P1 |
| From 60 days to 1 year | ST: A1+ | ST: P1 and LT: Aa3 |

Scope Ratings applies no predefined minimum rating. The analysis is done on a case to case basis.

LIMITING MARKET COUNTERPARTY RISK

Crédit Foncier group's risk policy specifies permarket counterparty risk limits and Compagnie de Financement Foncier observes these limits in its decision process.

For its hedging transactions Compagnie de Financement Foncier executes a framework convention with each of its counterparties, with asymmetrical collateralisation and other specific terms set forth in an appendix to this agreement. Each counterparty agrees to pay Compagnie de Financement Foncier on a daily basis (or on a weekly basis for some of them) depending on the counterparty's rating a security deposit equal to its net debt position, without reciprocity from Compagnie de Financement Foncier.

MANAGING BALANCE SHEET RISKS

Managing interest rate risk

As part of the annual limits review and with the aim of further harmonization with Groupe BPCE's standards, the limits on interest rate gap of Compagnie de Financement Foncier are updated as follows starting from January 1, 2018:

| Horizon | Limits as a % of N-1 balance sheet (start of period) |
|-------------------------|--|
| Less than 2 years | 2% |
| 2-4 years | 3% |
| 4-8 years | 5% |
| Threshold of 8-15 years | 5% |

(1) MRICS: members accredited by the Royal Institution of Chartered Surveyors (RICS). The RICS is a professional organisation whose mission is to regulate and promote the real estate profession.

LIQUIDITY RISK HEDGING

Beyond the legislative constraints requiring that *sociétés de crédit foncier* ensure that, at all times, all of their cash flows are hedged for a period of 180 days, Compagnie de Financement Foncier has its own additional strict rules. These rules guarantee that it always maintains enough liquidity to honour its privileged liability commitments with no need for new resources for one year in a run-off scenario (i.e. with no new activity).

The high quality of its eligible securities and receivables enables Compagnie de Financement Foncier to have an immediate access to significant amounts of funding from central banks, such as the ECB.

Thus, Compagnie de Financement Foncier cash position is sufficient at any given time to meet the contractual payments on its privileged debt over the coming twelve months.

In accordance with regulatory provisions, Compagnie de Financement Foncier limits the difference between the average duration of its total assets and its privileged liabilities to 18 months. At December 31, 2018, the total assets average duration was 7.3 years and the privileged liabilities average duration was 7.2 years. In addition, Compagnie de Financement Foncier committed to maintain a maximum difference of 2 years between the average duration of its total assets and the one of its total liabilities.

NO FOREIGN EXCHANGE RISK

Compagnie de Financement Foncier prohibits any open foreign exchange positions. As such, all asset purchases or refinancing transactions that are not denominated in euros are systematically hedged against foreign exchange risk.

In practice, Compagnie de Financement Foncier limits its residual foreign exchange positions to €3m by currency with a €5m cap for all currencies.

ORGANISATION OF CONTROLS

The organisation of Compagnie de Financement Foncier's controls is managed at groupe Crédit Foncier level. Compagnie de Financement Foncier's risks are monitored by Crédit Foncier's Risk department, under formal agreements between the two. The Risk department performs ex-ante risk analyses based on exposure and delegation limits, and ex-post analyses and controls. It reports functionally to BPCE's central Risk department.

Compagnie de Financement Foncier committees also support risk monitoring and control. Their operations are described in detail in the Risk Management section of this document.

Moreover, in accordance with the legal framework that provides a legal privilege for holders of *obligations foncières*, the law stipulates that *sociétés de crédit foncier* may not have their own personnel. Compagnie de Financement Foncier draws on the resources of its parent company, Crédit Foncier, to carry out its activities. Crédit Foncier provides Compagnie de Financement Foncier with a number of services, under a series of agreements. These outsourced activities are set out in the report of the Chairman of the Board of Directors and the Risks management report in this document.

Refinancing through the issuance of *obligations foncières*

ECONOMIC AND REGULATORY ENVIRONMENT

SLOWER GLOBAL GROWTH

Following regular expansion since mid-2016, the global economy slowed down in 2018.

The International Monetary Fund expects global growth in 2018-2019 to remain at the same level as in 2017, i.e. 3.7%, slightly below forecasts made in April 2018.

This downgrading is notably due to an unexpected slowdown in activity at the start of 2018, against the backdrop of trade tensions and a general upturn in interest rates.

Trade tensions between Washington and Beijing, and also involving Europeans, have intensified over the last few months, with a series of reprisals. In the latest measure, Washington imposed customs duties worth \$250bn⁽¹⁾ on Chinese imports. Beijing retaliated with taxes on \$110bn worth of American goods⁽¹⁾.

Such a trend has also been observed in Europe. The economy in the euro zone slowed down in the 3rd quarter of 2018 with growth in GDP of 0.2% vs +0.4% registered during the previous two quarters. In this context, the European Central Bank (ECB) lowered its growth predictions for the euro zone to 1.9% for 2018, with a fall of 1.7% in 2019⁽²⁾.

With regard to France, the IMF anticipates growth of 1.6% in 2018 and 2019 after the 2.3% growth of 2017⁽¹⁾. This is due to the 1st half of 2018, which was more difficult than expected, notably because of one-off factors specific to France (rise in tax burden for households, fall in purchasing power, industrial conflicts following the reform of rail transport, etc.). Investment by businesses, however, another factor driving growth, is expected to be maintained.

Whilst the repercussions of *Brexit* continue to affect British growth, estimated at 1.4% in 2018 by the IMF⁽¹⁾, the main effects are yet to materialize and will vary depending on whether there is on the one hand a negotiated withdrawal on the basis of a European agreement, or on the other hand, no agreement. According to its evaluation of the various scenarios for withdrawing from the European Union, the Bank of England has warned that a "no deal" scenario could have a significant impact on the British economy.

In the event of a disorderly Brexit, the worst-case scenario, British GDP would shrink 8% in about one year, the unemployment rate would reach 7.5% and inflation 6.5%. The assessment also has a 30% plunge in property prices and the pound losing one quarter of its value⁽³⁾.

Growth in the United States of America remained dynamic; Private sector activity was further boosted by a significant budgetary stimulus. The US central bank is predicting growth of 3.1%⁽⁴⁾.

On the monetary policy front, the Fed has raised its key rates by one quarter of a point: they are now between 2.25% and 2.50%⁽⁵⁾, the fourth rise in 2018 and the ninth rise since 2015. The continued monetary tightening is justified by the "strength of the American economy", the Fed says.

After a peak in 2017, global growth is showing signs of slowing down, except in the United States. The appreciation of the euro against the dollar, the rise in oil prices and protectionist tensions are all factors which have contributed to the slowdown in the world economy.

2019 looks like being a mixed bag with the upturn clearly running out of steam.

EUROPEAN MONETARY POLICY

The ECB key rates during exercise. The Board of Governors anticipates that they "will remain at their current levels until at least 2019".

On the other hand, the ECB ceased at the end of december 2018 its net purchase under the Asset Purchase Program (APP) unconventional measures of monetary policy, including the Covered Bond Purchase Program (CBPP3) decided by the European Central Bank on 4 september 214.

The Board of Governors has amply communicated on this judgment, which is also very gradual (monthly rate going down from €60bn to €30bn on 1st january 2018 and further to €15bn starting from October 2018). In addition, the Board of Governors reiterated its commitment to "continue the reinvestments, in repayments of the principal amount of the maturing securities acquired under the APA for an extended period after the date of which it begins to raise the ECB's interest rates".

(1) International Monetary Fund (IMF) – World Economic Outlook, October 2018.

(2) European Central Bank (ECB) – Board of Governors of December 13, 2018, press conference.

(3) Bank of England – Financial Stability Report, November 2018.

(4) Federal Open Market Committee (FOMC), September 2018.

(5) Federal Open Market Committee (FOMC), December 2018.

PRESENTATION OF COMPAGNIE DE FINANCEMENT FONCIER

Business model of Compagnie de Financement Foncier

All APP securities (including CBPP3) maturing in 2019 and amounting to €181.6 bn are likely to be reinvested by the ECB in accordance with the monetary policy decision of 13 December 2018.

More specifically, the covered bonds held by the ECB under CBPP3 amounted to €262.2bn as of December 31, 2018, compared to €240.7bn at the end of December 2017, representing a net acquisition volume of repayments of €21.5bn. The ECB also estimates that repayments of CBPP3 securities maturing in 2019 will amount to €21.94bn⁽¹⁾.

MAJOR REGULATORY DEVELOPMENTS

- CRR2-CRDV: initiated in 2017, the European voting process (trilogue) of the new package is still in progress. The package is expected to come into force at the beginning of 2021;
- Harmonization of the regulatory framework for European covered bonds: in March 2018, the European Commission published its proposed regulation and directive. In November 2018, the European Parliament and the Council of Europe published their proposals for amendments to the European Commission texts. On January 15, 2019, these three institutions entered a trilogue process. This work is expected to lead to the publication, by the end of the first quarter of 2019, of a regulation and directive, both subject to votes. Whilst the regulation will be immediately applicable throughout the European Union, at the moment the deadline for enacting the directive into French law is not known.

THE COVERED BONDS MARKET

After three consecutive years of falling issuances, the market for covered bonds in euros was noticeably dynamic in 2018. The issuance volume of euro benchmark covered bonds reached €136.45bn in 2018, up 21.4% compared with 2017⁽²⁾.

Consequently, and bearing in mind bonds maturities worth €86bn, 2018 was, unlike previous years, a year of net positive supply, to the tune of over €50bn on the benchmark euro covered bonds market⁽³⁾.

Germany (€29bn of issuances) and France (€25bn, i.e. 19% of total issuances) were very active. Canada and the Netherlands were next with about 9% of the market each. In addition, in 2018, new jurisdictions, notably Asian ones such as South Korea or Japan (under contractual format), joined the market for covered bonds in euros⁽³⁾.

2018 was a pivotal year for the CBPP3 program (Covered Bonds Purchase Program) put in place in October 2014. On October 1, the ECB started to gradually reduce its net monthly purchases in the APP (Asset Purchase Program) from €30bn to €15bn, markedly reducing its stake in primary issuances from 30% to 10% on average before closing the program in December. However, the ECB will continue to re-invest the maturities which are expected to amount to €22bn in 2019 and €25bn in 2020⁽³⁾.

This change in the CBPP3, a net positive supply and for certain countries (Italy, United Kingdom) a complex political context led to an increase in spreads of covered bonds in 2018, from 21 bp on average in peripheral countries and 14bp in core countries according to the iBoxx indices⁽³⁾.

Supported by significant bond maturities (€103bn, i.e. +20% compared with 2018) and technical elements (partial funding of the TLTRO, introduction of the NSFR), the covered bonds market is expected to remain dynamic in 2019 with a total of €130 to 140bn of benchmark issuances according to forecasts by Natixis⁽³⁾, of which €26bn by German issuers and €25bn by French issuers.

Lastly, the final version of the directive on covered bonds, the first proposals of which were presented by the European Commission (EC) in March 2018, could be approved by the European Parliament during the first quarter of 2019, opening a period of 12 to 24 months for its enactment into the national regulatory and legislative framework.

COMPAGNIE DE FINANCEMENT FONCIER BOND ISSUANCES IN 2018

Compagnie de Financement Foncier's activity remained steady in 2018 with an overall volume of issuances of €5.7bn. 83% of the covered bonds were placed with institutional investors in the form of public issues and 17% were in the form of private placements.

On the public primary market, 2018 saw four euro benchmark issuances, representing a total volume of €4.75bn.

In the 1st and 2nd quarters, three issuances of €1bn, €1.5bn and €1.25bn were carried out on maturities of 10, 5 and 8 years. Finally, in September, a new 10-year bond was placed for €1bn. These issuances once again demonstrated the high profile and resilience of Compagnie de Financement Foncier's reputation with market investors.

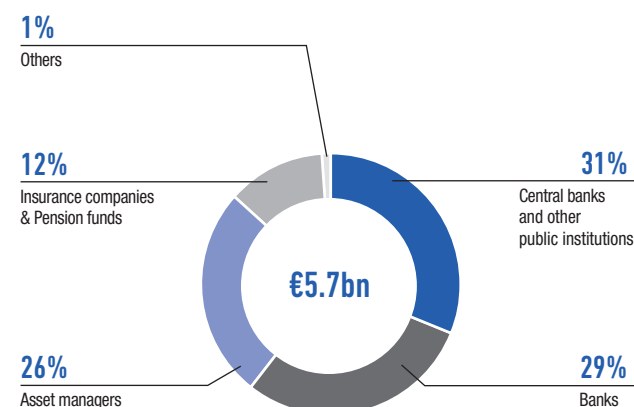
Private placements amount to almost €1bn, thus consolidating the historical positioning on this type of market.

The largest group of subscribers to covered bonds of Compagnie de Financement Foncier are French and German investors. They account for 54% of allocations. Then come the Nordic countries and Benelux investors with respectively 14% and 10% of allocations. The presence of investors outside the euro zone is also worth highlighting. Asian and British investors, with 14% of total allocations, maintained the position they held in 2017.

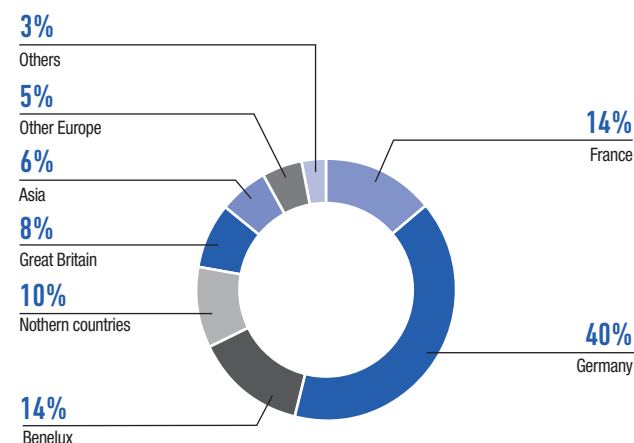
In 2018, the distribution between the various categories of investors remained balanced. The exposure to the central banks was relatively stable compared with last year with a share of 31%. The share of the other types of investors (banks, asset managers) was between 27% and 29%, with a smaller share of insurers who prefer to invest in bonds with longer maturities (over 15 years).

Breakdown of Compagnie de Financement Foncier's obligations foncières issued in 2018

By investor type



By region *



*Excluding Eurosystem.

(1) European Central Bank (ECB), Governors Council, December 13, 2018, press conference

(2) Natixis, Covered Bond Market Weekly, December 19, 2018.

(3) Natixis, Spread & Credit, Covered Bonds Outlook 2019, October 3, 2018.

CREDIT RATING AGENCIES: METHODOLOGIES

Several common factors analyzed by the credit rating agencies during the covered bond rating process can be pointed out:

- sponsor's creditworthiness, importance of sponsor-covered bond links;
- legal and regulatory risks: sovereign and financial system support capacity, regulatory framework, importance and maturity of the covered bond market;
- credit risk: analysis of the cover pool creditworthiness, assessment of the probability of default and expected loss in terms of amount and timing;
- ALM risk: analysis of the asset liability mismatch, the liquidity policy, the interest rates and foreign exchange risks, cash flow analysis under different stress scenarios (including different prepayment assumptions) in a run-off mode, assessment of the liquidity and credit enhancement needs;
- operational and administrative risks: analysis of the management of the covered bond programme, the quality and reliability of the information processes and systems;
- counterparty risk: analysis of the major exposures, sensitivity to a counterparty default depending on the type of the counterparty – bank (for the deposits and swaps), sponsor or servicer.

Each rating agency has developed its own indicators and has created its own methods to assess these risks and to determine the level of overcollateralization commensurate with the covered bond rating.

STANDARD & POOR'S

S&P rating process can be summarized in 4 steps.

The first step consists in determining the Reference Rating Level (RRL). The rating agency first analyzes the covered bond programme environment to determine whether the programme can be rated higher than its sponsor. It then looks if the assets of the pool are well isolated for the benefit of the covered bond holders, and that the payments on the outstanding privileged liabilities will follow the original schedule. A particularly important aspect here is the analysis of the resolution regime in place, which could provide for a rating uplift of one or two notches above the RRL, depending on the systemic importance of the programme in the country.

The second step assesses the Jurisdictional Rating Level (JRL), allowing an additional uplift of up to three notches – 0 for a low level of support, 1 for a medium level of support, 2 for a high level of support and 3 for a very high level of support. Three JRL parameters are distinguished here, namely the regulatory environment, the systemic importance and the sovereign support. Each is assessed separately to determine the final JRL assessment, which should be the lowest of the three. It must also be noted that the JRL assessment is capped by the sovereign rating.

The third step consists in the analysis of the quality of the cover pool assets, which can lead to an additional uplift of four notches. Risks related to credit, refinancing, liquidity and credit enhancement are studied and evaluated here. Overcollateralization must cover the entire credit risk and the proportion of the refinancing cost required to reach the target rating of the program. However, the lack of liquidity coverage commitment may adjust the rating down by one notch, as well as the lack of overcollateralization level commitment.

The fourth and final step takes into account counterparty risk and sovereign risk, which may in certain cases cap the final rating of the program.

Two methodologies applicable to covered bond issuers published in the second half of 2016 became effective in 2017. The first, which focuses on the analysis of mortgage asset portfolios, aligns the analysis of French and Belgian mortgage portfolios with that of other countries, which translates into more conservative assumptions for the mortgage market in France. The second concerns covered

bonds rated above the sovereign and aligns the analysis of programs exposed to several jurisdictions with the one of programs exposed to a single jurisdiction. None of those new criteria had an impact on the credit rating of Compagnie de Financement Foncier.

MOODY'S

Moody's uses the Expected Loss (EL) model to rate covered bonds. It is based on the sponsor's probability of default and the expected loss due to it and determines the maximum rating level that the programme can achieve.

The first step is to determine the rating floor. In 2015 Moody's introduced a new rating for banks, the Counterparty Risk Assessment (CR), which is a probability of default measure of the sponsor. It is also the starting point of the covered bond rating process. Specifically, the starting point is either the CR or the CR+1. This approach sets the rating floor above the sponsor rating, because the BRRD has made it less likely that the sponsor default on its covered bonds rather than on its senior unsecured debt. The additional notch is granted to all EU countries because they are subject to the BRRD.

The second step is to define the number of notches above the rating floor. The EL model takes into account the probability of default of the sponsor and the quality of the cover pool and its characteristics, and simulates a total loss, corresponding to a certain rating level. The uplift represents the difference between the rating floor and this latter rating.

The third step defines the Timely Payment Indicator (TPI), which caps the rating uplift from the previous step. The TPI represents the probability that the issuer will pay the interest and principal on the covered bonds on time. The possible levels of the TPI extend from "Very Improbable" to "Very High". A two-dimensional analysis is applied in order to determine the TPI: the jurisdiction analysis and the program-specific analysis. The main factors that affect the TPI are refinancing risk, strength of the law and contractual terms, government and market support, hedge quality and asset types.

The CR assessment and the TPI level together define the maximum rating that the covered bond programme can achieve.

The sovereign rating does not cap the covered bond rating, because sovereign risk is already factored into the CR assessment.

SCOPE

The starting point of Scope's methodology is the sponsor credit rating. A particularly important aspect of the agency's analysis is the regulatory framework and the resolution regime. It can increase an issuer rating by up to four notches if the resolution regime supports the dual recourse of covered bonds and by up to two additional notches if the regulatory framework ensures easy and immediate access to the cover pool in case of sponsor default. The rating agency considers that after the implementation of the BRRD regime, it has become far less likely that a sponsor would have to use its recourse to the cover pool. Scope looks at whether the programme can be affected by a moratorium or an insolvency event by the sponsor, determines whether the regulatory framework ensures the continuity of the payments on the outstanding privileged liabilities thus reducing the probability of default on the covered bonds.

Then the quality of the assets in the cover pool is analyzed and up to three more notches may be granted. Scope examines the eligibility criteria specified in the regulatory framework or in the programme documentation, which ensures already a minimum credit quality of the pool. The credit agency also takes into account the issuer's expertise in loan origination. For Public sector cover pools Scope analyzes each portfolio asset separately and uses Monte Carlo simulations to model the default distribution. For mortgage asset cover pools, Scope applies the large homogeneous portfolio approximation approach, for which the input is limited to three parameters: an average probability of default, a recovery rate assumption and a variance or a correlation parameter.



Report on corporate governance

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Corporate Governance Code

Compliance with AFEP/MEDEF Code recommendations

Compagnie de Financement Foncier, whose share capital is not listed, is committed to running its business and its administrative bodies in accordance with the existing corporate governance practices in France, based on the "AFEP/MEDEF" Corporate Governance Code.

Four provisions of the Code were not followed or not applied in full.

The first concerns the proportion of independent directors which should represent at least 50% of the Board of Directors, and cannot be properly applied because it does not allow a balanced representation of its equal ownership by Crédit Foncier, BPCE which is the parent company of Crédit Foncier, and by the Caisses d'Épargne and Banques Populaires networks which are shareholders of Groupe BPCE. The same is true for the provisions with respect to the Audit Committee, the Appointments Committee and the Remuneration Committee that concern the proportion of independent directors, which cannot be properly applied. Not having any employees of its own, Compagnie de Financement Foncier does not have a Remuneration Committee.

The fourth provision concerns the directors' terms of office, which are recommended to run four years whereas the Bylaws of Compagnie de Financement Foncier stipulate a term of six years. This term allows Board members to acquire over time the necessary experience and broader view of the Company's business and its operations. However, the recommendation concerning the renewal of Compagnie de Financement Foncier Board of Directors' term by rotation is properly implemented.

A summary table of all the AFEP/MEDEF Corporate Governance Code criteria used to define directors' independence is shown on page 34. The Appointments Committee has also implemented a procedure for: Identifying and managing (potential) conflicts of interest when:

- a director is appointed;
- a director expresses a desire "to take on new responsibilities within entities outside group Crédit Foncier".

Statement of compliance with AFEP/MEDEF Code recommendations

| | |
|---|--|
| Board of Directors' duties | Recommendations implemented |
| Board of Directors: governing body | Recommendations implemented |
| Variety of ways to organize corporate governance | Recommendations implemented, credit institutions are required to separate the roles of Chairman and Chief Executive Officer under CRD IV |
| The Board and communications with shareholders and markets | Recommendations implemented |
| Board of Directors and Annual General Shareholders' Meeting | Recommendations implemented |
| Composition of the Board of Directors: guidelines | Recommendations implemented |
| Representation of shareholding employees and other employees | Not applicable |
| Independent directors | Recommendations not implemented |
| Evaluation of the Board of Directors | Recommendations implemented |
| Board and Committee meetings | Recommendations implemented |
| Access to director information | Recommendations implemented |
| Training for directors | Recommendations implemented |
| Directors' terms | Recommendations implemented except for length of directors' terms of office |
| Board Committees: general principles | Recommendations implemented |
| Audit Committee | Recommendations implemented except for the fraction of independent directors |
| Committee responsible for appointments | Recommendations implemented except for the fraction of independent directors |
| Committee responsible for remuneration | Not applicable |
| Number of terms for executive corporate officers and directors | Recommendations implemented |
| Directors' Code of Ethics | Recommendations implemented |
| Directors' remuneration | Recommendations implemented |
| Termination of employment contracts for corporate officers | Recommendations implemented |
| Requirement for executive corporate officers to hold shares | Not applicable |
| Signature of a non-compete agreement with an executive corporate officer | Not applicable |
| Remuneration of executive corporate officers | Recommendations implemented |
| Disclosure of executive corporate officers' remuneration and the policies for awarding stock options and performance shares | Recommendations implemented |
| Consultation with the shareholders concerning the individual remuneration of executive corporate officers | Recommendations implemented |

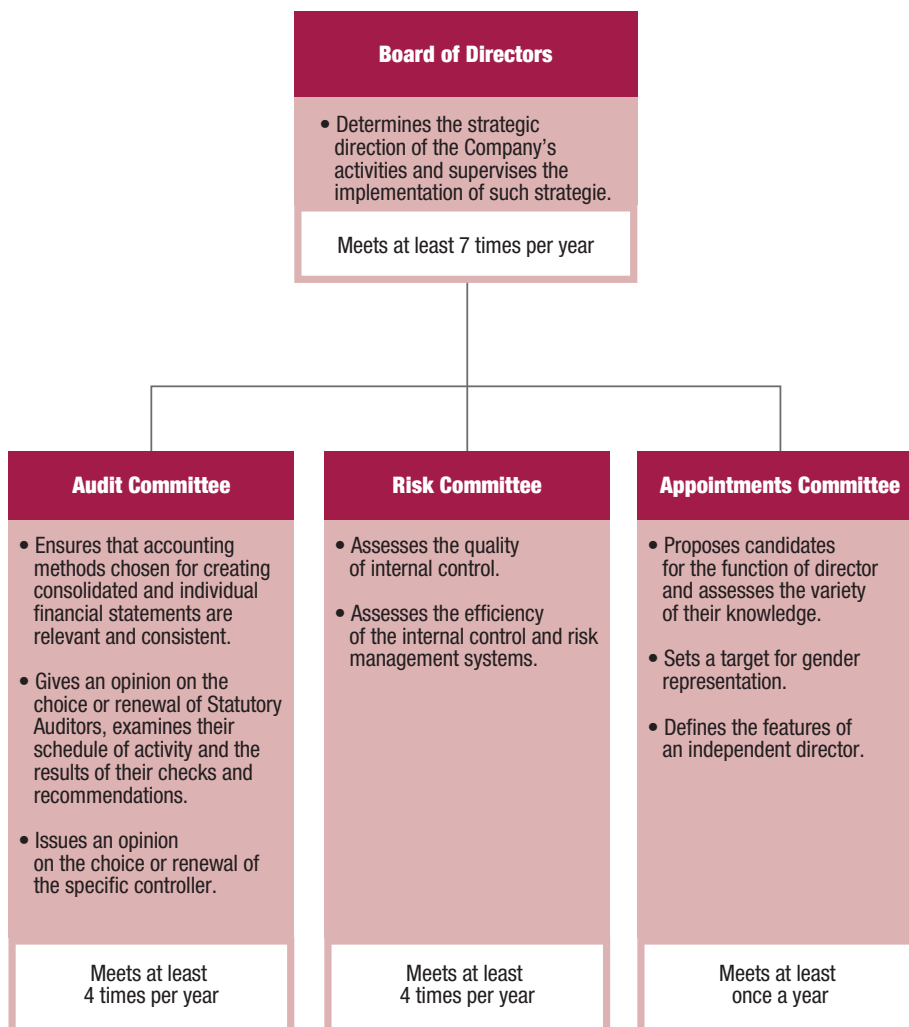
Summary table of directors' independence criteria

| Criteria: | B. CATEL | M. COLLE | E. FILLIAT | M. LEPELTIER |
|--|------------------------|------------------------|------------------------|------------------------|
| 1. Must not have been, in the last five years: | | | | |
| • a Company employee or executive corporate officer; | COMPLIANT | COMPLIANT | COMPLIANT | COMPLIANT |
| • an employee, executive corporate officer or director of a company consolidated by the Company; | COMPLIANT | COMPLIANT | COMPLIANT | COMPLIANT |
| • an employee, executive corporate officer or director of the Company's parent company or a company consolidated by said parent company. | NON COMPLIANT (CFF) | NON COMPLIANT (CFF) | NON COMPLIANT (CFF) | NON COMPLIANT (CFF) |
| 2. Not to be an executive corporate officer of a company in which the Company holds, directly, or indirectly, a directorship, or in which an employee, designated as such, or an executive corporate officer (current or in the last five years) holds a directorship. | COMPLIANT | COMPLIANT | COMPLIANT | COMPLIANT |
| 3. Not to be a major client, supplier, investment or commercial banker: | | | | |
| • of the Company or its Group; | COMPLIANT | COMPLIANT | COMPLIANT | COMPLIANT |
| • or for which the Company or its Group accounts for a significant share of its business. | COMPLIANT | COMPLIANT | COMPLIANT | COMPLIANT |
| 4. Not have any close family ties with a corporate officer. | COMPLIANT | COMPLIANT | COMPLIANT | COMPLIANT |
| 5. Not have been a Statutory Auditor of the Company in the last five years. | COMPLIANT | COMPLIANT | COMPLIANT | COMPLIANT |
| 6. Not to be a Company director for more than twelve years. The status of independent director is lost on the twelfth anniversary. | COMPLIANT | COMPLIANT | COMPLIANT | COMPLIANT |
| 7. Non-executive corporate officers cannot be considered independent if they are in receipt of variable pay in cash or securities or of any pay linked to the performance of the Company or the Group. | NON COMPLIANT | COMPLIANT | COMPLIANT | COMPLIANT |
| 8. Directors representing major Company shareholders may be considered independent provided that they do not take part in the control of the Company. When capital interests or voting rights exceed a 10% threshold, the Board, on the basis of an Appointments Committee report, systematically reviews independent status in consideration of the composition of the Company's share capital and the existence of potential conflicts of interest. | NON COMPLIANT (CFF) | NON COMPLIANT (CFF) | NON COMPLIANT (CFF) | NON COMPLIANT (CFF) |
| Summary | NON COMPLIANT | NON COMPLIANT | NON COMPLIANT | NON COMPLIANT |

| O. IRISSON | JS. RUGGIU | P. CHABOT | A. FOURNEAU | N. BRICKER |
|-------------------------|-------------------------|---------------------------|-------------------|------------------------|
| COMPLIANT | COMPLIANT | COMPLIANT | COMPLIANT | COMPLIANT |
| COMPLIANT | COMPLIANT | COMPLIANT | COMPLIANT | COMPLIANT |
| COMPLIANT | COMPLIANT | NON COMPLIANT (SOCFIM) | COMPLIANT | COMPLIANT |
| COMPLIANT | COMPLIANT | COMPLIANT | COMPLIANT | COMPLIANT |
| COMPLIANT | COMPLIANT | COMPLIANT | COMPLIANT | COMPLIANT |
| COMPLIANT | COMPLIANT | COMPLIANT | COMPLIANT | COMPLIANT |
| COMPLIANT | COMPLIANT | COMPLIANT | COMPLIANT | COMPLIANT |
| COMPLIANT | COMPLIANT | COMPLIANT | COMPLIANT | COMPLIANT |
| COMPLIANT | COMPLIANT | COMPLIANT | COMPLIANT | COMPLIANT |
| COMPLIANT | COMPLIANT | COMPLIANT | COMPLIANT | COMPLIANT |
| NON COMPLIANT (BPCE) | NON COMPLIANT (BPCE) | COMPLIANT (CE) | COMPLIANT (BP) | COMPLIANT (Natixis) |
| NON COMPLIANT | NON COMPLIANT | NON COMPLIANT | COMPLIANT | COMPLIANT |

Composition of executive and management bodies

■ Compagnie de Financement Foncier governance structure



Composition of the executive management

Olivier AVIS, Chief Executive Officer

Paul DUDOUIT, Deputy Chief Executive Officer

Changes in executive management in 2018

None

Remuneration of the executive Management

The Executive Management of Compagnie de Financement Foncier does not receive any remuneration.

POSITIONS HELD BY MEMBERS OF THE EXECUTIVE MANAGEMENT

Mr Olivier AVIS

Biography

Date of birth:
11/11/1978
Nationality:
French
Professional address:
4, quai de Bercy
94220 Charenton-le-Pont

Olivier AVIS is a graduate of the *École supérieure de commerce de Toulouse*.
He began his career in 2001 at HSBC Asset Management Europe as an assistant manager for the management of short-term interest rates.
He joined Groupe BPCE in 2002 as a project leader and then became an inspector in the General Inspection department. In 2009, he was a project manager reporting to Executive Management.
In 2011 he joined BRED as Senior Banker for Institutional Investors.
In 2014, Crédit Foncier appointed him Director of Strategy and Quality. In 2016, he was appointed as Head of Financial Operations and Deputy Chief Executive Officer of Compagnie de Financement Foncier, then in 2017 as Chief Executive Officer of Compagnie de Financement Foncier, as well as Deputy Chief Executive Officer, Head of Financial Operations and Member of the Executive Management Committee of Crédit Foncier.

- **Chief Executive Officer**
First appointed: 07/23/2017
End of term: 07/22/2022
- **Deputy Chief Executive Officer of Crédit Foncier, Head of Financial Operations**

Companies and positions

2018

COMPAGNIE DE FINANCEMENT FONCIER – SA
Chief Executive Officer
FONCIER TITRISATION – SA
Chairman of the Board of Directors
(until 12/18/2018)

CRÉDIT FONCIER DE FRANCE – SA
Deputy Chief Executive Officer, Head of Financial Operations

2017

COMPAGNIE DE FINANCEMENT FONCIER – SA
Chief Executive Officer
VAUBAN MOBILISATION GARANTIES (VMG) – SACS
Chairman of the Management Board
(until 03/13/2017)
FONCIER TITRISATION – SA
Chairman of the Board of Directors

CRÉDIT FONCIER DE FRANCE – SA
Head of Financial Operations (until 07/23/2017),
Deputy Chief Executive Officer - Financial Operations
(since 07/23/2017)
COMPAGNIE DE FINANCEMENT FONCIER – SA
Deputy Chief Executive Officer (until 07/23/2017)

2016

VAUBAN MOBILISATION GARANTIES (VMG) – SACS
Chairman of the Management Board
FONCIER TITRISATION – SA
Chairman of the Board of Directors
COMPAGNIE DE FINANCEMENT FONCIER – SA
Deputy Chief Executive Officer

CRÉDIT FONCIER DE FRANCE – SA
Head of Financial Operations
CRÉDIT FONCIER DE FRANCE – SA
Head of Strategy and Quality (until 02/09/2016)

2015

CRÉDIT FONCIER DE FRANCE – SA
Head of Strategy and Quality

2014

CRÉDIT FONCIER DE FRANCE – SA
Head of Strategy and Quality

Mr Paul DUDOUIT

■ **Biography**

Date of birth:

09/26/1963

Nationality:

French

Professional address:

4, quai de Bercy
94220 Charenton-le-Pont

Paul DUDOUIT holds a degree in agro-industrial engineering from ISA Beauvais (1990) and a Master's degree in Economics and Management from ESSEC (1991).

He began his career at Crédit Foncier in 1991 as an appraiser for its real estate subsidiary and later for its branch network (1991-1993).

From 1993 to 1996, he was Chief of Staff for the executive management of Crédit Foncier, and was in charge of the structuring and the administrative and financial organization of Foncier Vignobles SA from 1996 to 1998.

Between 1999 and 2010, he was Deputy Director for Primary Markets within the Financial Operations Division. In 1999, he participated in the creation of Compagnie de Financement Foncier and, more particularly, regarding the financial aspects of liabilities.

In 2001, he set up the EMTN and RCB programs and in 2010, the USMTS program. Since 2010, he has been Director of Primary Markets.

On June 28, 2017, the Board of Directors named him Deputy Chief Executive Officer of Compagnie de Financement Foncier, as of July 23, 2017.

• **Deputy Chief Executive Officer**

First appointed: 07/23/2017

End of term: 07/22/2022

• **Crédit Foncier – Director for Primary Markets**

■ **Companies and positions**

2018

COMPAGNIE DE FINANCEMENT FONCIER – SA
Deputy Chief Executive Officer

CRÉDIT FONCIER DE FRANCE – SA
Director for Primary Markets

2017

COMPAGNIE DE FINANCEMENT FONCIER – SA
Deputy Chief Executive Officer

VAUBAN MOBILISATION GARANTIES (VMG) – SACS
Member of the Management Board
(until 03/13/2017)

CRÉDIT FONCIER DE FRANCE – SA
Director for Primary Markets

2016

CRÉDIT FONCIER DE FRANCE – SA
Director for Primary Markets

VAUBAN MOBILISATION GARANTIES (VMG) – SACS
Member of the Management Board

2015

CRÉDIT FONCIER DE FRANCE – SA
Director for Primary Markets

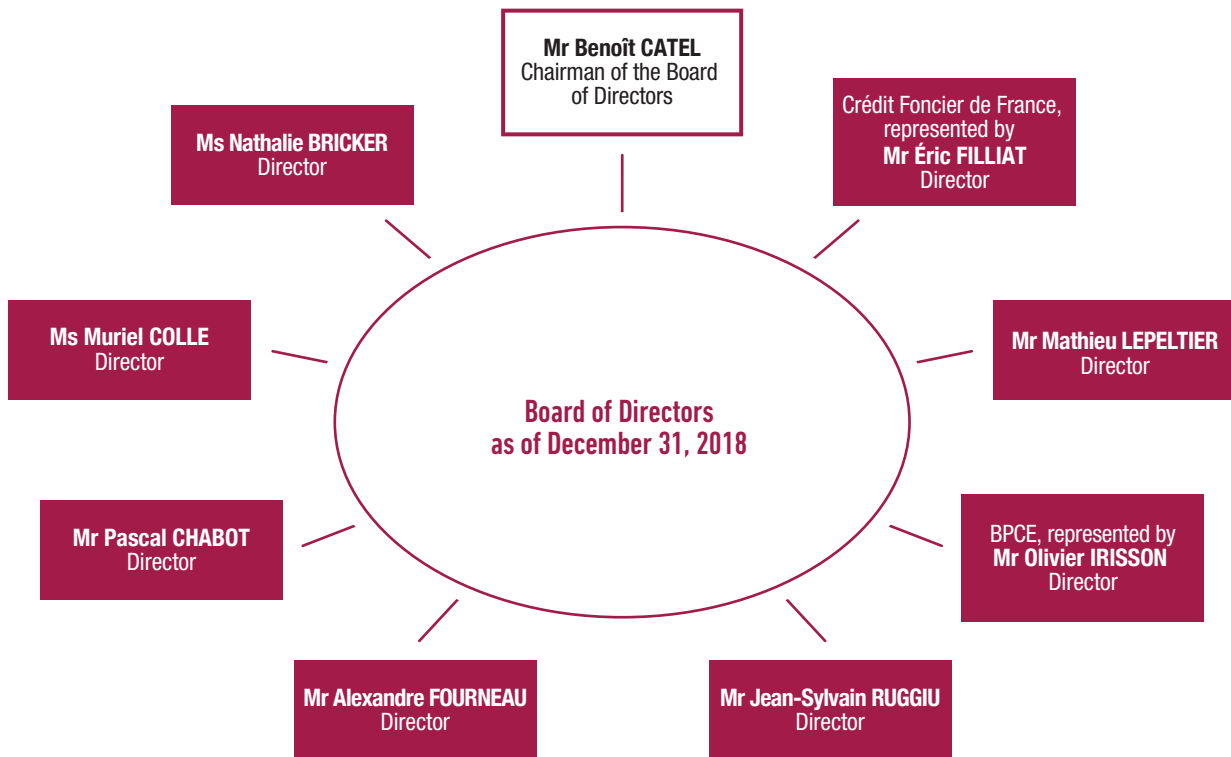
VAUBAN MOBILISATION GARANTIES (VMG) – SACS
Member of the Management Board

2014

CRÉDIT FONCIER DE FRANCE – SA
Director for Primary Markets

VAUBAN MOBILISATION GARANTIES (VMG) – SACS
Member of the Management Board

Composition of the Board of Directors



CHANGES WITHIN THE BOARD OF DIRECTORS IN 2018

Benoît CATEL was appointed as Chairman by the Board of Directors on February 8, 2018, to replace Bruno DELETRÉ who resigned his directorship on December 31, 2017.

The General Meeting of May 16, 2018 has:

- renewed the mandate of Dominique GARNIER as director;
- renewed the mandate of Christine FABRESSE as director;
- renewed the mandate of Benoît CATEL as director;
- ratified the co-optation of Muriel COLLE as director;
- ratified the co-optation of Mathieu LEPELTIER as director.

- Jean-Sylvain RUGGIU, on the proposal of the Appointments Committee, was co-opted as a director, by the Board of Directors on June 6, 2018, to replace Cédric MIGNON who resigned on May 17, 2018.
- Olivier IRISSON was appointed by Laurent MIGNON as BPCE's Permanent Representative on the Board of Directors to replace Francis DELACRE on September 28, 2018;
- Christine FABRESSE resigned as director on November 1, 2018;
- Dominique GARNIER resigned as director on November 30, 2018;
- Nathalie BRICKER, on the proposal of the Appointments Committee, was co-opted as a director, by the Board of Directors on December 18, 2018, commencing on December 19, 2018, to replace Jean CHEVAL who resigned from the Board.

Summary table of Board and Committee meeting attendance rates

Board of Directors

| | |
|--------------------------------|---------|
| Range of the number of members | 3 to 18 |
| Number of members | 9 |
| Number of Board meetings | 8 |
| Average attendance rate | 83.13% |
| Number of women directors | 2 (22%) |
| Number of men directors | 7 (78%) |
| Attendance fees | yes |

| Board of Directors | Position on the Board | Start of term | Length of term | Attendance rate | Risk Committee | Audit Committee | Appointments Committee |
|--|-----------------------|---------------|----------------|-----------------|----------------|-----------------|------------------------|
| Benoît CATEL | Chairman | 02/09/2016 | 2024 OGM | 100% | | | 100% |
| Nathalie BRICKER* | Director | 12/19/2018 | 2020 OGM | - | | - | |
| Pascal CHABOT | Director | 03/25/2014 | 2022 OGM | 100% | 75% | | - |
| Muriel COLLE | Director | 07/23/2017 | 2019 OGM | 100% | | | |
| Crédit Foncier represented by Eric FILLIAT | Director | 12/28/1998 | 2023 OGM | 100% | 100% | 100% | |
| Alexandre FOURNEAU | Director | 03/30/2017 | 2022 OGM | 88% | | | |
| BPCE represented by Olivier IRISSON (from 09/28/2018) | Director | 03/28/2011 | 2023 OGM | 0% | 100% | 100% | |
| Mathieu LEPELTIER | Director | 02/09/2018 | 2019 OGM | 100% | | | |
| Jean-Sylvain RUGGIU | Director | 06/28/2018 | 2020 OGM | 100% | | | |
| Jean CHEVAL | Director | 03/25/2014 | 12/18/2018 | 75% | | | 100% |
| BPCE represented by Francis DELACRE (until 09/28/2018) | Director | 03/28/2011 | 09/27/2018 | 33% | 33% | 33% | |
| Christine FABRESSE | Director | 05/03/2013 | 11/01/2018 | 86% | 67% | 67% | |
| Dominique GARNIER | Director | 10/15/2009 | 11/30/2018 | 86% | 67% | 67% | |
| Cédric MIGNON | Director | 03/25/2014 | 05/17/2018 | 25% | | | |

* Co-opted from the day after the last Board meeting in 2018.

Chairman

Member

POSITIONS HELD BY DIRECTORS

DIRECTORS FROM CRÉDIT FONCIER

Mr Benoît CATEL

■ Biography

Date of birth:
07/31/1962
Nationality:
French
Professional address:
4, quai de Bercy
94220 Charenton-le-Pont

Benoît CATEL is a graduate of the *École supérieure de commerce de Lille*, and IEP Paris, and holds a DESCF (Master's level diploma in Accounting and Finance).
Benoît CATEL joined Compagnie Bancaire in 1987, where he held various responsibilities in accounting and finance, prior to joining GMF Bank in 1992 as Director of Accounting.
He joined Groupe Caisse d'Épargne in 1994, at the Caisse d'Épargne Île-de-France Ouest, where he was successively Head of Accounting and then of Loan Production and, finally, a member of the Management Board, in charge of the Finance and Risk department. From 2001, he held this same position at Caisse d'Épargne Côte d'Azur, before taking over the Development department as a member of the Management Board.
In 2006, he was named Market Director for local authorities, Social housing and the Social economy at Caisse Nationale des Caisses d'Épargne. In 2009, he became Chief Executive Officer of Banque de la Réunion (a subsidiary of BPCE IOM), before becoming Chief Executive Officer of Volksbank Romania (Groupe BPCE) from 2012 to April 2015.
He assumed his duties as Deputy Chief Executive Officer of Crédit Foncier in April 2015 and was named Chief Executive Officer as of January 1, 2018.

- **Chairman of the Board of Directors**
First appointed: 02/09/2016
End of term: 2024 OGM
- **Chairman of the Appointments Committee**
First appointed: Board meeting of 01/10/2018
- **Chief Executive Officer of Crédit Foncier**

■ Companies and positions

2018

CRÉDIT FONCIER DE FRANCE – SA
Chief Executive Officer

SOCFIM – SACS
Chairman of the Supervisory Board

LA MONDIALE PARTENAIRE – SA
Permanent Representative of Crédit Foncier – Director
(until 05/29/2018)

COMPAGNIE DE FINANCEMENT FONCIER – SA
Chairman of the Board of Directors and Chairman of the Appointments Committee

CRÉDIT FONCIER IMMOBILIER – SA
Chairman of the Board of Directors and Chairman of the Remuneration and Appointments Committee

LOCINDUS* – SA
Chairman of the Board of Directors and Chairman of the Appointments Committee

CRÉDIT LOGEMENT – SA
Permanent Representative of Crédit Foncier, Director

ENFI – SAS
Chairman

2017

CRÉDIT FONCIER DE FRANCE – SA
Deputy Chief Executive Officer
(until 12/31/2017)

GCE FONCIER COINVEST – SAS
Chief Executive Officer (until 12/19/2017)

SOCFIM – SACS
Member of the Supervisory Board

LA MONDIALE PARTENAIRE – SA
Permanent Representative of Crédit Foncier, Director

COMPAGNIE DE FINANCEMENT FONCIER – SA
Director

CRÉDIT FONCIER IMMOBILIER – SA
Director

LOCINDUS* – SA
Chairman of the Board of Directors and Chairman of the Appointments Committee

2016

CRÉDIT FONCIER DE FRANCE – SA
Deputy Chief Executive Officer

GCE FONCIER COINVEST – SAS
Chief Executive Officer

SOCFIM – SACS
Member of the Supervisory Board

LA MONDIALE PARTENAIRE – SA
Permanent Representative of Crédit Foncier, Director

COMPAGNIE DE FINANCEMENT FONCIER – SA
Director

CRÉDIT FONCIER IMMOBILIER – SA
Director

2015

CRÉDIT FONCIER DE FRANCE – SA
Deputy Chief Executive Officer

GCE FONCIER COINVEST – SAS
Chief Executive Officer

SOCFIM – SACS
Member of the Supervisory Board

* Listed company.

Ms Muriel COLLE

■ Biography

Date of birth:

07/16/1963

Nationality:

French

Professional address:

4, quai de Bercy
94220 Charenton-le-Pont

Muriel COLLE holds an AES Master's degree (1984).

Muriel COLLE started her career as an assistant in Human Resources at *Total Compagnie Française des Pétroles* in 1984 and remained there until 1990.

In 1990 she joined Euro Disney as Assistant Manager of Human Resources for four years. From 1994 to 1996 she was in charge of Human Resources at TRW and from 1996 to 2001 she was appointed member of the Management Committee at Corsair within the Group's Resources department and reporting to the Chief Executive Officer.

From 2001 to 2008, she was Director of Resources at APRIA RSA.

In September 2008, she joined Crédit Foncier, initially as Director of Human Resources for three years. Since 2011, she has been Head of the Resources Department of Crédit Foncier. And since February 2016, she has been Deputy Chief Executive Officer, Head of Ressources Department and Member of the Executive Management Committee of Crédit Foncier.

Ms COLLE was appointed as Director of Compagnie de Financement Foncier as of July 23, 2017.

- **Member of the Board of Directors**
First appointed: 07/23/2017
End of term: 2019 OGM

- **Deputy Chief Executive Officer, Head of Resources department of Crédit Foncier**

■ Companies and positions

2018

BPCE ACHATS – GIE

Permanent Representative of Crédit Foncier, Director

COMPAGNIE DE FINANCEMENT FONCIER – SA

Director

BANCO PRIMUS – SA (PORTUGAL)

Member of the Appointments,
Remuneration and Benefits Committee

CRÉDIT FONCIER DE FRANCE – SA

Deputy Chief Executive Officer, of Resources department

ENFI ÉCOLE NATIONALE DU FINANCEMENT

DE L'IMMOBILIER – SAS

Chief Executive Officer

2017

BPCE ACHATS – GIE

Permanent Representative of Crédit Foncier, Director

COMPAGNIE DE FINANCEMENT FONCIER – SA

Director

BANCO PRIMUS – SA (PORTUGAL)

Member of the Appointments,
Remuneration and Benefits Committee

CRÉDIT FONCIER DE FRANCE – SA

Deputy Chief Executive Officer, of Resources department

ENFI ÉCOLE NATIONALE DU FINANCEMENT

DE L'IMMOBILIER – SAS

Chief Executive Officer

2016

BPCE ACHATS – GIE

Permanent Representative of Crédit Foncier, Director

BANCO PRIMUS – SA (PORTUGAL)

Member of the Appointments, Remuneration
and Benefits Committee

CRÉDIT FONCIER DE FRANCE – SA

Chief of Resources department

ENFI ÉCOLE NATIONALE DU FINANCEMENT
DE L'IMMOBILIER – SAS

Chief Executive Officer

CRÉDIT FONCIER DE FRANCE – SA

Director, Resources department
(until 02/01/2016)

2015

BANCO PRIMUS – SA (PORTUGAL)

Member of the Appointments,
Remuneration and Benefits Committee

ENFI ÉCOLE NATIONALE DU FINANCEMENT

DE L'IMMOBILIER – SAS

Chief Executive Officer

CRÉDIT FONCIER DE FRANCE – SA

Director, Resources department

2014

BANCO PRIMUS – SA (PORTUGAL)

Member of the Appointments,
Remuneration and Benefits Committee

ENFI ÉCOLE NATIONALE DU FINANCEMENT

DE L'IMMOBILIER – SAS

Chief Executive Officer

CRÉDIT FONCIER DE FRANCE – SA

Director, Resources department

**Crédit Foncier – Permanent representative
Mr Éric FILLIAT**

■ **Biography**

Date of birth:
06/15/1966

Nationality:
French

Professional address:
4, quai de Bercy
94220 Charenton-le-Pont

Éric FILLIAT, who holds a degree in accounting and finance from the *École Supérieure de Commerce de Clermont-Ferrand*, began his career at Mazars in 1992. In 1999, he joined the Caisse Nationale des Caisses d'Épargne, where he was Head of the Consolidation department of the Caisse d'Épargne Group, then Deputy Director, before becoming the Group's Head of Regulation and Accounting in November 2007. Between 2010 and 2012, he was Head of Accounting for Groupe BPCE.

Since May 2012, Éric FILLIAT has been Deputy Chief Executive Officer in charge of the Finance department at Crédit Foncier, a member of the Board of Directors and of the Executive Management Committee.

He has been appointed as an Executive Manager of Crédit Foncier since January 1, 2018.

- **Member of the Board of Directors**
First appointed: 12/28/1998
End of term: 2023 OGM
- **Chairman of the Audit Committee**
First appointed: Board meeting of 06/10/2015
- **Chairman of the Risk Committee**
First appointed: Board meeting of 06/10/2015
- **Deputy Chief Executive Officer, Finance department, Executive Manager of Crédit Foncier**

■ **Companies and positions**

2018

| | |
|--|--|
| BANCO PRIMUS – SA (PORTUGAL) Director, Member of the Audit Committee | FONCIER PARTICIPATIONS – SAS Permanent Representative of Crédit Foncier, Chairman |
| COMPAGNIE DE FINANCEMENT FONCIER – SA Permanent Representative of Crédit Foncier – Director, Chairman of the Audit Committee, Chairman of the Risk Committee | FONCIER TITRISATION – SA Permanent Representative of Foncier Equity investments, Director |
| CRÉDIT FONCIER DE FRANCE – SA Deputy Chief Executive Officer, Finance department, Executive Manager, member of the Executive Management Committee and member of the Executive Committee | MFCG – SAS Permanent Representative of CFCO, Chairman |
| CRÉDIT FONCIER IMMOBILIER – SA Director | SOCFIM – SACS Member of the Supervisory Board |

2017

| | |
|---|---|
| BANCO PRIMUS – SA (PORTUGAL) Director, Member of the Audit Committee | MFCG – SAS Permanent Representative of CFCO, Chairman |
| COMPAGNIE DE FINANCEMENT FONCIER – SA Permanent Representative of Crédit Foncier – Director, Chairman of the Audit Committee, Chairman of the Risk Committee | SOCFIM – SACS Member of the Supervisory Board |
| CRÉDIT FONCIER IMMOBILIER – SA Director | VAUBAN MOBILISATION GARANTIES (VMG) – SACS Vice-Chairman of the Supervisory Board (until 03/13/2017) |
| FONCIER PARTICIPATIONS – SAS Permanent Representative of Crédit Foncier, Chairman | BANCO PRIMUS – SA (PORTUGAL) Director, Member of the Audit Committee (until 03/31/2017) |
| FONCIER TITRISATION – SA Permanent Representative of Foncier Equity investments, Director | CRÉDIT FONCIER DE FRANCE – SA Deputy Chief Executive Officer, Finance department, Member of the Executive Management Committee and Member of the Executive Committee |

2016

| | |
|---|---|
| COMPAGNIE DE FINANCEMENT FONCIER – SA Permanent Representative of Crédit Foncier – Director, Chairman of the Audit Committee, Chairman of the Risk Committee | SOCFIM – SACS Member of the Supervisory Board |
| CRÉDIT FONCIER IMMOBILIER – SA Director | VAUBAN MOBILISATION GARANTIES (VMG) – SACS Vice-Chairman of the Supervisory Board |
| FONCIER PARTICIPATIONS – SAS Permanent Representative of Crédit Foncier, Chairman | BANCO PRIMUS – SA (PORTUGAL) Director, Member of the Audit Committee |
| FONCIER TITRISATION – SA Permanent Representative of Foncier Equity investments, Director | CRÉDIT FONCIER DE FRANCE – SA Deputy Chief Executive Officer, Finance department, Member of the Executive Management Committee and Member of the Executive Committee |
| MFCG – SAS Permanent Representative of CFCO, Chairman | |

2015

| | |
|---|---|
| COMPAGNIE DE FINANCEMENT FONCIER – SA Permanent Representative of Crédit Foncier – Director, Chairman of the Audit Committee, Chairman of the Risk Committee | MFCG – SAS Permanent Representative of CFCO, Chairman |
| CRÉDIT FONCIER IMMOBILIER – SA Director | SOCFIM – SACS Member of the Supervisory Board |
| FONCIER PARTICIPATIONS – SAS Permanent Representative of Crédit Foncier, Chairman | VAUBAN MOBILISATION GARANTIES (VMG) – SACS Vice-Chairman of the Supervisory Board |
| FONCIER TITRISATION – SA Permanent Representative of Foncier Equity investments, Director | BANCO PRIMUS – SA (PORTUGAL) Director, Member of the Audit Committee |
| | CRÉDIT FONCIER DE FRANCE – SA Deputy Chief Executive Officer, Finance department, member of the Executive Management Committee and member of the Executive Committee |

**Crédit Foncier – Permanent representative
Mr Éric FILLIAT**

■ **Companies and positions**

2014

COMPAGNIE DE FINANCEMENT FONCIER – SA
Permanent Representative of Crédit Foncier –
Director, Chairman of the Audit Committee,
Chairman of the Risk Committee

CRÉDIT FONCIER IMMOBILIER – SA
Director

FONCIER PARTICIPATIONS – SAS
Permanent Representative of Crédit Foncier,
Chairman

FONCIER TITRISATION – SA
Permanent Representative of Foncier Equity
investments, Director

MFCG – SAS
Permanent Representative of CFCO, Chairman

SOCFIM – SACS

Member of the Supervisory Board

VAUBAN MOBILISATION GARANTIES (VMG) – SACS
Vice-Chairman of the Supervisory Board

BANCO PRIMUS – SA (PORTUGAL)
Director, Member of the Audit Committee

CRÉDIT FONCIER DE FRANCE – SA
Deputy Chief Executive Officer, Finance department,
member of the Executive Management Committee
and member of the Executive Committee

Mr Mathieu LEPELTIER

■ **Biography**

Date of birth:
11/20/1964
Nationality:
French
Professional address:
4, quai de Bercy
94220 Charenton-le-Pont

Mathieu LEPELTIER graduated from the *École Polytechnique* (in 1988), from ENSTA (in 1990) and holds a Diploma of Advanced Studies in Finance (DEA), also in 1990
Mathieu LEPELTIER began his career at Crédit Commercial de France in 1990 as a Financial Products Engineer. In 1994, he was appointed Assistant Director Project Finance, at NatWest Markets in London for 3 years. He held the post of Head of Telecoms Financing at Dexia Crédit Local from 1997, then became Risk Manager in 2003.
In 2007, he became Dexia group's Credit Manager.
In 2009, he was appointed to the role of Risk Manager, member of the Executive Management Committee of BPCE IOM (Groupe BPCE) where he remained for 2 years.
In 2011, he joined Crédit Foncier as Risk Manager and then became Deputy Chief Executive Officer and Director for Individuals in April 2017. Since January 5th, 2018, he has been Deputy Chief Executive Officer in charge of Business Development.

- **Member of the Board of Directors**
First appointed: 02/09/2018
End of term: 2019 OGM
- **Deputy Chief Executive Officer,**
Commercial Development department,
Crédit Foncier

■ **Companies and positions**

2018

COMPAGNIE DE FINANCEMENT FONCIER – SA
Director
CRÉDIT FONCIER DE FRANCE – SA
Deputy Chief Executive Officer, Business Development,
Member of the Executive Management Committee
and Member of the Executive Committee
CFG – COMPTOIR FINANCIER DE GARANTIE – SA
Chairman of the Board of Directors
SOCFIM – SACS
Member of the Supervisory Board
CRÉDIT FONCIER IMMOBILIER – SA
Director, member of the Appointments Committee
BANCO PRIMUS – SA (PORTUGAL)
Chairman of the Board of Directors

2017

CFG – COMPTOIR FINANCIER DE GARANTIE – SA
Chairman of the Board of Directors
CRÉDIT FONCIER DE FRANCE – SA
Deputy Chief Executive Officer, Director for Individuals,
Member of the Executive Management Committee
and Member of the Executive Committee
BANCO PRIMUS – SA (PORTUGAL)
Chairman of the Board of Directors
SOCFIM – SACS
Permanent Representative of Crédit Foncier,
Member of the Supervisory Board, Chairman
of the Audit Committee (until 10/09/2017)
CRÉDIT FONCIER DE FRANCE – SA
Deputy Chief Executive Officer Risk Manager,
Member of the Executive Management Committee
and Member of the Executive Committee
(until 04/01/2017)
BANCO PRIMUS – SA (PORTUGAL)
Director (until 03/31/2017)

2016

SOCFIM – SACS
Permanent Representative of Crédit Foncier,
Member of the Supervisory Board,
Chairman of the Audit Committee
CRÉDIT FONCIER DE FRANCE – SA
Deputy Chief Executive Officer, Risk Manager,
Member of the Executive Management Committee
and Member of the Executive Committee
BANCO PRIMUS – SA (PORTUGAL)
Director

2015

SOCFIM – SACS
Permanent Representative of Crédit Foncier,
Member of the Supervisory Board,
Chairman of the Audit Committee
CRÉDIT FONCIER DE FRANCE – SA
Deputy Chief Executive Officer, Risk Manager,
Member of the Executive Management Committee
and Member of the Executive Committee
BANCO PRIMUS – SA (PORTUGAL)
Director

2014

SOCFIM – SACS
Permanent Representative of Crédit Foncier,
Member of the Supervisory Board,
Chairman of the Audit Committee
CRÉDIT FONCIER DE FRANCE – SA
Deputy Chief Executive Officer, Risk Manager,
Member of the Executive Management Committee
and Member of the Executive Committee
BANCO PRIMUS – SA (PORTUGAL)
Director

DIRECTORS FROM BPCE

**BPCE – Permanent Representative
Mr Olivier IRISSON**

■ **Biography**

| | |
|---|--|
| <p>Date of birth: 10/05/1969</p> <p>Nationality: French</p> <p>Professional address: 50, avenue Pierre Mendès France 75013 Paris</p> | <p>A graduate of the <i>Université Paris Dauphine</i>, specializing in Finance and Management Control, with a post-graduate degree in Strategy, Planning and Control as well as a Management Science PhD, Olivier IRISSON began his career in 1994 at Cetelem (BNP Paribas group) before joining PricewaterhouseCoopers (PWC) in 2000 as a manager in the Financial Risk Management department.</p> <p>From 2002 to 2010, he worked for Société Générale and held the positions of Head of Credit Risk Modeling, Director of Risk and Capital Measurements Systems, then, in 2009, Director of the Global Risk Analysis department. In June 2010, he joined BPCE as Deputy Director of Group Risks.</p> <p>Since 2013, Olivier IRISSON has been Chief Financial Officer within the Group’s Finance department, member of the BPCE Executive Committee.</p> |
|---|--|

- **Member of the Board of Directors**
First appointed: 03/28/2011
End of term: 2023 OGM
- **Member of the Audit Committee**
First appointed: Board meeting
of 09/28/2018
- **Member of the Risk Committee**
First appointed: Board meeting
of 09/28/2018
- **Chief Financial Officer of BPCE**

■ **Companies and positions**

2018

BPCE – SACS
Chief Financial Officer, Member of the Executive
Committee

BPCE SERVICES FINANCIERS
(FORMERLY CSF-GCE) – GIE
Member of the Supervisory Board

BPCE SFH – SA
Director, Chairman of the Board of Directors

FIDOR BANK – AG (GERMANY)
Member of the Supervisory Board

COMPAGNIE DE FINANCEMENT FONCIER – SA
Permanent Representative of BPCE –
Director, Member of the Audit Committee,
Member of the Risk Committee

2017

BPCE – SACS
Chief Financial Officer, Member of the Executive
Committee

BANQUES POPULAIRES COVERED BONDS – SA
Director (until 12/31/2017)

BPCE SERVICES FINANCIERS (FORMERLY
CSF-GCE) – GIE
Member of the Supervisory Board

BPCE SFH – SAD
irector, Chairman of the Board of Directors

FIDOR BANK – AG (GERMANY)
Member of the Supervisory Board

COMPAGNIE DE FINANCEMENT FONCIER – SA
Permanent representative of BPCE – Director, Member
of the Audit Committee, Member of the Risk
Committee (until 03/20/2017)

2016

BPCE – SACS
Chief Financial Officer, Member of the Executive
Committee

BANQUES POPULAIRES COVERED BONDS – SA
Director

COMPAGNIE DE FINANCEMENT FONCIER - SA
Permanent representative of BPCE – Director, Member
of the Audit Committee, Member of the Risk
Committee

BPCE SERVICES FINANCIERS (FORMERLY
CSF-GCE) – GIE
Member of the Supervisory Board

BPCE SFH – SA
Director, Chairman of the Board of Directors

2015

BPCE – SACS
Chief Financial Officer, Member of the Executive
Committee

BANQUES POPULAIRES COVERED BONDS – SA
Director

COMPAGNIE DE FINANCEMENT FONCIER – SA
Permanent representative of BPCE – Director, Member
of the Audit Committee, Member of the Risk
Committee

BPCE SERVICES FINANCIERS (FORMERLY
CSF-GCE) – GIE
Member of the Supervisory Board

BPCE SFH – SA
Director, Chairman of the Board of Directors

2014

BPCE – SACS
Chief Financial Officer, Member of the Executive
Committee

BANQUES POPULAIRES COVERED BONDS – SA
Director

COMPAGNIE DE FINANCEMENT FONCIER – SA
Permanent representative of BPCE – Director, Member
of the Audit Committee, Member of the Risk
Committee

BPCE SERVICES FINANCIERS (FORMERLY
CSF-GCE) – GIE
Member of the Supervisory Board

BPCE SFH – SA
Director, Chairman of the Board of Directors

Mr Jean-Sylvain RUGGIU

■ **Biography**

Date of birth:

08/18/1969

Nationality:

French

Professional address:

50, avenue Pierre Mendès France
75201 Paris Cedex 13

Jean-Sylvain RUGGIU graduated from the University of Bordeaux 1: Diploma of Advanced Studies (DEA) + Masters Degree in Economics and Finance (1993) and trained as a Crédit Agricole Company Director (2005) and followed the New Company Director career path at BPCE

Jean-Sylvain RUGGIU joined Société Générale in 1994 as a financial engineer. From 1996 to 1999, he was Chief Financial Officer at *Conseil Général de Charente Maritime*.

He then joined Crédit Agricole, first as Head of local authority funding from 1999 to 2004 before being appointed as Director for the Public authorities market and Social housing from 2004 to 2007.

Since 2007, he has been Director for the Public sector market and Public private partnerships at BPCE SA.

On June 28th, 2018, he was appointed as a Member of the Board of Directors of Compagnie de Financement Foncier.

- **Member of the Board of Directors**
First appointed: 06/28/2018
End of term: 2020 OGM
- **BPCE Director for the Public sector market and Public private partnerships**

■ **Companies and positions**

2018

COMPAGNIE DE FINANCEMENT FONCIER – SA
Director

BPCE – SACS

Director for the Public sector market and Public private partnerships

ECOLOCALE – GIE
Permanent Representative of BPCE, Director

2017

ECOLOCALE – GIE
Permanent Representative of BPCE, Director

BPCE – SACS

Director for the Public sector market and Public private partnerships

2016

ECOLOCALE – GIE
Permanent Representative of BPCE, Director

BPCE – SACS

Director for the Public sector market and Public private partnerships

2015

ECOLOCALE – GIE
Permanent Representative of BPCE, Director

BPCE – SACS

Director for the Public sector market and Public private partnerships

2014

ECOLOCALE – GIE
Permanent Representative of BPCE, Director

BPCE – SACS

Director for the Public sector market and Public private partnerships

DIRECTORS FROM CAISSE D'ÉPARGNE

Mr Pascal CHABOT

■ Biography

Date of birth:

05/27/1959

Nationality:

French

Professional address:

26-28, rue Neuve Tolbiac
75633 Paris Cedex 13

Pascal CHABOT has a post-graduate degree in finance control from *Université Paris Dauphine*.

In 2005, he became Member of the Management Board responsible for Specialized Markets at Caisse d'Épargne des Pays de la Loire before becoming Member of the Management Board responsible for the Regional Development Bank.

In 2013, he joined Caisse d'Épargne Île-de-France as Member of the Management Board responsible for the Regional Development Bank, Organization and Information Systems.

- **Member of the Board of Directors**
First appointed: 03/25/2014
End of term: 2022 OGM
- **Member of the Risk Committee**
First appointed: Board meeting of 06/10/2015
First appointed: Board meeting of 12/19/2018
- **Chairman of the Management Board of Caisse d'Épargne Île-de-France**

■ Companies and positions

2018

COMPAGNIE DE FINANCEMENT FONCIER – SA
Director

COMITÉ FÉDÉRATION BANCAIRE FRANÇAISE
ÎLE-DE-FRANCE – ASSOCIATION
Vice-Chairman

IMMOBILIÈRE 3F
Permanent Representative of CEIDF,
Member of the Board of Directors

BANQUE BCP – SAS
Member of the Supervisory Board

ALLIANCE ENTREPRENDRE – SAS
Permanent Representative of CEIDF,
Member of the Supervisory Board

CAISSE D'ÉPARGNE ÎLE-DE-FRANCE (CEIDF) – SA
Member of the Management Board

CE CAPITAL – SASU
Permanent Representative of CEIDF,
Member of the Supervisory Board

CE DÉVELOPPEMENT
Member of the Supervisory Board

GIE CAISSE D'ÉPARGNE SYNDICATION RISQUES
Permanent Representative of CEIDF,
Member of the Supervisory Board

LOGIREP – SA HLM
Permanent Representative of CEIDF,
Member of the Supervisory Board

SCI DE LA FORÊT – SCI
Manager

SOCFIM – SACS
Permanent Representative of CEIDF,
Member of the Supervisory Board

2017

COMPAGNIE DE FINANCEMENT FONCIER – SA
Director

COMITÉ FÉDÉRATION BANCAIRE FRANÇAISE
ÎLE-DE-FRANCE – ASSOCIATION
Vice-Chairman

IMMOBILIÈRE 3F
Permanent Representative of CEIDF,
Member of the Board of Directors

BANQUE BCP – SAS
Member of the Supervisory Board

ALLIANCE ENTREPRENDRE – SAS
Permanent Representative of CEIDF,
Member of the Supervisory Board

CAISSE D'ÉPARGNE ÎLE-DE-FRANCE (CEIDF) – SA
Member of the Management Board

CE CAPITAL – SASU
Permanent Representative of CEIDF,
Member of the Supervisory Board

CE DÉVELOPPEMENT
Member of the Supervisory Board

GIE CAISSE D'ÉPARGNE SYNDICATION RISQUES
Permanent Representative of CEIDF,
Member of the Supervisory Board

LOGIREP – SA HLM
Permanent Representative of CEIDF,
Member of the Supervisory Board

REVITAL'EMPLOI – ASSOCIATION
Permanent Representative of CEIDF,
Member of the Supervisory Board
(until 12/11/2017)

SCI DE LA FORÊT – SCI
Manager

SOCFIM – SACS
Permanent Representative of CEIDF,
Member of the Supervisory Board

2016

COMPAGNIE DE FINANCEMENT FONCIER – SA
Director

COMITÉ FÉDÉRATION BANCAIRE FRANÇAISE
ÎLE-DE-FRANCE – ASSOCIATION
Vice-Chairman

IMMOBILIÈRE 3F
Permanent Representative of CEIDF,
Member of the Board of Directors

ALLIANCE ENTREPRENDRE – SAS
Permanent Representative of CEIDF,
Member of the Supervisory Board

CAISSE D'ÉPARGNE ÎLE-DE-FRANCE (CEIDF) – SA
Member of the Management Board

CE CAPITAL – SASU
Permanent Representative of CEIDF,
Member of the Supervisory Board

CE DÉVELOPPEMENT
Member of the Supervisory Board

GIE CAISSE D'ÉPARGNE SYNDICATION RISQUES
Permanent Representative of CEIDF,
Member of the Supervisory Board

LOGIREP – SA HLM
Permanent Representative of CEIDF,
Member of the Supervisory Board

REVITAL'EMPLOI – ASSOCIATION
Permanent Representative of CEIDF,
Member of the Supervisory Board

SCI DE LA FORÊT – SCI
Manager

SOCFIM – SACS
Permanent Representative of CEIDF,
Member of the Supervisory Board

Mr Pascal CHABOT

■ Companies and positions

2015

COMPAGNIE DE FINANCEMENT FONCIER – SA
Director

COMITÉ FÉDÉRATION BANCAIRE FRANÇAISE
ÎLE-DE-FRANCE – ASSOCIATION
Vice-Chairman

ALLIANCE ENTREPRENDRE – SAS
Permanent Representative of CEIDF,
Member of the Supervisory Board

CAISSE D'ÉPARGNE ÎLE-DE-FRANCE (CEIDF) – SA
Member of the Management Board

CE CAPITAL – SASU
Permanent Representative of CEIDF,
Member of the Supervisory Board

CE DÉVELOPPEMENT
Member of the Supervisory Board

GIE CAISSE D'ÉPARGNE SYNDICATION RISQUES
Permanent Representative of CEIDF,
Member of the Supervisory Board

LOGIREP – SA HLM
Permanent Representative of CEIDF,
Member of the Supervisory Board

REVITAL'EMPLOI – ASSOCIATION
Permanent Representative of CEIDF,
Member of the Supervisory Board

SCI DE LA FORÊT – SCI
Manager

SOCFIM – SACS
Permanent Representative of CEIDF,
Member of the Supervisory Board

2014

COMPAGNIE DE FINANCEMENT FONCIER – SA
Director

ALLIANCE ENTREPRENDRE – SAS
Permanent Representative of CEIDF,
Member of the Supervisory Board

CAISSE D'ÉPARGNE ÎLE-DE-FRANCE (CEIDF) – SA
Member of the Management Board

CE CAPITAL – SASU
Permanent Representative of CEIDF,
Member of the Supervisory Board

GIE CAISSE D'ÉPARGNE SYNDICATION RISQUES
Permanent Representative of CEIDF,
Member of the Supervisory Board

LOGIREP – SA HLM
Permanent Representative of CEIDF,
Member of the Supervisory Board

REVITAL'EMPLOI – ASSOCIATION
Permanent Representative of CEIDF,
Member of the Supervisory Board

SCI DE LA FORÊT – SCI
Manager

SOCFIM – SACS
Permanent Representative of CEIDF,
Member of the Supervisory Board

DIRECTORS FROM BANQUES POPULAIRES

Mr Alexandre FOURNEAU

■ Biography

Date of birth:
07/06/1969

Nationality:
French

Professional address:
9, avenue Newton
78180 Montigny-le-Bretonneux

Alexandre FOURNEAU is a graduate of HEC Paris (1993), specializing in auditing, consulting and appraisal. Alexandre FOURNEAU was an officer in the Technical Inspectorate of the French air force for 14 months, from 1993 to 1994. In September 1994, he joined the Inspectorate of *Chambre Syndicale des Banques Populaires*. In May 2001, he joined Banque Populaire Val de France (BPVF) as Head of Organization and Information Systems. In 2003, he became Head of the Organizational Merger Project and Human Resources. From 2004 to January 2007, he was a Group Director. In February 2007, he joined Banque Populaire's IT division and became the Director of Banking Organization and Information Systems. In December 2009, he returned to Banque Populaire Val de France as Chief Financial Officer and in January 2013 he joined the Banque Populaire Val de France Management Committee. Since July 2016, he has been Head of Finance Loans at Banque Populaire Val de France.

- **Member of the Board of Directors**
First appointed: 03/30/2017
End of term: 2022 OGM
- **Head of Finance Loans,**
Banque Populaire Val de France

■ Companies and positions

2018

| | |
|---|---|
| SOCAMI VAL DE FRANCE – SCM Chief Executive Officer | COMPAGNIE DE FINANCEMENT FONCIER – SA Director |
| SOCAMA VAL DE FRANCE – SCM Deputy Chief Executive Officer | SOCAMI VAL DE FRANCE – SCM Director (until 05/16/2018) |
| SBE – SACS Banque Populaire Val de France representative, Member of the Supervisory Board, Chairman of the Audit Committee | SOCAMA VAL DE FRANCE – SCM Director (until 05/25/2018) |
| BANQUE POPULAIRE VAL DE FRANCE – SCBP Head of Finance Loans | GIE I-BP INVESTISSEMENT – GIE Management Controller |

2017

| | |
|---|--|
| SBE – SACS Banque Populaire Val de France representative, Member of the Supervisory Board, Chairman of the Audit Committee | SOCAMI VAL DE FRANCE – SCM Director |
| BANQUE POPULAIRE VAL DE FRANCE – SCBP Head of Finance Loans | SOCAMA VAL DE FRANCE – SCM Director |
| COMPAGNIE DE FINANCEMENT FONCIER – SA Director | GIE I-BP INVESTISSEMENT – GIE Management Controller |

2016

| | |
|---|--|
| SBE – SACS Banque Populaire Val de France representative, Member of the Supervisory Board, Chairman of the Audit Committee | SOCAMA VAL DE FRANCE – SCM Director |
| BANQUE POPULAIRE VAL DE FRANCE – SCBP Head of Finance Loans | GIE I-BP INVESTISSEMENT – GIE Management Controller |
| SOCAMI VAL DE FRANCE – SCM Director | |

2015

| | |
|---|--|
| BANQUE POPULAIRE VAL DE FRANCE – SCBP Chief Financial Officer, Member of the Management Committee | SOCAMI VAL DE FRANCE – SCM Director |
| SBE – SACS Banque Populaire Val de France representative, Member of the Supervisory Board, Chairman of the Audit Committee | SOCAMA VAL DE FRANCE – SCM Director |
| | GIE I-BP INVESTISSEMENT – GIE Management Controller |

2014

| | |
|---|--|
| BANQUE POPULAIRE VAL DE FRANCE – SCBP Chief Financial Officer, Member of the Management Committee | SOCAMA VAL DE FRANCE – SCM Director |
| SOCAMI VAL DE FRANCE – SCM Director | GIE I-BP INVESTISSEMENT – GIE Management Controller |

DIRECTORS FROM NATIXIS

Ms Nathalie BRICKER

■ **Biography**

Date of birth:

02/07/1968

Nationality:

French

Professional address:

30, avenue Pierre Mendès France
75013 Paris

Nathalie BRICKER is a graduate of the Nice-Sophia Antipolis Business School and has a Masters in Accounting and Finance from the IAE and a post-graduate degree in Accounting and Finance.

Nathalie BRICKER joined KPMG Audit in 1991 as Operations Manager specializing in bank audits. She then joined *Caisse des dépôts et consignations* (CDC) in 1995 and was made Head of the Central Accounting department in 1998. She became Head of the CDC IXIS Accounting department in 2004.

After the incorporation of CDC IXIS by Natixis, Nathalie BRICKER was appointed Head of Accounting and Ratios for the Natixis group, and became a member of the Executive Committee in 2016.

In July 2018, she was appointed Chief Financial Officer of Natixis, member of the Executive Management Committee of Natixis.

• **Member of the Board of Directors**

First appointed: 12/19/2018
End of term: 2020 OGM

• **Member of the Audit Committee**

First appointed: Board meeting
of 12/19/2018

• **Chief Financial Officer of Natixis**

■ **Companies and positions**

2018

NATIXIS PAYMENT SOLUTIONS – SA
Permanent Representative of Natixis, Director

CEGC – SA
Permanent Representative of Natixis, Director

BPCE VIE – SA
Permanent Representative of Natixis,
Director, Member of the Audit and Risks Committee

COFACE – SA
Permanent Representative of Natixis, Director

NATIXIS INVESTMENT MANAGERS – SA
Permanent Representative of Natixis, Director

COMPAGNIE DE FINANCEMENT FONCIER – SA
Director, Member of the Audit Committee

NATIXIS – SA
Chief Financial Officer, Member of the Executive Committee

NATIXIS – SA
Head of Accounting and Ratios of the Natixis group
(until 07/13/2018)

2017

NATIXIS PAYMENT SOLUTIONS – SA
Permanent Representative of Natixis, Director

CEGC – SA
Permanent Representative of Natixis, Director

BPCE VIE – SA
Permanent Representative of Natixis, Director,
Member of the Audit and Risks Committee

NATIXIS – SA
Head of Accounting and Ratios of the Natixis group

2016

NATIXIS PAYMENT SOLUTIONS – SA
Permanent Representative of Natixis, Director

CEGC – SA
Permanent Representative of Natixis, Director

NATIXIS – SA
Head of Accounting and Ratios of the Natixis group

2015

NATIXIS PAYMENT SOLUTIONS – SA
Permanent Representative of Natixis, Director

CEGC – SA
Permanent Representative of Natixis, Director

NATIXIS – SA
Head of Accounting and Ratios of the Natixis group

2014

NATIXIS PAYMENT SOLUTIONS – SA
Permanent Representative of Natixis, Director

CEGC – SA
Permanent Representative of Natixis, Director

NATIXIS – SA
Head of Accounting and Ratios of the Natixis group

Role and operating procedures of corporate entities

Board of Directors

COMPOSITION OF THE BOARD

As of December 31, 2018, the Board of Directors of Compagnie de Financement Foncier was composed of 9 members. The members of the Board are listed in the appendix. Compagnie de Financement Foncier's two Statutory Auditors and its Specific Controller also attend the Board meetings.

BOARD MEETINGS

The legal secretary function for the Board of Directors is provided by the General Secretariat of Crédit Foncier and it establishes, in consultation with the Chairman and executive officers, the agenda for the meetings, along with the materials covering the various items on the agenda. This department also drafts the minutes and keeps the legal registers. On June 30, 2010, the Board of Directors adopted internal regulations, most recently updated on April 10, 2015, defining operational procedures for the Board.

Compagnie de Financement Foncier's Board of Directors meets at least once every three months to examine a prescheduled agenda. Specific items may be added depending on the period. Items discussed include:

- accounting closing of the accounts for the previous year;
- review of management forecasts documents;
- quarterly report of bond issuances and analysis of the performance of covered bonds issued by Compagnie de Financement Foncier on the primary and secondary markets;
- determining, at the end of each quarter, for the following quarter, the program for issuing French covered bonds, "*obligations foncières*" and other privileged resources which require certification by the Specific Controller;
- delegation of the powers necessary to carry out these operations;
- review of the half-year accounts;
- annual self-assessment of the Board;
- review of coverage plan for privileged resources;
- more generally, authorization of any major transaction involving the Company or any significant event being able to affect it (governance, changes to Bylaws, agreements with the parent company, update of EMTN programs, debt issuances that exceed limits of delegated powers, etc.);
- review of internal control reports and risk monitoring measures pursuant to Articles 258 *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 (*Autorité de Contrôle Prudentiel et de Résolution – ACPR*) (previously Articles 42 and 43 of Regulation No. 97-02 as amended of the French Banking and Financial Regulation Committee (CRBF)) and of the annual report of the Specific Controller;
- presentation of the results of the permanent, periodic and compliance controls, along with the risk appetite framework;
- examination of the annual report of the Specific Controller.

The records and documents submitted to the Board provide it with clear, true and fair information about Compagnie de Financement Foncier and its evolution.

The Board of Directors did not limit the powers of the Chief Executive Officer in any way. The Chief Executive Officer is vested with the broadest powers to act in all circumstances on behalf of the Company, within the limits of the corporate purpose, and subject to the powers expressly attributed by law to Annual General Shareholders' Meetings and the special powers of the Board of Directors. He

represents Compagnie de Financement Foncier in its relationships with third parties. The Deputy Chief Executive Officer is vested with the same powers as the Chief Executive Officer.

Compagnie de Financement Foncier's Board of Directors met eight times in fiscal year 2018.

Board members are entitled to attendance fees in accordance with the allocation rules recommended by BPCE, Compagnie de Financement Foncier's Central Institution. Under a BPCE Directive dated December 17, 2010, attendance fees payable to BPCE representatives are paid to BPCE and not to the individual in question. Since January 1, 2012, the same treatment applies to the representatives of Crédit Foncier. The attendance fees are paid to Crédit Foncier and not to the individual in question. It is specified that no attendance fees are paid to Natixis employees serving as director, in an individual capacity, on the Board of Directors of Groupe BPCE companies.

The amount of the attendance fees allocated to the Board members is set in advance for each meeting. It is paid only if the members actually attend the meetings (according to Article 13 of the Bylaws, directors taking part in the meetings of the Board through videoconferences or telecommunication means allowing their identification and actual participation, are considered as attending for the calculations of the quorum and the majority). The amount is also subject to an annual cap.

ATTENDANCE BY SHAREHOLDERS AT THE ANNUAL GENERAL SHAREHOLDERS' MEETINGS

Annual General Shareholders' Meetings are called in accordance with French legal and regulatory requirements.

An invitation to attend the meeting is sent by mail to each shareholder individually. The shareholders are exclusively registered shareholders.

Any shareholder may attend the General Meeting per the conditions set out by law.

There is no provision assigning multiple voting rights.

PRINCIPLES AND RULES APPROVED BY THE BOARD OF DIRECTORS FOR DETERMINING REMUNERATION GRANTED TO CORPORATE OFFICERS

The Board of Directors meeting of February 9, 2016 decided that, from February 1, 2016, no remuneration would be paid to the Chief Executive Officer and the Deputy Chief Executive Officer in respect of their corporate offices.

Since February 1, 2016, the remuneration of the Chief Executive Officer and the Deputy Chief Executive Officer is entirely paid by Crédit Foncier.

The remuneration of the Chief Executive Officer and the Deputy Chief Executive Officer paid by Crédit Foncier consisted of fixed and variable portions, the latter computed as a percentage of the fixed. For the Chief Executive Officer and the Deputy Chief Executive Officer, the amount of variable pay actually allocated depends on the degree of completion of the objectives assigned to him each year by Crédit Foncier. This variable pay is fully paid by Crédit Foncier.

Committees set up by the Board of Directors

APPOINTMENTS COMMITTEE

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

As of December 31, 2018, this committee had two members, both directors:

- Benoît CATEL, Chairman;
- Pascal CHABOT.

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 September 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 statement closing;
- agreements monitoring;
- coverage plan for privileged liabilities;
- appointment of Statutory Auditors and Specific Controller;
- examination of the annual report of the Specific Controller.

At December 31, 2018, the Audit Committee had the following members:

- Crédit Foncier, represented by Éric FILLIAT, Chairman;
- BPCE, represented by Olivier IRISSON;
- Nathalie BRICKER.

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.).

As of December 31, 2018, the Risk Committee had the following members:

- Crédit Foncier, represented by Éric FILLIAT, Chairman;
- BPCE, represented by Olivier IRISSON;
- Pascal CHABOT.

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 fulfill their obligations in terms of permanent and periodic control and compliance.

Board of Directors' internal regulations

Updated by the Board of Directors on April 10, 2015.

In its meeting on June 30, 2010, the Board of Directors unanimously adopted these internal regulations.

These regulations aim to supplement Compagnie de Financement Foncier Bylaws and, in particular, to:

- specify procedures for convening Board meetings;
- specify deliberation procedures for directors taking part in Board meetings via videoconferencing or other telecommunications methods;
- specify directors' obligations of professional secrecy and discretion;
- define sanctions applicable in the event of directors failing to comply with any one of their obligations.

The regulations may be amended at any time by resolution of the Board of Directors.

Each individual director is obliged to comply with these internal regulations.

ARTICLE 1 – CONVENING A BOARD MEETING

Directors are invited to attend meetings by any means, including by email. Emails are sent to the address that each director has given to Compagnie de Financement Foncier. Individual directors are responsible for ensuring that they inform the Company of any change of email address.

Directors shall be convened in good time and shall have sufficient time to review the information that they require in order to make an informed decision.

Pursuant to Article 13 of Compagnie de Financement Foncier Bylaws, meetings may be convened verbally, and without delay, if all directors are in agreement.

The notice period may be shortened in an emergency, this being defined as an extraordinary situation (i) characterized by the existence of a short deadline, imposed by a third party on pain of forfeiture, and non-compliance with which would be likely to result in prejudice for Compagnie de Financement Foncier, (ii) requiring a rapid response from the Company that is incompatible with the application of the Board of Directors' usual notice periods.

If for reasons of confidentiality and, in particular, where sensitive financial, commercial or strategic information is at stake, such information may only be disclosed in the meeting.

In addition, the Chairman of the Board of Directors may, with the directors' approval, add items to the agenda during the course of the meeting. In this event, representation mandates cannot be taken into consideration.

ARTICLE 2 – BOARD OF DIRECTORS' DELIBERATION PROCEDURES

Voting is by a show of hands unless directors ask to vote by secret ballot on issues relating to individuals.

Pursuant to Article 13 of Compagnie de Financement Foncier Bylaws, for the purposes of calculating a quorum and majority, directors participating in the meeting through videoconferencing or other means of telecommunications that allow them to identify themselves and effectively participate shall be considered present, in accordance with current regulations.

This provision does not apply to Board meetings called to approve the annual financial statements and to compile the management report. Likewise, the Chairman of the Board of Directors may dispense with these procedures depending on the meeting agenda but shall be obliged to notify members before the meeting.

ARTICLE 2.1 USE OF VIDEOCONFERENCING OR TELECOMMUNICATIONS SYSTEMS

When the meeting is held by videoconferencing or other means of telecommunication, the identification and actual attendance of Board members attending via these methods must be guaranteed, in accordance with current regulatory and legislative provisions:

- transmission of the participant's voice, at the very least; and
- uninterrupted, live broadcasting of the discussions.

If directors wish to take part in the meeting by videoconferencing or other means of telecommunication, they shall go to a venue equipped with the necessary hardware and dial the number that they will have received from Compagnie de Financement Foncier.

Videoconferencing and telecommunications methods shall guarantee the confidentiality of the discussions. Consequently, anyone taking part in meetings by these means shall certify that the technical methods used by them fulfill this confidentiality requirement.

ARTICLE 2.2 PARTICIPATION IN BOARD MEETINGS BY VIDEOCONFERENCING OR OTHER MEANS OF TELECOMMUNICATION

Directors taking part in meetings via videoconferencing or other means of telecommunication may represent another director provided that, on the day of the Board meeting, the Chairman of the Board of Directors has a proxy from the director being represented.

If the Chairman of the Board of Directors is using these means to take part in the Board meeting, the meeting shall be chaired by the Vice-Chairman of the Board of Directors or by a director designated for this purpose.

Should the Chairman of the Board of Directors establish that the videoconferencing or telecommunications system has malfunctioned, the Board may take valid decisions and/or continue the meeting with just those members who are physically present, provided that the quorum requirements are met.

Directors taking part via videoconferencing or other means of telecommunication, who can no longer be deemed to be present due to malfunction, may then give their representation mandate to a director who is physically present at the meeting, provided that the Chairman of the Board of Directors is made aware of said mandate. Directors may also submit their representation mandates in advance, stipulating that said mandates will not come into force unless the system malfunctions and no longer enables them to be deemed present at the meeting. Directors participating via videoconferencing or other means of telecommunication, who have received a mandate from another director may not, in the event of malfunction, delegate the mandate that they have been given as it is no longer exercisable.

ARTICLE 2.3 RECORDING MEETINGS

Board of Directors' meetings may be recorded in accordance with current regulations.

ARTICLE 2.4 MINUTES

The minutes of the meeting list the names of the directors present, deemed to be present within the meaning of Article L. 225-37 of the French Commercial Code, or who have given their apologies or who are absent. The minutes report the presence or absence of those persons who were invited to attend the meeting under a legal provision and the presence of any other persons attending all, or part, of the meeting.

The occurrence of any technical incident disrupting meetings being held by videoconferencing or other means of telecommunication shall be mentioned in the minutes, including the interruption and resumption of participation by videoconferencing or other means of telecommunication.

The minutes are signed by the Chairman of the meeting and by at least one director. Should the Chairman be prevented from attending the meeting, his signature is replaced by the signature of at least two directors.

Minutes are written in a special register kept in accordance with regulatory provisions.

Copies of, or extracts from, the minutes are duly certified by the Chairman of the Board of Directors, the Chief Executive Officer, a Deputy Chief Executive Officer or any authorized person.

ARTICLE 2.5 ATTENDANCE REGISTER

An attendance register is kept at the registered office and is signed by members of the Board of Directors and other meeting participants, in their own name, or on behalf of other members of the Board of Directors that they are representing. This register also names directors deemed to be present due to participation in the meeting via videoconferencing or other means of telecommunication.

Directors who have taken part in one or more meetings via videoconferencing or other means of telecommunication, shall in any event, sign the meeting's attendance register at least once a year alongside the words "present via videoconferencing or other means of telecommunication", which the secretary will have written in the register opposite their name.

ARTICLE 3 – PROFESSIONAL SECRECY AND OBLIGATION OF DISCRETION

Members of the Board of Directors, as well as any persons called to attend its Board meetings, are bound by professional secrecy in accordance with the requirements of Article L. 511-33 of the French Monetary and Financial Code and by an obligation of discretion with regard to its deliberations and any information of a confidential nature, and presented as such by the Chairman of the Board, in accordance with the provisions of Article L. 225-37 of the French Commercial Code.

ARTICLE 3.1 DECLARATION OF CONFIDENTIALITY

The Chairman of the meeting declares the discussions confidential if required by regulations or by the interests of Compagnie de Financement Foncier or the Group. This declaration is recorded in the minutes of the meeting.

ARTICLE 3.2 MEASURES INTENDED TO GUARANTEE CONFIDENTIALITY

The Chairman of the meeting takes the necessary measures to guarantee the confidentiality of the discussions. He may, in particular, ask all the meeting's participants to sign an undertaking to this end.

ARTICLE 4 – NON-COMPLIANCE BY MEMBERS OF THE BOARD OF DIRECTORS

Should directors fail to fulfill any one of their obligations, in particular their obligation of discretion, the Chairman of the Board of Directors shall refer back to the Board with a view to giving the director in question a caution or a warning, notwithstanding measures arising from legislation, regulations or bylaws.

The Board of Directors may, at the suggestion of its Chairman, seek to have directors dismissed by the relevant body or authority.

Directors in question shall be notified, in advance, of the proposed sanctions and will be able to present their observations to the Board of Directors. They shall not vote on the decision to take sanctions.

Code of Ethics of members of the Board of Directors of Compagnie de Financement Foncier

Members of the Board of Directors of Compagnie de Financement Foncier (the "Board") perform their duties in good faith, in accordance with rules of independence, ethics, integrity, loyalty, confidentiality, ethical conduct and professionalism specific to their office.

ARTICLE 1 – PROFESSIONALISM

Pursuant to Articles L. 511-51 and L. 511-52 of the French Monetary and Financial Code, arising from the transposition of the CRD IV directive, members of the Board shall endeavor to have the integrity, know-how, skills and experience required to perform their duties, to allocate sufficient time to performing their duties and to comply with rules limiting the number of offices that they may hold at the same time.

1.1 – RESPECT FOR THE CORPORATE INTEREST AND GOOD FAITH

Members of the Board shall act, under all circumstances, in the corporate interest of Compagnie de Financement Foncier (the "Company") and not in the interest of any particular individual. They shall act in good faith under all circumstances. Members of the Board shall also ensure that measures implemented within the Company are consistent with Groupe Crédit Foncier and Groupe BPCE strategy.

1.2 – OFFICES HELD CONCURRENTLY AND AVAILABILITY

Members of the Board agree to devote the necessary amount of time and attention to their duties. To this end, they shall ensure that the number, and workload, of their offices leaves them sufficient availability.

In any event, the total number of offices held by members of the Board shall comply with legislation and regulations applicable to commercial companies and, in particular, to credit institutions, as well as with rules issued by the Company.

Please note that under the terms of Article L. 511-52 II and III of the French Monetary and Financial Code, either one executive office and two non-executive offices, or four non-executive offices, may be held concurrently, given that offices held within the same group count as a single office and that offices held within companies with a non-commercial primary purpose, including those that take the form of commercial companies, are not counted.

When they are appointed or reappointed to their office, they shall declare, in writing, to the Chairman of the Board and the Chief Executive Officer, their responsibilities within entities outside Groupe Crédit Foncier.

If, during the course of their term of office, Board members wish to take on new responsibilities within entities outside Groupe Crédit Foncier, they shall notify the Chairman of the Board and the Chief Executive Officer.

1.3 – EXPERTISE

Members of the Board shall endeavor to familiarize themselves with operating procedures specific to the Company's legal form, regulations governing their office and the internal operation of the Board, so that they can perform their duties to the best of their ability. They shall be familiar with the national and international economic, social and institutional climate.

More generally speaking, they shall familiarize themselves with Company and Groupe Crédit Foncier strategy and business lines, their challenges and specific characteristics. They shall do their utmost to obtain, within the deadlines set by the Board, the items of information that they believe to be vital for them to take Board decisions in full knowledge of all the facts. They shall endeavor to update the knowledge required for them to perform their duties successfully and shall take part in training courses organized by the Company. These courses will give them the option to learn about different issues pertaining to their office, changes in the businesses operated by the Company and Groupe Crédit Foncier and changes in related regulations. Members may ask the Company for additional training if they believe that this is needed for them to perform their duties successfully.

1.4 – ATTENDANCE AND EFFICIENCY

Members of the Board shall act diligently and shall do their utmost to play an active role in Board meetings and in decisions taken by the Board and as members of its specialist committees, and shall contribute to the collegial nature and efficiency of their work.

They shall also attend Annual General Shareholders' Meetings. Members of the Board shall make any recommendations that they believe are likely to improve the way in which the Board operates. They shall contribute to periodic assessments of the Board of Directors.

They shall endeavor to ensure, along with other members of the Board, that audit assignments are performed efficiently. In particular, they shall ensure that the Company and Groupe Crédit Foncier have measures in place to monitor compliance with current laws and regulations.

They shall ensure that the Board's deliberations are the subject of formal decisions, made for the correct reasons and transcribed in the minutes of its meetings.

1.5 – DUTY TO INTERVENE AND GIVE WARNINGS

Members of the Board have a duty to intervene and to clearly express their points of view and queries. They shall endeavor to convince the Board of the relevance of their position in any discussions.

They have a number of ways in which they can assert their positions, demonstrate their disapproval or warn the Board about anything they believe is likely to affect the interests of the Company or those of Groupe Crédit Foncier, in particular, via no votes and reservations voiced during meetings.

ARTICLE 2 – ETHICS

2.1 – COMPLIANCE WITH LAWS AND BYLAWS

Members of the Board shall comply with legal and regulatory provisions relating to the Company, rules specific to the Company and arising from its Bylaws and from the Board of Directors' internal regulations, as well as applicable governance codes and best practices. Please note that the Company refers to the Corporate Governance Code for listed companies published by the *Association Française des Entreprises Privées et le Mouvement des Entreprises de France* (AFEP/MEDEF Code).

2.2 – INTEGRITY

Members of the Board who have been the subject of enforceable criminal convictions or have been deprived of their civil liberties, shall notify the Chairman of the Board and the Chief Executive Officer.

No-one may become a Board member – or may continue in office – if found to be subject to any indictment prohibiting them from managing or operating any corporation or company.

2.3 – BENEFITS

Members of the Board may not seek out, receive or accept any direct or indirect benefits in relation to the office that they hold within the Company or Groupe Crédit Foncier. Likewise, members of the Board may not receive benefits, particularly commercial benefits, beyond the standard benefits received by customers of Groupe Crédit Foncier institutions.

ARTICLE 3 – CONFIDENTIALITY

3.1 – PROFESSIONAL SECRECY AND OBLIGATION OF DISCRETION

Members of the Board of Directors, as well as any persons called to attend its Board meetings, are bound by professional secrecy in accordance with the requirements of Article L. 511-33 of the French Monetary and Financial Code and by an obligation of discretion with regard to its discussions, deliberations and any information of a confidential nature, in accordance with the provisions of Article L. 225-92 of the French Commercial Code.

Generally speaking, business-related information about the Company, Groupe Crédit Foncier and any of its different entities, which has not been made public by the Company or by the entity in question, is confidential.

3.2 – MANAGING PRIVILEGED INFORMATION

Pursuant to Article L. 621-1-1 of the AMF General Regulation, privileged information is "specific information that has not been made public and which concerns, directly or indirectly, one or more issuers of financial instruments or one or more financial instruments and which, if it had been made public, would be likely to have had a significant influence on the price of the financial instruments in question or on the price of related financial instruments".

Members of the Board are prohibited from using any privileged information to which they have access for their own personal gain or for the gain of anyone whomsoever. In particular, pursuant to Article L. 622-1 of the AMF General Regulation, if they have information on the Company, or a company belonging to Groupe Crédit Foncier that has not been made public, they are prohibited from using it to trade in said companies' securities, or to have said securities traded by third parties.

Pursuant to Article L. 622-1 of the AMF General Regulation, members of the Board shall also refrain from disclosing this information to anyone other than in the normal course of their work, profession or duties or for purposes other than those for which it was intended.

The board member, who holds personal securities accounts, in companies belonging to the group Crédit Foncier de France or outside the group Crédit Foncier de France, agrees to provide, as the case may be, any information required by the compliance department of the Company on its securities accounts and the transactions carried.

The Company's Compliance Division guarantees that these declarations will be kept confidential. It is recommended, however, that members of the Board have their securities accounts under management by a third party to facilitate compliance with the provisions of this Code of Ethics.

Members of the Board are likely to hold privileged information, on a permanent basis, on Groupe Cr dit Foncier companies whose financial instruments are admitted to trading on a regulated market or trading platform.

As a result, they are automatically listed as "permanent insiders" in relation to these companies' financial instruments. In addition, under the Volcker Rule ⁽¹⁾, members of the Board may not, under any circumstances, invest in the Covered Funds listed as prohibited securities by Groupe Cr dit Foncier's Compliance Division.

3.3 – TRADING IN FINANCIAL INSTRUMENTS ISSUED BY COMPAGNIE DE FINANCEMENT FONCIER

Pursuant to Article 19-1 of Regulation 596/2014 ⁽²⁾ members of the Board and persons with whom they have close ties, shall declare to Compagnie de Financement Foncier as the issuer, and to the AMF, any trading in the financial instruments issued by Compagnie de Financement Foncier and admitted to trading on a regulated market or trading platform, within three days, provided that the transactions total more than €5,000 in one calendar year.

Members of the Board undertake to supply Compagnie de Financement Foncier with a list of people with whom they have close ties and to notify such persons, in writing, of the reporting requirements referred to above. A copy of this notification shall be retained.

3.4 – BLACK-OUT PERIOD FOR GROUPE CR DIT FONCIER COMPANIES' FINANCIAL INSTRUMENTS

Without prejudice to the general obligation to refrain from trading referred to in section 3.2 above, members of the Board shall refrain from trading, directly or indirectly, on their own behalf or on the behalf of others, in Groupe Cr dit Foncier companies' securities admitted for trading on a regulated market or trading platform:

- for a period of 30 calendar days prior to the date on which the annual and half-year financial statements are published;
- for a period of 15 days prior to the date on which the quarterly information is published.

Exceptions may, however, be made in circumstances provided for by regulations.

ARTICLE 4 – CONFLICT OF INTEREST

Members of the Board shall endeavor to avoid any conflict of interest that may exist between their interests and those of the Company. They shall inform the Board, its Chairman and the Chief Executive Officer of any conflicts of interest in which they could be involved. Should it not be possible to avoid a conflict of interest, they shall notify the Board and refrain from taking part in discussions or in any decisions on the matters in question.

Members of the Board shall, under all circumstances, maintain their independence of judgment, decision and action. They shall not be influenced by any factor that is not in keeping with the corporate interests that they are responsible for defending.

For this reason, the office of member of the Board is incompatible with being an employee or Company Director of a Credit institution not belonging to Groupe BPCE. Only the Chairman of the Board of the Company and the Chief Executive Officer may, together, grant an exception in the interests of Groupe Cr dit Foncier.

In any event, as soon as members of the Board find themselves in, or enter into, a business relationship with the Company or with another Groupe Cr dit Foncier entity, as a client, supplier or intermediary, or they control or direct the entity in question, or they hold an office within it or have any related interest whatsoever, they shall notify the Board, its Chairman and the Chief Executive Officer immediately. The Chairman of the Board, on the advice of the Chief Executive Officer, ensures that no preferential treatment is given and that no agreement requiring prior authorization from the Board is entered into by the member of the Board in question and the Company without being authorized in advance, in accordance with Articles L. 225-86 and L. 225-87 of the French Commercial Code.

If there is any doubt as to the existence of a conflict of interest, members of the Board shall contact the Chairman of the Board or the Chief Executive Officer.

ARTICLE 5 – APPLICATION OF THE CODE OF ETHICS

Should members of the Board no longer be in a position to perform their duties in accordance with the Code of Ethics, either due to their own actions, or for any other reason, including abiding by rules specific to the Company where they hold their office, they shall notify the Chairman of the Board and the Chief Executive Officer, shall seek solutions to remedy the situation or, failing this, shall face personal consequences in relation to the performance of their mandate.

Should the Appointments Committee be made aware of the problem, it may take the matter into its own hands, and confidentially seek an amicable solution with the Board member in question.

Failing this, the Board may suggest terminating the office of the Board member in question in accordance with the applicable procedures so as to comply with the Code of Ethics.

⁽¹⁾ Volcker Rule: US regulation which came into force on July 21, 2015, the Merkley-Levin amendment of the Dodd-Frank Wall Street Reform and Consumer Protection Act of July 2010, with extraterritorial reach and so applying to any institution with banking business in the United States, as well as to its entire Group via the contagion effect.

⁽²⁾ Known as the MAR: Market Abuse Regulation applicable from July 3, 2016.

Remuneration

For the year ended December 31, 2018, pursuant to Article L. 225-102-1 of the French Commercial Code, the list below shows the total remuneration as well as all benefits in kind paid by the Company to each of the corporate officers during the year.

The information about remuneration received is provided in euros and limited to the following scope: Crédit Foncier, the subsidiaries of Crédit Foncier and BPCE as the controlling company.

The Board of Directors of February 9, 2016 decided that, from February 1, 2016, there would be no remuneration paid to the Chief Executive Officer and the Deputy Chief Executive Officer in respect of their corporate offices. The remuneration of the Chief Executive Officer and the Deputy Chief Executive Officer is thus paid entirely by Crédit Foncier.

SUMMARY OF THE REMUNERATION AND OPTIONS AND SHARES ALLOCATED TO EACH EXECUTIVE CORPORATE OFFICER (in euros)

■ Olivier AVIS, Chief Executive Officer

| | Fiscal year 2017 | Fiscal year 2018 |
|--|------------------|------------------|
| Annual remuneration due during the year (broken down in the table below) | 282,637 | 371,358 |
| Value of options attributed over the course of the year | - | - |
| Value of performance shares attributed over the course of the year | - | - |
| TOTAL | 282,637 | 371,358 |

■ Paul DUDOUIT, Deputy Chief Executive Officer

| | Fiscal year 2017 | Fiscal year 2018 |
|--|------------------|------------------|
| Annual remuneration due during the year (broken down in the table below) | 233,726 | 240,580 |
| Value of options attributed over the course of the year | - | - |
| Value of performance shares attributed over the course of the year | - | - |
| TOTAL | 233,726 | 240,580 |

SUMMARY OF THE REMUNERATION OF EACH EXECUTIVE CORPORATE OFFICER (in euros)

Amounts due 2017: total remuneration granted on a *prorata temporis* basis in respect of duties performed in 2017, regardless of the date of payment.

Amounts paid 2017: all remuneration actually paid and received in 2017 in respect of duties performed during 2017 and, potentially, during the previous years in the case of instalment payments.

Amounts due 2018: total remuneration granted on a *prorata temporis* basis in respect of duties performed in 2018, regardless of the date of payment.

Amounts paid 2018: all remuneration actually paid and received in 2018 in respect of duties performed during 2018 and, potentially, during the previous years in the case of instalment payments.

■ Olivier AVIS, Chief Executive Officer

| | Fiscal year 2017 | | Fiscal year 2018 | |
|-------------------------------|------------------|----------------|------------------|----------------|
| | Amounts due | Amounts paid | Amounts due | Amounts paid |
| Fixed pay | 168,330 | 168,330 | 200,000 | 200,000 |
| Variable pay | 99,000 | 96,000 | 150,000* | 99,000 |
| Exceptional remuneration | - | - | - | - |
| Incentives and profit sharing | 3,033 | 3,033 | 7,929 | 7,929 |
| Supplemental retirement pay | 8,914 | 8,914 | 10,069 | 10,069 |
| Attendance fees | - | - | - | - |
| Benefits in kind | 3,360 | 3,360 | 3,360 | 3,360 |
| TOTAL | 282,637 | 279,637 | 371,258 | 320,358 |

* Variable pay for the 2018 financial year including € 75,000 (50%) paid in 2019 and the deferred amount of 50% paid in equal shares (€25,000) over three years.

■ Paul DUDOUIT, Deputy Chief Executive Officer

| | Fiscal year 2017 | | Fiscal year 2018 | |
|-------------------------------|------------------|----------------|------------------|----------------|
| | Amounts due | Amounts paid | Amounts due | Amounts paid |
| Fixed pay | 141,115 | 141,115 | 143,954 | 143,954 |
| Variable pay | 90,000 | 95,000 | 90,000 | 90,000 |
| Exceptional remuneration | - | - | - | - |
| Incentives and profit sharing | 2,611 | 2,611 | 6,626 | 6,626 |
| Supplemental retirement pay | - | - | - | - |
| Attendance fees | - | - | - | - |
| Benefits in kind | - | - | - | - |
| TOTAL | 233,726 | 238,726 | 240,580 | 240,580 |

FIXED PAY

Fixed pay consists of one part paid for work performed at Crédit Foncier and another for serving as a corporate officer of Compagnie de Financement Foncier.

The Board of Directors of February 9, 2016 decided that, from February 1, 2016, there would be no remuneration paid to the Chief Executive Officer and the Deputy Chief Executive Officer in respect of their corporate offices. Consequently, since February 1, 2016, fixed remuneration is fully paid by Crédit Foncier.

HOW VARIABLE PAY IS DETERMINED

There is no variable pay at the Compagnie de Financement Foncier level.

The variable pay of Olivier AVIS, Chief Executive Officer, is paid in full by Crédit Foncier; in 2017 it amounted to 75% of his fixed pay. In 2018 Olivier Avis's variable pay could amount to 50% of his fixed pay. In 2018, it was based on Crédit Foncier qualitative and quantitative indicators.

The variable pay of Paul DUDOUIT, Deputy Chief Executive Officer, is entirely paid by Crédit Foncier and may represent 75% of his fixed pay. For 2018, it is based on Crédit Foncier qualitative and quantitative indicators.

The amounts paid during year N represent the amounts due for year N-1 and for the previous years in the case of instalment payments.

EXCEPTIONAL REMUNERATION

The balance corresponds to profit sharing and incentive plans, of which amounts paid during year N represent the amounts due for year N-1.

ATTENDANCE FEES

In accordance with the standards set by Groupe BPCE, attendance fees paid by Group companies can be received directly by the members of these companies' Boards of Directors or Supervisory Boards.

Compagnie de Financement Foncier gross attendance fees (in €)

| | For 2017 | For 2018 |
|--|----------|----------|
| Benoît CATEL ⁽¹⁾ | 3,750 | 7,500 |
| Nathalie BRICKER ⁽³⁾ | - | - |
| Pascal CHABOT | 4,250 | 4,500 |
| Muriel COLLE ⁽¹⁾ | 2,250 | 3,750 |
| Crédit Foncier (represented by Éric FILLIAT) ⁽¹⁾ | 6,750 | 6,750 |
| Alexandre FOURNEAU | 2,250 | 3,750 |
| BPCE (represented by Francis DELACRE and then by Olivier IRISSON) ⁽²⁾ | 5,000 | 2,500 |
| Mathieu LEPELTIER ⁽¹⁾ | - | 3,750 |
| Jean-Sylvain RUGGIU ⁽²⁾ | - | 2,250 |
| Jean CHEVAL ⁽³⁾ | 0 | 0 |
| Christine FABRESSE | 5,750 | 4,750 |
| Dominique GARNIER | 5,750 | 4,750 |
| Cédric MIGNON ⁽²⁾ | 1,500 | 750 |

(1) Attendance fees paid to Crédit Foncier.

(2) Attendance fees paid to BPCE.

(3) No attendance fees paid pursuant to Natixis rules.

BENEFITS IN KIND

For their work on behalf of Crédit Foncier, the corporate officers benefit from the provision of a company car.

They receive no stock options or bonus shares.

IMPLEMENTATION OF THE "TEPA" LAW

Law No. 2007-1223 of August 21, 2007 "to support work, employment and purchasing power", known by its French acronym, "TEPA", now governs remuneration, benefits and payments due at the end of the corporate offices of Directors (Chairman and members of the Management Board, Chief Executive Officer and Deputy Chief Executive Officer) of companies whose shares are traded on a regulated market. In particular, this law subjects the payment of such compensation to its recipients' performance.

According to the BPCE instruction dated December 17, 2010, Directors' fees due to BPCE representatives are paid to BPCE and not to the person in question. Since January 1, 2012, the same rule applies to the representatives of Crédit Foncier and the Directors' fees are paid to Crédit Foncier and not to the natural person concerned. It is specified that no attendance fees are paid to Natixis employees serving as director, in an individual capacity, on the Board of Directors of Groupe BPCE companies.

The amounts paid during year N represent the amounts due for year N-1.

Apart from the attendance fees defined by the General Meeting and distributed by the Board of Directors, there is no other remuneration for the Chairman and the members of the Board of Directors.

OTHER BENEFITS

The members of the Management Board were able to acquire rights during their previous career, as employees or directors of companies of the Group in the following two supplementary pension plans:

- CGP: supplementary collective defined contribution pension plan and bond, applicable to all BPCE employees and, by extension, to BPCE's executive officers.

The contribution rate is 6% for tranche A and 4% for the portion of contributory compensation that exceeds tranche A; this contribution is distributed 70% at the expense of the company and 30% at the expense of the employee.

- IPRICAS: supplementary defined-contribution pension plan, collective and compulsory, applicable to all senior executives (AFB agreement) of the Crédit Foncier and by extension to the corporate officers of Crédit Foncier.

The contribution rate is 3.33% for the employer's share and 1.67% for the wage share. These contributions relate to the totality of the remuneration.

Allowances or benefits due or likely to be due as a result of the termination or change of function for Benoit CATEL

Benoit CATEL benefits from the compensation scheme in accordance with Law n° 2007-1223 as of August 21, 2007 for work, employment and the so-called TEPA purchasing power, if the following terms and conditions were met:

- in the event of non-renewal of his term of office at the end of his term of office, revocation or withdrawal of authorization, not related to serious misconduct resulting from acts, omissions, acts or conduct likely to affect the interest of the company in which the functions are performed or the group to which it belongs, and which would result in a definitive exit from Groupe BPCE;
- if the company were to generate a net profit or loss on the last financial year preceding the termination of the corporate office.

SUMMARY OF THE REMUNERATION OF EACH EXECUTIVE CORPORATE OFFICER (in euros)
NON-EXECUTIVE DIRECTORS FROM CRÉDIT FONCIER
■ Mr Benoît CATEL, Chairman of the Board of Directors

| | Fiscal year 2017 | | Fiscal year 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 | nd * | 99,000 |
| Exceptional remuneration | - | - | - | - |
| Supplemental 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 | 421,267 | 520,267 |

* On the date of publication of this document, Benoît CATEL's variable pay amount has not been approved. The variable pay will be presented in the Update to the Registration document as of June 30, 2019.

■ Éric FILLIAT, Permanent Representative of Crédit Foncier

| | Fiscal year 2017 | | Fiscal year 2018 | |
|-------------------------------|------------------|----------------|------------------|----------------|
| | Amounts due | Amounts paid | Amounts due | Amounts paid |
| Fixed pay | 203,425 | 203,425 | 243,100 | 243,100 |
| Variable pay | 94,593 | 95,000 | 180,000* | 94,593 |
| Banco Primus remuneration | 20,000 | 20,000 | - | - |
| Exceptional remuneration | 3,476 | 3,476 | 3,195 | 3,195 |
| Incentives and profit sharing | 3,453 | 3,453 | 9,202 | 9,202 |
| Supplemental retirement pay | 10,193 | 10,193 | 11,484 | 11,484 |
| Attendance fees | - | - | - | - |
| Benefits in kind | 4,200 | 4,200 | 3,990 | 3,990 |
| TOTAL | 339,340 | 339,747 | 450,971 | 365,564 |

* Variable pay for the 2018 financial year including € 90,000 (50%) paid in 2019 and the deferred amount of 50% paid in equal shares (€30,000) over three years.

■ Muriel COLLE

| | Fiscal year 2017 | | Fiscal year 2018 | |
|-------------------------------|------------------|----------------|------------------|----------------|
| | Amounts due | Amounts paid | Amounts due | Amounts paid |
| Fixed pay | 219,767 | 219,767 | 220,000 | 220,000 |
| Variable pay | 99,000 | 99,000 | 220,000* | 99,000 |
| Banco Primus remuneration | - | - | - | - |
| Exceptional remuneration | - | - | 25,000 | 25,000 |
| Incentives and profit sharing | 3,477 | 3,477 | 9,648 | 9,648 |
| Supplemental retirement pay | 10,729 | 10,729 | 11,562 | 11,562 |
| Attendance fees | - | - | - | - |
| Benefits in kind | 3,424 | 3,424 | 3,216 | 3,216 |
| TOTAL | 336,397 | 336,397 | 489,426 | 368,426 |

* Variable pay for the 2018 financial year including € 110,000 (50%) paid in 2019 and the deferred amount of 50% paid in equal shares (€36,667) over three years.

■ Mathieu LEPeltier

| | Fiscal year 2017 | | Fiscal year 2018 | |
|-------------------------------|------------------|----------------|------------------|----------------|
| | Amounts due | Amounts paid | Amounts due | Amounts paid |
| Fixed pay | 220,000 | 220,000 | 254,641 | 254,641 |
| Variable pay | 99,000 | 99,000 | 191,250* | 99,000 |
| Banco Primus remuneration | 20,000 | 20,000 | - | - |
| Exceptional remuneration | 3,412 | 3,412 | 3,177 | 3,177 |
| Incentives and profit sharing | 3,642 | 3,642 | 9,833 | 9,833 |
| Supplemental retirement pay | 10,736 | 10,736 | 11,882 | 11,882 |
| Attendance fees | - | - | - | - |
| Benefits in kind | - | - | - | - |
| TOTAL | 356,790 | 356,790 | 470,783 | 378,533 |

* Variable pay for the 2018 financial year including € 95,625 (50%) paid in 2019 and the deferred amount of 50% paid in equal shares (€31,875) over three years.

NON-EXECUTIVE DIRECTOR FROM BPCE

■ **Francis DELACRE, Permanent Representative of BPCE (until September 28, 2018)**

| | Fiscal year 2017 | | Fiscal year 2018 | |
|--------------------|------------------|--------------|------------------|--------------|
| | Amounts due | Amounts paid | Amounts due | Amounts paid |
| Attendance fees* | 0 | 0 | 0 | 0 |
| Other remuneration | n/a | n/a | n/a | n/a |
| TOTAL | 0 | 0 | 0 | 0 |

* Pursuant to BPCE rules, no attendance fees are paid.
n/a: not applicable to the person concerned.

■ **Olivier IRISSON, Permanent Representative of BPCE (from September 29, 2018)**

| | Fiscal year 2017 | | Fiscal year 2018 | |
|--------------------|------------------|--------------|------------------|--------------|
| | Amounts due | Amounts paid | Amounts due | Amounts paid |
| Attendance fees* | n/a | n/a | 0 | n/a |
| Other remuneration | n/a | n/a | n/a | n/a |
| TOTAL | N/A | N/A | 0 | N/A |

* Pursuant to BPCE rules, no attendance fees are paid.
n/a: not applicable to the person concerned.

■ **Jean-Sylvain RUGGIU**

| | Fiscal year 2017 | | Fiscal year 2018 | |
|--------------------|------------------|--------------|------------------|--------------|
| | Amounts due | Amounts paid | Amounts due | Amounts paid |
| Attendance fees* | n/a | n/a | 0 | n/a |
| Other remuneration | n/a | n/a | n/a | n/a |
| TOTAL | N/A | N/A | 0 | N/A |

* Pursuant to BPCE rules, no attendance fees are paid.
n/a: not applicable to the person concerned.

NON-EXECUTIVE CORPORATE OFFICERS FROM CAISSES D'ÉPARGNE

■ **Pascal CHABOT**

| | Fiscal year 2017 | | Fiscal year 2018 | |
|--------------------|------------------|--------------|------------------|--------------|
| | Amounts due | Amounts paid | Amounts due | Amounts paid |
| Attendance fees | 4,250 | 4,500 | 4,500 | 4,250 |
| Other remuneration | n/a | n/a | n/a | n/a |
| TOTAL | 4,250 | 4,500 | 4,500 | 4,250 |

n/a: not applicable to the person concerned.

■ **Christine FABRESSE**

| | Fiscal year 2017 | | Fiscal year 2018 | |
|--------------------|------------------|---------------|------------------|---------------|
| | Amounts due | Amounts paid | Amounts due | Amounts paid |
| Attendance fees* | 13,250 | 12,500 | 12,250 | 13,250 |
| Other remuneration | n/a | n/a | n/a | n/a |
| TOTAL | 13,250 | 12,500 | 12,250 | 13,250 |

* Total groupe Crédit Foncier attendance fees.
n/a: not applicable to the person concerned.

NON-EXECUTIVE CORPORATE OFFICERS FROM BANQUE POPULAIRE BANKS
■ Dominique GARNIER

| | Fiscal year 2017 | | Fiscal year 2018 | |
|--------------------|------------------|---------------|------------------|---------------|
| | Amounts due | Amounts paid | Amounts due | Amounts paid |
| Attendance fees* | 23,250 | 21,000 | 20,250 | 23,250 |
| Other remuneration | n/a | n/a | n/a | n/a |
| TOTAL | 23,250 | 21,000 | 20,250 | 23,250 |

* Total groupe Cr dit Foncier attendance fees.
 n/a: not applicable to the person concerned.

■ Alexandre FOURNEAU

| | Fiscal year 2017 | | Fiscal year 2018 | |
|--------------------|------------------|--------------|------------------|--------------|
| | Amounts due | Amounts paid | Amounts due | Amounts paid |
| Attendance fees | 2,250 | 2,250 | 2,250 | 2,250 |
| Other remuneration | n/a | n/a | n/a | n/a |
| TOTAL | 2,250 | 2,250 | 2,250 | 2,250 |

n/a: not applicable to the person concerned.

NON-EXECUTIVE CORPORATE OFFICERS FROM NATIXIS
■ Jean CHEVAL (until December 18, 2018)

| | Fiscal year 2017 | | Fiscal year 2018 | |
|--------------------|------------------|--------------|------------------|--------------|
| | Amounts due | Amounts paid | Amounts due | Amounts paid |
| Attendance fees* | 0 | 0 | 0 | 0 |
| Other remuneration | n/a | n/a | n/a | n/a |
| TOTAL | 0 | 0 | 0 | 0 |

* Pursuant to Natixis rules, no attendance fees are paid.
 n/a: not applicable to the person concerned.

■ Nathalie BRICKER (from December 19, 2018)

| | Fiscal year 2017 | | Fiscal year 2018 | |
|--------------------|------------------|--------------|------------------|--------------|
| | Amounts due | Amounts paid | Amounts due | Amounts paid |
| Attendance fees* | n/a | n/a | n/a | n/a |
| Other remuneration | n/a | n/a | n/a | n/a |
| TOTAL | N/A | N/A | N/A | N/A |

* Pursuant to Natixis rules, no attendance fees are paid.
 n/a: not applicable to the person concerned.

| Executive corporate officers | Employment contract | | Supplementary pension plan | | Indemnities or advantages due or likely to be due from a termination or change in position | | Indemnity relating to a non-competes clause | |
|--|---------------------|----|----------------------------|----|--|----|---|----|
| | Yes | No | Yes | No | Yes | No | Yes | No |
| Olivier AVIS Chief Executive Officer Start of term: 03/23/2017 | | X | | X | X | | | X |
| Paul DUDOIT Deputy Chief Executive Officer Start of term: 07/23/2017 | | X | | X | | X | | X |

OTHER INFORMATION ON REMUNERATION AND STOCK OPTION PLANS

At December 31, 2018, as Compagnie de Financement Foncier did not have its own employees, with the exception of its corporate officers, there was no incentive or profit-sharing plan in the Company. In addition, there were no stock option plans at December 31, 2018.

TABLE OF DELEGATIONS
DELEGATION OF AUTHORITY

| Date | Delegation | Type, amount, duration | Meeting of the Board of Directors |
|------|------------|------------------------|-----------------------------------|
| | | n/a | |

Report established pursuant to Article L. 225-37-2 of the French Commercial Code on the total remuneration and other benefits imputable to the Chairman, Chief Executive Officer and Deputy Chief Executive Officer for their corporate offices

Draft resolutions number 12 to 14 submitted to the Ordinary General Meeting of May 6, 2019 pursuant to the Article L. 225-37-2 of the French Commercial Code (law n° 2016-1691 as of December 9, 2016) concern the General Meeting approval of the principles and criteria on the determination, allocation and payment of the fixed, variable and exceptional remuneration as well as benefits in kind due to the Chairman, Chief Executive Officer and Deputy Chief Executive Officer for their corporate offices during the financial year ending on December 31, 2019.

The table below shows the remuneration and benefits that may be granted to the Chairman, the Chief Executive Officer and the Deputy Chief Executive Officer for the financial year ended December 31, 2019.

Table of remuneration and other benefits imputable to the Chairman, Chief Executive Officer and Deputy Chief Executive Officer for the financial year ending on December 31, 2019

| Name | B. CATEL | O. AVIS | P. DUDOUIT |
|--|---|--|--------------------------------|
| Office: | Chairman of the Board of Directors | Chief Executive Officer | Deputy Chief Executive Officer |
| Fixed pay: | N/A | | |
| Variable pay: | N/A | | |
| Supplemental retirement pay: | N/A | No remuneration is paid to the Chief Executive Officer and the Deputy Chief Executive Officer due to their corporate offices with Compagnie de Financement Foncier | |
| Benefits in kind: | N/A | | |
| Payments due when executives give up their corporate offices | N/A | | |
| Directors' fees*: | €1,500 per session with a maximum of €7,500 | N/A | N/A |

* According to the BPCE instruction dated on December 17, 2010, Directors' fees due to BPCE representatives are paid to BPCE and not to the person in question. Since January 1, 2012, the same rule applies to the representatives of Crédit Foncier and the Directors' fees are paid to Crédit Foncier and not to the natural person concerned.
n/a: non applicable.

Potential conflicts of interest

MEMBERS OF THE BOARD OF DIRECTORS

As far as the Company is aware:

- there are no potential conflicts of interest between the duties of members of the Board of Directors with regard to the issuer and other duties or private interests. If necessary, the Board of Directors' internal regulations and the Code of Ethics shall govern conflicts of interest involving any member of the Board of Directors;
- no arrangements or agreements have been made with individual shareholders, suppliers or others, under which any individual member of the Board of Directors was selected;
- there are no family ties between members of the Board of Directors.

Members of the Board of Directors do not accept any restrictions, other than legal restrictions, on the disposal of their capital interests in the Company.

DISCLOSURE OF CONVICTIONS

As far as the Company is aware, to date, no members of the Compagnie de Financement Foncier's Board of Directors have been convicted of fraud in the last five years.

As far as the Company is aware, to date, no members of the Compagnie de Financement Foncier's Board of Directors have been made bankrupt, placed in receivership or liquidation in the last five years.

MEMBERS OF THE MANAGEMENT BOARD

INDEPENDENCE AND INTEGRITY

Members of the Management Board may hold other offices subject to laws and regulations in force.

CONFLICTS OF INTEREST

To the company's knowledge:

- there are no conflicts of interest between any duties of Management Board Members with respect to the issuing entity and their private interests or other duties;
- there are no family ties between the Supervisory Board members;

At the filing date of this document, no member of the Management Board was linked to BPCE or any of its subsidiaries by a service agreement offering benefits.

DISCLOSURE OF CONVICTION

To the company's knowledge, to date, no member of the Management Board has, for at least the previous five years, been convicted of fraud, associated with bankruptcies, receiverships or liquidations, convicted of a crime or subject to an official public sanction handed down by statutory or regulatory authorities, or disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from participating in the management or conduct of the affairs of any issuer.



Management report

2018 MANAGEMENT REPORT

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2018 management report

For Compagnie de Financement Foncier, despite the ongoing uncertain environment (global economic slowdown, heightened geopolitical tensions, increased regulatory constraints), business remained brisk in 2018.

In 2018, Compagnie de Financement Foncier issued €5.7bn in French legal covered bonds (*obligations foncières*) 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 December 31, 2018, the balance sheet of Compagnie de Financement Foncier totaled €76.7bn and its net income for the fiscal year €89.8m.

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. On November 21, 2018, the Board of Directors of Crédit Foncier approved this project, which is currently being rolled out.

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. Upon completion of this project, Compagnie de Financement Foncier will mainly be positioned, on asset funding on behalf of Groupe BPCE entities, primarily in the Public sector.

1. Main operations of the fiscal year

ACQUISITIONS AND DISPOSALS

During 2018, Compagnie de Financement Foncier acquired €6.4bn in loans from Crédit Foncier including related receivables, plus €0.4bn in financing commitments.

Under Article L. 211-38 of the French Monetary and Financial Code, which allows an institution to grant a loan to another financial institution, the repayment of which is secured by a cover pool of receivables, Compagnie de Financement Foncier has arranged for a number of years several credit lines with its parent company, Crédit Foncier, amounting to €16.4bn at December 31, 2018, and with certain Caisses d'Épargne or Banque Populaire banks, amounting to €169.1m. The same facility was also granted to BPCE SA, in the amount of €8.9bn at December 31, 2018 excluding related receivables. Total loans granted were collateralized for €25.8bn.

EARLY REPAYMENTS

The rate of early repayments fell sharply in 2018. The rate of early repayment at end-2018 was 8.3% compared with 16.5% at end-2017.

The impact of these early repayments on net banking income mainly resulted in:

- an accelerated amortization of acquisition premiums/discounts, for an estimated -€65.1m over the fiscal year;
- the collection of prepayment penalties from individual customers of €40.8m; as a reminder, according to the agreement on services rendered by Crédit Foncier, one third of these penalties is transferred to the latter (expense recognized under operating expenses).

FUNDING AND CASH MANAGEMENT

In parallel, Compagnie de Financement Foncier issued €5.7bn in *obligations foncières*, €968m of which in private placements. These funds were raised with high maturities on average in anticipation of a widening of spreads at end-2018 – early 2019 and with a very low absolute spread.

All issuances in 2018 were denominated in euros. The high levels of oversubscription of public issues reflect the diversity and the vitality of Compagnie de Financement Foncier's investor base. Their placement shows strong interest from German investors as well as investors in France, the Benelux, Scandinavia and Asia.

In particular, 2018 was marked by four euro benchmark issuances for a total of €4.75bn:

- €1.0bn for 10 years in January;
- €1.5bn for 5 years in April;
- €1.25bn for 8 years in May;
- €1.0bn for 10 years in September.

(1) Standard & Poor's/Moody's/Scope Ratings, updated as of the 2018 Registration document's filing date.

2. Changes in assets

| Assets (in €k) | 12/31/2018 | 12/31/2017 |
|---|-------------------|-------------------|
| Cash and amounts due from central banks | 705,379 | 670,000 |
| Treasury bills and equivalent | 3,270,999 | 3,364,394 |
| Loans and receivables due from credit institutions repayable on demand | 26,449,694 | 28,761,396 |
| • Demand | 56,663 | 151,078 |
| • Term | 26,393,031 | 28,610,318 |
| Customer transactions | 39,643,161 | 38,639,497 |
| Bonds and other fixed-income securities | 4,565,859 | 4,511,584 |
| Equity interests and other long-term investments | 0 | 0 |
| Tangible and intangible fixed assets | 0 | 0 |
| Other assets | 52,591 | 214,855 |
| Accrual accounts | 1,977,089 | 2,204,862 |
| TOTAL ASSETS | 76,664,772 | 78,366,588 |

Compagnie de Financement Foncier's balance sheet totaled €76.7bn at end-2018, down 2% on end-2017, in line with Groupe Crédit Foncier's balance-sheet control strategy.

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

- a drop in outstanding loans and receivables due from credit institutions (-€2.3bn compared with end-December 2017); this decline was in particular due to loans to Crédit Foncier, secured by receivables under Article L. 211-38 (-€2.1bn compared with the previous year);

- a rise in outstanding loans to customers (+€1.9bn compared with December 31, 2017); this increase is directly linked to the marked drop in 2018 in the rate of early repayments by private individuals.

HOME LOANS AND IMPACT OF EARLY REPAYMENTS

Overall, the outstanding home loans, either held directly or assigned under L. 211-38, remained stable compared with end-2017. This is explained by a balance between new refinancings and a weaker volume of early repayments than in the previous periods.

| (in €m) | 12/31/2018 | 12/31/2017 | Change |
|--|-------------------|-------------------|---------------|
| Non-commercial mortgage-backed securities (See note 2) | 33,362 | 31,445 | +1,917 |
| Loans to private individuals guaranteed by real estate loans under L. 211-38 (See note 23) | 7,179 | 8,857 | -1,678 |
| TOTAL | 40,541 | 40,302 | +239 |

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 2018, these outstanding loans totaled €25.5bn. This amount broke down into:

- €16.4bn in loans to Crédit Foncier, a majority of which are guaranteed by exposures to French local authorities;
- €2.5bn in loans to other Groupe BPCE entities, also guaranteed by exposures to French local authorities;
- €6.6bn in loans to BPCE as replacement values, guaranteed by a portfolio of receivables.

The total amount of guarantees received to cover these loans was €25.8bn at December 31, 2018.

OTHER ASSETS AND ACCRUAL ACCOUNTS

Other assets stood at €52.6m at June 31, 2017 compared with €214.9m at December 31, 2017 (the receivable shown at December 31, 2017 is the compensation due by Crédit Foncier as part of the corporate income tax savings resulting from the 2017 tax loss and the re-allocation by BPCE of a tax expense for fiscal years 2013 to 2016).

The accrual accounts stood at €2.0bn at December 31, 2018, a slight drop compared with €2.2bn at December 31, 2017.

3. Changes in liabilities

| ■ Liabilities (in €k) | 12/31/2018 | 12/31/2017 |
|---|-------------------|-------------------|
| Amount due to central banks | 0 | 0 |
| Due to credit institutions | 6,601,591 | 7,945,176 |
| • Demand | 159 | 0 |
| • Term | 6,601,432 | 7,945,176 |
| Customer transactions | 0 | 0 |
| • Demand | 0 | 0 |
| Debt securities | 63,547,037 | 63,524,759 |
| • Interbank market instruments and negotiable debt securities | 151,865 | 151,533 |
| • Bond issues (obligations foncières) | 63,395,172 | 63,373,226 |
| Other liabilities | 1,107,531 | 1,623,947 |
| Accrual accounts | 2,205,340 | 2,088,657 |
| Provisions | 6,559 | 18,917 |
| Subordinated debts | 0 | 0 |
| Reserve for general banking risks | 20,000 | 20,000 |
| Equity excluding reserve for general banking risks | 3,176,713 | 3,145,132 |
| • Share capital | 2,537,460 | 2,537,460 |
| • Additional paid-in capital | 343,002 | 343,002 |
| • Reserves | 122,063 | 119,152 |
| • Regulated provisions and investment subsidies | 0 | 0 |
| • Retained earnings | 84,404 | 87,313 |
| • Income to be allocated | 0 | 0 |
| • Net income for the period | 89,784 | 58,205 |
| TOTAL LIABILITIES | 76,664,772 | 78,366,588 |

Amounts due to credit institutions fell by €1.3bn in 2018. This change was in particular due to a decline in term deposits and loans to Group entities.

Other liabilities fell €0.5bn over the year, mainly due to the decline in deposits on collateralization transactions.

Provisions totaled €6.6m at December 31, 2018, €12.4m down on last year, primarily due to the very sharp drop in provisions for counterparty risks on performing loans.

Shareholders' equity stood at €3.2bn, almost unchanged on 2017.

4. Analysis of the income statement

| ■ Income statement (in €k) | 12/31/2018 | 12/31/2017 |
|---------------------------------|----------------|----------------|
| Net banking income | 267,873 | 199,611 |
| General operating expenses | -94,909 | -117,901 |
| Gross operating income | 172,964 | 81,710 |
| Cost of risk | -16,039 | -4,910 |
| Operating income | 156,925 | 76,800 |
| Gains or losses on fixed assets | 421 | 7,458 |
| Income before tax | 157,345 | 84,257 |
| Income tax | -67,562 | -26,052 |
| NET INCOME | 89,784 | 58,205 |

■ NET BANKING INCOME

Net banking income stood at €267.9m in 2018, significantly up on 2017 (+€68.3m), primarily on the back of the positive effect of the sharp slowdown in the amount of early repayments by private individuals since the 2nd half of 2017.

The net interest margin stood at €228.4m, substantially higher than in 2017 (+€121m), in particular driven by a loan acquisition strategy that, since the 2nd half of 2017, has sought to balance the net amount of premiums/discounts.

Net fees and commissions are lower than in 2017 due to the drop in early repayment penalties received.

GROSS OPERATING INCOME

Operating expenses fell sharply from €117.9m in 2017 to €94.9m in 2018. This decrease stems from:

- the fall in remuneration from Crédit Foncier Private sector services, including the final billing adjustment for 2017 (reversal of €6.0m by Crédit Foncier) and the impact of the reduction in assets under management;
- the reduction in the repayment of one third of prepayment penalties to Crédit Foncier totaling €16.8m, in correlation with a lower amount of early repayments in 2018.

Gross operating income was €173.0m at December 31, 2018 compared with €81.7m the previous year.

COST OF RISK

The cost of risk, which remains moderate, stood at €16.0m, up on 2017 (€4.9m). The disposal of a portfolio of doubtful loans and receivables in July 2018, shaved €1m off the cost of risk but it was negatively impacted by higher litigation fees than at end-2017 and in line with budget forecasts.

NET INCOME

Net income stood at €89.8m in 2018, up significantly on 2017.

5. Risk factors

1. MAIN RISKS OF COMPAGNIE DE FINANCEMENT FONCIER

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, which, as a result, protects it from difficulties originated outside its own assets. The banking and financial environment in which Compagnie de Financement Foncier operates exposes it to many types of risk and forces it to implement a demanding and rigorous policy to monitor and control these risks.

Some of the risks faced by Compagnie de Financement Foncier are described below. However, this is not an exhaustive list of all of the risks which it confronts as part of its business activities or in consideration of the environment in which it operates. Thus, unknown risks or risks currently considered negligible by Compagnie de Financement Foncier could have a major adverse effect on its business, financial position and/or results.

The risks currently considered significant by the Compagnie de Financement Foncier can be divided into four broad categories:

- risks related to the economic environment and to the strengthening of regulatory requirements;
- risks inherent to banking activities, including credit, counterparty, interest rate, liquidity and operational risks;
- risks specific to Compagnie de Financement Foncier's business activities;
- environmental risks.

1.1. RISKS RELATING TO MACRO-ECONOMIC CONDITIONS AND TO REGULATORY REQUIREMENTS STRENGTHENING

1.1.1. Potential impact arising from the persistence of a difficult economic and financial environment, particularly in Europe

If 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 affected.

1.1.2. Potential impact of the maintenance of interest rates at a very low level for an extended period on Compagnie de Financement Foncier's activities and financial results

Like the entire financial sector, Compagnie de Financement Foncier has been operating since early 2015 in a context of very low, or even negative, interest rates; all indications currently show that this trend is likely to continue.

According to its risk policy, Compagnie de Financement Foncier ensures the matching of its assets and its liabilities. Any new operation is thus subject to a hedging operation the moment it is recognized on the balance sheet via the implementation of interest rate swaps.

After the implementation of these hedging operations, Compagnie de Financement Foncier's assets and liabilities have a floating rate with a net fixed interest margin.

Compagnie de Financement Foncier is therefore not subject, in theory, to interest rate risks, including when the rate drops, because the dropping interest income falls in the same proportions as interest expenses, thanks to the hedges in place.

However, in case of early repayments, the associated hedge must also be canceled. In this case, an early repayment penalty, intended to compensate for losses from unrealized future interest, is foreseen. This penalty should theoretically correspond to the termination balance of the hedging swap, in particular for micro-hedging transactions.

This balance can be upset by the legal cap on prepayment penalties for real estate loans to individual customers, limiting them to six months of interest or 3% of the outstanding capital.

The continued decline in mortgage rates in France has led to significant numbers of early repayments, forcing Compagnie de Financement Foncier to adjust the macro-hedging associated with this type of asset by canceling the swaps resulting in additional costs.

As such, the prolonged period of low interest rates and the high level of early repayments may lead to additional costs for Compagnie de Financement Foncier and degrade its profitability.

1.1.3. Potential impact of increased regulatory and banking supervisory measures which may affect Compagnie de Financement Foncier

Laws and regulations have been enacted or proposed in response to the financial crisis to introduce a series of changes to the global financial framework. Although such measures are intended to prevent the reoccurrence of such events, they are likely to continue altering the environment in which Compagnie de Financement Foncier and other financial institutions operate.

A non-exhaustive list of the measures enacted or under consideration: revision of the regulations on covered bonds, tougher capital and liquidity requirements for financial institutions; more stringent procedures for legal receivership and resolution; new weighting methodologies for credit risk, establishment of regulatory bodies and the strengthening of existing bodies, taxes on financial transactions, etc. Among these measures, some are still at the proposal stage and their content will probably be revised and reinterpreted, especially to comply with the national prudential framework in each country.

Some of these measures could also increase the issuer's financing costs and fixed costs.

Groups directly overseen by the ECB, like BPCE and its affiliated institutions, are required to implement these various measures within a reasonable period.

Compagnie de Financement Foncier may be subject to additional constraints.

1.1.4. Potential impact of Great Britain's withdrawal from the European Union

The process of Great Britain's withdrawal was made official on March 30, 2017 by triggering Article 50 of the Treaty on European Union.

This process is unprecedented in the history of the European Union and it is therefore not possible to predict the potential impact of this exit, which depends on the UK's ability to get the agreement negotiated with the European Union through the UK parliament in order to enjoy continued access to European markets. Brexit could therefore adversely affect the European and even world economic environment and/or market conditions and could also lead to increased market volatility, in particular in exchange rates.

Nevertheless, the direct impact on Compagnie de Financement Foncier is expected to be moderate. In effect, the Company does not act as a clearing house.

1.1.5. Potential impact of future events that differ from the assumptions made in Compagnie de Financement Foncier's financial statements

Pursuant to current accounting standards and interpretations, Compagnie de Financement Foncier is required to prepare its financial statements on the basis of certain estimates supported by assumptions. They may in particular involve accounting estimates relating to the determination of provisions for :

- doubtful loans and receivables;
- provisions for potential claims and litigation;
- the fair value of certain assets and liabilities.

If the values used for these estimates prove to be materially inaccurate, in particular in the event of sharp or unexpected moves in the markets, or if the methods used to calculate these values are modified due to future changes in accounting standards or interpretations, Compagnie de Financement Foncier may be exposed to unexpected losses.

1.2. RISKS INHERENT TO BANKING ACTIVITIES

1.2.1. Compagnie de Financement Foncier is exposed to several types of risks inherent to banking activities

Compagnie de Financement Foncier is exposed to five major risk categories, which are presented below. The risk factors that follow indicate or provide specific examples of these different risk types and describe certain additional risks to which Compagnie de Financement Foncier is exposed.

- **Credit risk** is the risk of financial loss that may result from the inability of a counterparty to honor its contractual obligations. The counterparty may be a natural person, a state or one of its various related bodies, a bank, a financial institution or a commercial enterprise. Credit risk results from loans and the holding of securities, as well as from business activities that are exposed to a risk of default by a counterparty (for example, the sale or purchase of derivatives).

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 case of the default of a public body to which Compagnie de Financement Foncier has significant exposure, in particular Italy, the United States, Switzerland, Poland and some Canadian and Japanese public bodies.

However, the results of the stress tests carried out in the manner recommended by the ECB reaffirm the resilience of the model.

It should be noted that the counterparty risk associated with Compagnie de Financement Foncier's hedging transactions is very limited, due to the fact that these transactions are subject to systematic collateralization.

- **Interest rate risk** is the risk incurred in the event of interest rate fluctuations stemming from all balance sheet and off-balance sheet transactions. Compagnie de Financement Foncier hedges all of its assets and its liabilities as soon as they are recorded on the balance sheet through the use of micro-hedging and/or macro-hedging derivatives. Compagnie de Financement Foncier remains exposed, however, to a residual risk of the ineffectiveness of these hedges, particularly in case of early repayments.
- **Liquidity risk** is the risk of not being able to honor one's commitments or not being able to unwind or offset a position, within a given period and at a reasonable cost, subject to market condition.
- **Exchange rate risk** is the risk of seeing returns from its assets affected by exchange rate fluctuations, or not being able to make or receive payments due to the currency of the transaction. Compagnie de Financement Foncier may carry out some of its activities in currencies other than the euro, and changes in exchange rates may affect its results. As part of its risk management policy, Compagnie de Financement Foncier operates micro-hedging transactions to individually hedge its exposure to exchange rate risk until termination date.
- **The operational risk** is borne primarily by Crédit Foncier, which provides, as part of regulated agreements, most of the financial resources required by Compagnie de Financement Foncier's activities.

Operating risk is the risk of losses due to mismatches or weaknesses in internal procedures, or external incidents, whether deliberate, inadvertent or of a natural cause.

Internal processes include, but are not limited to, human resources and information systems, risk management and internal control mechanisms (including fraud prevention). External incidents include in particular floods, fire, storms, earthquakes and terrorist acts.

1.2.2. Potential impact of the downgrading of Compagnie de Financement Foncier's credit rating

Credit ratings have an important impact on liquidity for Compagnie de Financement Foncier and its activities in the financial markets. A lowering of Compagnie de Financement Foncier's ratings could affect its liquidity and market position, increase its refinancing costs, limit its access to capital markets. Compagnie de Financement Foncier's cost of refinancing is directly dependent on its *credit* spread (the rate differential above the sovereign bond rate of the same maturity that is paid to bondholders), which itself depends in part on its rating. An increase in credit spreads can significantly raise Compagnie de Financement Foncier's cost of refinancing. Credit spreads changes are unpredictable and sometimes, with a large scale. Credit spreads are also the result of the markets' perception of the issuer's solvency. Moreover, credit spreads may be influenced by factors outside the control of Compagnie de Financement Foncier.

1.2.3. Potential impact associated with a very significant increase in impairment of new assets or an insufficient level of asset impairment previously recognized in Compagnie de Financement Foncier's portfolio of loans and receivables

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. Although the Compagnie de Financement Foncier strives to establish a sufficient level of provisions, its lending activities could lead it to increase its provisions in the future for losses due to an increase in non-performing assets or for other reasons, such as a sharp deterioration in the value of real estate properties used as guarantees, or deteriorating economic conditions, resulting in increased counterparty defaults.

1.2.4. Potential impact related to counterparty credit risk for derivative contracts as part of its hedging transactions

In order to limit its exposure to fluctuations in interest and foreign exchange rates, Compagnie de Financement Foncier conducts rate and foreign exchange hedging transactions with a set of counterparties through the use of derivatives. Compagnie de Financement Foncier has therefore signed asymmetrical collateralization agreements with a number of credit institutions. These agreements provide security deposits to the benefit of Compagnie de Financement Foncier without it making any payment. This situation provides protection in the event of the counterparty's default.

1.2.5. Potential impact of any interruption or failure of the information systems belonging to Compagnie de Financement Foncier or a third party

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

They operate across groupe Crédit Foncier and are governed by an operating and third-party application maintenance agreement.

1.3. RISKS SPECIFIC TO COMPAGNIE DE FINANCEMENT FONCIER'S ACTIVITIES

1.3.1. Potential impact of a sudden and significant fall in the real estate market on Compagnie de Financement Foncier's business and results

As a *société de crédit foncier*, Compagnie de Financement Foncier carries on its balance sheet a significant number of home loans to finance real estate assets.

In case of financial difficulties, some borrowers may find themselves unable to repay the loans they have taken out. In this case, the real estate property becomes the main guarantee associated with the loan that has become doubtful.

Compagnie de Financement Foncier eligible receivables are required by regulation to satisfy a loan-to-value ratio (ratio of the loan amount/the value of the guarantee) that protects the Company in part against these risks. A significant share of the real estate loans to individuals held by Compagnie de Financement Foncier are also guaranteed by the French State via FGAS in addition to the mortgage guarantee.

1.3.2. Potential impact of concentration risk in the hedging portfolio

Compagnie de Financement Foncier's balance sheet management policy requires the diversification of assets in order to minimize concentration risk. Real estate loans recognized in Compagnie de Financement Foncier's balance sheet consist mainly of mortgage home loans (assets with high granularity). In light of the significant reduction in international exposures, these assets are predominantly 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. In addition, exposures to the Public sector are also highly concentrated on the French public sector, whereas internationally Compagnie de Financement Foncier's exposure to the Public sector is concentrated on a number of significant individual areas, in particular Italy for sovereigns and the Jehdra agency in Japan.

1.3.3. Potential impact linked to Compagnie de Financement Foncier's operational dependence 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 this appears very unlikely, Compagnie de Financement Foncier could be at risk of Crédit Foncier's non-compliance with these agreements.

1.3.4. Potential impact of the implementation of the European Bank Recovery and Resolution Directive

On May 6, 2014, the European Union Council adopted a directive establishing a European framework known as the Bank Recovery and Resolution Directive ("BRRD"), supplemented by Regulation 806/2014/EU (called the Single Resolution Mechanism or "SRM") and transposed in France by Act No. 2015-1024 of August 20, 2015.

The measures available to banking institutions aim to ensure the continuity of the critical financial and economic functions of the latter, while minimizing the overall impact of their possible failure so as to:

- protect customer funds and assets, and in particular those of depositors;
- safeguard the resources of the Member State on which the institution depends; by minimizing the need for extraordinary public financial support;
- avoid serious adverse effects on financial stability.

Four resolution tools are provided for this purpose: the transfer of some activities, the use of a bridge bank, the separation of assets and a bail-in.

This last option provides resolution authorities with the ability to depreciate (even down to zero) some rights of subordinated creditors of a failing institution and to convert certain subordinated debt into equity.

The *obligations foncières* issued by Compagnie de Financement Foncier are explicitly excluded from this bail-in mechanism, except, where appropriate, for the fraction of the issuer's outstanding *obligations foncières* that would exceed the value of the hedging portfolio guaranteeing them. This amount should be zero in the vast majority of possible scenarios, due to the existing collateralization between the hedging portfolio and the *obligations foncières* outstanding, and to this portfolio's margin. However, the occurrence of the risk cannot be completely excluded at a given time, the hedging portfolio being no longer sufficient to ensure all the *obligations foncières* outstanding. This risk, if it were to materialize, could nevertheless only concern an insignificant fraction of the outstanding *obligations foncières* involved.

Moreover, the mechanism of the non-extension of the bankruptcy of the parent company to Compagnie de Financement Foncier continues to protect the latter.

1.3.5. Potential impact associated with the group Crédit Foncier's strategy

The implementation of a new industrial plan for Crédit Foncier, which began in late 2018 and will continue in the first half of 2019, aims to refocus Crédit Foncier's business on two missions:

- the management of outstanding loans until extinction;
- the refinancing, via Compagnie de Financement Foncier, of assets, mainly of the public sector, originated by Groupe BPCE.

Compagnie de Financement Foncier will thus continue to serve Groupe BPCE.

Compagnie de Financement Foncier's business volume will be partially impacted by the discontinuation of Crédit Foncier's new loans production. However, the management of the outstandings is maintained until their extinction with the same level of requirements.

The risk profile of Compagnie de Financement Foncier is not modified by this change as it continues to benefit from the agreements in force. The level of risk remains excellent.

1.4. ENVIRONMENTAL RISKS

The management of Compagnie de Financement Foncier has been entirely entrusted to the services of Crédit Foncier, within the framework of a body of extinguishment agreements and the provision resources.

Compagnie de Financement Foncier therefore has no means of its own (employees, premises, etc.) and relies on those of Crédit Foncier.

As a result, the climatic risks that may affect the operations and business of Compagnie de Financement Foncier are treated according to the system implemented by Crédit Foncier (page 84 of Crédit Foncier's 2018 Registration document).

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 existence 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

No loan or receivable due from credit institutions was reclassified as doubtful in 2018. Out of the €26.4bn in loans and receivables due from credit institutions €25.5bn 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 €39.6bn at December 31, 2018, including €1.6bn of doubtful loans, compared with €38.6bn and €1.4bn at December 31, 2017. Doubtful loans remained almost exclusively concentrated on home loans for 99.6 %. At the same time, out of a total of €78.8m in impairment at December 31, 2018, €78.7m concern home loans.

HELD-TO-MATURITY SECURITIES

Outstanding held-to-maturity securities amounted to €7.8bn (excluding accrued interest and after premiums or discounts) at December 31, 2018. None of these securities was reclassified as doubtful or impaired in 2018.

The outstanding amount (excluding accrued interest and after premiums or discounts) was split across Italy (37%), the United-States (19%), Japan (18%), France (10%), Spain (4%), Canada (6%), Poland (5%), and other countries with non-material amounts (1%).

7. Financial risk analysis

INTEREST 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 made for single transactions. Similarly, the debt issued by Compagnie de Financement Foncier is micro swapped at the outset to transform it into variable rate liabilities in euros.

Interest rate positions are also reviewed each quarter and macro-hedging transactions are arranged if they deteriorate to a point that might result in non-compliance with the strict 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 December 31, 2018, the amount of deposits received was €0.9bn.

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 December 31, 2018, outstandings in micro- and macro-hedging instruments consisted of €78.6bn, of which €63.7bn in interest rate swaps and

€14.9bn in currency swaps; this compares with €79.2bn in 2017, of which €62.7bn in interest rate swaps and €16.5bn in currency swaps.

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.

Although interest rates remain low and competition intense between credit institutions, there has been a continued slowdown in early repayments since the 2nd half of 2017. In 2018, 8.3% of loans to private individuals were repaid compared with 16.5% in 2017.

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 2018, no limits were exceeded.

LIQUIDITY RISK

The very prudent liquidity management policy continued in 2018. 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 December 31, 2018, Compagnie de Financement Foncier had available cash of €762m, of which €705m with Banque de France, and €6.6bn granted to BPCE with a maturity of less than two months and fully guaranteed by a loans 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

ORGANIZATION OF INTERNAL CONTROL

REGULATORY ENVIRONMENT AND ITS APPLICABILITY TO THE ENTITIES OF THE GROUP CRÉDIT FONCIER

In its dual capacity as credit institution and *société de crédit foncier*, Compagnie de Financement Foncier operates within a very comprehensive legal and regulatory framework governing its activities and their control.

As a credit institution, this framework is primarily governed by the French Monetary and Financial Code (*Code Monétaire et Financier* – CMF) and the regulations set forth by the French Banking and Finance Regulatory Committee (*Comité de la Réglementation Bancaire et Financière* – CRBF), and, with regards to internal controls, by 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.

As a *société de crédit foncier*, Compagnie de Financement Foncier is subject to specific provisions set forth in Articles L. 513-2 to L. 513-27 of the French Monetary and Financial Code (CMF) and in various implementing decrees (Articles R. 513-1 to 513-21 of the CMF, CRBF Regulation No. 99-10 as amended, etc.). This legal and regulatory framework applicable to *sociétés de crédit foncier* was revised and modernized in 2010, and the changes came into force in 2011. Changes in the legal and regulatory framework equally took place in 2014 and 2016 with *Sapin II* legislation.

This framework requires the appointment of a Specific Controller approved by the French Prudential Supervisory and Resolution Authority (ACPR). This person is in charge of monitoring compliance with legal requirements: asset eligibility, over-collateralization, congruence of rates and maturity and valuation of assets or underlying securities.

The Controller drafts an annual report, which is then submitted to the French Prudential Supervisory and Resolution Authority and executive officers.

Compagnie de Financement Foncier is also provider of investment services and therefore subject to the General Regulation of the French Financial Markets Authority (AMF). Crédit Foncier's Director of Compliance is responsible for the compliance of the investment services. A permanent holder of the card issued by the AMF for Compagnie de Financement Foncier, she ensures compliance with the financial regulations. To structure her scope of action, she has drawn up a set of procedures notably concerning the warning mechanism available for people exposed to insider trading issues, the management of professional cards issued by the AMF, the recording of telephone communications, the limited access to the trading floor, and the certification of products and services.

In accordance with the legal framework that provides a privilege for holders of covered bonds, the law stipulates that *sociétés de crédit foncier* may not have their own resources. Compagnie de Financement Foncier relies on the resources of its parent company to carry out its activities. Crédit Foncier thus provides a certain number of services on behalf of Compagnie de Financement Foncier under a series of agreements, one of which specifically covers internal control and compliance services.

The outsourced activities are performed in accordance with the permanent and periodic control procedures implemented by Crédit Foncier. These procedures comply with the rules and standards set by BPCE, which as the central institution determines the obligations of Group entities in the area of internal control (resources, organization and guidelines).

INTERNAL CONTROL STAKEHOLDERS

The Crédit Foncier control system has two levels of permanent control and a periodic control level.

FIRST-LEVEL PERMANENT CONTROL

First-level permanent control is ensured by operational staff under the supervision of line management. The control methods are specified in procedural and operating manuals, with units being responsible for producing and updating them.

SECOND-LEVEL PERMANENT CONTROL

Second-level permanent control is conducted by dedicated units that are independent of operating units. These units report to the Risk and Compliance Division. They ensure compliance with internal procedures and legislative and regulatory provisions, as well as strong risk control. They draw up and implement an annual control plan. They ensure that operational controls (first level) are performed and do additional controls. The results of their controls are regularly sent to the Permanent Control Coordination department and a summary submitted to the Crédit Foncier Internal Control Committee.

This is particularly the case of the Compagnie de Financement Foncier Oversight and Forecasting Division, which is tasked with overseeing the permanent control of all processes impacting Compagnie de Financement Foncier (in particular control of the quality of procedures and services). It reports to the Deputy Chief Executive Officer of Crédit Foncier in charge of Financial Operations.

Second-level permanent control is also conducted by central departments independent of operational structures and reporting to the executive director in charge of the Risk and Compliance Division:

- **the Risk department** measures, controls and oversees credit and counterparty risks, as well as financial and operational risks;
- **the Compliance department** is primarily tasked with controlling non-compliance risks and those stemming from investment services. It also covers ethics, anti-money laundering and fraud;
- **the Permanent Control Coordination department** is responsible for ensuring cross-business control functions within the group Crédit Foncier. It provides a strong functional reporting line between permanent control teams, ensuring the existence and effectiveness of the permanent control structure;
- **the head of Information Systems Security** for groupe Crédit Foncier defines the information systems security policy and coordinates a network of officers within the Company. It also monitors the compliance of the Company's practices with applicable data protection regulations (CNIL, GDPR);
- **the "contingency and business continuity plan" function** of groupe Crédit Foncier is responsible for updating and maintaining the operational functions of the plan drawn up to ensure business continuity at Crédit Foncier, including the services performed by Compagnie de Financement Foncier following the occurrence of a major risk.

In addition, **the "Accounting audit" unit**, which reports to the deputy Chief Financial Officer but has no operational remit, controls the accounting and regulatory information produced by Crédit Foncier and its subsidiaries. It reports to the Risk and Compliance Division of Crédit Foncier.

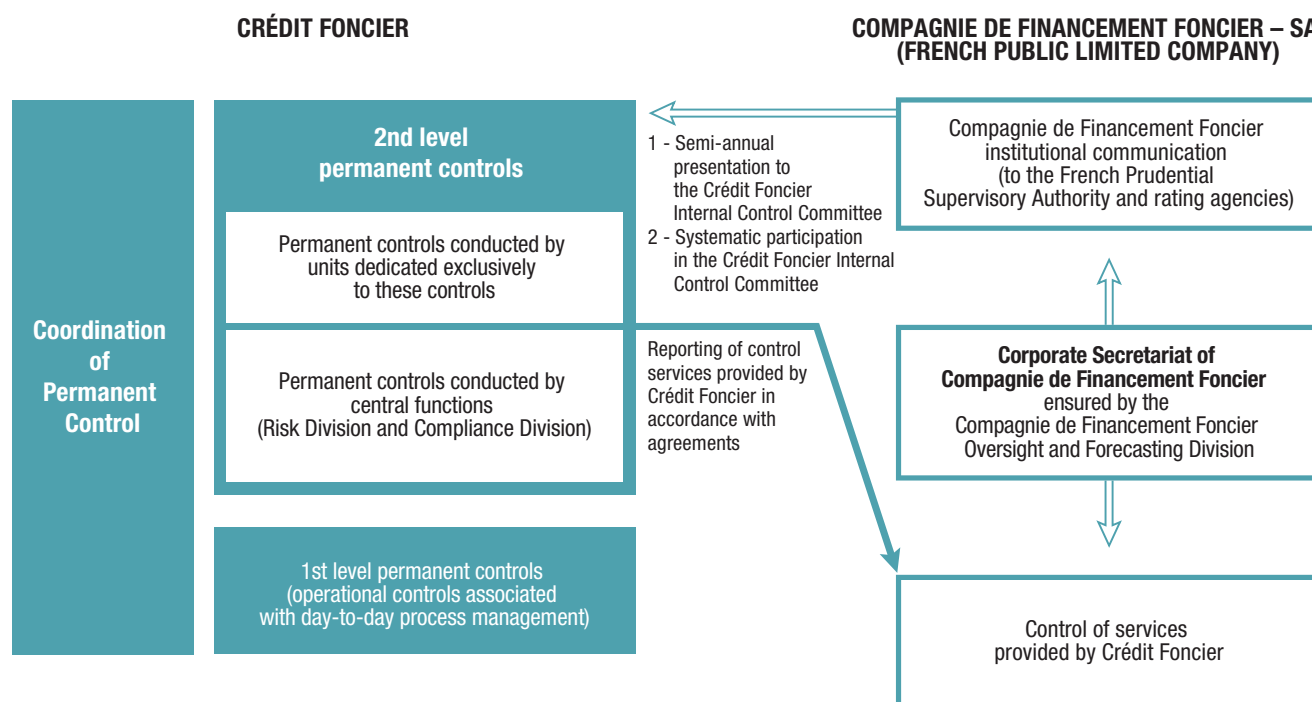
PERIODIC CONTROL

This is the responsibility of the Internal Audit Division of groupe Crédit Foncier.

The shareholder's control unit may also contribute to periodic controls by auditing groupe Crédit Foncier and forwarding recommendations to Crédit Foncier's Internal Audit Division, which oversees their implementation.

ORGANIZATION OF INTERNAL CONTROL

The internal control of Compagnie de Financement Foncier is organized as follows:



THE INTERNAL CONTROL COMMITTEE OF CRÉDIT FONCIER

The Internal Control Committee deals with control issues at Compagnie de Financement Foncier as a subsidiary of groupe Crédit Foncier and also as an entity benefiting from services from Crédit Foncier.

It meets six times a year under the chairmanship of the Chief Executive Officer of Crédit Foncier, the permanent and periodic control officers and the head of the Risk and Compliance Division of Crédit Foncier.

Its main responsibilities are to:

- ensure the proper organization and completeness of the permanent control of the activities, the effectiveness of the risk monitoring and control systems of Crédit Foncier and its subsidiaries;
- coordinate actions to ensure compliance, operational risk control and internal procedures, quality, availability of information processed by the Information Systems (IS) and the security of these systems;
- ensure that deficiencies identified at any stage of the control process are resolved and monitored;
- act as a Volcker Committee under the US Dodd-Frank Wall Street Reform and Consumer Protection Act, which has added a new section 13 to the Bank Holding Company Act of 1956 (BHC Act), section 13, commonly referred to as "Volcker Rule".

The head of Compagnie de Financement Foncier Oversight and Forecasting Division is a permanent member of the Internal Control Committee.

THE RISK EXECUTIVE COMMITTEE

The Crédit Foncier Risk Division is responsible for managing risks, in particular through the Crédit Foncier Risk Executive Committee, the Central Committee of groupe Crédit Foncier's Risk department. By virtue of its status as a *société de crédit foncier*, Compagnie de Financement Foncier also carries out the in-depth monitoring of its risks, in particular through a dedicated Risk Executive Committee, with oversight by the Crédit Foncier Risk Division.

These committees are responsible for defining the risk policy, monitoring its proper application and, more broadly, ensuring risk oversight and control at Crédit Foncier and its subsidiaries, in line with the general risk policy drawn up by Groupe BPCE.

The Risk Executive Committee of Compagnie de Financement Foncier meets at least once a quarter. It is chaired by the Chief Executive Officer of Compagnie de Financement Foncier and its secretariat is ensured by the Crédit Foncier Risk Division.

The committee monitors:

- credit and counterparty risks (monitoring of outstanding loans, revaluation of collateral, historical analysis of the ratings of outstanding loans, monitoring of limits);
- financial risks: interest rate, liquidity, foreign exchange (summary of meetings of the ALM Committee of Compagnie de Financement Foncier);
- operating risks: incident reports, impact in terms of risk mapping, impact assessment (where applicable);
- regulatory (regulatory ratios, developments in the realm of compliance).

CORPORATE GOVERNANCE

Compagnie de Financement Foncier's Executive Management is responsible for managing the Company. It is in charge of the management of risks and internal controls.

The Board of Directors of Compagnie de Financement Foncier exercises control over the management of the Company and directs strategy. It is involved in the most important decisions and is kept regularly informed of the level of indicators. Its work is prepared by the Audit Committee and the Risk Committee of Compagnie de Financement Foncier, which carry out the essential tasks of first ensuring that relevant and consistent accounting methods are used to prepare the Company's financial statements and second, of assessing the quality of internal controls, including measurement, monitoring and risk management systems, and finally, if necessary, proposing an appropriate course of action.

COMPLIANCE

An integral part of the internal control system required by regulations governing credit institutions, the compliance control system refers to all the resources employed to ensure respect with provisions pertaining to banking and financial activities, professional and ethical standards, Group rules and instructions from executive directors made on the basis of guidance from the supervisory body.

Reporting to the executive director in charge of the Risk and Compliance Division, the Compliance Division has recourse to Groupe BPCE's charter on risks, compliance and permanent control dated March 29, 2017. In this context, it is responsible for identifying, evaluating and monitoring non-compliance risks (including misconduct) notably through a system of operational and procedural control that reflects their scale and their complexity, contributing to developing risk policies and, lastly, notifying executive directors and the Board of Directors. It monitors the first and second level permanent control of non-compliance risks (including the risk of misconduct). Its activities include financial and general ethics, combating money laundering and terrorist financing, preventing and dealing with fraud risks as well as specific control of the compliance of investment services, compliance with the law on the separation and regulation of banking activities and the Volcker rule.

The Compliance Division, together with the Permanent Control Coordination department, helps with the functional coordination of the compliance and permanent control controllers assigned to the various operational scopes and support functions.

It regularly reports on its work to Executive Management, the Internal Control Committee, the Risk Committee, the Board of Directors and the central institution.

WORK PERFORMED BY THE GENERAL INSPECTION DIVISION

ORGANIZATION AND RESOURCES OF THE INTERNAL AUDIT DIVISION

Risk assessment and the permanent control system are the responsibility of the Internal Audit Division.

It reports on its work to the Chief Executive Officer and to the Risk Committee.

At the end of 2018, the division had a staff of 18 employees. All were university graduates drawn from a number of complementary fields (accounting, finance, legal, commercial sales).

An annual audit plan is prepared by the General Inspection Division of Crédit Foncier, working in conjunction with the Executive Management of Crédit Foncier and in consultation with BPCE's General Inspection department. The plan is approved by Crédit Foncier's Executive Management and submitted to its Risk Committee. It covers the scope of intervention of the General Inspection Division, on the basis of a multi-year plan within an audit cycle of at most four years; intrinsically risky activities are audited more frequently. During the year, specific audits or reviews may be conducted at the behest of Executive Management or the Risk Committee.

Reports on the audits conducted are sent to the Executive Management of Crédit Foncier, the Risk Committee, the Board of Directors and, where necessary, the executive body of the relevant subsidiaries. Information is also provided to the Executive Committee, allowing a final review of recommendations prior to implementation. A summary of the follow-up on recommendations is sent to the aforementioned bodies in addition to the Executive Committee, which reviews any recommendations that are particularly difficult to implement.

INSPECTION ASSIGNMENTS CONDUCTED IN 2018

Overall, the General Inspection Division of Crédit Foncier conducted its audit plan in 2018. The audits conducted were included in the annual audit plan approved by the Audit Committee on December 12, 2017, covering the various segments of the group Crédit Foncier: loans to individuals, Corporates, support activities, subsidiaries and outsourced services.

FOLLOW-UP ON RECOMMENDATIONS FROM PREVIOUS ASSIGNMENTS

Monitoring of the implementation of audit recommendations is based on the reports submitted by the audited entity's management, indicating the percentage of completion and including, if necessary, an action plan and a new deadline.

The audited units now enter the reports into the Group's intranet database made available to them. These reports must be accompanied by supporting documentation provided by the audited entity and containing all the necessary proof of completion. The General Inspection Division systematically verifies whether the audit recommendations have actually been implemented by checking documents when the completion rate reaches 100%.

A detailed statistical report is prepared quarterly to provide a clear summary report to Executive Management, the Executive Committee, the Risk Committee and the Board of Directors: it includes requests to extend or abandon recommendations. Recommendations not implemented according to the initial timetable are specifically reviewed by the Executive Committee.

When an entity is re-audited, the status of previous recommendations is systematically examined.

PROCEDURES FOR AUDITING ACCOUNTING AND FINANCIAL INFORMATION

Since the migration to the Caisses d'Épargne common IT system, the Accounting department has encountered difficulties monitoring the accounts of bodies. The Accounting department thus implemented a plan to audit past outstanding issues, involving a separate operational committee, a monthly oversight committee, special workshops within and outside accounting and a monthly workshop to monitor anomalies. These various workshops have made it possible to sharply reduce the number of accounting bodies.

The system for identifying bodies was just delivered in January 2019 in order to allow more effective monitoring and auditing of accounts.

BPCE'S ROLE

BPCE's Accounting department is responsible for standardization, supervision, appraisal, oversight, forecasting, regulatory monitoring and Group's representation for prudential and accounting matters.

In this capacity, it defines and updates the Group's accounting standards, comprised of a Group Accounting Plan together with accounting rules and methods applicable to all Group entities. These rules and methods include general accounting tables and are summarized in a manual used by all the Group's institutions. This manual is regularly updated based on changes in accounting regulations. Furthermore, the rules for preparing the half-year and annual financial statements are the subject of a specific report aimed at harmonizing accounting procedures and statements across the different companies in the Group.

THE INSTITUTION'S AUDIT COMMITTEE

Accounting and financial statements (annual and half-year consolidated financial statements) are presented to the Audit Committee. This committee analyzes the statements, receives the conclusions of the Statutory Auditors and submits its conclusions to the Board of Directors.

STRUCTURE OF THE GROUP CRÉDIT FONCIER'S ACCOUNTING FUNCTION

Accounting at the group Crédit Foncier is performed by the Accounting department. The latter is directly tasked with preparing the financial statements and regulatory filings for all Group entities, except for SOCFIM and Banco Primus, which have their own Accounting department. Crédit Foncier also has decentralized accounting units authorized by the Accounting department to conduct account-keeping and record-keeping, primarily for financial transactions.

General Accounting department of Crédit Foncier is organized as follows:

■ Accounting department of Crédit Foncier

| Functions | Main responsibilities in accounting system operations | Main responsibilities in compiling and summarizing data |
|--|---|--|
| Reporting and consolidation | <p>Individual financial statements:</p> <ul style="list-style-type: none"> account-keeping for Crédit Foncier, Compagnie de Financement Foncier and Locindus, and preparation of the individual financial statements; tax declarations. <p>Consolidated financial statements:</p> <ul style="list-style-type: none"> centralization of consolidation packages; preparation of the consolidated financial statements; implementation of consolidation procedures (use of Groupe BPCE BFC software package). | <ul style="list-style-type: none"> balance sheets, income statements and notes for these entities; monthly summary results statements of the Group's two main credit institutions (Crédit Foncier, Compagnie de Financement Foncier). |
| Regulatory and prudential disclosures | <ul style="list-style-type: none"> regulatory disclosures at Company level (SURFI, etc.); calculation of the specific ratios of Compagnie de Financement Foncier; consolidated prudential disclosures to the Prudential Supervisory and Resolution Authority and/or to the ECB (via BPCE, central institution), in cooperation with the Risk Division. | <ul style="list-style-type: none"> balance sheets, income statements and notes for the group Crédit Foncier; consolidated quarterly results of groupe Crédit Foncier; consolidated monthly results under French GAAP. reporting to the Prudential Supervisory and Resolution Authority and to the ECB (via BPCE, central institution). |
| Operational accounting | <ul style="list-style-type: none"> supervision and control of interface operations between the loan management system, accounting software packages and reporting databases in cooperation with the IT firm ITCE; account-keeping for loan management chains and peripheral chains. | <ul style="list-style-type: none"> reports on outstanding loans and loan flows. |
| Subsidiaries' accounting | <ul style="list-style-type: none"> account-keeping for non-banking subsidiaries and preparation of individual financial statements; tax declarations. | <ul style="list-style-type: none"> balance sheets, income statements and notes for these entities. |

ACCOUNTING AND REGULATORY AUDIT

The organizational principles governing accounting control, as part of the process of task decentralization, are set out in the "Framework for controlling the quality of accounting and financial information" approved at the Internal Control Coordination Committee meeting of June 9, 2016.

The Accounting and Regulatory Audit area, which reports hierarchically to the Deputy Head of Financial Management, is functionally attached to the Head of the Permanent Control Coordination department. Operational accounting controls are the responsibility of the departments directly involved in producing accounting data.

The audits performed are set out in an annual audit plan proposed by the accounting and regulatory audit unit, presented to the Permanent Control Coordination department and approved by the Internal Control Committee.

These audits include:

- in-depth controls at the quarterly reporting dates, in particular of the evidence supporting the accounts (balance sheet and off-balance sheet accounts);
- regular controls on the main regulatory and tax declarations as well as issues related to summary reports.

They result in the establishment of briefing notes sent to the Accounting department, the Permanent Controls Coordination department and the Statutory Auditors.

The consolidation packages, prepared by the subsidiaries and certified by their Statutory Auditors, are reviewed in detail and checked for consistency by the Consolidation Unit.

All the regulatory and prudential reports are consolidated by BPCE, which runs automated consistency checks before sending them to the French Prudential Supervisory and Resolution Authority.

The accounting audit is a primary contact for the Statutory Auditors in the course of performing their audit activities. Moreover, it ensures the implementation of recommendations made by the Statutory Auditors.

AUDIT OF FINANCIAL DATA

The financial data disclosures (regulatory restitutions intended specifically for the French Prudential Supervisory and Resolution Authority, Registration documents submitted to the French Financial Markets Authority) are carefully checked by the competent departments (Management Control, Financial Management, General Accounting, Compliance).

More specifically for Compagnie de Financement Foncier, the Compagnie de Financement Foncier Oversight and Forecasting Division is responsible for verifying the documents for the Specific Controller and the rating agencies.

9. Regulatory and prudential information

Compagnie de Financement Foncier publishes a Risk Control and Monitoring report in which all the ratios and indicators applicable to *sociétés de crédit foncier* are disclosed according to regulations in force.

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

10. Other disclosures

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. No debt relating to invoices received and not yet settled is recorded on Compagnie de Financement Foncier's balance sheet as of December 31, 2018.

CUSTOMER PAYMENT PERIOD (ARTICLE L. 441-6-1 OF THE FRENCH COMMERCIAL CODE) ⁽¹⁾

No customer receivables that are not part of the banking business are shown in Compagnie de Financement Foncier's balance sheet as of December 31, 2018.

INFORMATION ON SUBSIDIARIES AND EQUITY INVESTMENTS

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

EMPLOYEES 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

IN 2019

Compagnie de Financement Foncier did not make any major investments (investment of over €30m requiring a qualified majority of the Board of Directors) before 2019.01.01 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.

IN 2018

Compagnie de Financement Foncier did not make any major investments (investment of over €30m requiring a qualified majority of the Board of Directors) during the year.

IN 2017

Compagnie de Financement Foncier did not make any major investments (investment of over €30m requiring a qualified majority of the Board of Directors) during the year.

IN 2016

Compagnie de Financement Foncier did not make any major investments (investment of over €30m requiring a qualified majority of the Board of Directors) during the year.

RESEARCH AND DEVELOPMENT

Compagnie de Financement Foncier did not carry out any research and development in 2018.

MAIN RISKS AND UNCERTAINTIES

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

11. Outlook

On June 26, 2018, Crédit Foncier and Groupe BPCE announced their plan to set up a new industrial system for Crédit Foncier, which will be mostly implemented during the 1st half of 2019.

In this context, Compagnie de Financement Foncier, which will remain 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.

Compagnie de Financement Foncier intends to continue its development in 2019, in line with the strategic guidelines of Groupe BPCE:

- rigorous selection of acquisitions and active management of its assets in order to maintain their high quality;
- sustained funding of eligible loans originated by Groupe BPCE entities, through purchases and assignments of loans;
- optimization of financial risk hedging.

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

12. Social and environmental information

Taking into account the amount of the balance sheet, the turnover and the number of employees, Compagnie de Financement Foncier must include in its Management Report an Extra-Financial Performance Statement (Article L. 225-102-1 II of the Code of business).

In addition, Compagnie de Financement Foncier, a wholly-owned subsidiary of Crédit Foncier, is consolidated in Crédit Foncier's accounts. Crédit Foncier, a wholly-owned subsidiary of BPCE, is itself consolidated in the accounts of BPCE, established in France, which publishes a consolidated Non-Financial Performance Report.

In accordance with Article L. 233-16, Compagnie de Financement Foncier is therefore not required to publish any Extra-Financial Performance report at its perimeter.

Groupe BPCE's Extra-Financial Performance Report is available on the BPCE website:

<https://www.groupebpce.fr/en/Investors/Results/Registration-documents>



Risk management report

| | | | |
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1. Governance and risk management system

1.1. Organization of the Risk, Compliance and Permanent Control Coordination departments

The Risk and Compliance Division of Crédit Foncier is responsible for internal control and compliance for Compagnie de Financement Foncier. It comprises the Risk department, the Compliance and Permanent Control Coordination Division, the Information Systems Security Division, and the Contingency and Business Continuity Plan (CBCP) Division. This Division reports to a Chief Risk Officer of Crédit Foncier. The Compliance Division includes the Financial Security department, in charge of the prevention and treatment of money laundering, terrorist financing, internal and external frauds risks.

Crédit Foncier's Risk and Compliance Division is an integral part of the risk framework of Groupe BPCE. Compagnie de Financement Foncier relies on the systems and the network organization set up at Crédit Foncier.

1.1.1. ORGANISATION OF GROUP CRÉDIT FONCIER'S RISK DEPARTMENT

Crédit Foncier's Risk department, which, at the operating level, reports to BPCE SA's Risk Compliance and Permanent Control Division (RCPCD), covers all subsidiaries controlled by Crédit Foncier, including Compagnie de Financement Foncier. The institution's risk policy has been formally set out in a document describing its various responsibilities and its organization, which serves as a framework for the development of its activities, including activities carried out on behalf of Compagnie de Financement Foncier and the management of the capital of group Crédit Foncier entities.

In the specific case of Compagnie de Financement Foncier, the Risk department conducts its activities within the framework of the agreements signed between Crédit Foncier and its *société de crédit foncier*. The Risk department reports on its activities to the Risk Executive Committee, Risk Committee and to Executive Management of Compagnie de Financement Foncier.

The Compagnie de Financement Foncier Oversight and Forecasting Division, which is in charge of monitoring Compagnie de Financement Foncier's outsourced services and, therefore, the proper implementation of the agreements signed with Crédit Foncier, is an integral part of group Crédit Foncier's Internal Control arrangement.

MAIN RESPONSIBILITIES OF THE RISK COMMITTEES

Compagnie de Financement Foncier is part of the overall organization of Crédit Foncier: The Compagnie de Financement Foncier Risk Executive Committee and Crédit Foncier Internal Control Committee are the umbrella committees of this organization.

Compagnie de Financement Foncier's Risk Executive Committee is chaired by its Chief Executive Officer. Meeting at least quarterly, its main responsibilities are to deal with:

- the general risk policy;
- analyzing and monitoring the institution's overall risk profile based on the results of the rating systems, measurement and assessment (stress scenarios, etc.) and its principle exposures;
- measuring the quality of its commitments and debt collection efforts on the basis of summary reports;
- risk management: monitoring risk, reviewing regulatory and specific ratios, monitoring the risk charge, producing and analyzing stress scenarios, and monitoring capital.

The **Internal Control Committee**, chaired by the Chief Executive Officer of Crédit Foncier, meets at least four times a year and comprises the representatives of control functions. This Committee has the following duties:

- ensure the good organization and completeness of the permanent controls of the activities, and the effectiveness of the monitoring and control mechanisms for operational risks and compliance;

- coordinate actions to ensure risk control, the compliance of operations and internal procedures, quality, availability of information processed by the Information System (IS) and the security of the latter;
- ensure the resolution of the malfunctions identified by the General Inspectorate and the implementation of the recommendations;
- act as a Volcker Committee under the US Dodd-Frank Wall Street Reform and Consumer Protection Act, which has added a new section 13 to the Bank Holding Company Act of 1956 (BHC Act), section 13, commonly referred to as "Volcker Rule".

The **ALM and Liquidity Oversight Committee** is the decision-making body responsible for financial management. It is responsible for financial risk management in line with the risk policy and limits established by the Risk Executive Committee pursuant to Groupe BPCE rules.

The operational implementation of guidance and management decisions taken in this body is ensured by the **Treasury Committee** and the **Financial Management Committee**.

1.1.2. ORGANIZATION OF GROUP CRÉDIT FONCIER'S COMPLIANCE DEPARTMENT

Crédit Foncier's Compliance Division manages Compagnie de Financement Foncier's compliance function.

Crédit Foncier's Compliance Division reports functionally to the Risk, Compliance and Permanent Control Division of BPCE (RCPCD). It is independent of all other business lines, in accordance with banking regulations.

Under the Group charter on risks, compliance and permanent control of March 29, 2017, the Compliance department is responsible for preventing, identifying, assessing and monitoring risks related to banking compliance, investment services compliance, financial and general ethics. The Compliance Division includes the Financial Security department, in charge of the prevention and treatment of money laundering, terrorist financing, internal and external frauds risks. Lastly, it acts as "SRBA Volcker Officer" on behalf of group Crédit Foncier together with the Risk department – Financial risks. It relies on the Permanent Control Division managed by the Permanent Control Coordination Division and provides regular reports on its activities and the controls carried out to the Compagnie de Financement Foncier Oversight and Forecasting department.

1.1.3. ORGANIZATION OF GROUP CRÉDIT FONCIER'S PERMANENT CONTROL COORDINATION DEPARTMENT

The Permanent Control Coordination Division ensures the existence and effectiveness of the first- and second-level permanent control mechanism, and works in close cooperation with teams of permanent second-level controllers, who are hierarchically independent from the units controlled, and with the "Compagnie de Financement Foncier Oversight and Forecasting department".

1.1.4. ORGANIZATION OF THE INFORMATION SYSTEMS SECURITY DEPARTMENT

The Head of Information Systems Security for group Crédit Foncier is also in charge of the Compagnie de Financement Foncier scope.

Governance in terms of Information Systems Security at group Crédit Foncier is organized around:

- an Information Systems Security Policy (ISSP) specific to Crédit Foncier, and its thematic variations underpinned by the Security Policy and the rules of Groupe BPCE;
- bodies such as the Internal Information Systems Security Committee (IISSC) chaired by an Executive Director;
- outreach plan to raise awareness about cyber attacks and security risks among all employees;
- a permanent control mechanism for Information Systems Security, combined with a quarterly security report (security indicators).

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

The Contingency and Business Continuity Plan (CBCP) of Crédit Foncier encompasses the business continuity of Compagnie de Financement Foncier. The Contingency and Business Continuity Plan is under the responsibility of the Head of Permanent Control and Operational Risks, who reports directly to the Head of the Risk and Compliance Division of Crédit Foncier.

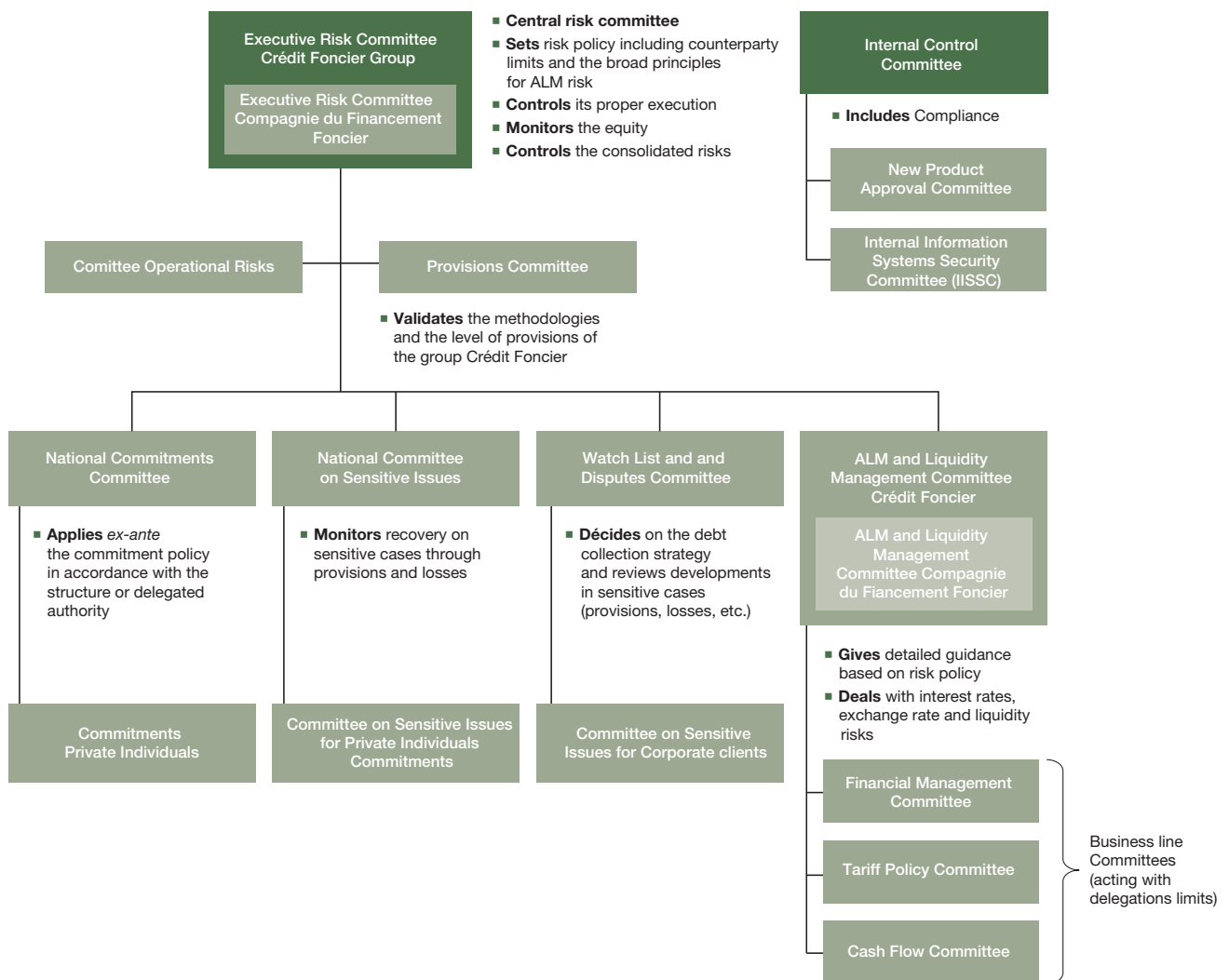
Compagnie de Financement Foncier has its own CBCP manager, fully integrated in the group Crédit Foncier plan.

1.1.6. INFORMATION SYSTEM AND DATA CONSISTENCY

To comply with Basel II and subsequently Basel III, the Risk department ensures the accounting consistency of the data input into the risk management system. Compagnie de Financement Foncier's exposures are fully integrated into this data consistency mechanism.

Accordingly, all Groupe BPCE entities ensure that all data transferred to Group regulatory production systems are checked for accounting consistency at least quarterly.

RISK ORGANIZATION – COMMITTEES STRUCTURE



1.2. Loan selection process

Compagnie de Financement Foncier's loans selection process takes place in two steps:

- selection by Crédit Foncier during its loan granting process;
- acquisition process during which Compagnie de Financement Foncier uses filters to screen loans acquired from Crédit Foncier.

The analysis is similar for purchasing loans and receivables to another entity of Groupe BPCE.

Compagnie de Financement Foncier's risk appetite is the level of risk it is willing to accept. It is consistent with the institution's operating environment, its strategy and its business model.

Compagnie de Financement Foncier's procedure, approved by the Board of Directors on July 28, 2016, falls within the general framework of group Crédit Foncier's risk appetite, approved by the Board of Directors on December 15, 2015, and reviewed on December 16, 2016, which itself is part of the general framework of Groupe BPCE's risk appetite, approved by BPCE's Supervisory Board and presented to the European supervisor in July 2015.

This framework is based on an overarching document which presents, qualitatively and quantitatively, the risks that Compagnie de Financement Foncier agrees to take. It describes the principles of governance and operation in effect, and is intended to be updated annually, especially to reflect regulatory changes.

The operational mechanism for risk appetite is based, in turn, on indicators broken down according to significant type of risk and is based on successive thresholds associated with distinct delegation levels, namely:

- operational limits or tolerance thresholds for which the Executive Directors may decide, directly or through the committees they chair, either on a return to below the limit, or the establishment of an exception;
- the resilience threshold that, when exceeded, could pose a risk to the continuity and stability of the business. Any breach of these limits requires that a report and an action plan be sent to the Supervisory Body.

Compagnie de Financement Foncier has adopted the procedure implemented at the Group level that is dedicated to the Recovery and Resolution Plan that concerns all BPCE institutions.

1.2.1. COMMITMENT SELECTION AND MONITORING SYSTEM AT CRÉDIT FONCIER

Commitment selection and monitoring relies on:

- implementation of risk policies across activities (loans to individual customers, and to public and private Corporates), consistent with Group credit policies;
- definition of delegations, primarily with regard to public Corporates and the consumer business;
- a system of fixed limits governing main corporate exposures, in order to manage concentration risk;
- system for assessing borrowers' creditworthiness and the quality of transactions using internal rating engines and counter-analysis;
- risk monitoring primarily achieved through the following mechanisms: quarterly review of portfolios, committees dealing with sensitive issues and internal, external and regulatory reporting;
- risk management leading to the measurement and the prospective management of risks.

1.2.2. CREDIT RISK ANALYSIS

Loan assessment tools are organized around two mechanisms:

- counter-analysis mechanism;
- ratings-based creditworthiness assessment during loan origination and regular monitoring based on the type of loan.

COUNTERANALYSIS MECHANISM

The counteranalysis system is related to a delegation chain that provides for two levels of review:

- at commercial level, the distribution channel is based on the integrated scoring up to a certain delegation level ;
- at national level, it is decided at the National Committee on Commitments where a representative of the Risk department expresses an independent opinion supported by his counter-analysis. He has no say in the decision. For amounts above a specified limit, the Group Risk Management Division is asked to approve the execution of the transaction.

Loans are subject to a first analysis by the business lines (commercial and underwriting units), followed by a counteranalysis performed by a special independent unit.

This counteranalysis falls within the exclusive competence of the Risk department and is performed for all requests for financing submitted to the National Commitments Committee, and, in certain cases, to the Business Line Committee (following the Delegation Chain).

RATING APPROACH

Private individuals

The system for rating the creditworthiness of Individuals is specific to Crédit Foncier especially because it has no deposit accounts.

During the granting process, this system relies on a score based on both an expert system and a statistical rating.

Loan portfolio risk monitoring is carried out via a monthly rating using the features of the property transaction and of the borrower at the time of origination, as well as information on any potential past due payments.

The rating scales are specific to the type of transaction (home ownership or loans for rental housing).

Public, private and international operators

For legal entities (private or public) and not assimilated to private individuals, each counterparty is rated based on a unique set of internal rating approaches employed Group-wide in Groupe BPCE.

The rating of this portfolio relies on internal rating applications developed by Groupe BPCE. For private and public Corporates, the rating approach is based on quantitative and qualitative creditworthiness assessments and on an expert system.

Ratings are reviewed annually.

The international public sector (IPS) portfolio is rated internally. The method used to rate IPS portfolio outstandings is a combination of an expert approach and an approach based on external ratings.

1.2.3. ELIGIBILITY CRITERIA FOR CRÉDIT FONCIER AND PURCHASING OR MOBILIZATION FILTER

The asset acquisition process implemented by Compagnie de Financement Foncier is very prudent and supplements a loan granting system that already ensures quality assets.

Private individuals

Compagnie de Financement Foncier acquires loans:

- that finance home ownership and rental housing;
- that are secured by a first-ranking mortgage guarantee or equivalent.

Loan origination is carried out almost exclusively by Crédit Foncier. Compagnie de Financement Foncier can, however, acquire loans from other credit institutions. The operating method for selecting loans is then adjusted accordingly.

After loan granting by Crédit Foncier in accordance with existing policies and eligibility criteria, Compagnie de Financement Foncier acquires loans presenting a risk of default below a certain threshold, based on a selection process.

RISK MANAGEMENT REPORT

1. Governance and risk management system

Eligible collateral are:

- first-ranking mortgages or equivalent;
- state guarantee provided by the guarantee fund for home ownership for low-income households (FGAS);
- on a more marginal scale, a guarantee from Crédit Logement, a financial company rated Aa3 by Moody's at December 31, 2018.

The LTVs applied to the mortgage value allow the determination of the outstanding amount of the loan that can be financed by privileged resources:

- 100% for FGAS guarantees;

- 80% for home loans granted to private individuals and secured by a first-ranking mortgage or equivalent;
- 60% for the others (relating mainly to Social housing).

In addition, Compagnie de Financement Foncier uses a rating filter taking into account initial credit scores at origination and outstandings as described in the following table.

Loans and receivables that were under observation and thus kept on the Crédit Foncier's balance sheet due to their lower ratings now can be purchased by Compagnie de Financement Foncier given a special termination clause automatically activated if the loan becomes doubtful (for a period of four years identical to that of their previous observation).

■ For all Crédit Foncier entities except the Belgian branch

| Filter conditions | | | | | | | | Disposal before 2016 | Disposal since 2016 | Existence of a revolution clause | | |
|--|-------------------------------|-------------------------------------|-----------------|-----------|---------------------|-------------------|-----------------------|-----------------------|---------------------|----------------------------------|---|---|
| Doubtful (CX, DX, RX) or Performing and having been doubtful during the last 2 years | | | | | | | | X | X | | | |
| Performing and not doubtful during the last 2 years | Segment and sub-segment known | Segment or sub-segment not eligible | | | | | | X | X | | | |
| | | Eligible segments and sub-segments | Age of the loan | ≤ 4 years | Out-standing rating | 1 to 7 | Rating at origination | 0 to 5 | ✓ | ✓ | | |
| | | | | | | | | 6 to 9, Not rated | X | ✓ | ✓ | |
| | | Eligible segments and sub-segments | Age of the loan | > 4 years | Out-standing rating | 8,9,10, Not rated | 1 to 7 | Rating at origination | | ✓ | ✓ | |
| | | | | | | | | | 8,9,10, Not rated | X | ✓ | ✓ |
| | X | | | | | | | | ✓ | ✓ | | |

This purchasing filter does not concern loans from the Belgian branch, whose purchases are only carried out through assignment.

French Public sector

Compagnie de Financement Foncier's acquisition criteria on loans to French local authorities (FLA) were based on BPCE's internal rating system.

This rating covers the borrower's inherent characteristics (budget, degree of indebtedness, creditworthiness, etc.).

The lowest ratings are systematically excluded from selection.

International public sector

Compagnie de Financement Foncier holds exposures to international counterparties that meet the eligibility requirements of the French Monetary and Financial Code. The portfolio has been managed on a run-off basis from 2011. Before the phase-out, the loans selected at origination were concentrated on counterparties with the highest ratings, most of them step 1 (≥ AA-).

Corporate loans

Since 2016, Compagnie de Financement Foncier may be assigned some long-term private corporate loans financed by Crédit Foncier, which receives a full and complete, formalized and first-rank mortgage guarantee, in favor of Crédit Foncier, on one or more assets for offices, commercial or residential properties located in metropolitan France.

The asset assignment is limited to 60% of the mortgage value, dated within one year of the assets used as a guarantee. Only performing loans are eligible.

1.2.4. CREDIT LIMITS

ASSIGNING CREDIT LIMITS

Compagnie de Financement Foncier's credit limits system incorporates the same limits as those used by group Crédit Foncier, notably with regard to country limits and individual limits.

Groupe BPCE entities must, at their respective levels, adhere to the limitations placed on their operations determining the rules for risk diversification among the portfolios and to the regulatory limits applicable to managing major risks.

Validated by the Risk Executive Committee, these individual limits, prepared and proposed by the Risk department, are subject to update, control, monitoring and a range of reporting requirements at the initiative of the Risk department. These limits are also followed at the group Crédit Foncier's level.

MANAGING LIMIT BREACHES AND ALERT PROCEDURE

General principles

Compliance with limits is checked during regular counteranalysis prior to the review of loans by the Commitment Committees.

Bank counterparties

In accordance with the arrangements set out in the management agreements between the two institutions, compliance with limits on the counterparties to the financial transactions of Compagnie de Financement Foncier is monitored by the Financial Risk Division and, at a second level, by the Risk Division.

These limits are established for Compagnie de Financement Foncier's banking counterparties (primarily for hedging and treasury management requirements) and are regularly reviewed in *ad hoc* committees.

Monitoring of compliance with the limits is carried out on a daily basis by next-day observation. Related usage is updated in real time by the Front Office. It should be noted that the framework contracts with bank counterparties include a systematic margin call for the value of the transactions, based on the counterparty's rating, to be paid only by the counterparties, not by Compagnie de Financement Foncier.

All breaches are reported in real time to the executive management of Compagnie de Financement Foncier and Crédit Foncier.

1.2.5. RISK MONITORING

Risk monitoring relies on three main components:

- the quarterly review of portfolios to ensure the overall quality of exposures and control the recognition of provisions for credit losses;
- at a minimum, monthly monitoring of sensitive operations for Corporate clients and on request for Retail clients;
- the production of internal, external and regulatory reporting.

Special rules apply to the structured products of the French Public Sector.

PORTFOLIO REVIEWS

Regular reviews are conducted to evaluate the quality of the exposures. This implies stringent analysis of the quality of each exposure performed by the business lines and the Risk department. This analysis extends to all of Crédit Foncier's large exposures as well as of Compagnie de Financement Foncier.

MONITORING OF SENSITIVE ISSUES

This kind of monitoring concerns loans considered by the institution to be troubled or likely to encounter trouble in the future. Such monitoring involves ruling on the classification of the concerned loans or their servicing status (performing/doubtful/in litigation).

Private individuals

This type of monitoring is carried out by the National Committee on Sensitive Issues (CNAS), which meets on request to review troubled loans and to recommend the potential recognition of a provision for credit loss.

Public sector and Social housing

This type of monitoring is carried out via group Crédit Foncier's Watch List which includes Compagnie de Financement Foncier's outstanding assets. The Watch List is reviewed quarterly. It lists all the counterparties requiring special attention due to the potentially high risk they represent. The Watch List concerns performing or doubtful loans but not loans already in the process of litigation by the Litigation department. The fact of being placed on the Watch List does not trigger the automatic suspension of credit lines or a downgrade of the counterparty to doubtful.

Additionally, troubled loans are reviewed more frequently in the sensitive cases committees.

In the framework of monitoring the structured products of Public sector operators, and in coordination with Groupe BPCE, a signatory to the Gissler Charter, group Crédit Foncier closely monitors these transactions, enabling it to alert customers in advance about the market development impacts.

Private Corporates

Loans and receivables assigned to Compagnie de Financement Foncier are of good quality with a low mortgage LTV ratio (which is more strict than the market value LTV), and an asset selection process (housing, offices and commercial properties) with a global limit for the portfolio.

If, in spite of all the measures, the said event occurs (default, forbearance, watch list), the loan will no longer be mobilized by Compagnie de Financement Foncier. The monthly control is carried out in order to renew the assignments.

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, L. 513-5 and 513-6 of the French Monetary and Financial Code, backed by a first-rank mortgage (or equivalent real estate collateral or, to a lesser extent, a surety);

- exposure to public entities, as defined under Articles L. 513-4 and L. 513-5;
- 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

| | 12/31/2018 | | 12/31/2017 | |
|---|---------------|--------------------|---------------|--------------------|
| | in €m | % of balance sheet | in €m | % of balance sheet |
| Guaranteed loans (Articles L. 513-3, L. 513-5 and L. 513-6) | 40,459 | 52.8% | 39,421 | 50.3% |
| Mortgage loans secured by the FGAS | 18,656 | 24.3% | 16,811 | 21.5% |
| Other mortgage loans | 17,059 | 22.3% | 19,141 | 24.4% |
| Mortgage notes | 0 | 0.0% | 0 | 0.0% |
| Loans with institutional guarantees | 4,744 | 6.2% | 3,469 | 4.4% |
| Exposure to public entities (Articles L. 513-4 and L. 513-5) | 28,032 | 36.5% | 29,764 | 38.0% |
| Public sector loans | 8,222 | 10.7% | 9,380 | 12.0% |
| Public loans assigned under L. 211-38 | 11,268 | 14.7% | 11,838 | 15.1% |
| Public entity securities | 7,837 | 10.2% | 7,876 | 10.0% |
| Deposits at Banque de France | 705 | 0.9% | 670 | 0.9% |
| Other assets (interests on IFAT, adjustment accounts, etc.) | 1,520 | 2.0% | 2,431 | 3.1% |
| Replacement values (Article L. 513-7) | 6,654 | 8.7% | 6,751 | 8.6% |
| TOTAL ASSETS | 76,665 | 100.0% | 78,367 | 100.0% |

The €1.6bn reduction in the Compagnie de Financement Foncier's balance sheet in 2018 translated into various movements in different asset categories:

- a €1.5bn decrease in refinanced public sector loans resulting from the amortization of existing loans;
- replacement values fell €0.1bn, following a reduction in cash.

However, the breakdown of assets by region changed little during the year. 87.8% of underlying assets are in France.

At December 31, 2018, international assets, mainly from the Public sector, amounted to €9.3bn, broken down into three categories:

- 4 countries with the highest exposures, namely Italy (€3.3bn), the United States (€1.5bn), Japan (€1.4bn) and Switzerland (€1.0bn);
- 4 countries with moderate exposure, namely Belgium (€0.8bn), Canada (€0.5bn), Poland (€0.4bn) and Spain (€0.3bn);
- and two other countries with loan volumes of less than €0.1bn; 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 rank below privileged liabilities, comprise:
 - unsecured debts with the Crédit Foncier and, particularly for swaps, with various other bank counterparties,
 - subordinated debt and equity, resources contributed by Crédit Foncier.

■ Breakdown of liabilities by guarantee rank

| | 12/31/2018 | | 12/31/2017 | |
|--|---------------|--------------------|---------------|--------------------|
| | in €m | % of balance sheet | in €m | % of balance sheet |
| Privileged resources | 63,469 | 82.8% | 63,296 | 80.8% |
| <i>Obligations foncières</i> at the reporting date | 63,547 | 82.8% | 63,375 | 80.9% |
| Foreign exchange difference on <i>obligations foncières</i> | -133 | -0.1% | -267 | -0.3% |
| Other privileged resources | 55 | 0.1% | 188 | 0.2% |
| Translation difference associated with hedging balance sheet items* | 1,113 | 1.4% | 925 | 1.2% |
| Non-privileged resources | 12,083 | 15.8% | 14,146 | 18.0% |
| Unsecured debt | 6,637 | 8.6% | 8,676 | 11.1% |
| Subordinated debt or equivalent | 2,250 | 3.0% | 2,286 | 2.9% |
| <i>of which subordinated securities</i> | 0 | 0.0% | 0 | 0.0% |
| <i>of which associate current account</i> | 2,100 | 2.7% | 2,100 | 2.7% |
| Shareholders' equity, provisions and reserve for general banking risks | 3,197 | 4.2% | 3,184 | 4.0% |
| TOTAL LIABILITIES | 76,665 | 100.0% | 78,367 | 100.0% |
| <i>Regulatory capital according to CRR/CRD IV:</i> | 3,107 | 4.1% | 3,107 | 4.0% |
| <i>of which Common Equity Tier 1 capital</i> | 3,107 | 4.1% | 3,107 | 4.0% |
| <i>of which Additional Tier 1 capital</i> | 0 | 0.0% | 0 | 0.0% |
| <i>of which Tier 2 capital</i> | 0 | 0.0% | 0 | 0.0% |

* In 2013 and 2014, Compagnie de Financement Foncier reviewed the treatment of swaps for the purposes of determining its regulatory coverage ratio. Since 2013, assets and liabilities have been recognized at historical cost for the purposes of this calculation, i.e. after taking into account their initial currency hedging, and accrued interest on swaps is now calculated after netting for each counterparty. These changes, which only affect prudential ratio items, required adjustments in the above presentation of liabilities, and the creation of the item "Difference relating to hedging of balance sheet items".

Over the 2018 fiscal year, privileged resources remained almost unchanged, and contractual debt repayments (€5.6bn) were slightly less than issuances over the period (€5.7bn).

Unsecured debt narrowed €1.6bn on the back of optimized management of over-capitalization and cash.

The item comprising subordinated debts and equity remained stable over the year at €5.4bn, or close to 7.1% of balance sheet assets at December 31, 2018.

4. Capital adequacy ratios

4.1. Specific ratios

Compagnie de Financement Foncier is not obliged by the regulator to follow prudential solvency ratios but nonetheless reports them to investors for information purpose; these ratios are monitored at Crédit Foncier's level, its parent company. However, as a *société de crédit foncier*, Compagnie de Financement Foncier is subject to several specific regulatory ratios that must be respected at all times and which are generally 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 by mortgage notes;
- 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 *obligations foncières* 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 end 2018, overruns of the LTV threshold amounted to €280m, still significantly lower than overruns for non-privileged liabilities of over €12bn at that date. These overruns were simulated on the basis of several stress scenarios involving instantaneous value losses of 10%, 15% and 20%. They came out at €1.7bn, €2.8bn and €4.0bn, respectively, which are amply covered by non-privileged resources.

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 €1.5bn at June 31, 2018, 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 €1.8bn drop in BPCE loans, mainly because the loan portfolio posted as collateral failed to meet all eligibility criteria for financing by *obligations foncières*.

As a result, the coverage ratio was 114.1% at end 2018 (vs. 117.2% at end 2017), 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 December 31, 2018, this ratio was 16.6%, down on the end-2017 level of 19.6%.

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 mobilization by mortgage notes. 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 chapter 5.3.2.

In 2018, revaluation resulted in, on average, a rise in home values of 1.45%.

Taking into account all outstanding mortgage loans, both directly held or used to guarantee mortgage notes, the average LTV at the end of 2018 came to 72.0% for a total outstanding amount of €40.6bn. This breaks down as follows:

- 79.9% for loans guaranteed by FGAS in the amount of €21.1bn;
- 64.3% for other mortgage loans to individuals, with €18.7bn outstanding;
- 41.9% for mortgage loans to Corporates amounting to €0.8bn.

At end-2017, all mortgage loans, totaling €39.9bn, had an average LTV of 73.1%. This breaks down into an average LTV of 73.5% for loans to individuals in the amount of €39.1bn, and of 55.1% for corporate loans totaling €0.7bn.

OTHER LIMITS

Compliance with the various holding limits applicable to certain assets is also verified. At December 31, 2018:

- guaranteed loans amounted to 8.2% of total assets, still well below the legal limit of 35% of the balance sheet; this calculation factors in directly held guaranteed loans (6.2%) as well as loans used to guarantee mortgage notes (2.0%);
- replacement values have an outstanding amount equal to 9.2% 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

Moreover, as a credit institution, Compagnie de Financement Foncier monitors its liquidity ratios, which are still well above the minimum requirements set by banking regulations, largely as a result of its commitment to maintain enough liquid assets to cover one year's equivalent of debt liabilities. In addition, Compagnie de Financement Foncier has €10.3bn in assets that can be mobilized by the Eurosystem (excluding repurchase agreements) that could provide it with an estimated additional €7.4bn 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 determines solvency ratios within its own scope only 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).

Consequently, at the end of December 2018, on the basis of the Basel III standardized approach, its Common Equity Tier One (CET1) ratio was 21.7%, equal to its Tier One ratio and its solvency ratio. Total risk exposures (RWA) amounted to €14.3bn.

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 to 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.

COMPOSITION OF CAPITAL

Capital is determined in accordance with the CRD IV directive and the CRR Regulation, applicable since January 1, 2014, taking into account the national options set by the French Prudential Supervision and Resolution Authority (ACPR). It consists of three broad categories: Common Equity Tier 1, Additional Tier 1 Capital and Tier 2 Capital.

The amount of capital of Compagnie de Financement Foncier was €3.11bn at December 31, 2018. 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.

| (in €m) | 12/31/2018 | | 12/31/2017 | |
|--|----------------------|---------------|----------------------|---------------|
| | Capital requirements | RWA | Capital requirements | RWA |
| Exposure categories | | | | |
| Central governments | 48 | 594 | 58 | 727 |
| Institutions | 13 | 156 | 21 | 259 |
| Regional governments | 363 | 4,540 | 348 | 4,346 |
| Corporations | 47 | 584 | 52 | 648 |
| Retail customers | 49 | 613 | 52 | 645 |
| Mortgage-backed exposure | 513 | 6,408 | 532 | 6,656 |
| Exposure at default | 49 | 614 | 35 | 441 |
| Other assets | 4 | 49 | 2 | 19 |
| Requirements for credit risk (A) | 1,085 | 13,558 | 1,099 | 13,741 |
| Requirements for market risk (B) | - | - | - | - |
| Requirements for operational risk (C) | 37 | 465 | 39 | 491 |
| Credit value adjustment (D) | 26 | 320 | 28 | 344 |
| CAPITAL REQUIREMENTS (A)+(B)+(C)+(D) | 1,147 | 14,343 | 1,166 | 14,575 |

SOLVENCY RATIO

Compagnie de Financement Foncier's capital adequacy ratio at December 31, 2018 was determined using the standard approach.

| | 12/31/2018 | 12/31/2017 |
|-----------------------|---------------|---------------|
| Solvency ratio | 21.66% | 21.32% |
| CET1 ratio | 21.66% | 21.32% |
| Tier-1 ratio | 21.66% | 21.32% |

Source: COREP (Common solvency ratio reporting) at December 31, 2018.

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 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 L. 211-38 of the French Financial and Monetary 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⁽⁴⁾, 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 (Collateralised Debt Obligation) or direct exposures to monoline insurers;
- exposures to CMBS (Commercial Mortgage-Backed Securities);
- sub-prime, Alt-A or, more broadly, any exposure to US mortgage securities;
- special purpose vehicles;
- leveraged or leveraged buyout (LBO) transactions.

| (in millions of euros) | Exposures as of 12/31/2018 | | | Exposures as of 12/31/2017 | | |
|---|----------------------------|---------------|---------------|----------------------------|---------------|---------------|
| | Sold | Assigned | Total | Sold | Assigned | Total |
| Risk exposures | | | | | | |
| A – Private Individuals' mortgage loans ^{(1) (2)} | 32,105 | 6,997 | 39,101 | 29,880 | 8,685 | 38,565 |
| B – Public sector | 16,398 | 11,326 | 27,724 | 17,615 | 11,885 | 29,500 |
| French public sector | 7,785 | 10,724 | 18,509 | 8,986 | 11,295 | 20,281 |
| Social housing | 974 | 2,002 | 2,976 | 1,182 | 1,888 | 3,070 |
| French local authorities (FLA) ⁽³⁾ | 5,128 | 8,722 | 13,850 | 6,108 | 9,262 | 15,370 |
| Sovereign France | 1,683 | | 1,683 | 1,696 | 145 | 1,841 |
| Infrastructure project financing (IPF) | 621 | 602 | 1,223 | 631 | 590 | 1,221 |
| International public sector | 7,992 | | 7,992 | 7,998 | | 7,998 |
| International public sector (IPS) | 4,985 | | 4,985 | 4,956 | | 4,956 |
| International Sovereign | 2,585 | | 2,585 | 2,640 | | 2,640 |
| Public sector large corporations | 422 | | 422 | 402 | | 402 |
| C – Commercial mortgage exposures | 134 | 479 | 613 | 148 | 361 | 509 |
| D – Banking sector exposures | 650 | 6,600 | 7,250 | 736 | 6,600 | 7,336 |
| Banks with sovereign guarantees or similar | 533 | | 533 | 632 | | 632 |
| Other banks | 117 | | 117 | 104 | | 104 |
| L. 211-38-RV ⁽⁴⁾ | | 6,600 | 6,600 | | 6,600 | 6,600 |
| Total risk exposure (A + B + C + D) | 49,286 | 25,402 | 74,688 | 48,379 | 27,531 | 75,909 |
| Miscellaneous adjustments and other Items ⁽⁵⁾ | 2,014 | 42 | 2,056 | 2,513 | 34 | 2,547 |
| TOTAL | 51,300 | 25,444 | 76,744 | 50,892 | 27,565 | 78,457 |

(1) The "French mortgages loan" line item includes a limited amount of outstanding Dutch loans (€40m).

(2) Of which L.211-38 Belgique for €766m (carrying amount)

(3) Of which €71m L. 211-38 with Caisses d'Épargne and €100m with Banques Populaires.

(4) Short-terms loans to BPCE secured by pledge of assets.

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

Sold Assigned Balance sheet At December 31, 2018, the total risk exposure was down by €1.2bn to €74.7bn. This change was due to:

- the €1.7bn drop in French public sector loans to €18.5bn due mainly to repayments by French local authorities (-€1.5bn) and lower assignments;

- the €0.5bn increase in individual mortgage loans to €39.1bn with a significant amount of the assigned portion transferred to the sold portion (-€1.7bn and +€2.2bn, respectively). A drop in the number of early repayments was also recorded during the period.

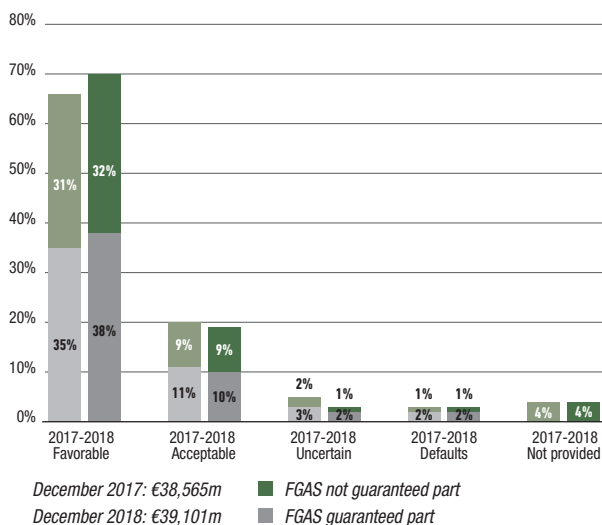
Geographical breakdown of exposures

| Geographical breakdown of exposures | 12/31/2018 | | 12/31/2017 |
|---|-----------------------|------------|------------|
| | Balance sheet (in €m) | % | % |
| France | 67,438 | 88 | 88 |
| Other countries in the European Economic Area | 4,891 | 6 | 7 |
| • of which Italy | 3,294 | 4 | 4 |
| • of which Belgium | 766 | n.s | n.s |
| • of which Spain | 335 | n.s | n.s |
| • of which Poland | 368 | n.s | n.s |
| • of which Portugal | 87 | n.s | n.s |
| • of which The Netherlands | 40 | n.s | n.s |
| Switzerland | 1,042 | 1 | 1 |
| North America (USA & Canada) | 1,982 | 3 | 2 |
| Japan | 1,391 | 2 | 2 |
| TOTAL | 76,744 | 100 | 100 |
| Reminder of total exposures at 12/31/2017 (in €m) | | | 78,457 |

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



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

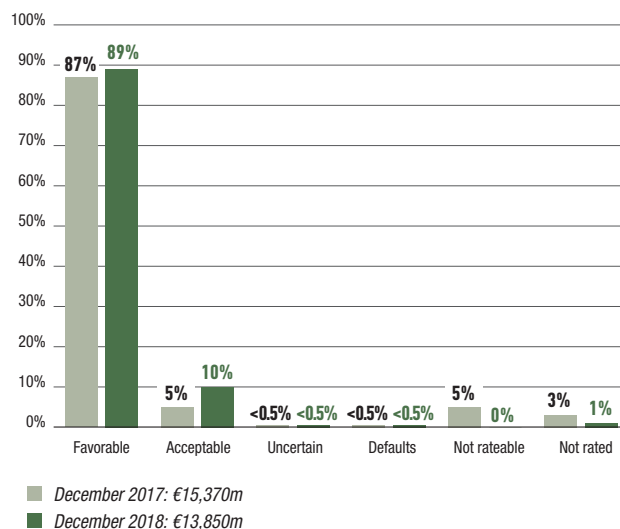
FRENCH PUBLIC SECTOR PORTFOLIO

The French public sector portfolio stood at €18.6bn, breaking down as follows:

- French local authorities: €13.9bn;
- Social housing: €3.0bn;
- Sovereign France: €1.7bn.

French local authorities

Portfolio of French public operators – Breakdown by Basel II rating

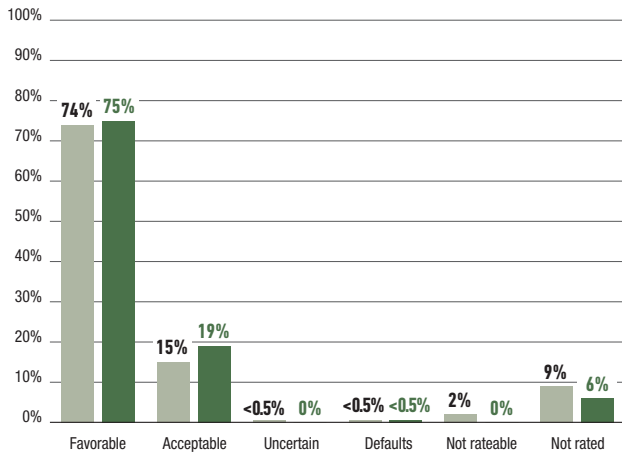


NB: as of the 1st half of 2018 the entire portfolio is subject to rating.

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**



■ December 2017: €3,070m (including associations)

■ December 2018: €2,976m (including associations)

NB: as of the 1st half of 2018 the entire portfolio is subject to rating.

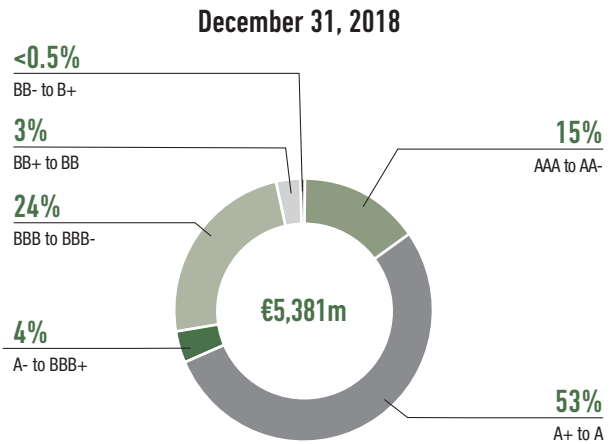
The quality of Social housing portfolio held by Compagnie de Financement Foncier stays at a very high level.

INTERNATIONAL PUBLIC SECTOR PORTFOLIO

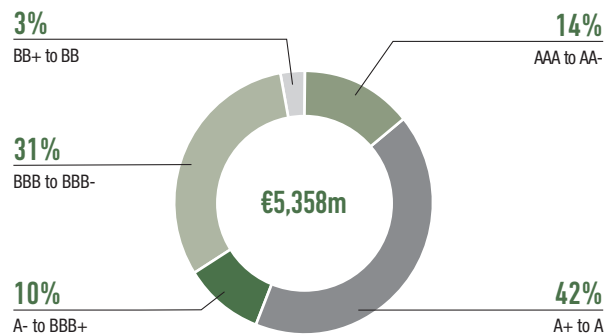
International public sector (excluding Sovereigns) and Large Public sector Corporations

The IPS portfolio (excluding Sovereigns) and Large Public sector Corporations remained stable at €5.4bn at December 31, 2018 compared with December 31, 2017. 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***



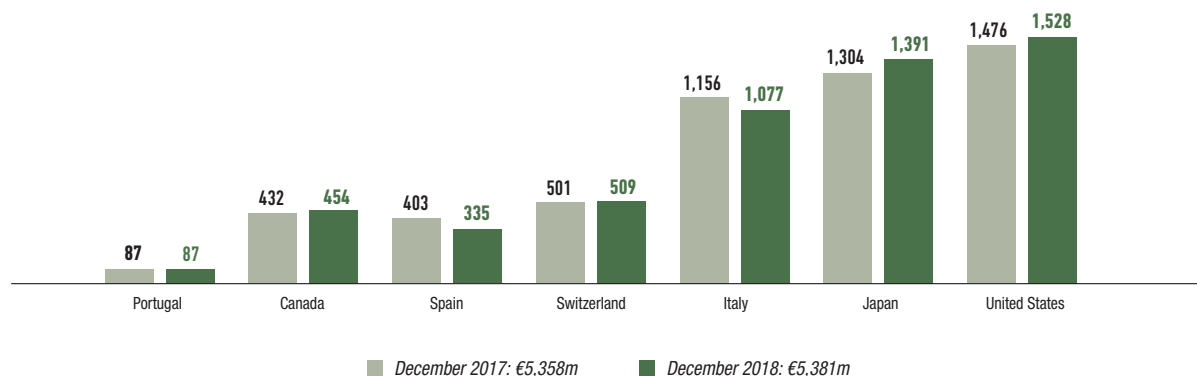
December 31, 2017



* Net carrying amount before taking swaps into account.

The quality of the rating continues to be high.

Breakdown of direct exposures to International public sector and Large Corporates*



* Net carrying amount before taking swaps into account.

The increase in exposures to Japan and the United States is due to exchange rate fluctuations.

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.

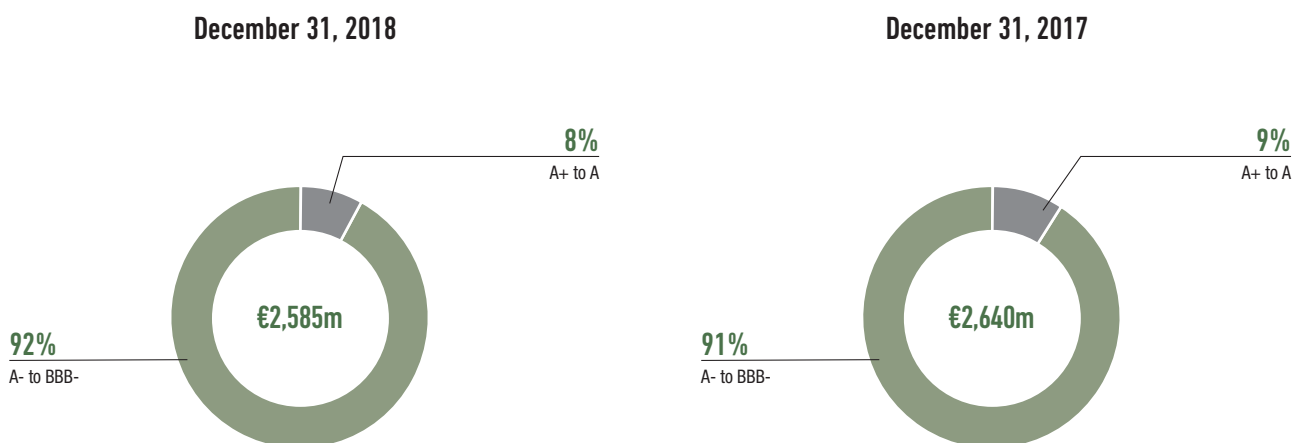
Compagnie de Financement Foncier has no direct exposures to monoline insurers but does have credit enhancements acquired from them for certain assets in the portfolio.

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

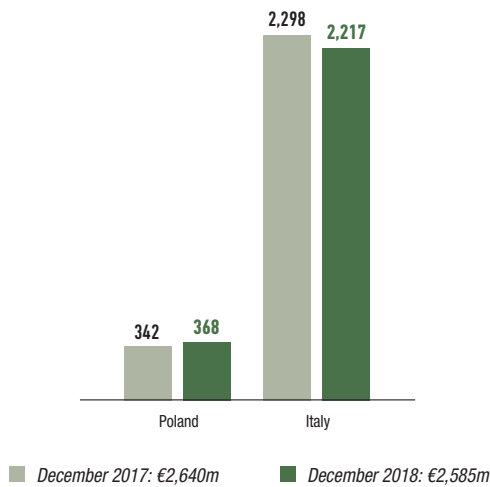
explained by exchange rate fluctuations as some of the exposures are in foreign currencies and given the fact that the presentation is made on before swaps basis.

Breakdown of exposures by internal rating of Sovereigns excluding France



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

■ Breakdown of direct exposures to Sovereigns outside France



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 a before swaps basis.

MONOLINE INSURERS ON EXPOSURES TO IPS, LARGE CORPORATIONS AND SOVEREIGNS

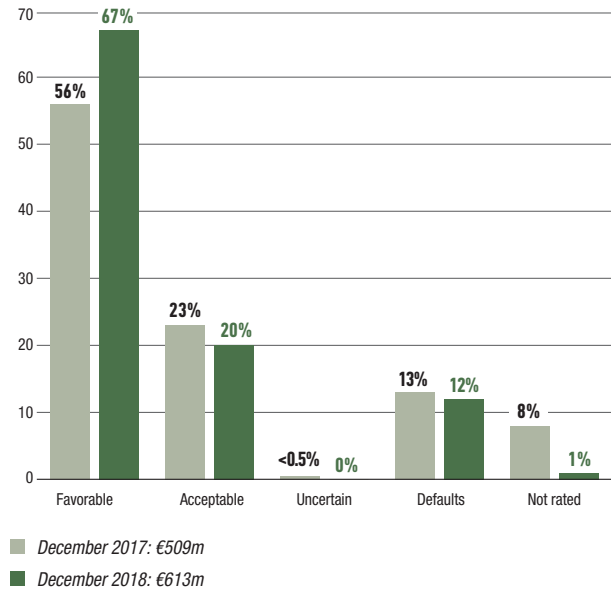
Compagnie de Financement Foncier has no direct exposures to monoline insurers but does have credit enhancements acquired from them for certain assets in the portfolio.

Thus, €1.45bn 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 the 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 €1.22bn in securities; or of National Public Finance Guarantee Corp. (formerly MBIA), rated Baa2 by Moody's, and which guarantees a total outstanding amount of €0.15bn in securities.

PRIVATE CORPORATES PORTFOLIO

At December 31, 2018, private corporate outstandings sold and assigned amounted to €613m, with 87% of the outstandings benefiting from "Favorable" or "Acceptable" ratings.



BANKING SECTOR PORTFOLIO

With €7.25bn of outstandings, the banking sector exposures declined by 1.2%. 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.

| (in €m) | Gross exposures as of 12/31/2018 | | | | Gross exposures as of 12/31/2017 | | | |
|---|----------------------------------|--------------------|-----------------------------|---------------------------|----------------------------------|--------------------|-----------------------------|---------------------------|
| | 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 |
| Risk exposures | | | | | | | | |
| A – Private Individuals' mortgage loans ^{(1) (2)} | 39,101 | 4.61% | 0.17% | 3.81% | 38,565 | 4.53% | <0.5% | 3.53% |
| B – Public sector | 27,724 | 0.03% | 0.00% | 0.02% | 29,500 | <0.5% | - | <0.5% |
| French public sector | 18,509 | <0.5% | - | <0.5% | 20,281 | <0.5% | - | <0.5% |
| <i>Social housing</i> | 2,976 | <0.5% | - | <0.5% | 3,070 | <0.5% | - | <0.5% |
| <i>French local authorities (FLA)</i> ⁽³⁾ | 13,850 | <0.5% | - | <0.5% | 15,370 | <0.5% | - | <0.5% |
| <i>Sovereign France</i> | 1,683 | - | - | - | 1,841 | - | - | - |
| Infrastructure project financing (IPF) | 1,223 | - | - | - | 1,221 | - | - | - |
| International public sector | 7,992 | - | - | - | 7,998 | - | - | - |
| <i>International public sector (IPS)</i> | 4,985 | - | - | - | 4,956 | - | - | - |
| <i>International Sovereign</i> | 2,585 | - | - | - | 2,640 | - | - | - |
| <i>Public sector large corporations</i> | 422 | - | - | - | 402 | - | - | - |
| C – Commercial mortgage exposures | 613 | 54.21% | - | 11.82% | 509 | 46.87% | - | 13.62% |
| D – Banking sector exposures | 7,250 | - | - | - | 7,336 | - | - | - |
| Banks with sovereign guarantees or similar | 533 | - | - | - | 632 | - | - | - |
| Other banks | 117 | - | - | - | 104 | - | - | - |
| L. 211-38-RV ⁽⁴⁾ | 6,600 | - | - | - | 6,600 | - | - | - |
| Total risk exposure (A + B + C + D) | 74,688 | 3.16% | <0.5% | 2.10% | 75,909 | 2.95% | <0.5% | 1.89% |
| Miscellaneous adjustments and other Items ⁽⁵⁾ | 2,056 | - | - | - | 2,547 | - | - | - |
| TOTAL | 76,744 | 3.04% | <0.5% | 2.04% | 78,457 | 2.80% | <0.5% | 1.82% |

(1) The "French mortgages loan" line item includes a limited amount of outstanding Dutch loans (€40m).

(2) Of which L. 211-38 Belgique for €766m (carrying amount).

(3) Of which €71m L. 211-38 with Caisses d'Épargne and €100m 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%.

On mortgage loans, the doubtful loan rate moved to 3.8% at end-December 2018 due to the default trigger at 90 days instead of 180 days for individual real estate loans.

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 was 54.2%, but it mainly concerns a single case in the subsidized sector for an amount of €70m.

5.2.2. RISK CHARGE OF COMPAGNIE DE FINANCEMENT FONCIER

| (in €m) | 12/31/2018 | 12/31/2017 |
|-------------------------------------|--------------|--------------|
| Individual cost of risk (A) | -18.0 | -8.4 |
| Collective provisions (B) | 2.0 | 3.5 |
| Cost of risk (A + B) | -16.0 | -4.9 |
| Risk charge, net banking income (C) | 0.9 | -10.0 |
| NET (A + B + C) | -15.1 | -14.9 |

At December 31, 2018, Compagnie de Financement Foncier's risk charge was low at -€15.1m. It induces the cost of risk on an individual basis (-€18.0m), the cost of risk on a collective basis (A + B + C) (€2.0m) and the cost of risk recognized in net banking income (-€0.9m).

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, 56.4% 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, most major French banking networks are shareholders.

Loans covered by Crédit Logement were assigned to Basel III weighting of 50% until the third quarter of 2014. Since the fourth quarter of 2014, exposures guaranteed by Crédit Logement have been weighted at 35% following the decision of BPCE to harmonize the financial communication on the guaranteed exposures of all Groupe BPCE entities.

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

SPECIFIC CONTROLLER'S CERTIFICATION ON THE VALUATION AND PERIODIC REVIEW METHODS OF THE REAL ESTATE ASSETS AT DECEMBER 31, 2018

To the Board of Directors of Compagnie de Financement Foncier,

In our capacity as the Specific Controller of Compagnie de Financement Foncier, and pursuant to Article 5 of Regulation No. 99-10 of the French Banking and Financial Services Regulatory Committee, we proceeded to the assessment of the validity, in accordance with regulations in force, of the methods used to value the real estate assets underlying the loans and their results, and of the methods for periodically reviewing their value, as published together with the financial statements for the year ended December 31, 2018 and appended hereto.

The valuation methods and their results for real estate assets and the methods for periodically reviewing their value have been defined and implemented under the responsibility of your company's management.

Our responsibility is to assess the validity of this procedure in terms of its compliance with regulations in force as of December 31, 2018.

We implemented the diligences that we considered necessary in view of the professional standards of Compagnie nationale des Commissaires aux comptes applicable to this assignment. Our work consisted in checking the compliance of:

- valuation procedures, methods and results, as well as periodic review methods, in their design and application with regulations in force as at December 31, 2018;
- the information published together with the annual financial statements with, on one hand, the system for the valuation and periodic review implemented, and on the other hand, with the results arising from the implementation of the valuation system.

The work we have done calls for the following comments and observations :

- the property valuation methods and results and the methods for periodically reviewing their value, published simultaneously with the annual financial statements as of December 31, 2018, generally comply with Articles 2 to 4 of CRBF Regulation 99-10;
- It should be noted, however, that based on the tests carried out by ourselves and internal controls carried out by Crédit Foncier on behalf of Compagnie de Financement Foncier, the operational implementation in 2018 of the periodic review procedure of the value of pledges seems perfectible concerning the exhaustive application of the statistical methods used. Nevertheless, this observation does not affect the cautiousness of the valuation of pledges made in 2018.

Paris on March 15th, 2019

The specific controller

CAILLIAU DEDOUT et Associés

Laurent BRUN
19, rue Clément Marot
75008 Paris

PROCEDURE FOR THE VALUATION AND PERIODIC REVIEW OF THE VALUE OF THE ASSETS UNDERLYING THE LOANS FOR 2018

I. Valuation method applied to assets underlying loans

A – GENERAL ASSET VALUATION PRINCIPLES

The procedure described below has been determined pursuant to Articles 1 and 2 of CRBF Regulation No. 99-10, as amended by regulations No. 2001-02 and No. 2002-02 and by the decrees of May 7, 2007 and February 23, 2011 transposing European directive 2006/48/EC of May 26, 2014 and November 3, 2014 into French law.

Real estate financed by eligible loans or posted as collateral for these loans is subject to cautious appraisal.

The valuation is performed taking into account the long-term sustainable aspects of the property, the normal and local market conditions, the current use and alternative appropriate uses of the property.

B – DEROGATION RULE USED BY COMPAGNIE DE FINANCEMENT FONCIER

For loans originated between January 1, 2003 and December 31, 2006, in accordance with the provisions of CRBF Regulation No. 99-10 and a decision by the Chairman of Crédit Foncier's Executive Board dated July 28, 2003, a cost of transaction without discount is understood to be an estimated value of an asset for all transactions with Individuals involving residential property where a transaction cost is less than €350,000.

Following the changes to CRBF Regulation No. 99-10, this principle was extended to include:

- for the period between May 7, 2007 and February 23, 2011, all residential property transactions with individual customers where a transaction cost is less than €450,000 or where an outstanding principal amount on the acquired loan or a total amount authorized is less than €360,000;
- as of February 24, 2011, all residential property transactions with individual customers where a transaction cost is less than €600,000 or where an outstanding principal amount on the acquired loan or a total amount authorized is less than €480,000.

Above these thresholds, an appraisal value is considered to be the value of the property.

C – SUMMARY

The above-mentioned rules, applied since February 24, 2011, are summarized in the following table:

| Property types | Cost of transaction is less than €600,000 or acquired loan less than €480,000 | Cost of transaction greater than or equal to €600,000 and acquired loan greater than or equal to €480,000 |
|--|---|---|
| Residential Property for private individuals | Transaction cost | Appraisal |
| Residential Property for Professionals | Appraisal | Appraisal |
| Commercial property* | Appraisal | Appraisal |

* *Property for professional use means all properties other than residential and multiple-use properties where the value allocated to the residential part is less than 75% of the total value of the entire property.*

An appraisal is made of all collateral underlying authorized loans (*i.e.* signed by the parties) during the year, regardless of whether or not they are implemented.

Other collateral (securing loans authorized before November 30, 2016 and already valued or re-valued) is subject to a periodic review of its value as presented hereafter (see sections II, III and IV).

II. Methods used for periodic review of residential assets for individuals and professionals (Appendix 1)

The methods described below apply to all loans transferred to Compagnie de Financement Foncier.

Following the migration in November 2015 to the shared Groupe BPCE IT system, the revaluation methods were changed for residential loans to professionals and non-residential assets. This change, however, only affects a small proportion of the loan book held by Compagnie de Financement Foncier.

Two methods are used: a statistical method, sub-divided into two variants depending on the customer segment and property type, and an expert appraisal method.

A – STATISTICAL METHODS

Two variant statistical methods are used for periodic reviews of the pledged value of residential properties depending on the valuation engine used:

- **A.1 Crédit Foncier statistical method**, unchanged from previous years and implemented in the valuation engine in the Crédit Foncier's IT system. These valuations are based on value change indices derived from prices provided by Crédit Foncier Immobilier appraisers:
 - for individual residential properties,
 - annually;
- **A.2 BPCE statistical method**, using an engine installed on the group's IT system. This permits valuation, using indices based on property prices:
 - for professional residential properties,
 - semi-annually.

In the special case of collateral located in the Netherlands and Belgium (Appendix 4), country-specific indices are used (Stadim for Belgium and the PBK indices, produced by the Dutch real estate registry, for the Netherlands).

A.1 CRÉDIT FONCIER PERIODIC STATISTICAL REVIEW METHOD (APPENDIX 2)

Principles

The model is based on the preparation of indices. The indices obtained are the changes observed from one year to the next in market values, clarifying that, in accordance with the relevant legislation, an appraisal is carried out, in compliance with the law, on the basis of a prudent assessment (which is then revalued by applying the indices).

The indices reflect four distinct geographical categories:

- the 114 urban areas created by postal code grouping approved by the INSEE (French National Institute for Statistics and Economic Studies). They are defined as being urban areas with more than 50,000 inhabitants. The list of these urban areas and their composition changes as the urban fabric and real estate markets evolve;
- outside these urban areas, the "non-urban" real estate market is divided into administrative regions that date from before the January 1, 2016 regional reforms (20 regions, not including Corsica and Île-de-France);

- Île-de-France, excluding the city of Paris, is valued separately using specific indices for each of its seven departments;
- Paris is also valued separately using a specific index.

The indices of each of these four categories (urban area, non-urban region, Île-de-France and Paris) which are grouped according to postal codes, break down as follows:

- Urban areas: 114 Apartment indices/114 House indices;
- Non-urban area: 20 House indices;
- Île-de-France (excluding Paris): 7 Apartment indices/7 House indices;
- Paris: 1 Apartment index.

When the apartment/home distinction is not available for a particular item of collateral, the lower of the two indices for the corresponding postal code is used.

When the collateral is in Corsica or in the Dom-Toms (French overseas departments and territories) or its location is not known in the postal code table, the annual trend indices used for the corresponding type of housing are:

- for apartments: the average of the apartment indices for urban areas;
- for houses: the lower of the 2 averages for houses in urban areas and for regions.

Revaluation cycle management

Real estate value indices are updated annually. New indices are established each November based on the period ending on September 30.

The revaluation cycle is thus managed on a one year rolling period from September 30 of year "n-1" to September 30 of year "n".

Sources

These indices are based on an ad hoc survey and on expert appraiser estimates carried out each year by the Crédit Foncier Immobilier's Research department with the network of regional real estate appraisers, quarterly gross statistical real estate information available in its database and regional indicators from www.marche-immobilier.com.

A.2 BPCE PERIODIC STATISTICAL REVIEW METHOD (APPENDIX 3)

Principles

The statistical review method used by BPCE applies to residential real estate assets granted to professionals and depends on the property's location.

It is based on average property prices in each department, taken from data bases maintained by notaries:

- for property in Île-de-France (outside the city itself, where average prices are indexed by *arrondissement*) from a commercial data base provided by the company Paris Notaires Services for Île-de-France;
- for property in other metropolitan departments, from the PERVAL data base covering the rest of France.

For property in the Dom-Toms, the index used is the national re-evaluation index from the PERVAL data base.

B – APPRAISER ESTIMATE REVALUATION METHOD

This category, in application of Basel II provisions (Article 208 of European Regulation no. 575/2013 of European Parliament and Council dated June 26, 2013), concerns residential real estate posted as collateral for a debt of over €3m.

Each property in this category is individually revalued every three years by means of appraisal. The appraiser determines a cautious mortgage value based on a thorough analysis of the type of asset and its specific aspects and on a prudent, forward-looking view of the market.

In each of the two years between each 3-year appraisal, the property is revalued using a statistical method:

- method A.1 for Individual customers;
- method A.1 for Individual customers.

III. Methods used for periodic review of real estate for professional use (non-residential)

In accordance with CRBF Regulation 99-10, the following revaluation method is used for properties for professional use:

B – APPRAISER ESTIMATE REVALUATION METHOD

This category concerns property for professional use (non-residential) where the loan has been transferred to the Compagnie de Financement Foncier.

Each property in this category is individually **revalued every year** by means of appraisal. The appraiser determines a cautious mortgage value based on a thorough analysis of the type of asset and its specific aspects and on a prudent, forward-looking view of the market.

IV. Summary table of methods

| Type of asset | Individuals | | Corporates | |
|-----------------|---------------------|---|---------------------|---|
| | Loan less than €3m | Loan more than €3m | Loan less than €3m | Loan more than €3m |
| Residential | Method A.1 annually | Individual appraisal (method B) every three years and method A.1 in the interim years | Method A.2 annually | Individual appraisal (method B) every three years and method A.2 in the interim years |
| Non residential | | Individual appraisal (method B) annually | | Individual appraisal (method B) annually |

APPENDIX 1 – BREAKDOWN OF LOANS AND COLLATERAL BY PERIODIC REVIEW METHOD

| | Individual residential | | | Corporates and Individual non-residential | | |
|-------------------|---|---------|-------------|---|--------------|------------|
| | Crédit Foncier statistical method (A.1) | | | BPCE statistical method (A.2) | | |
| | France | Belgium | Netherlands | Global | Individuals* | Corporates |
| Outstandings (€m) | 25,856 | 1,129 | 38 | 18 | 9 | 9 |
| No. of guarantees | 310,337 | 9,134 | 382 | 57 | 39 | 18 |
| 2018 value (€m) | 52,567 | 2,245 | 66 | 72.5 | 27.8 | 44.7 |
| 2017 value (€m) | -51,803 | -2,173 | -58 | -72.2 | -27.7 | -44.5 |
| Change | 1.47% | 3.31% | 14.00% | 0.30% | 0.1% | 0.4% |

Source: Reporting as of October 31, 2018.

* For Individuals, the 39 items of collateral found ineligible for the method A.1 internal engine and revalued using method A.2 consist of 35 items of collateral already revalued on May 31, 2018, three items of collateral for 2018 transactions, of which two settled in November 2018, and one item of collateral with a change in third-party segmentation.

APPENDIX 2 – STATICAL CHANGES CRÉDIT FONCIER (A.1)

INDICES EVOLUTION 2017/2018

Agglomerations with more than 200,000 inhabitants

| Region | Dept. | Department | Urban unit | Apartment Index 2017-2018 | House Index 2017-2018 |
|----------------------|-------|----------------------|---------------------------|------------------------------|--------------------------|
| ALSACE | 67 | BAS-RHIN | Strasbourg | 1.024 | 1.027 |
| ALSACE | 68 | HAUT-RHIN | Mulhouse | 1.003 | 1.013 |
| AQUITAINE | 64 | PYRÉNÉES-ATLANTIQUES | Bayonne | 1.043 | 1.048 |
| AQUITAINE | 33 | GIRONDE | Bordeaux | 1.063 | 1.066 |
| AUVERGNE | 63 | PUY-DE-DÔME | Clermont-Ferrand | 1.032 | 1.007 |
| BOURGOGNE | 21 | CÔTE-D'OR | Dijon | 1.033 | 1.018 |
| BRETAGNE | 35 | ILLE-ET-VILAINE | Rennes | 1.028 | 1.033 |
| BRETAGNE | 29 | FINISTÈRE | Brest | 1.019 | 1.022 |
| CENTRE | 37 | INDRE-ET-LOIRE | Tours | 1.010 | 1.008 |
| CENTRE | 45 | LOIRET | Orléans | 1.009 | 1.005 |
| CHAMPAGNE | 51 | MARNE | Reims | 1.018 | 1.030 |
| HAUTE-NORMANDIE | 76 | SEINE-MARITIME | Rouen | 0.990 | 1.000 |
| HAUTE-NORMANDIE | 76 | SEINE-MARITIME | Le Havre | 1.000 | 1.010 |
| LANGUEDOC-ROUSSILLON | 34 | HÉRAULT | Montpellier | 1.002 | 1.017 |
| LORRAINE | 54 | MEURTHE-ET-MOSELLE | Nancy | 1.030 | 1.021 |
| LORRAINE | 57 | MOSELLE | Metz | 1.009 | 1.018 |
| MIDI-PYRÉNÉES | 31 | HAUTE-GARONNE | Toulouse | 1.039 | 1.043 |
| NORD | 59 | NORD | Lille | 1.009 | 1.015 |
| NORD | 59 | NORD | Valenciennes | 1.000 | 0.984 |
| NORD | 62 | PAS-DE-CALAIS | Béthune | 1.006 | 1.000 |
| NORD | 62 | PAS-DE-CALAIS | Douai-Lens | 1.009 | 1.010 |
| PACA | 6 | ALPES-MARITIMES | Nice | 1.008 | 1.021 |
| PACA | 83 | VAR | Toulon | 0.984 | 0.988 |
| PACA | 13 | BOUCHES-DU-RHÔNE | Marseille-Aix-en-Provence | 1.029 | 1.025 |
| PACA | 84 | VAUCLUSE | Avignon | 0.979 | 0.990 |
| PAYS-DE-LOIRE | 49 | MAINE-ET-LOIRE | Angers | 1.008 | 1.021 |
| PAYS-DE-LOIRE | 72 | SARTHE | Le Mans | 0.993 | 0.990 |
| PAYS-DE-LOIRE | 44 | LOIRE-ATLANTIQUE | Nantes | 1.033 | 1.030 |
| RHÔNE-ALPES | 69 | RHÔNE | Lyon | 1.035 | 1.036 |
| RHÔNE-ALPES | 38 | ISÈRE | Grenoble | 1.013 | 0.992 |
| RHÔNE-ALPES | 42 | LOIRE | Saint-Étienne | 1.003 | 1.008 |
| AVERAGE | | | | 1.015 | 1.016 |

Cities of 100,000-199,999 inhabitants

| Region | Dept. | Department | Urban unit | Apartment index 2017-2018 | House Index 2017-2018 |
|----------------------|-------|----------------------|------------------------|------------------------------|--------------------------|
| AQUITAINE | 64 | PYRÉNÉES-ATLANTIQUES | Pau | 1.015 | 1.020 |
| BASSE-NORMANDIE | 14 | CALVADOS | Caen | 1.009 | 1.015 |
| BRETAGNE | 56 | MORBIHAN | Lorient | 1.001 | 1.028 |
| CHAMPAGNE | 10 | AUBE | Troyes | 1.020 | 0.963 |
| LANGUEDOC-ROUSSILLON | 30 | GARD | Nîmes | 0.991 | 1.022 |
| LANGUEDOC-ROUSSILLON | 66 | PYRÉNÉES-ORIENTALES | Perpignan | 0.995 | 0.989 |
| LIMOUSIN | 87 | HAUTE-VIENNE | Limoges | 0.982 | 1.031 |
| LORRAINE | 57 | MOSELLE | Thionville | 0.995 | 1.007 |
| NORD | 59 | NORD | Dunkerque | 1.000 | 1.000 |
| NORD | 59 | NORD | Maubeuge (French part) | 1.000 | 0.974 |

RISK MANAGEMENT REPORT

5. Analysis of credit and counterparty risk

| Region | Dept. | Department | Urban unit | Apartment index 2017-2018 | House Index 2017-2018 |
|------------------|-------|-------------------|------------------|------------------------------|--------------------------|
| PAYS-DE-LOIRE | 44 | LOIRE-ATLANTIQUE | Saint-Nazaire | 1.014 | 1.035 |
| PICARDIE | 80 | SOMME | Amiens | 0.996 | 1.000 |
| PICARDIE | 60 | OISE | Creil | 1.007 | 1.021 |
| POITOU-CHARENTES | 17 | CHARENTE-MARITIME | La Rochelle | 1.022 | 1.051 |
| POITOU-CHARENTES | 16 | CHARENTE | Angoulême | 1.011 | 1.000 |
| POITOU-CHARENTES | 86 | VIENNE | Poitiers | 1.000 | 1.000 |
| FRANCHE-COMTÉ | 25 | DOUBS | Besançon | 0.989 | 0.986 |
| FRANCHE-COMTÉ | 25 | DOUBS | Montbéliard | 1.014 | 1.013 |
| RHÔNE-ALPES | 74 | HAUTE-SAVOIE | Annecy | 1.028 | 1.052 |
| RHÔNE-ALPES | 73 | SAVOIE | Chambéry | 0.976 | 0.978 |
| RHÔNE-ALPES | 26 | DRÔME | Valence | 1.023 | 1.075 |
| RHÔNE-ALPES | 74 | HAUTE-SAVOIE | Genève-Annemasse | 1.034 | 1.000 |
| AVERAGE | | | | 1.006 | 1.012 |

■ Cities of 50,000-99,999 inhabitants

| Region | Dept. | Department | Urban unit | Apartment index 2017-2018 | House Index 2017-2018 |
|----------------------|-------|-----------------------|-----------------------|------------------------------|--------------------------|
| ALSACE | 67 | BAS-RHIN | Haguenau | 1.012 | 1.009 |
| ALSACE | 68 | HAUT-RHIN | Colmar | 1.018 | 1.022 |
| AQUITAINE | 24 | DORDOGNE | Bergerac | 1.036 | 1.000 |
| AQUITAINE | 24 | DORDOGNE | Périgueux | 1.033 | 1.014 |
| AQUITAINE | 33 | GIRONDE | Arcachon | 1.063 | 1.025 |
| AQUITAINE | 47 | LOT-ET-GARONNE | Agen | 1.033 | 1.040 |
| AUVERGNE | 3 | ALLIER | Montluçon | 1.030 | 1.020 |
| AUVERGNE | 3 | ALLIER | Vichy | 0.989 | 1.045 |
| BASSE-NORMANDIE | 50 | MANCHE | Cherbourg-Octeville | 1.007 | 1.013 |
| BOURGOGNE | 58 | NIÈVRE | Nevers | 1.032 | 1.003 |
| BOURGOGNE | 71 | SAÔNE-ET-LOIRE | Chalon-sur-Saône | 0.974 | 1.047 |
| BRETAGNE | 22 | CÔTES-D'ARMOR | Saint-Brieuc | 1.011 | 1.013 |
| BRETAGNE | 29 | FINISTÈRE | Quimper | 1.011 | 1.008 |
| BRETAGNE | 56 | MORBIHAN | Vannes | 1.013 | 1.023 |
| CENTRE | 18 | CHER | Bourges | 1.005 | 1.020 |
| CENTRE | 28 | EURE-ET-LOIR | Chartres | 0.988 | 0.997 |
| CENTRE | 36 | INDRE | Châteauroux | 1.000 | 1.000 |
| CENTRE | 41 | LOIR-ET-CHER | Blois | 1.000 | 1.000 |
| CENTRE | 45 | LOIRET | Montargis | 1.000 | 1.000 |
| CHAMPAGNE | 8 | ARDENNES | Charleville-Mézières | 0.972 | 1.000 |
| CHAMPAGNE | 51 | MARNE | Chalons-en-Champagne | 1.009 | 1.009 |
| FRANCHE-COMTÉ | 90 | TERRITOIRE-DE-BELFORT | Belfort | 1.027 | 0.985 |
| HAUTE-NORMANDIE | 27 | EURE | Évreux | 0.993 | 1.000 |
| LANGUEDOC-ROUSSILLON | 11 | AUDE | Carcassonne | 1.005 | 1.000 |
| LANGUEDOC-ROUSSILLON | 11 | AUDE | Narbonne | 1.000 | 1.020 |
| LANGUEDOC-ROUSSILLON | 30 | GARD | Alès | 1.006 | 1.000 |
| LANGUEDOC-ROUSSILLON | 34 | HÉRAULT | Béziers | 1.019 | 1.009 |
| LANGUEDOC-ROUSSILLON | 34 | HÉRAULT | Sète | 0.981 | 0.991 |
| LIMOUSIN | 19 | CORRÈZE | Brive-la-Gaillarde | 1.016 | 1.007 |
| LORRAINE | 57 | MOSELLE | Forbach (French part) | 0.953 | 1.048 |
| LORRAINE | 88 | VOSGES | Épinal | 0.973 | 0.980 |
| MIDI-PYRÉNÉES | 65 | HAUTES-PYRENEES | Tarbes | 1.010 | 1.017 |
| MIDI-PYRÉNÉES | 81 | TARN | Albi | 1.016 | 1.015 |
| MIDI-PYRÉNÉES | 81 | TARN | Castres | 1.016 | 1.010 |
| MIDI-PYRÉNÉES | 82 | TARN-ET-GARONNE | Montauban | 1.000 | 1.031 |

| Region | Dept. | Department | Urban unit | Apartment index 2017-2018 | House Index 2017-2018 |
|------------------|-------|------------------|---------------------------|------------------------------|--------------------------|
| NORD | 59 | NORD | Armentières (French part) | 1.008 | 1.000 |
| NORD | 62 | PAS-DE-CALAIS | Arras | 1.007 | 1.006 |
| NORD | 62 | PAS-DE-CALAIS | Boulogne-sur-Mer | 1.002 | 1.000 |
| NORD | 62 | PAS-DE-CALAIS | Calais | 0.997 | 1.000 |
| NORD | 62 | PAS-DE-CALAIS | Saint-Omer | 0.981 | 0.997 |
| PACA | 6 | ALPES-MARITIMES | Menton-Monaco | 1.036 | 1.025 |
| PACA | 13 | BOUCHES-DU-RHÔNE | Arles | 1.028 | 1.023 |
| PACA | 13 | BOUCHES-DU-RHÔNE | Salon-de-Provence | 0.981 | 1.019 |
| PACA | 83 | VAR | Draguignan | 1.017 | 1.029 |
| PACA | 83 | VAR | Fréjus | 0.995 | 1.012 |
| PAYS-DE-LOIRE | 49 | MAINE-ET-LOIRE | Cholet | 1.035 | 1.045 |
| PAYS-DE-LOIRE | 53 | MAYENNE | Laval | 1.027 | 0.987 |
| PAYS-DE-LOIRE | 85 | VENDÉE | La Roche/Yon | 1.016 | 1.019 |
| PICARDIE | 2 | AISNE | Saint-Quentin | 0.991 | 0.962 |
| PICARDIE | 60 | OISE | Beauvais | 0.980 | 1.014 |
| PICARDIE | 60 | OISE | Compiègne | 1.017 | 1.029 |
| POITOU-CHARENTES | 79 | DEUX-SÈVRES | Niort | 1.031 | 1.017 |
| RHÔNE-ALPES | 1 | AIN | Bourg-en-Bresse | 0.988 | 1.022 |
| RHÔNE-ALPES | 26 | DRÔME | Montélimar | 0.979 | 0.989 |
| RHÔNE-ALPES | 26 | DRÔME | Romans-sur-Isère | 1.017 | 1.000 |
| RHÔNE-ALPES | 38 | ISÈRE | Bourgoin-Jallieu | 1.018 | 1.000 |
| RHÔNE-ALPES | 42 | LOIRE | Roanne | 1.018 | 0.972 |
| RHÔNE-ALPES | 42 | LOIRE | Saint-Just-Saint-Rambert | 1.015 | 1.026 |
| RHÔNE-ALPES | 69 | RHÔNE | Vienne | 1.008 | 1.000 |
| RHÔNE-ALPES | 74 | HAUTE-SAVOIE | Cluses | 0.978 | 1.018 |
| RHÔNE-ALPES | 74 | HAUTE-SAVOIE | Thonon-les-Bains | 0.982 | 1.053 |
| AVERAGE | | | | 1.007 | 1.011 |

■ Non-urban areas

| Region | House index 2017-2018 |
|----------------------|-----------------------|
| ALSACE | 1.007 |
| AQUITAINE | 1.014 |
| AUVERGNE | 1.022 |
| BOURGOGNE | 1.035 |
| BRETAGNE | 1.031 |
| CENTRE | 1.015 |
| CHAMPAGNE | 1.003 |
| FRANCHE-COMTÉ | 0.985 |
| LANGUEDOC-ROUSSILLON | 0.966 |
| LIMOUSIN | 1.056 |
| LORRAINE | 0.986 |
| MIDI-PYRÉNÉES | 1.014 |
| NORD | 0.990 |
| BASSE-NORMANDIE | 1.000 |
| HAUTE-NORMANDIE | 0.985 |
| PAYS-DE-LOIRE | 1.037 |
| PICARDIE | 1.000 |
| POITOU-CHARENTES | 1.017 |
| PACA | 1.009 |
| RHÔNE-ALPES | 1.020 |
| AVERAGE | 1.010 |

■ Paris and Île-de-France

| Region | Dept. | Department | Apartment index 2017-2018 | House Index 2017-2018 |
|--------------------------------------|-------|-------------------|------------------------------|--------------------------|
| ÎLE-DE-FRANCE | 75 | PARIS | 1.067 | - |
| | 77 | SEINE-ET-MARNE | 0.999 | 1.005 |
| | 78 | YVELINES | 1.009 | 1.014 |
| | 91 | ESSONNE | 0.999 | 1.009 |
| | 92 | HAUTS-DE-SEINE | 1.030 | 1.041 |
| | 93 | SEINE-SAINT-DENIS | 1.029 | 1.017 |
| | 94 | VAL-DE-MARNE | 1.020 | 1.026 |
| | 95 | VAL-D'OISE | 1.001 | 1.005 |
| AVERAGE (EXCLUDING PARIS) | | | 1.012 | 1.017 |

■ Breakdown of the collateral portfolio revalued using the Crédit Foncier specific method (by regions and Paris) for loans held by Compagnie de Financement Foncier as at November 30, 2018

| Regions | Compagnie de Financement Foncier portfolio | |
|-------------------------|---|-------------------------------------|
| | Regional breakdown of loan guarantee value <i>(amounts in €m)</i> | Regional breakdown <i>(in %)</i> |
| ALSACE | 616.77 | 1.17% |
| AQUITAINE | 3,452.39 | 6.57% |
| AUVERGNE | 383.06 | 0.73% |
| BASSE-NORMANDIE | 769.15 | 1.46% |
| BOURGOGNE | 896.35 | 1.71% |
| BRETAGNE | 1,733.52 | 3.30% |
| CENTRE | 1,446.17 | 2.75% |
| CHAMPAGNE-ARDENNE | 514.45 | 0.98% |
| CORSE | 108.34 | 0.21% |
| DOM-TOM | 362.80 | 0.69% |
| FRANCHE-COMTÉ | 454.06 | 0.86% |
| HAUTE-NORMANDIE | 1,804.16 | 3.43% |
| IDF (EXCLUDING PARIS) | 14,386.18 | 27.37% |
| LANGUEDOC-ROUSSILLON | 2,816.75 | 5.36% |
| LIMOUSIN | 290.38 | 0.55% |
| LORRAINE | 1,028.05 | 1.96% |
| MIDI-PYRÉNÉES | 2,992.86 | 5.69% |
| NORD-PAS-DE-CALAIS | 2,262.86 | 4.30% |
| PACA | 5,117.31 | 9.73% |
| PARIS | 1,267.66 | 2.41% |
| PAYS-DE-LOIRE | 2,442.89 | 4.65% |
| PICARDIE | 1,815.80 | 3.45% |
| POITOU-CHARENTES | 841.82 | 1.60% |
| RHÔNE-ALPES | 4,687.20 | 8.92% |
| OTHER (OF WHICH MONACO) | 75.70 | 0.14% |
| TOTAL | 52,566.70 | 100.00% |

APPENDIX 3 – BREAKDOWN OF THE COLLATERAL PORTFOLIO REVALUED USING THE BPCE METHOD FOR LOANS HELD BY COMPAGNIE DE FINANCEMENT FONCIER AS AT NOVEMBER 30, 2018

■ Corporates (Periodic review method A.2)

| Department | No. of guarantees | Valuation (in €) before revaluation | Valuation (in €) after revaluation | Outstandings (in €) as of 10/31/2018 |
|------------------|-------------------|-------------------------------------|------------------------------------|--------------------------------------|
| BOUCHES-DU-RHÔNE | 1 | 157,466.0 | 157,466.0 | 103,920.0 |
| GIRONDE | 1 | 411,490.0 | 411,490.0 | 188,957.35 |
| MAINE-ET-LOIRE | 1 | 2,052,314.0 | 2,052,314.0 | 294,650.70 |
| PUY-DE-DÔME | 1 | 5,418,660.0 | 5,418,660.0 | 441,400.61 |
| BAS-RHIN | 1 | 3,339,367.0 | 3,339,367.0 | 311,202.18 |
| HAUT-RHIN | 1 | 1,318,612.0 | 1,318,612.0 | 154,321.16 |
| RHONE | 5 | 6,618,215.0 | 6,618,215.0 | 860,215.61 |
| PARIS | 2 | 799,450.0 | 795,472.0 | 69,205.36 |
| SOMME | 1 | 130,932.0 | 130,932.0 | 94,269.23 |
| VAUCLUSE | 1 | 317,365.0 | 317,365.0 | 213,020.41 |
| VIENNE | 1 | 182,853.0 | 182,853.0 | 42,131.96 |
| ESSONNE | 1 | 3,691,970.0 | 3,706,279.0 | 514,087.16 |
| VAL-DE-MARNE | 1 | 20,029,158.0 | 20,215,910.0 | 5,224,227.23 |
| TOTAL | 18 | 44,467,852.00 | 44,664,935.00 | 8,511,608.96 |

■ Individuals (Periodic review method A.2)

| Department | No. of guarantees | Valuation (in €) before revaluation | Valuation (in €) after revaluation | Outstandings (in €) as of 10/31/2018 | Evolution |
|----------------------|-------------------|-------------------------------------|------------------------------------|--------------------------------------|--------------|
| ALPES-MARITIMES | 3 | 3,113,780 | 3,113,780 | 422,034 | 0.00% |
| BOUCHES-DU-RHÔNE | 5 | 3,529,357 | 3,529,357 | 1,695,685 | 0.00% |
| CHARENTE | 1 | 392,072 | 392,072 | 265,661 | 0.00% |
| GIRONDE | 2 | 979,647 | 979,647 | 707,476 | 0.00% |
| HÉRAULT | 3 | 874,186 | 874,186 | 689,195 | 0.00% |
| ISÈRE | 1 | 265,000 | 265,000 | 207,734 | 0.00% |
| LOIRE-ATLANTIQUE | 1 | 131,475 | 131,475 | 93,325 | 0.00% |
| PYRÉNÉES-ATLANTIQUES | 1 | 490,000 | 490,000 | 60,027 | 0.00% |
| HAUTES-PYRÉNÉES | 1 | 238,256 | 238,256 | 189,674 | 0.00% |
| PYRÉNÉES-ORIENTALES | 1 | 171,336 | 171,336 | 136,819 | 0.00% |
| SAVOIE | 3 | 2,780,886 | 2,780,886 | 1,110,040 | 0.00% |
| PARIS | 5 | 6,695,786 | 6,693,248 | 1,560,552 | -0.04% |
| SEINE-ET-MARNE | 1 | 151,504 | 150,338 | 68,477 | -0.77% |
| VAR | 2 | 4,643,106 | 4,643,106 | 929,550 | 0.00% |
| HAUTE-VIENNE | 1 | 231,000 | 231,000 | 48,651 | 0.00% |
| ESSONNE | 4 | 1,208,635 | 1,213,317 | 345,263 | 0.39% |
| HAUTS-DE-SEINE | 3 | 1,298,813 | 1,315,372 | 416,419 | 1.27% |
| VAL-DE-MARNE | 1 | 570,572 | 575,892 | 443,901 | 0.93% |
| TOTAL | 39 | 27,765,411 | 27,788,268 | 9,390,482 | 0.08% |

APPENDIX 4

■ 2018 revaluation of Belgian guarantees

Crédit Foncier, via its servicer Stater, revalued the guarantees of its branch for 2018. This revaluation carried out at June 30, 2018 covers a 12-month period as the last revaluation was dated June 30, 2017. 9,134 guarantees were revalued representing an overall valuation amount of €2,245m, i.e. an average increase in value of 3.3% (after excluding guarantees that increased or decreased by more than 20%) associated with an outstanding amount of €1,129m.

| Province | No. of guarantees | 06/30/2018 valuation of guarantees (in €) | 2017-2018 trends | Outstandings (in €) as of 10/31/2018 | Breakdown of outstandings |
|---------------------------|-------------------|---|------------------|--------------------------------------|---------------------------|
| Antwerpen | 1,248 | 326,652,809.78 | 2.72% | 154,223,970.82 | 13.66% |
| Brabant Wallon | 381 | 114,791,368.48 | 2.81% | 53,355,450.61 | 4.72% |
| Hainaut | 1,656 | 284,888,175.71 | 4.32% | 174,777,355.39 | 15.48% |
| Liège | 912 | 191,209,066.85 | 4.41% | 104,204,014.53 | 9.23% |
| Limburg | 572 | 140,357,544.38 | 2.91% | 71,865,726.01 | 6.36% |
| Luxembourg | 160 | 33,154,420.36 | 3.88% | 18,401,313.12 | 1.63% |
| Namur | 436 | 96,963,655.38 | 3.16% | 54,172,393.85 | 4.80% |
| Oost-Vlaanderen | 1,327 | 378,764,858.94 | 3.19% | 177,680,253.50 | 15.73% |
| Région Bruxelles-Capitale | 744 | 200,288,630.55 | 4.45% | 97,725,548.01 | 8.65% |
| Vlaams-Brabant | 930 | 294,106,593.46 | 2.57% | 129,063,766.74 | 11.43% |
| West-Vlaanderen | 768 | 184,007,973.31 | 2.52% | 93,927,462.20 | 8.32% |
| TOTAL | 9,134 | 2,245,185,097.20 | 3.31% | 1,129,397,254.78 | 100.00% |

■ 2018 revaluation of Dutch guarantees

485 loans were revalued representing a total outstanding value of €38.5m.

Revaluation was conducted based on the PBK Index developed by the Netherlands land registry. For 2018, revaluation was based on Q3 2018 indices and the average index changed +14% within the scope.

| Region | Number of loans | Total receivables | 2018 discounted item value | 2017 item value | % of change in loan guarantees |
|---------------|-----------------|-------------------|----------------------------|-------------------|--------------------------------|
| Drenthe | 13 | 1,053,875 | 1,757,973 | 1,614,254 | 8.9% |
| Flevoland | 17 | 1,118,258 | 1,842,369 | 1,606,319 | 14.7% |
| Friesland | 34 | 2,331,612 | 3,383,363 | 3,007,084 | 12.5% |
| Gelderland | 52 | 4,121,995 | 5,958,905 | 5,373,381 | 10.9% |
| Groningen | 22 | 1,787,685 | 2,862,170 | 2,590,218 | 10.5% |
| Limburg | 40 | 3,201,544 | 5,369,608 | 4,838,958 | 11.0% |
| Noord-Brabant | 59 | 5,249,335 | 9,128,215 | 8,317,448 | 9.7% |
| Noord-Holland | 99 | 7,490,297 | 15,809,965 | 12,822,262 | 23.3% |
| Overijssel | 37 | 2,795,002 | 4,284,191 | 3,860,539 | 11.0% |
| Utrecht | 26 | 2,256,748 | 4,285,833 | 4,026,544 | 6.4% |
| Zeeland | 14 | 999,860 | 1,527,970 | 1,431,111 | 6.8% |
| Zuid-Holland | 72 | 6,118,655 | 9,667,417 | 8,297,302 | 16.5% |
| TOTAL | 485 | 38,524,867 | 65,877,979 | 57,785,421 | 14.0% |

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 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

Liquidity and interest rate risks are measured using different, complementary approaches depending on the scope of the analysis. There are two distinct approaches:

- a static approach, which covers on- and off-balance sheet transactions existing at a given date and up until their final maturity. Static processing factors in the stock of transactions and all flows from contracted commitments;
- a dynamic approach for liquidity risk (preparing the financing plan, evaluation of cash requirements) that includes business level forecasts over the current and following periods. Dynamic analyzes consider likely events resulting from commitments that have been made or are under option and uncertain events resulting from future activity.

Within the framework of these two approaches, assumptions or agreements are made about flows of assets and liabilities:

- balance sheet items with contractual maturities: the assumption applied is the contractual amortization of the item;

- balance sheet item without contractual maturity such as capital and provisions: specific BPCE amortization assumptions are applied.

Moreover, specific assumptions to certain products are modeled in order to adapt the cash flows. It depends on the probability of early repayment by the customers, of loan disbursement, or of deferred payments.

Early repayment and renegotiation assumptions are applied to each type of loan according to customer category (private individuals or local authorities) and the type of rate (fixed rate, adjustable rate or variable rate).

As regards information systems, the Financial Management Division uses a specific software package that is interfaced with the management systems.

Liquidity and interest rate risks are included in the Risk Appetite profile.

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*.

In 2018, Compagnie de Financement Foncier issued €5.7bn 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 December 31, 2018, these outstandings amounted to nearly €10.3bn in nominal value, divided into:

- €7.8bn in Public sector loans;
- €2.5bn in securities.

In 2018 Compagnie de Financement Foncier did not make any use of 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 paragraph 6.1, 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 2018. 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 (Asset and Liability Management) 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 December 31, 2018, Compagnie de Financement Foncier had available cash of €0.7bn 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 three months (maintenance of a proportion of the 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 three months resulting notably in the stopping of all new issuances and financing roll-overs; the liquidity position is compared with the liquidity buffer.

In the 1st half, the stress scenarios were updated and supplemented (addition of a systemic crisis scenario and a specific crisis scenario). Moreover, the liquidity buffer base used to assess compliance with the limit was broadened to include all securities eligible for the Liquidity Reserve, used to calculate the LCR.

The new mechanism came into effect on June 30.

The stress test limit was respected in 2018.

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 provision was respected throughout 2018.

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 2018, 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 two years between the maturity of all its liabilities and assets. On the liabilities side, equity is included for a maturity equal to the longest issued liabilities. In 2018, 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 resources;
- 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 resources.

The calculation of the level of coverage takes into account early repayments assumptions and a fina 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

Compagnie de Financement Foncier is protected against foreign exchange and interest rate risk: all fixed rate and/or non-euro denominated asset acquisitions or debt issuances are systematically hedged with variable rates and/or swapped into euros at origination.

Derivatives transactions are generally intermediated by Crédit Foncier and results in an intragroup swap between Crédit Foncier and Compagnie de Financement Foncier.

This strategy usually does not apply to cross-currency swaps hedging issuances in foreign currencies or to structured swaps hedging private placements or some loans to local authorities that are concluded with other banking counterparts.

Given the various hedging mechanisms implemented by Compagnie de Financement Foncier at the time of transactions being entered into, an exposure to interest rate risk is limited to the possible distortion of the hedging transaction arising from events not known at the time of transaction conclusion and which occurred during the term of the contract (mainly early redemptions).

Interest rate position is reviewed each quarter by the Compagnie de Financement Foncier ALM Committee and macro-hedging transactions are entered into to keep interest rate gaps within the strict 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.

The approved transactions are set out operationally by the Financial Management Committee and then implemented by the Cash Management Division of Crédit Foncier, which is the only point of entry to the market available to Compagnie de Financement Foncier for this kind of transaction.

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. These requests for funds are made on a daily basis if the rating of the counterparty

falls below F1+ or AA- at Fitch Ratings, P1 or Aa3 at Moody's, A1+ or AA- at Standard & Poor's. If the opposite situation occurs, these agreements stipulate that Compagnie de Financement Foncier shall not deposit any collateral. As of December 31, 2018, the amount of deposits received was €0.9bn.

6.3.2. INTEREST RATE RISK MONITORING

Compagnie de Financement Foncier has adopted a static approach for measuring risk.

The fixed interest-rate gap is calculated from total outstandings both on- and off-balance sheet on the balance sheet date, using predefined assumptions and rules for asset and liability flows.

Variable rates by categories' buckets were also analyzed.

All of these indicators are monitored quarterly by the ALM and Liquidity Oversight Committee and the Risk Executive Committee.

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.

Within the context of the annual review of limits and to ensure compliance with Groupe BPCE standards, new limits have applied since January 2018. The amount is 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 |
|------------------------|---|
| 0-0 years | 2% |
| 2-4 years | 3% |
| 4-8 years | 5% |
| Threshold over 8 years | 5% |

These limits were honored throughout 2018.

6.4. Monitoring foreign exchange risk

Foreign exchange risk arises from exchange rate movements in currencies in which Compagnie de Financement Foncier's assets and liabilities are denominated that negatively affect the value of assets or commitments denominated in foreign currencies. Compagnie de Financement Foncier prohibits any open foreign exchange positions.

This means that all assets and liabilities denominated in currencies other than the euro are systematically swapped as soon as they are recognized on the balance sheet. This hedging can be achieved using exchange rate swaps, term loans or

currency swaps. Residual differences arising from the adjustment of balance sheet positions, particularly those created by cashing in margins, are hedged monthly.

They are monitored by Crédit Foncier's Risk department, which centralizes month-end foreign exchange positions, by currency and by total amounts of foreign currencies.

Compagnie de Financement Foncier established an internal limit equal to the exchange value of €5m for all currencies combined and to €3m per currency. This limit was respected throughout 2018.

6.5. Monitoring settlement risk

This risk materializes when a settlement in a transfer system does not take place as anticipated, generally because of a third party.

The management of Compagnie de Financement Foncier's cash accounts is done by the Crédit Foncier cash management back office, a unit that is independent of accounting control.

Compagnie de Financement Foncier has direct access to the market settlement systems of the Paris Stock Exchange for large transactions denominated in euros; it is a member of the European Target system. For transactions in foreign currencies and small transactions in euros, it has accounts with BPCE.

Daily procedures for monitoring settlement risk include:

- preparation of projected flow profiles;
- daily reconciliation of individual flows with forecasting;
- creation of a payment incidents database.

In the event of the definitive default of a settlement counterparty leading to Compagnie de Financement Foncier potentially being overdrawn with the Banque de France, there are provisions for hedging mechanisms to be put in place (interbank borrowing or end-of-day borrowing facility provided by the European Central Bank).

Compagnie de Financement Foncier has a contingency and business continuity plan for settlement under an agreement with BPCE. Accordingly, as regards its financial activities, Compagnie de Financement Foncier is covered by BPCE's Contingency and Business Continuity Plan.

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 2018.

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

Operational risk management is part of group Crédit Foncier's Risk department. It is managed by a specialized unit that is separate from operating activities and attached to the Risk department. This unit reports to Compagnie de Financement Foncier's executive bodies and those responsible for controlling Compagnie de Financement Foncier.

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.

7.3.2. METHODS AND TOOLS

The risk approach is based on three key elements that are part of an iterative, interactive method:

- mapping of operational risk events: identification and assessment by each business line of its vulnerability to the main operational risks, updated whenever processes or the organizational structure changes, and in any case at least once a year;

- reporting incidents in a dedicated database: feeding the incident database by the management network as and when such incidents occur and evolve; monitoring of corrective action plans; analysis of changes in risk exposures and resulting losses;
- implementation of Key Risks Indicators for the main risk areas, warning when incidents are likely to enter a critical phase.

For calculating capital adequacy requirements, group Crédit Foncier currently applies the Basel II standard approach.

7.4. Organization of the Contingency and Business Continuity Plan (CBCP)

In accordance with the service agreements between group Crédit Foncier and Compagnie de Financement Foncier, business continuity of Compagnie de Financement Foncier is covered by Crédit Foncier's Contingency and Business Continuity Plan (CBCP). All aspects of this plan are maintained in working condition as required by the regulations.

Compagnie de Financement Foncier has its own CBCP manager who acts on its behalf in matters of compliance and maintaining the plan in deployment-ready condition in cooperation with the Crédit Foncier CBCP team.

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.

Finally, in addition to ongoing management and operational monitoring activities, the Information Systems Security department undertook the following in 2018:

- intrusion testing on a sensitive service provider;
- active participation in various Crédit Foncier digital projects on the Information Systems Security, business continuity and personal data protection;
- implementation of protective and safeguarding measures in response to moderate-scale cyber attacks. These attacks did not impact the integrity of Crédit Foncier data;

- finalization of the updating of Crédit Foncier's compliance analysis in line with the IS N2 BPCE security policy and integrate it into the Group's system;
- finalization of the updating of the sensitive assets classification for the current year attached to the Information Systems security risk mapping for 2018;
- implementation of the Information Systems Security permanent control system for the current year;
- completion of the GDPR compliance project.

Note that at end-2018, the Head of IS security was replaced by a new employee and that the Contingency and Business Plan (CBCP) was disassociated from IS Security and transferred to the Compliance and Permanent Control Division of Crédit Foncier.

7.6. Insurance

As Compagnie de Financement Foncier's servicer, Crédit Foncier insures the risks relating to its activity. Under service agreements with Compagnie de Financement Foncier, it provides insurance-related services on behalf of Compagnie de Financement Foncier. As a result, Compagnie de Financement Foncier benefits from insurance policies subscribed by BPCE primarily covering the following risks:

- IT fraud and malicious acts and subsequent losses arising out of banking operations;
- professional civil liability;
- civil liability of senior executives and corporate officers.

7.7. Legal risks

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.

The difficulties faced by a major operator in the French overseas departments led it to consider a withdrawal scheme through the sale of assets. Various companies of this operator were forced to declare bankruptcy at the end of 2016, including the borrowing company, which was placed into receivership.

The Tribunal for the collective insolvency proceedings agreed a rescue plan in the 1st quarter of 2018 for the borrowing company, whose legal officers have appealed.

In the 3rd quarter, the Court of Appeal overturned the judgment of first instance and pronounced the conversion of the judicial reorganization into judicial liquidation for all the companies of the Group. The Court did not retain an offer of recovery of the assets emanating from an institutional body, for a price which would have made it possible to clear the liabilities. An appeal was filed by the group leader.

The loan receivable is covered by a mortgage on the assets financed. Compagnie de Financement Foncier benefits from the State guarantee provided for in Article L. 312-1 of the Construction and Housing Code. The loan receivable recognized as a liability of the procedure is disputed.

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 detailed risks that factor 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 Essential Outsourcing Services (EOS) 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 well 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.

Lastly, pursuant to Article 40 of the Decree of November 3, 2014, it coordinates the Monthly Regulatory Monitoring Committee, which brings together the main support and operating departments as well as a representative of the Compagnie de Financement Foncier Oversight and Forecasting department.

For the first time in 2018, Compagnie de Financement Foncier confirmed to Banque de France that its security measures for its payment system processing and information systems were compliant. This statement, which now applies to all TARGET 2 participants, was previously restricted to institutions considered "critical".

DIRECTIVE NO. 2014/65/EU ON MARKETS IN FINANCIAL INSTRUMENTS

The Crédit Foncier Compliance Division worked with the operational departments to complete the operational implementation of the MIFID II Regulation, which came into force on January 3, 2018. For one aspect of this implementation, Compagnie de Financement Foncier adopted the BPCE system of using an ARM (Approved Reporting Mechanism) and an APA (Approved Publication Arrangement).

BANK HOLDING COMPANY ACT

In light of its operations in the United States and its status as a Financial Holding Company (FHC), Groupe BPCE is directly impacted by the provisions of the "Bank Holding Company Act" (BHC) and of the "International Banking Act" (IBA). A subsidiary of BPCE SA, Crédit Foncier is a stakeholder in the declaration and certification process applicable to all entities controlled by BPCE SA. This process is designed to declare all companies operating in the US (through local offices), as well as all equity or convertible bond investments in US companies. The certification of Crédit Foncier did not identify any equity or convertible bond investments in the US companies in its scope.

VOLCKER RULE AND THE LAW ON THE SEPERATION 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.



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Financial statements

BALANCE SHEET *(in thousands of euros)*

| ■ Assets | Notes | 12/31/2018 | 12/31/2017 | 12/31/2016 |
|--|-------|-------------------|-------------------|-------------------|
| Cash and amounts due from central banks | | 705,379 | 670,000 | 2,400,000 |
| Treasury bills and equivalent | 3 | 3,270,999 | 3,364,394 | 3,455,424 |
| Loans and receivables due from credit institutions | 1 | 26,449,694 | 28,761,396 | 20,827,904 |
| • Demand | | 56,663 | 151,078 | 244,151 |
| • Term | | 26,393,031 | 28,610,318 | 20,583,753 |
| Customers transactions | 2 | 39,643,161 | 38,639,497 | 42,237,163 |
| • Other facilities granted to customers | | 39,643,161 | 38,639,497 | 42,237,163 |
| Bonds and other fixed-income securities | 3 | 4,565,859 | 4,511,584 | 12,724,987 |
| Equity interests and other long term investments | | 0 | 0 | 0 |
| Intangible assets and property plant and equipment | | 0 | 0 | 0 |
| Other assets | 4 | 52,591 | 214,855 | 8,175 |
| Accrual accounts | 5 | 1,977,089 | 2,204,862 | 2,694,997 |
| TOTAL ASSETS | | 76,664,772 | 78,366,588 | 84,348,650 |

| ■ Liabilities | Notes | 12/31/2018 | 12/31/2017 | 12/31/2016 |
|---|-------|-------------------|-------------------|-------------------|
| Central banks | | 0 | 0 | 0 |
| Amounts due to credit institutions | 6 | 6,601,591 | 7,945,176 | 8,778,050 |
| • Demand | | 159 | 0 | 355 |
| • Term | | 6,601,432 | 7,945,176 | 8,777,695 |
| Amounts due to customers | | 0 | 0 | 0 |
| • Demand | | 0 | 0 | 0 |
| Debt securities | 7 | 63,547,037 | 63,524,759 | 67,573,795 |
| • Interbank market instruments and negotiable debt securities | | 151,865 | 151,533 | 151,243 |
| • Bonds (obligations foncières) | | 63,395,172 | 63,373,226 | 67,422,552 |
| Other liabilities | 8 | 1,107,531 | 1,623,947 | 2,261,259 |
| Accrual accounts | 9 | 2,205,340 | 2,088,657 | 2,514,616 |
| Provisions | 10 | 6,559 | 18,917 | 20,435 |
| Subordinated debt | | 0 | 0 | 0 |
| Fund for general banking risks | | 20,000 | 20,000 | 20,000 |
| Equity excluding fund for general banking risks | 11 | 3,176,713 | 3,145,132 | 3,180,495 |
| • Subscribed capital | | 2,537,460 | 2,537,460 | 2,537,460 |
| • Additional paid-in capital | | 343,002 | 343,002 | 343,002 |
| • Reserves | | 122,063 | 119,152 | 114,468 |
| • Regulated provisions and investment subsidies | | 0 | 0 | 0 |
| • Retained earnings | | 84,404 | 87,313 | 91,889 |
| • Income to be allocated | | 0 | 0 | 0 |
| • Net income for the period | | 89,784 | 58,205 | 93,676 |
| TOTAL LIABILITIES | | 76,664,772 | 78,366,588 | 84,348,650 |

OFF-BALANCE SHEET (in thousands of euros)

| | Notes | 12/31/2018 | 12/31/2017 | 12/31/2016 |
|--|-------|------------|------------|------------|
| TOTAL COMMITMENTS GIVEN | | | | |
| Financing commitments | | 1,465,178 | 1,153,541 | 868,607 |
| • Commitments given to credit institutions | 12 | 0 | 0 | 0 |
| • Commitments given to customers | 12 | 1,185,156 | 847,463 | 789,502 |
| • Other securities pledged as collateral | 12 | 280,022 | 306,078 | 79,104 |
| 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 | | 28,565,657 | 31,484,834 | 31,032,177 |
| • Commitments received from credit institutions | 13 | 2,756,142 | 3,563,114 | 3,658,292 |
| • Other securities received as collateral from the Group | 13 | 25,809,515 | 27,921,720 | 27,373,885 |
| Guarantee commitments | | 38,527,020 | 36,516,018 | 39,103,926 |
| • Commitments received from credit institutions | 13 | 6,941,055 | 7,129,671 | 6,983,537 |
| • Commitments received from customers | 13 | 31,585,965 | 29,386,347 | 32,120,388 |
| Commitments on securities | | 0 | 60,000 | 0 |
| TOTAL RECIPROCAL COMMITMENTS | | | | |
| • Sale and purchase of foreign currencies | 14 | 14,916,577 | 16,510,229 | 21,488,125 |
| • Other financial instruments | 14 | 65,036,854 | 64,330,739 | 62,999,652 |

INCOME STATEMENT *(in thousands of euros)*

| | Notes | 12/31/2018 | 12/31/2017 | 12/31/2016 |
|---|-------|----------------|-----------------|-----------------|
| Interest and similar income | 15 | 2,221,758 | 2,456,124 | 2,850,600 |
| Interest and similar expenses | 15 | -1,993,403 | -2,348,774 | -2,571,615 |
| Net interest margin | | 228,356 | 107,350 | 278,984 |
| Fees and commissions income | 16 | 44,047 | 96,164 | 82,972 |
| Fees and commissions expenses | 16 | -1,525 | -1,617 | -2,047 |
| Net gains or losses on trading books transactions | 17 | -65 | -117 | -456 |
| Other banking income | 18 | 98 | 129 | 7 |
| Other banking expenses | 18 | -3,037 | -2,299 | -4 |
| Net banking income | | 267,873 | 199,611 | 359,457 |
| Payroll costs | 19 | -45 | -73 | -60 |
| Taxes and regulated provisions | 19 | -6,926 | -21,638 | -23,033 |
| External services and other expenses ⁽¹⁾ | 19 | -87,938 | -96,189 | -104,596 |
| Amortisation | | 0 | 0 | 0 |
| Total operating expenses | | -94,909 | -117,901 | -127,689 |
| Gross operating income | | 172,964 | 81,710 | 231,768 |
| Cost of risk | 20 | -16,039 | -4,910 | -27,078 |
| Operating income | | 156,925 | 76,800 | 204,690 |
| Gains or losses on long-term investments | 21 | 421 | 7,458 | -48 |
| Income before tax | | 157,346 | 84,257 | 204,642 |
| Non-recurring income | | 0 | 0 | 0 |
| Income tax | 22 | -67,562 | -26,052 | -110,965 |
| NET INCOME | | 89,784 | 58,205 | 93,676 |
| Earnings per share ⁽²⁾ (in €) | | 0.57 | 0.37 | 0.59 |
| Diluted earnings per share (in €) | | 0.57 | 0.37 | 0.59 |

(1) *Compagnie de Financement Foncier now follows Groupe BPCE's position and classifies its banking contributions as "External services and other charges" (whereas previously, they were classified as "Taxes and other regulated provisions"). The said contributions include in particular Tax on Systemic Risk for Banks (TSB) in the annual amount of -€2.03m (compared to -€2.74m in December 2017) and regulated provisions essentially including the contribution for the Single Resolution Fund (FRU) in the annual amount of -€12.02m (compared to €11.07m in December 2017).*

(2) *Earnings per share are calculated by dividing net income by the average number of shares during the fiscal year.*

The notes on the following pages are part of the individual financial statements.

Notes to the annual separate 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 with 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 2018

2.1. INTEGRATION OF THE ACTIVITIES OF CRÉDIT FONCIER WITHIN GROUPE BPCE

On June 25 and 26, 2018, respectively, the Supervisory Board of BPCE and the Board of Directors of Crédit Foncier agreed in principle to a project to integrate the activities and redeploy the expertise and know-how of Crédit Foncier within Groupe BPCE entities.

After consulting with the Works Council, the Crédit Foncier Board of Directors, at its November 21, 2018 meeting, confirmed the effective launch of the project.

The key tenets of the industrial aspect of the project, which will mainly be implemented in the 1st half of 2019, are as follows:

- new loan production will be redeployed throughout the Group's entities: individual customer activity within the Banque Populaire banks and Caisses d'Épargne, Corporate financing activity split between Caisses d'Épargne and Banque Populaire banks, for Social housing, and Natixis, for project and infrastructure financing;
- Crédit Foncier will be re-focused on managing existing loans outstanding on both its balance sheet and that of Compagnie de Financement Foncier;
- the future financing activity of Compagnie de Financement Foncier itself would be repositioned on the refinancing of assets (particularly in the Public sector) which were originally held in the portfolio of Groupe BPCE entities.

This project also involved the notification and consultation of the Crédit Foncier Works Council, and the signing, on October 26, 2018, of two collective majority agreements pertaining to the implementation of the project, namely: an "occupation and skills forecasting" agreement and an "employment protection plan" agreement. These agreements have no financial impact for Compagnie de Financement Foncier nor for its business continuity.

2.2. COMMERCIAL ACTIVITY

During 2018, Compagnie de Financement Foncier acquired €6,437m in loans from Crédit Foncier including related receivables, plus €441m in financing commitments.

Under Article L. 211-38 of the French Monetary and Financial Code, which allows an institution to grant a loan to another financial institution, the repayment of which is secured by a cover pool of receivables, Compagnie de Financement Foncier has arranged for a number of years several credit lines with its parent company, Crédit Foncier, amounting to €16,354.5m at December 31, 2018, and with certain Caisses d'Épargne or Banque Populaire banks, amounting to €169.1m. The same

facility was also granted to BPCE SA, amounting to €8,920m at December 31, 2018 excluding related receivables. Total loans granted were collateralized for €25,809.5m.

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 €6,654.1m 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.

Regarding the funding activities, Compagnie de Financement Foncier issued €5,718m of *obligations foncières* in 2018, exchange value at the date of issuance, within the limit of the annual issuance program. It also has the option to access the refinancing facilities of the Banque de France under the comprehensive guarantee management mechanism or *Gestion globale des garanties* (3G pool). However, this option was not used in 2018.

2.3. EARLY REPAYMENTS

The rate of early repayments and renegotiations stood at 12.3%.

The early-repayment rate at the end of 2018 came out at 8.3%, down sharply on the end-December 2017 level of 16.5%. The outflows of corresponding assets amounted to €2,670m.

Early repayments had several effects on net banking income:

- the impact of accelerated amortization of acquisition premiums/discounts is estimated at -€65.1m over the fiscal year;
- the collection of early repayment penalties from individual customers of just over €40.8m; as a reminder, according to the agreement on services rendered by Crédit Foncier, one third of these penalties is transferred to the latter;
- the receipt of renegotiation fees for approximately €4m.

2.4. BUYBACK OF OBLIGATIONS FONCIÈRES (FRENCH LEGAL COVERED BONDS)

During 2018, Compagnie de Financement Foncier did not buy back any *obligations foncières*.

2.5. PERFORMING LOAN PROVISIONS

As of 2018 and in accordance with the rules recommended by Groupe BPCE, Compagnie de Financement Foncier measures the risk on outstanding customer loans that may not necessarily be doubtful but nevertheless do present a significant increase in their credit risk. These measurement methods create a convergence with those described in IFRS 9 for Stage 2 loans. The impact of this convergence has been treated as a change in estimate in the financial statements for the year.

This new practice of funding provisions for performing loans impacted profit or loss under "Cost of Risk" with provisions written in the amount of €13.4m for loans on the balance sheet of Compagnie de Financement Foncier after applying the agreements on the unpaid debts and losses and of €0.4m for off-balance sheet commitments.

This provision replaces the so-called "collective" provision written to cover a loan portfolio with similar and uniform risks and that were collectively tested for impairment. The reversal of provisions, carried out in 2018, amounted to €15.9m in "Cost of Risk".

2.6. TAXES

In accordance with the consolidated tax agreement signed with Crédit Foncier, Compagnie de Financement Foncier recognized a tax charge of -€25m vis-à-vis its parent company on the basis of its taxable income.

The 2018 Finance Act, adopted by the National Assembly and applicable as of January 1, 2018, will progressively lower the corporate tax rate from 34.43% to 25.83% by 2022. It amends the 2017 Finance Act which had already provided for a reduction in the future tax rates.

3. POST-BALANCE SHEET EVENTS

No subsequent event liable to have a significant impact on the financial statements at December 31, 2018 occurred between the closing date and February 11, 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 annual 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 in accounting methods impacted the 2018 financial statements.

The texts adopted by the Accounting Standards Authority and mandatory in 2018 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.

4.3. ACCOUNTING PRINCIPLES AND VALUATION METHODS

The financial statements for the fiscal year are presented in an identical format as that used for the previous fiscal year. Generally accepted accounting principles have been applied on a prudent basis and in accordance with the following underlying assumptions:

- business continuity;
- consistency of accounting methods over time;
- independence of fiscal years.

and in accordance with the general rules on the preparation and presentation of annual financial statements.

The basis method used to value accounting entries is the historical cost method. All balance sheet items are presented net of amortization, provisions and value adjustments.

The main methods used are the following:

4.3.1. Foreign exchange transactions

Income and capital gains or losses on foreign exchange transactions are calculated in accordance with Regulation No. 2014-07 of the French National Accounting Standards Authority (ANC).

Receivables, liabilities and off-balance sheet commitments denominated in a foreign currency are valued at the exchange rate as at the reporting date. The corresponding income and expenses are immediately translated into euros at the spot rate when recognized in the income statement.

Unsettled spot foreign exchange transactions are valued at the exchange rate as at the reporting date.

Foreign exchange swaps are recognized as coupled long spot and short forward transactions. Premiums and discounts on foreign exchange forward and futures contracts used for hedging purposes are recognized in the income statement on a *pro rata temporis* basis. Currency swaps are subject to Regulation No. 2014-07 of the French National Accounting Standards Authority.

Realized and unrealized foreign exchange gains and losses are recognized in the income statement under "gains or losses on trading book transactions".

4.3.2. Transactions with credit institutions and customers

Loans to credit institutions comprise all loans and advances arising out of banking transactions, with the exception of debt securities. They include securities received under repurchase agreements, regardless of the type of underlying, and loans and advances relating to securities repurchase agreements. Loans and advances are broken down into the sub-categories "Demand loans and advances" and "Term loans and advances". Loans to credit institutions are recorded in the balance sheet at their nominal value or acquisition cost and include accrued interest that is not yet due but is net of any impairment charges recognized for credit risk.

Amounts due from customers include loans to entities other than credit institutions, with the exception of debt securities issued by customers, assets purchased under resale agreements and receivables corresponding to securities sold under repurchase agreements. They are broken down into business loans, current accounts with overdrafts and other facilities granted to customers.

Distributed loans booked as assets on the balance sheet for the amount actually granted, or, for Customers issued are recorded in the balance sheet at their nominal value or acquisition cost plus accrued interest that is not yet due but is net of any impairment charges on credit risk. The commissions and marginal transaction costs that are amortized are integrated into the outstanding loan in question. Amounts not yet paid are recognized as off-balance sheet items under "Financing commitments given".

Compagnie de Financement Foncier acquires loan and other receivables at market value. The difference between the market value and the net book value of the loans, known as a premium or discount depending on whether it is positive or negative, is recorded in a sub-account of the customer loans account.

Premiums and discounts on receivables acquired are then taken to the year's income on an actuarial basis over the remaining term of the receivables.

Past due payments are recorded as assets in each receivables category, unless they are considered as doubtful. In this case, they are included in the doubtful loans category.

The commissions and marginal transaction costs that are amortized are integrated into the outstanding loan in question.

Early repayment penalties are fully recognized in the income statement for the fiscal year during which the transactions took place. Renegotiation penalties are amortized over the duration of renegotiated loans.

In compliance with BPCE standards, Compagnie de Financement Foncier has recognized guarantees that are explicitly or implicitly attached to certain types of customer loans recorded on the balance sheet and which are of a sufficiently material nature, such as the value of mortgages or counter-guarantees received from SGFGAS and assumed by the French government (See note 13 on Commitments received). They are revalued on a regular basis. The total carrying amount of all guarantees received for a single loan is limited to the outstanding amount of this loan.

Amounts due to credit institutions are recorded on the basis of their initial duration (demand or term), while amounts due to customers are classified by type. Depending on the counterparty involved, these items may include repurchase agreements involving securities and other assets. Accrued interest is recorded on related debts.

RESTRUCTURED LOANS

Within the meaning of ANC Regulation No. 2014-07 of the French National Accounting Standards Authority, restructured loans are doubtful loans and receivables whose initial contractual characteristics (term and interest rate) have been modified to ensure repayment by the counterparty.

A discount is taken on restructured loans to reflect the difference between the present value of the contractual cash flows at inception and the present value of expected principal and interest repayments after restructuring. The discount rate used for fixed-rate loans is the initial effective interest rate and the discount rate used for floating-rate loans is the most recent effective interest rate prior to the restructuring date. The effective rate is the contractual rate. This discount is recorded in "Cost of risk" in the income statement and offset against the corresponding outstanding in the balance sheet. It is written back in net interest income in the income statement over the life of the loan using a yield-to-maturity approach.

A restructured loan may be reclassified as performing when the new payment due dates are respected. When a loan that has been reclassified becomes overdue, regardless of the restructuring terms agreed, the loan is downgraded to doubtful.

DOUBTFUL LOANS AND RECEIVABLES

Doubtful loans and receivables consist of all outstanding amounts, whether or not due and guaranteed or otherwise, where at least one commitment made by the debtor has involved a known credit risk, classified as such on an individual basis. A risk is considered to be "known" when it is probable that the Group will not collect all or part of amounts owed under the terms of the commitments made by the counterparty, notwithstanding any guarantee or surety provided.

Notwithstanding Regulation No. 2014-07 of the French National Accounting Standards Authority, doubtful loans are identified particularly in cases of loans which have been overdue for over three months in accordance with the events of default defined in Article 178 of Regulation (EU) n° 575/2013 of the European Parliament of June 26, 2013 on prudential requirements for credit institutions and credit institutions.

Loans to local authorities are classified as doubtful loans when past due over three months.

Doubtful loans are considered to be irrecoverable when full or partial collection is deemed to be highly unlikely and a write-off is considered. Loans and receivables for which payments have ceased beyond the specified time are assumed to be recorded as irrecoverable. The decision to reclassify a doubtful loan as irrecoverable and the amount of impairment determined must take into account the guarantees provided and the recent loan repayment history. A debt that has been classified as doubtful for more than one year is assumed to be irrecoverable, unless a write-off is not foreseen. Reclassification of a debt from doubtful to irrecoverable does not automatically entail the reclassification of the counterparty's other doubtful loans and commitments to irrecoverable.

For doubtful loans and receivables, accrued interest or interest due but not received is recognized under income from banking operations and impaired accordingly. The same applies to interest on doubtful loans.

More generally, doubtful loans and receivables are reclassified as performing once the debtor restarts regular payments in accordance with the original repayment schedule, provided that the counterparty is no longer considered to be at risk of default.

IMPAIRMENT

When the collection of loans or other receivables is considered to be uncertain, an impairment loss is recognized on the asset to cover the risk of loss. Impairment losses are calculated on a case-by-case basis, taking into account the present value of the guarantees received. They are determined on at least a quarterly basis, on the basis of the estimated credit risk and the guarantees provided. Impairment losses cover at a minimum the interest not received on doubtful loans.

Impairment for probable losses includes all impairment charges, calculated as the difference between the principal outstanding and the projected cash-flows discounted at the initial effective interest rate. Projected cash flows are determined based on the type of receivables on the basis of historical losses and/or expert appraisals and are positioned over time using debt schedules based on historic recovery records.

The risk is assessed on a case-by-case basis for loans of a significant amount and automatically for the others taking into account the present value of the guarantees received. Once litigation begins, the collateral value is haircut.

For loans to the subsidized sector and those guaranteed by SGFGAS, on behalf of the French government, the share of the risk assumed by the latter is also taken into account.

Since loans transferred or sold to Compagnie de Financement Foncier are recorded on the balance sheet at their acquisition value, it is with respect to this initial cost that impairment is calculated.

Pursuant to the asset transfer agreement between Crédit Foncier and Compagnie de Financement Foncier, there is a mechanism that when only a portion of a loan is acquired, Compagnie de Financement Foncier may claim a right of priority over the full amount of the guarantee. Accordingly, as long as the collateral value covers Compagnie de Financement Foncier's portion of the doubtful loan, no impairment is recognized in the latter's financial statements. This impairment is recognized in the financial statements of Crédit Foncier.

When Compagnie de Financement Foncier has acquired the whole loan, any provision for impairment is wholly recognized in its financial statements.

Credit risk on financing commitments and off-balance sheet guarantees is recorded as a provision for contingencies and charges.

Impairment provisions and reversals where there is a risk of non-recovery, and charges covered by this impairment are recognized under "Cost of risk" except for impairment of interest on doubtful loans and receivables which, like the interest thus impaired, is booked under "Interest and similar income".

When credit risk is identified on loans that are not doubtful but that have seen a significant increase in credit risk since initial recognition, it is measured on the basis of expected credit losses over the period to maturity. This credit risk is deducted from loans on the asset side by means of a provision on the liability side where the risk pertains to commitments given to customers. Since January 1, 2018, the measurement methods for these non-doubtful loans have also been aligned with the IFRS 9 Stage 2 ones used for the consolidated financial statements.

4.3.3. Securities

The term "securities" includes interbank market securities, treasury bills, other negotiable debt securities, bonds and other fixed-income instruments, equities and other variable-income instruments.

Security transactions are subject to accounting Regulation No. 2014-07 of the French National Accounting Standards Authority defining general rules governing the accounting and valuation of securities and the rules concerning certain specific transactions such as repurchase agreements.

Securities are classified as follows: equity investments and shares of related companies, other securities held long-term, held-to-maturity debt securities, portfolio securities (equity available for sale in the medium term), available-for-sale securities and trading securities.

With respect to trading securities, securities available for sale, debt securities held to maturity and equity securities available for sale in the medium term, any known counterparty default risk whose impact can be separately identified is recognized in the form of impairment loss. Changes in impairment are recorded under cost of risk.

Compagnie de Financement Foncier does not hold trading securities, equity securities available for sale in the medium term or available for sale securities.

Moreover, as a *société de crédit foncier*, Compagnie de Financement Foncier cannot hold equity investments, even as a minority interest. It only holds one share in SGFGAS which enables it to acquire loans secured by the French government on behalf of SGFGAS. This investment was approved by the regulatory authority.

Finally, disposals of securities are recognized in the financial statements of Compagnie de Financement Foncier on the "settlement-delivery" date and not on the transaction date.

HELD-TO-MATURITY SECURITIES

Held-to maturity securities are fixed-income securities with fixed maturity, acquired or reclassified from the category "Trading securities" or "Available for sale securities", with the clear intention and ability to hold them until maturity. These securities must not be subject to any existing restrictions, legal or other constraints that could compromise the capacity to hold them until maturity. The classification to securities held to maturity does not prevent them from being considered as items hedged against interest rate risk.

Securities held to maturity are recorded at cost excluding transaction costs, on their acquisition date. When previously classified as available for sale, they are recorded at cost and the previously recognized impairments are reversed over the residual life of the relevant securities.

The difference between the acquisition cost and the redemption value of these securities, as well as the corresponding interest, are subject to the same rules that apply to fixed income securities available for sale.

An impairment loss may be recognized against these securities if there is a strong probability that the bank will not hold them until maturity due to new developments or if there is a risk that the issuer of the securities will default. Unrealized gains are not recognized.

Securities held to maturity cannot be sold or transferred into another category of security, except for certain cases detailed in Article 2341-2 of Regulation No. 2014-07 of the French National Accounting Standards Authority.

RECLASSIFICATION OF FINANCIAL ASSETS

In order to harmonize accounting practices and ensure compliance with IFRS, Regulation No. 2014-07 of the French National Accounting Standards Authority specifies the provisions regarding the transfers of securities out of the "Trading securities" and the "Securities available for sale" categories.

The reclassification out of the "Trading securities" category to the "Available for sale securities" and "Securities held to maturity" categories is now allowed under either of the following conditions:

- under exceptional market circumstances that require a change of strategy;
- when fixed-income securities are no longer, after their acquisition, tradable on active markets, and provided that the Company has the intention and the capacity to hold them in the foreseeable future or until they reach maturity.

Re-classifications from the "Securities available for sale" category to the "Debt securities held to maturity" are effective as from the reclassification date under either of the following conditions:

- under exceptional market circumstances that require a change of strategy;
- when fixed-income securities are no longer tradable on an active market.

Compagnie de Financement Foncier did not reclassify any "Available for sale securities" as "Debt securities held to maturity" in 2018, or in previous fiscal years.

REPURCHASE AGREEMENTS

The collateralized assets under repurchase agreements are recognized in accordance with Regulation No. 2014-07 of the French National Accounting Standards Authority.

The transferor records the amount received under liabilities, representing its debt vis-à-vis the purchaser. The purchaser records the amount paid, representing its claim against the transferor, as an asset. At the balance sheet date, the collateralized assets, as well as the debt vis-à-vis the purchaser and the claim against the transferor, are valued according to the rules that apply to each.

4.3.4. Debt securities

Debt securities are shown according to how they are supported: short-term notes, interbank market instruments and negotiable debt securities, bonds and similar instruments, excluding subordinated securities which are shown on their own line in liabilities.

The outstanding principal amount on loans issued by Compagnie de Financement Foncier is recognized as a balance sheet liability for the gross amount. Foreign currency loans are measured in euros at the closing exchange rates.

Accrued interests relating to these securities are recorded in a related liabilities account through profit or loss.

Issuance fees are accounted for over the life of the corresponding loans. Bond issuance or redemption premiums are spread over the life of the loan via a deferred expenses account. The amortization of fees and issue premiums is carried to profit or loss under "Interest and similar expenses on bonds and other fixed-income securities".

For structured debts, in application of the precautionary principle, only the certain part of the remuneration or principal is recognized. A latent gain is not recognized. An unrealized loss is subject to a provision. Compagnie de Financement Foncier did not issue any structured debt as of December 31, 2018.

4.3.5. Provisions

This item covers provisions for contingencies and losses that are not directly related to banking transactions as defined under Article L. 311-1 of the French Monetary and Financial Code or to related transactions as defined under Article L. 311-2 of this same Code, and which are clearly identifiable but of uncertain timing or amount. Unless covered by a specific text, such provisions may only be recognized if an obligation towards a third party exists at the end of the accounting period and is not offset by a receivable from this third party, in accordance with CRC Regulation No. 2000-06.

In particular, this item includes a provision for counterparty risk on performing loans detailed in section 4.3.2.

4.3.6. Reserve for general banking risks

This fund is intended to cover risks inherent to the entity's business activities, pursuant to the requirements of Article 3 of Regulation No. 90-02 of the French Banking and Financial Regulation Committee.

4.3.7. Futures contracts

Hedging, forward interest rate, foreign exchange and equity futures transactions are recognized in accordance with the provisions of Regulation No. 2014-07 of the French National Accounting Standards Authority.

Commitments on these instruments are recorded as off-balance sheet items at the notional value of the contracts. At the balance sheet date, the amount recognized for these commitments represented the volume of the open transactions at the balance sheet date.

The instruments held by Compagnie de Financement Foncier are mainly interest rate or foreign exchange swaps, forward foreign exchange swaps and caps and floors. All these instruments are traded OTC (including transactions processed by clearing houses – LCH).

Compagnie de Financement Foncier has no binding contracts on any organized or other markets.

The accounting policies applied vary depending on the type of instrument and the original purpose of the transaction.

FORWARD TRANSACTIONS

Interest rate swaps and similar contracts (forward rate agreements, caps and floors) are classified according to their initial purpose, in the following categories:

- micro-hedging (specific transactions);
- macro-hedging (overall asset and liability management);
- speculative positions/isolated open positions;
- specialized management of a trading book.

Income and expenses on the first two categories are recognized in the income statements on a *prorata basis*.

Income and expenses on instruments used to hedge an item or a group of similar assets are recorded as profit or loss, symmetrically with the recognition of income and expenses on hedged items. Comprehensive income items of the hedging instrument are recognized in the same line item as income and expenses for hedged items, under "Interest and similar income" and "Interest and similar

expenses". The "Gains/losses on trading book transactions" line item is used when the hedged items are included in the trading book.

Hedging swaps on loans are systematically reclassified under isolated open positions when the loan becomes doubtful.

Income and expenses on forward financial instruments used to hedge and manage the Company's overall interest rate exposure are recognized in the income statement on a *prorata basis* as "Interest and similar income" and "Interest and similar expenses". Unrealized gains and losses are not recognized.

Gains and losses on certain contracts qualified as isolated open positions are recorded in the income statement when the contracts are unwound or on a *prorata basis* depending on the nature of the instrument. Recognition of unrealized capital gains or losses is determined based on the type of market involved (organized, other markets considered as organized or over the counter):

- for over-the-counter options, unrealized mark-to-market losses are provided for at year-end. Unrealized gains are not recognized;
- instruments traded on organized markets or other markets considered as organized are continuously quoted and liquid enough to justify being marked to market. Unrealized gains are not recognized.

Compagnie de Financement Foncier does not have any trading book or isolated open position management contracts.

Termination balances or transfers are recognized as follows:

- transactions classified under specialized asset management or isolated open positions are recognized directly in the income statement;
- as to micro-hedging and macro-hedging, the closing balances are either amortized over the remaining life of the item formerly hedged or carried directly to profit or loss.

When a micro-hedged item is divested the termination balance of the associated swap and, where applicable, the unamortized termination balances are booked in profit or loss on the same line as that on which the gain or loss on the disposal of the hedged item is recognized.

OPTIONS

The notional amount of the underlying asset on which the option or forward contract is based is recorded by distinguishing between hedging contracts and contracts traded on the markets.

For transactions involving interest rate, foreign exchange or equity options, the premiums paid or received are recognized in a temporary account. At closing, these options are valued on the profit or loss in the case of products listed on an organized market or equivalent. For Over-The-Counter (OTC) options, provisions are recognized for capital losses but unrealized capital gains are not recognized. When an option is sold, repurchased or exercised, or when an option expires, the corresponding premium is recognized immediately in income.

Income and expenses for hedging instruments are recognized symmetrically with those from the hedged item. Put options are not eligible for classification as macro-hedging instruments.

Over-the-counter markets may be treated as organized markets when market makers ensure continuous quotations with spreads that reflect market practice or when the underlying financial instrument is itself quoted on an organized market.

At December 31, 2018, Compagnie de Financement Foncier recognized no forward rate agreements on an isolated open position.

4.3.8. Interest and similar income – Fees and commissions

Interest and similar fee and commission income is recognized in the income statement on a *prorata basis*.

The Group has elected the following option with regard to negative interest:

- when the yield on an asset is negative, it is presented in the income statement as a reduction in interest income;
- when the yield on a liability is positive, it is presented in the income statement as a reduction in interest costs.

Fees and commissions for granting or acquiring a loan are treated as additional interest and spread over the effective life of the loan on a *prorata basis* according to the outstanding principal amount.

Other commission income is recognized according to the type of service provided as follows:

- fees and commissions received for an immediate service: recognized upon completion of the service;

- fees and commissions received for an ongoing or discontinued service paid for in installments: recognized over the period when the service is provided.

4.3.9. Income tax

Income from bonds or negotiable debt securities is recognized for the portion accrued during the year. The same principle is applied for perpetual super-subordinated securities that meet the definition of a Tier 1 prudential capital instrument. The Group considers these revenues as interest.

4.3.10. Income tax

Compagnie de Financement Foncier has opted for accounting of deferred taxes on an unconsolidated basis. According to the principle of universality, this option applies to all temporary differences recognized in assets and liabilities.

The tax charge recorded in the income statement corresponds to corporate tax charges, deferred tax expense liabilities and changes in tax reserves.

Compagnie de Financement Foncier is included in BPCE's tax consolidation group and in Crédit Foncier's subgroup. Pursuant to the tax consolidation agreement signed on November 18, 2014, the tax charge payable is calculated and recognized as if there were no tax consolidation. In case of fiscal deficit, Compagnie de Financement Foncier will receive from Crédit Foncier a tax revenue equaling the income tax saving given to Crédit Foncier through the use of its fiscal deficit and will be deprived of the deferred losses for the determination of its future corporate tax expense.

As at December 31, 2018, Compagnie de Financement Foncier recognized a total tax expense of €67.6m.

4.3.11. Contribution to banking resolution mechanisms

The conditions of setting-up the guarantee fund of deposits and resolutions were changed by the decree of October 27, 2015. In 2016, the French Prudential Supervision and Resolution Authority (ACPR), in its decision 2016-C-51 of October 10, 2016, defined the method for calculating the contributions to the deposit guarantee mechanism. All the contributions for the mechanism of deposits, securities and guarantees paid either in the form of repayable deposits, deposit guarantee fund certificates or membership certificates amount to €2k.

The directive 2014/59/EU known as BRRD (Bank Recovery and Resolution Directive) establishes a framework for the recovery and resolution of credit institutions and investment firms and European Regulation 806/2014 (MRU) implemented a resolution fund from 2015. In 2016, the fund became a Single Resolution Fund (SRF) between Member States participating in the Single Resolution Mechanism. An SRF is a resolution financing arrangement made

available to the resolution authority (Single Resolution Board). This authority may call on this fund in connection with the implementation of resolution procedures.

In 2018, pursuant to delegated Regulation 2015/63 and implementing Regulation 2015/81 supplementing the BRRD directive on ex ante contributions to the resolution's financing arrangements, the Single Resolution Board defined contributions for 2018. In 2018, the amount of contributions paid into the Fund represented €14m including €12m recognized as expenses and €2m as cash guarantee deposits entered on the asset side of the balance sheet (15% as cash guarantee deposits). The total amount of contributions entered on the asset side of the balance sheet amounted to €8m as of December 31, 2018.

5. OTHER INFORMATION

5.1. CONSOLIDATION

In accordance with Article 4111-1-1 of Regulation No. 2014-07 of the French Accounting Standards Authority (ANC) Compagnie de Financement Foncier does not provide consolidated financial statements.

The separate financial statements of Compagnie de Financement Foncier are integrated into the consolidated financial statements of both Crédit Foncier and Groupe BPCE.

5.2. REMUNERATION AND ADVANCES

Remuneration paid in 2018 to management bodies corresponds to Directors' fees paid.

5.3. IMPLEMENTATION IN NON-COOPERATIVE COUNTRIES

Article L. 511-45 of the French Monetary and Financial Code and the French Minister for the Economy's Decree of October 6, 2009 require credit institutions to include an appendix to their annual financial statements with information on their offices and activities in countries and territories that have not signed an agreement with France containing a mutual assistance clause to fight against tax evasion and fraud by allowing access to banking information.

These requirements are part of global endeavors arising from the various OECD initiatives and summits and contribute to the fight against money laundering and terrorist financing.

At December 31, 2018, Compagnie de Financement Foncier had no activities or offices in non-cooperative countries.

NOTES TO THE FINANCIAL STATEMENTS

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NOTE 1. LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS

| <i>(in €k)</i> | 12/31/2018 | 12/31/2017 | 12/31/2016 |
|---|-------------------|-------------------|-------------------|
| Demand loans to credit institutions | 56,663 | 151,078 | 244,151 |
| Current accounts with overdrafts | 56,663 | 42,025 | 28,398 |
| Overnight loans | | | |
| Unallocated items | | 109,053 | 215,753 |
| Related receivables | | | |
| Term loans to credit institutions | 26,393,031 | 28,610,318 | 20,583,753 |
| Term accounts and loans | 911,734 | 1,024,631 | 1,121,802 |
| Loans guaranteed under L. 211-38 | 25,443,649 | 27,549,881 | 19,426,941 |
| Securities bought under repurchase agreements | | | |
| Subordinated loans and participating loans | | | |
| Related receivables | 37,648 | 35,807 | 35,010 |
| Doubtful loans and receivables | | | |
| GROSS AMOUNT OF LOANS AND RECEIVABLES | 26,449,694 | 28,761,396 | 20,827,904 |
| Impairment of doubtful loans | | | |
| Impairment of doubtful loans | | | |
| NET AMOUNT OF LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS | 26,449,694 | 28,761,396 | 20,827,904 |
| BREAKDOWN OF TERM ACCOUNTS (GROUP/NON-GROUP) | | | |
| Term accounts and loans | | | |
| • of which Group transactions | | | |
| • of which non-Group transactions | 911,734 | 1,024,631 | 1,121,802 |
| Loans guaranteed by securities received under repurchase agreements | | | |
| • of which Group transactions | 25,443,649 | 27,549,881 | 19,426,941 |
| • of which non-Group transactions | | | |
| Related receivables | | | |
| • of which Group transactions | 13,129 | 14,822 | 12,865 |
| • of which non-Group transactions | 24,519 | 20,984 | 22,145 |
| Group loans | 25,456,778 | 27,564,703 | 19,439,806 |
| Non-Group loans | 936,253 | 1,045,615 | 1,143,947 |
| TOTAL | 26,393,031 | 28,610,318 | 20,583,753 |
| BREAKDOWN OF DEMAND ACCOUNTS (GROUP/NON-GROUP) | | | |
| Demand accounts and loans | | | |
| • of which Group transactions | 51,403 | 40,298 | 28,242 |
| • of which non-Group transactions | 5,260 | 1,727 | 155 |
| Related receivables | | | |
| • of which Group transactions | | | |
| • of which non-Group transactions | | | |
| Unallocated items | | | |
| • of which Group transactions (at Crédit Foncier's scope) | | 108,358 | 215,734 |
| • of which non-Group transactions | | 695 | 20 |
| Group loans | 51,403 | 148,657 | 243,976 |
| Non-Group loans | 5,260 | 2,421 | 175 |
| TOTAL | 56,663 | 151,078 | 244,151 |

NOTE 1 A. BREAKDOWN OF OUTSTANDING TERM LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS

| <i>(in €k)</i> | 12/31/2018 | | | 12/31/2017 | 12/31/2016 |
|--|-------------------|-------------|-------------------|-------------------|-------------------|
| | Gross amount | Write-downs | Net amount | Net amount | Net amount |
| TERM LOANS | | | | | |
| Refinancing of subsidised residential property | | | | | |
| Refinancing of unsubsidised residential property | | | | | |
| Public entities | 936,253 | | 936,253 | 1,045,615 | 1,143,947 |
| Other loans to credit institutions * | 25,456,778 | | 25,456,778 | 27,564,703 | 19,439,806 |
| Doubtful term loans | | | | | |
| NET AMOUNT OF TERM LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS | 26,393,031 | 0 | 26,393,031 | 28,610,318 | 20,583,753 |
| * Of which: | | | | | |
| Replacement values pursuant to L. 211-38, part of replacement values, with BPCE | 6,600,000 | | 6,600,000 | 6,600,000 | 6,600,000 |
| Loans guaranteed by receivables (local authorities, Individuals, Corporates) pursuant to L.211-38, with Crédit Foncier | 16,354,500 | | 16,354,500 | 18,443,500 | 10,303,000 |
| Loans guaranteed by local authority receivables pursuant to L. 211-38, with BPCE, Caisses d'Épargne and Banques Populaires | 2,489,149 | | 2,489,149 | 2,506,381 | 2,523,941 |
| Related and other receivables | 13,129 | | 13,129 | 14,822 | 12,865 |
| TOTAL | 25,456,778 | 0 | 25,456,778 | 27,564,703 | 19,439,806 |

NOTE 2. LOANS AND RECEIVABLES DUE FROM CUSTOMERS

| (in €k) | Performing loans | | | Doubtful loans | | | Write-downs ⁽⁴⁾ | | | Net amounts | | |
|---|-------------------|-------------------|-------------------|------------------|------------------|------------------|----------------------------|---------------|----------------|-------------------|-------------------|-------------------|
| | 12/31/18 | 12/31/17 | 12/31/16 | 12/31/18 | 12/31/17 | 12/31/16 | 12/31/18 | 12/31/17 | 12/31/16 | 12/31/18 | 12/31/17 | 12/31/16 |
| Current accounts with overdrafts | | | | | | | | | | | | |
| Facilities granted to customers | 38,166,567 | 37,298,347 | 40,925,204 | 1,568,790 | 1,431,257 | 1,417,841 | 92,196 | 90,108 | 105,882 | 39,643,161 | 38,639,497 | 42,237,163 |
| Loans to financial customers | 238,538 | 240,094 | | | | | | | | 238,538 | 240,094 | |
| Export credits | | | | | | | | | | | | |
| Short-term credit facilities ⁽¹⁾ | 625,859 | 936,109 | 1,063,370 | | | | | | | 625,622 | 936,109 | 1,063,370 |
| Equipment loans ⁽²⁾ | 5,314,417 | 5,900,528 | 6,973,638 | 2,912 | 100 | -31 | 1,448 | 44 | 34 | 5,315,880 | 5,900,584 | 6,973,573 |
| Home loans | 31,889,223 | 30,106,387 | 32,755,152 | 1,563,145 | 1,428,140 | 1,414,809 | 90,474 | 90,027 | 105,822 | 33,361,894 | 31,444,500 | 34,064,139 |
| Other customer loans | 2,703 | 3,241 | 4,010 | 77 | 285 | 35 | 36 | 37 | 26 | 2,744 | 3,489 | 4,020 |
| Unallocated items | 21 | 24 | 106 | | | | | | | 21 | 24 | 106 |
| Related receivables | 95,807 | 111,964 | 128,927 | 2,656 | 2,732 | 3,028 | | | | 98,462 | 114,696 | 131,955 |
| TOTAL ⁽³⁾ | 38,166,567 | 37,298,347 | 40,925,204 | 1,568,790 | 1,431,257 | 1,417,841 | 92,196 | 90,108 | 105,882 | 39,643,161 | 38,639,497 | 42,237,163 |

Restructured loans amounted to €502.9m at December 31, 2018, of which €115.7m 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 €622.8m at December 31, 2018, versus €942.2m at December 31, 2017.

(2) Equipment loans are loans to local authorities.

(3) Customer loans eligible for refinancing with the Central Bank amounted to €2.9bn at December 31, 2018 in outstanding capital. This amount represents €1.8bn after haircut and overcollateralisation constraints.

(4) Write-downs on customer loans include, on one hand, write-downs on doubtful debts for €78.78m and, on the other hand, write-downs due to significant increases in credit risk on performing loans for €13.42m. At December 31, 2017, performing loans on customer transactions amounting to €37,298.34m resulted in collective and / or sectoral provisions on the liabilities side accounting for €15.87m.

NOTE 2 A 1. IMPAIRMENT AND PROVISIONS FOR CREDIT RISKS

| (in €k) | 12/31/2016 restated ⁽⁴⁾ | Increases | Reversals | 12/31/2017 | Reclassification | Increases | Reversals | Reversals used | 12/31/2018 |
|---|---------------------------------------|---------------|-----------------|----------------|------------------|---------------|-----------------|-------------------|---------------|
| IMPAIRMENT OF ASSETS | | | | | | | | | |
| Customer loans and due from credit institutions ^{(1) (2)} | 105,882 | 90,108 | -105,882 | 90,108 | 429 | 91,767 | -90,108 | | 92,196 |
| PROVISIONS RECOGNISED AS LIABILITIES | | | | | | | | | |
| Customer loans and due from credit institutions and provisions on securities ⁽³⁾ | 19,377 | | -3,511 | 15,866 | | 698 | -15,866 | | 698 |
| TOTAL | 125,259 | 90,108 | -109,393 | 105,974 | 429 | 92,465 | -105,974 | 0 | 92,894 |

(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.

(4) Retreatment of stock as of December 31, 2016, according to Note 2. As a reminder, an amount reported in "impairment of assets" amounted to €113,446k.

NOTE 2 A 2. PREMIUMS/DISCOUNTS ON ACQUIRED RECEIVABLES

| (in €k) | 12/31/2016 | Reclas- sification | Additions | Amortisation | 12/31/2017 | Reclas- sification | Additions | Amortisation | 12/31/2018 |
|---|----------------|-----------------------|-----------------|-----------------|-----------------|-----------------------|-----------------|-----------------|-----------------|
| DUE FROM CREDIT INSTITUTIONS | | | | | | | | | |
| Premiums | 37,175 | | | -10,238 | 26,937 | | | -17,407 | 9,530 |
| Discounts | | | | | | | | | |
| Net | 37,175 | | | -10,238 | 26,937 | | | -17,407 | 9,530 |
| CUSTOMER LOANS | | | | | | | | | |
| Performing loans and receivables | | | | | | | | | |
| Premiums | 1,599,344 | -18,746 | | -438,826 | 1,141,772 | -23,973 | 55,948 | -221,884 | 951,863 |
| Discounts | -934,022 | 11,172 | -491,767 | 138,134 | -1,276,483 | 18,768 | -317,698 | 135,970 | -1,439,443 |
| Doubtful loans and receivables | | | | | | | | | |
| Premiums | 35,159 | 18,746 | | -15,873 | 38,032 | 23,973 | | -18,666 | 43,339 |
| Discounts | -28,473 | -11,208 | | 10,953 | -28,728 | -18,768 | | 11,936 | -35,560 |
| Net | 672,008 | -36 | -491,767 | -305,612 | -125,407 | | -261,750 | -92,644 | -479,801 |
| TOTAL | 709,183 | -36 | -491,767 | -315,850 | -98,470 | 0 | -261,750 | -110,051 | -470,271 |

NOTE 2 B. BREAKDOWN OF OUTSTANDING CUSTOMER LOANS

| (in €k) | 12/31/2018 | | | 12/31/2017 | 12/31/2016 |
|---|-------------------|---------------|-------------------|-------------------|-------------------|
| | Gross | Impairment | Net | Net | Net |
| French mortgages | 30,597,101 | 7,883 | 30,589,218 | 28,505,379 | 30,991,320 |
| Public sector | 7,508,286 | 5,407 | 7,502,879 | 8,714,449 | 9,844,176 |
| French public sector | 5,934,539 | 5,407 | 5,929,132 | 7,100,658 | 8,151,775 |
| • Social housing | 972,440 | 496 | 971,944 | 1,180,303 | 1,496,506 |
| • French local authorities (FLA) | 4,961,114 | 4,911 | 4,956,203 | 5,898,494 | 6,650,719 |
| • Sovereign France | 986 | | 986 | 21,861 | 4,550 |
| Public-Private Partnership (PPP) | 620,741 | | 620,741 | 630,520 | 639,912 |
| International public sector | 953,005 | | 953,005 | 983,271 | 1,052,489 |
| • International public financing | 953,005 | | 953,005 | 983,271 | 1,052,489 |
| • International Sovereign | | | | | |
| Commercial mortgage exposures | 61,179 | 127 | 61,052 | 78,519 | 89,708 |
| Other | | | | | |
| Subtotal performing customer loans | 38,166,567 | 13,417 | 38,153,150 | 37,298,347 | 40,925,204 |
| Doubtful loans | 1,568,790 | 78,779 | 1,490,011 | 1,341,149 | 1,311,959 |
| TOTAL CUSTOMER LOANS | 39,735,357 | 92,196 | 39,643,161 | 38,639,497 | 42,237,163 |

The 2016 exposures are drawn up in line with the breakdown presented in the table "Exposure analysis to credit risk".
Loans outstanding in the unsubsidized sector include €18,73bn in loans guaranteed by SGFGAS.

NOTE 2 C. BREAKDOWN OF OUTSTANDING DOUBTFUL LOANS

| At December 31, 2018 (in €k) | Total doubtful loans | | | Of which compromised doubtful loans | | |
|---|----------------------|---------------|------------------|-------------------------------------|---------------|----------------|
| | Gross | Impairment | Net | Gross | Impairment | Net |
| French mortgages | 1,491,658 | 77,652 | 1,414,006 | 811,182 | 59,067 | 752,115 |
| Public sector | 4,697 | 247 | 4,450 | 1,255 | 204 | 1,051 |
| French public sector | 4,697 | 247 | 4,450 | 1,255 | 204 | 1,051 |
| • Social housing | 1,306 | 241 | 1,065 | 1,240 | 204 | 1,036 |
| • French local authorities (FLA) | 3,391 | 6 | 3,385 | 15 | | 15 |
| • Sovereign France | | | | | | |
| Public-Private Partnership (PPP) | | | | | | |
| International public sector | | | | | | |
| • International public financing | | | | | | |
| • International Sovereign | | | | | | |
| Commercial mortgage exposures | 72,435 | 880 | 71,555 | 70,434 | | 70,434 |
| Subtotal doubtful customer loans | 1,568,790 | 78,779 | 1,490,011 | 882,871 | 59,271 | 823,600 |

Doubtful loans outstanding in the unsubsidised sector includes €896m in loans guaranteed by SGFGAS.
In accordance with the Regulation No. 2014-07 of the French national accounting standards authority, irrecoverable doubtful loans do not include loans with a guarantee covering nearly all of the risks. These are mainly subsidised sector loans and loans with a FGAS guarantee.

| At December 31, 2017 <i>(in €k)</i> | Total doubtful loans | | | Of which compromised doubtful loans | | |
|---|----------------------|---------------|------------------|-------------------------------------|---------------|----------------|
| | Gross | Impairment | Net | Gross | Impairment | Net |
| French mortgages | 1,359,698 | 89,094 | 1,270,604 | 895,643 | 72,381 | 823,262 |
| Public sector | 2,284 | 93 | 2,191 | 1,373 | 7 | 1,366 |
| French public sector | 2,284 | 93 | 2,191 | 1,373 | 7 | 1,366 |
| • <i>Social housing</i> | 1,463 | 83 | 1,380 | 1,351 | 7 | 1,344 |
| • <i>French local authorities (FLA)</i> | 821 | 10 | 811 | 22 | | 22 |
| • <i>Sovereign France</i> | | | | | | |
| Public-Private Partnership (PPP) | | | | | | |
| International public sector | | | | | | |
| • <i>International public financing</i> | | | | | | |
| • <i>International Sovereign</i> | | | | | | |
| Commercial mortgage exposures | 69,275 | 921 | 68,354 | 66,800 | | 66,800 |
| Subtotal doubtful customer loans | 1,431,257 | 90,108 | 1,341,149 | 963,816 | 72,388 | 891,428 |

Doubtful loans outstanding in the unsubsidised sector includes €791m in loans guaranteed by SGFGAS.

In accordance with the Regulation No. 2014-07 of the French national accounting standards authority, irrecoverable doubtful loans do not include loans with a guarantee covering nearly all of the risks. These are mainly subsidised sector loans and loans with a FGAS guarantee.

| At December 31, 2016 <i>(in €k)</i> | Total doubtful loans | | | Of which compromised doubtful loans | | |
|---|----------------------|----------------|------------------|-------------------------------------|---------------|----------------|
| | Gross | Impairment | Net | Gross | Impairment | Net |
| French mortgages | 1,345,141 | 104,795 | 1,240,346 | 495,577 | 78,728 | 416,849 |
| Public sector | 5,571 | 166 | 5,405 | 616 | 7 | 609 |
| French public sector | 5,571 | 166 | 5,405 | 616 | 7 | 609 |
| • <i>Social housing</i> | 4,303 | 85 | 4,218 | 616 | 7 | 609 |
| • <i>French local authorities (FLA)</i> | 1,268 | 81 | 1,187 | | | |
| • <i>Sovereign France</i> | | | | | | |
| Public-Private Partnership (PPP) | | | | | | |
| International public sector | | | | | | |
| • <i>International public financing</i> | | | | | | |
| • <i>International Sovereign</i> | | | | | | |
| Commercial mortgage exposures | 67,129 | 921 | 66,208 | | | |
| Subtotal doubtful customer loans | 1,417,841 | 105,882 | 1,311,959 | 496,193 | 78,735 | 417,458 |

Doubtful loans outstanding in the unsubsidised sector includes €721m in loans guaranteed by SGFGAS.

In accordance with the Regulation No. 2014-07 of the French national accounting standards authority, irrecoverable doubtful loans do not include loans with a guarantee covering nearly all of the risks. These are mainly subsidised sector loans and loans with a FGAS guarantee.

NOTE 3. AVAILABLE FOR SALE AND HELD TO MATURITY SECURITIES

| (in €k) | 12/31/2018 | | | 12/31/2017 | | | 12/31/2016 | | |
|---|-------------------------------|-----------------------------|------------------|-------------------------------|-----------------------------|------------------|-------------------------------|-----------------------------|-------------------|
| | Securities available for sale | Securities held to maturity | Total | Securities available for sale | Securities held to maturity | Total | Securities available for sale | Securities held to maturity | Total |
| Treasury bills and equivalent * | | 3,230,668 | 3,230,668 | | 3,318,975 | 3,318,975 | | 3,410,338 | 3,410,338 |
| Related receivables | | 40,331 | 40,331 | | 45,419 | 45,419 | | 45,085 | 45,085 |
| Subtotal | | 3,270,999 | 3,270,999 | | 3,364,394 | 3,364,394 | | 3,455,424 | 3,455,424 |
| Bonds * | | 4,504,696 | 4,504,696 | | 4,455,353 | 4,455,353 | | 5,334,220 | 5,334,220 |
| Interbank market instruments (mortgage notes) * | | | | | | | | 7,321,281 | 7,321,281 |
| Negotiable debt securities | | | | | | | | | |
| Securitisation units * | | | | | | | | | |
| Related receivables | | 61,163 | 61,163 | | 56,231 | 56,231 | | 3,537 | 65,950 |
| Subtotal | | 4,565,859 | 4,565,859 | | 4,511,584 | 4,511,584 | | 7,324,818 | 12,724,987 |
| Doubtful loans and securities including related receivables | | | | | | | | | |
| GROSS AMOUNTS | 0 | 7,836,858 | 7,836,858 | 0 | 7,875,978 | 7,875,978 | 7,324,818 | 8,855,594 | 16,180,411 |
| Impairment on fixed-income securities | | | | | | | | | |
| NET AMOUNTS | 0 | 7,836,858 | 7,836,858 | 0 | 7,875,978 | 7,875,978 | 7,324,818 | 8,855,594 | 16,180,411 |

* Of which:

| | 12/31/2018 | 12/31/2017 | 12/31/2016 |
|---------------------|------------------|------------------|-------------------|
| Listed securities | 7,362,376 | 7,346,859 | 8,292,594 |
| Unlisted securities | 372,989 | 427,469 | 7,773,244 |
| TOTAL | 7,735,365 | 7,774,328 | 16,065,838 |

Listed securities are normally available securities denominated in euro that are eligible for the ECB operations, as well as listed securities in other currencies. Non listed securities are only represented by bonds.

Under the Regulation No. 2014-07 of the French national accounting standards authority, the aggregate fair value of the investment portfolio amounts to €8,717.42m at December 31, 2018 excluding related receivables.

Unrealised capital gains on Held-to-maturity securities amounted to €1,118.44m at December 31, 2018, before swap. At December 31, 2017, unrealised capital gains on Held-to-maturity securities amounted to €1,354.67m, before swap.

Unrealised capital losses on Held-to-maturity securities amounted to €136.39m at December 31, 2018, before swap. At December 31, 2017, unrealised capital losses on Held-to-maturity securities amounted to €207.73m, before swap.

The Company did not reclassify any securities to the "Held-to-maturity securities" portfolio either during the 2018 financial year or in previous years.

NOTE 3 A. SOVEREIGN RISK

At December 31, 2018, the net exposures of the Compagnie de Financement Foncier sovereign risk in these countries are:

| Investment securities (in €m) | 12/31/2018 | | | 12/31/2017 | | | 12/31/2016 | | |
|----------------------------------|-----------------|----------------|--------------------|-----------------|----------------|--------------------|-----------------|----------------|--------------------|
| | Carrying amount | Market value | Value after swap * | Carrying amount | Market value | Value after swap * | Carrying amount | Market value | Value after swap * |
| Italy | 2,187.7 | 2,529.3 | 1,597.6 | 2,267.4 | 2,708.3 | 1,878.9 | 2,305.4 | 2,734.5 | 1,786.3 |
| Poland | 367.3 | 436.0 | 295.3 | 341.5 | 392.5 | 269.6 | 373.6 | 417.1 | 248.4 |
| TOTAL | 2,555.0 | 2,965.3 | 1,892.9 | 2,608.9 | 3,100.8 | 2,148.5 | 2,679.0 | 3,151.6 | 2,034.7 |

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

The values given above exclude related receivables. Nominal values 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 December 31, 2018 are presented below:

| | Residual maturity | | | |
|--------------|-------------------|--------------|-----------------------------|----------------|
| | 1 year | 7 years | > 8 years and < 10 years | > 10 years |
| Italy | | 292.0 | 789.0 | 937.5 |
| Poland | | 168.1 | | 199.2 |
| TOTAL | 0.0 | 460.1 | 789.0 | 1,136.7 |

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

NOTE 3 B. FINANCIAL FIXED ASSETS

| (in €k) | Gross 12/31/2016 | Acquisitions | Disposals/ Redem- ptions * | Reclassi- fications | Change in premiums/ discounts | Currency differences | Gross 12/31/2017 | Acqui- sitions | Disposals/ Redem- ptions * | Reclassi- fications | Change in premiums/ discounts | Currency differences | Gross 12/31/2018 |
|-----------------------------------|---------------------|--------------|----------------------------------|------------------------|-------------------------------------|-------------------------|---------------------|-------------------|----------------------------------|------------------------|-------------------------------------|-------------------------|---------------------|
| Held to maturity securities | 8,744,558 | | -369,210 | | -120,461 | -480,560 | 7,774,328 | | -67,000 | | -155,449 | 183,486 | 7,735,365 |
| TOTAL | 8,744,558 | 0 | -369,210 | | -120,461 | -480,560 | 7,774,328 | 0 | -67,000 | | -155,449 | 183,486 | 7,735,365 |
| Related receivables | 111,035 | | | | -9,385 | | 101,650 | | | | -156 | | 101,494 |
| TOTAL | 8,855,593 | 0 | -369,210 | 0 | -129,846 | -480,560 | 7,875,978 | 0 | -67,000 | 0 | -155,605 | 183,486 | 7,836,859 |

* 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 the issuer's important credit quality deterioration or regulatory constraints.

These data are valued on a before-swap basis at the exchange rate as at the reporting date.

NOTE 4. OTHER ASSETS

| (in €k) | 12/31/2018 | 12/31/2017 | 12/31/2016 |
|--|---------------|----------------|--------------|
| Options bought | | | |
| Securities settlement accounts | | | 1,083 |
| Other receivables | 52,591 | 214,855 | 7,092 |
| Deposits on collateralisation transactions | | | |
| Other deposits and guarantees ⁽¹⁾ | 8,021 | 5,899 | 3,946 |
| Tax consolidation receivables ⁽²⁾ | | 194,060 | |
| Other non-trade receivables | 44,570 | 14,895 | 3,146 |
| Special bonus account | | | |
| TOTAL | 52,591 | 214,855 | 8,175 |

(1) As of december 31, 2018, this item includes mainly the guarantee deposits of €8,020K for 2015, 2016, 2017 and 2018 set up in the framework of the Single Resolution Fund.

(2) The receivable posted at December 31, 2017 is the subsidy due from Crédit Foncier, and is equal to the potential corporate tax saving, due to the tax loss recorded in 2017 and the reallocation by BPCE of a tax expense on the fiscal year 2013 to 2016.

NOTE 5. ACCRUAL ACCOUNTS – ASSETS

| <i>(in €k)</i> | 12/31/2018 | 12/31/2017 | 12/31/2016 |
|--|------------------|------------------|------------------|
| Collection accounts | | | |
| Deferred expenses | 233,554 | 222,699 | 210,323 |
| Issue and redemption premiums on fixed income securities | 233,554 | 222,699 | 210,323 |
| Other deferred expenses | | | |
| Prepaid expenses | 1,121,149 | 1,275,389 | 1,465,050 |
| Termination balances of paid swaps to be amortised | 1,121,149 | 1,275,389 | 1,465,050 |
| Other prepaid expenses | | | |
| Accrued income | 433,537 | 465,213 | 565,218 |
| Accrued interest on swaps | 433,537 | 465,213 | 565,192 |
| Other accrued income | | | 26 |
| Other accrual accounts – assets | 188,848 | 241,561 | 454,405 |
| Cash in domiciliation | 1,585 | 1,857 | -3,274 |
| Deferred tax assets | 186,557 | 228,991 | 444,814 |
| Currency adjustment accounts | | | |
| Other accrued income * | 707 | 10,713 | 12,866 |
| TOTAL | 1,977,089 | 2,204,862 | 2,694,997 |

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

NOTE 6. AMOUNTS DUE TO CREDIT INSTITUTIONS

| <i>(in €k)</i> | 12/31/2018 | 12/31/2017 | 12/31/2016 |
|--|------------------|------------------|------------------|
| Due to credit institutions – on demand ⁽¹⁾ | 159 | | 355 |
| Current accounts of credit institutions | 159 | | |
| Demand loans to credit institutions | | | |
| Other amounts due to credit institutions | | | 355 |
| Related payables | | | |
| Due to credit institutions – at maturity ⁽²⁾ | 6,601,432 | 7,945,176 | 8,777,695 |
| Term deposits and loans | 5,051,057 | 6,227,489 | 5,148,342 |
| Values sold under repurchase agreements | | | |
| Securities sold under repurchase agreements | 1,549,272 | 1,717,299 | 3,628,236 |
| Related payables | 1,103 | 388 | 1,117 |
| TOTAL | 6,601,591 | 7,945,176 | 8,778,050 |
| (1) Details on due to credit institutions – on demand (Group/non-Group) | 159 | | 355 |
| Of which Group | | | |
| • Other amounts due to credit institutions | | | |
| • Demand loans to credit institutions | | | |
| • Related payables | | | |
| Of which non-Group | 159 | | 355 |
| • Other amounts due to credit institutions | 159 | | 355 |
| (2) Details on due to credit institutions – at maturity (Group/non-Group) | 6,601,432 | 7,945,176 | 8,777,695 |
| Of which Group | 6,512,830 | 7,945,176 | 8,777,695 |
| • Due and accounts at maturity | 4,963,558 | 6,227,877 | 5,149,459 |
| • Securities sold under repurchase agreements | 1,549,272 | 1,717,299 | 3,628,236 |
| Of which non-Group | 88,602 | | |
| • Due and accounts at maturity | 88,602 | | |
| • Banque de France refinancing (Overall collateral management pool – 3G pool) | | | |
| • Other term loans | | | |
| • Values sold under repurchase agreements | | | |
| • Related payables | | | |
| Due to Group credit institutions | 6,512,830 | 7,945,176 | 8,777,695 |
| Due to non-Group credit institutions | 88,761 | | 355 |
| TOTAL | 6,601,591 | 7,945,176 | 8,778,050 |

NOTE 7. DEBT SECURITIES

| (in €k) | 12/31/2018 | 12/31/2017 | 12/31/2016 |
|--|-------------------|-------------------|-------------------|
| Negotiable debt securities | 150,000 | 150,000 | 150,000 |
| Related payables | 1,865 | 1,533 | 1,243 |
| Negotiable debt securities and related payables | 151,865 | 151,533 | 151,243 |
| <i>Obligations foncières</i> | 62,653,800 | 62,559,580 | 66,437,242 |
| Related payables | 741,372 | 813,646 | 985,310 |
| <i>Obligations foncières</i> and related payables | 63,395,172 | 63,373,226 | 67,422,552 |
| TOTAL | 63,547,037 | 63,524,759 | 67,573,795 |

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

NOTE 8. OTHER LIABILITIES

| (in €k) | 12/31/2018 | 12/31/2017 | 12/31/2016 |
|---|------------------|------------------|------------------|
| Options sold | | | |
| Other payables | 1,065,354 | 1,580,629 | 2,218,043 |
| Deposits on collateralisation transactions | 882,205 | 1,410,462 | 2,021,034 |
| Margin calls on repurchase agreements | | | |
| Trade payables | 35,204 | 70,072 | 65,438 |
| Tax consolidation liabilities ⁽¹⁾ | 12,853 | | 215 |
| Other fiscal and social debts | -2 | 85 | 1,652 |
| Other payables accounts | 39,784 | 13,556 | 58,199 |
| Special bonus account | 95,310 | 86,454 | 71,505 |
| Allocated public funds ⁽²⁾ | 42,177 | 43,318 | 43,216 |
| TOTAL | 1,107,531 | 1,623,947 | 2,261,259 |
| (1) Corporate tax due to Crédit Foncier (tax consolidation) | 12,853 | | 215 |
| (2) Of which subsidised sector | 37,461 | 36,975 | 32,847 |

NOTE 9. ACCRUAL ACCOUNTS – LIABILITIES

| (in €k) | 12/31/2018 | 12/31/2017 | 12/31/2016 |
|---|------------------|------------------|------------------|
| Collection accounts | 3 | 159 | 52 |
| Unearned income | 1,111,732 | 1,286,462 | 1,619,769 |
| Subsidies on loans for low-income families and former interest-free loans | 25,749 | 38,970 | 56,053 |
| Balances of swaps received to be amortised | 1,019,774 | 1,180,112 | 1,478,964 |
| Other unearned income | 66,209 | 67,380 | 84,752 |
| Accrued expenses | 175,377 | 166,302 | 208,820 |
| Accrued interest on derivatives (swaps) | 168,563 | 161,641 | 203,529 |
| Other accrued expenses | 6,814 | 4,661 | 5,291 |
| Other accrual accounts | 918,229 | 635,735 | 685,974 |
| Currency adjustment accounts * | 866,397 | 532,239 | 609,832 |
| Other items | 51,832 | 103,496 | 76,142 |
| TOTAL | 2,205,340 | 2,088,657 | 2,514,616 |

* 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) | 12/31/2018 | 12/31/2017 | 12/31/2016 |
|--|--------------|---------------|---------------|
| Provisions for counterparty risks | 698 | 15,866 | 19,377 |
| Provisions for potential risks on performing loans | 444 | 15,866 | 19,377 |
| Sectoral provisions | | | |
| Provisions for execution risks on endorsements | 254 | | |
| Provisions for litigation | 5,258 | 2,228 | |
| Tax litigation | | | |
| Other litigation | 5,258 | 2,228 | |
| Other provisions | 603 | 823 | 1,058 |
| Other provisions * | 603 | 823 | 1,058 |
| TOTAL | 6,559 | 18,917 | 20,435 |

* Provision corresponding to an estimation of an accelerated amortization of several termination payments.

| Changes in the period (in €k) | Changes in 2018 | | | | | 12/31/2018 |
|---|-----------------|--------------|-----------|---------------|---------------|--------------|
| | 12/31/2017 | Additions | Reversals | | Other changes | |
| | | | Used | Not used | | |
| Provisions for counterparty risks | 15,866 | 444 | | 15,866 | | 698 |
| Provisions for counterparty risks on performing loans | 15,866 | 444 | | 15,866 | | 444 |
| Sectoral provisions | | | | | | |
| Provisions for execution risks on endorsements | | 254 | | | | 254 |
| Provisions for litigation | 2,228 | 3,030 | | | | 5,258 |
| Tax litigation | | | | | | |
| Other litigation | 2,228 | 3,030 | | | | 5,258 |
| Other provisions | 823 | -219 | | | | 603 |
| Other provisions | 823 | -219 | | | | 603 |
| TOTAL | 18,917 | 3,254 | 0 | 15,866 | 0 | 6,559 |

NOTE 11. CHANGES IN EQUITY

| (in €k) | Opening balance at 01/01/2017 | Changes in capital and reserves | | | Balance at 12/31/2017 | Changes in capital and reserves | | | Balance at 12/31/2018 |
|--|-------------------------------|---------------------------------|--------------------------|-------|-----------------------|---------------------------------|--------------------------|-------|-----------------------|
| | | 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 | 58,951 | 4,684 | | | 63,635 | 2,911 | | | 66,546 |
| • General reserve | 55,517 | | | | 55,517 | | | | 55,517 |
| • Regulated reserves | | | | | | | | | |
| • Of which: | | | | | | | | | |
| • Regulated reserves for revaluation | | | | | | | | | |
| • Special reserve for long-term capital gains | | | | | | | | | |
| Retained earnings | 91,889 | -4,576 | | | 87,313 | -2,909 | | | 84,404 |
| Net equity before net income for the year | 3,086,820 | | | | 3,086,927 | | | | 3,086,929 |
| Net income for the year before distributions | 93,676 | -93,676 | | | 58,205 | -58,205 | | | 89,784 |
| Equity after net income for the year | 3,180,495 | | | | 3,145,132 | | | | 3,176,713 |
| Dividends paid | | 93,568 | | | | 58,203 | | | |

| (in €k) | Opening balance at 01/01/2017 | Changes in provisions | | | Balance at 12/31/2017 | Changes in provisions | | | Balance at 12/31/2018 |
|------------------------------------|-------------------------------|-----------------------|-----------|-----------|-----------------------|-----------------------|-----------|-----------|-----------------------|
| | | Allocation | Additions | Reversals | | Allocation | Additions | Reversals | |
| Special revaluation provision | | | | | | | | | |
| Other regulated provisions | | | | | | | | | |
| Regulated provisions | | | | | | | | | |
| Equity before distributions | 3,180,495 | | | | 3,145,132 | | | | 3,176,713 |

| | Opening balance at 01/01/2017 | Changes in FRBG | | | Balance at 12/31/2017 | Changes in FRBG | | | Balance at 12/31/2018 |
|-----------------------------------|-------------------------------|-----------------|-----------|-----------|-----------------------|-----------------|-----------|-----------|-----------------------|
| | | Allocation | Additions | Reversals | | Allocation | Additions | Reversals | |
| Reserve for general banking risks | 20,000 | | | | 20,000 | | | | 20,000 |
| TOTAL | 3,200,495 | | | | 3,165,132 | | | | 3,196,713 |

* 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 reevaluation has been carried out to date.

NOTE 11 A. PROPOSED ALLOCATION OF INCOME

| <i>(in €k)</i> | 12/31/2018 | |
|--|-------------------|----------------|
| SOURCES | | |
| Retained earnings | | 84,404 |
| Net income for the year | | 89,784 |
| Deposit on dividends | | |
| Transfer from reserves | | |
| ALLOCATION | | |
| Allocation to reserves | | |
| • Legal reserve | 4,490 | |
| • Special long-term capital gains reserves | | |
| • Other reserves | | |
| Dividends | 89,784 | |
| Other distributions | | |
| Retained earnings | 79,914 | |
| TOTAL | 174,188 | 174,188 |

NOTE 12. COMMITMENTS GIVEN

| (in €k) | 12/31/2018 | | 12/31/2017 | | 12/31/2016 | |
|--|--|---|--|---|--|---|
| | Loans authorised but not yet established | Amounts not drawn down on loans already partially established | Loans authorised but not yet established | Amounts not drawn down on loans already partially established | Loans authorised but not yet established | Amounts not drawn down on loans already partially established |
| FINANCING COMMITMENTS | 1,184,853 | 303 | 847,071 | 392 | 785,179 | 4,323 |
| Subsidised sector | | | | | | |
| Non-Group commitments | | | | | | |
| • Credit institutions | | | | | | |
| • Customers | | | | | | |
| Unsubsidised sector | 1,184,853 | 303 | 847,071 | 392 | 785,179 | 4,323 |
| Non-Group commitments | 1,184,853 | 303 | 847,071 | 392 | 785,179 | 4,323 |
| • Customers ⁽¹⁾ | 1,184,853 | 303 | 847,071 | 392 | 785,179 | 4,323 |
| Group commitments | | | | | | |
| • Credit institutions | | | | | | |
| GUARANTEE COMMITMENTS | 280,022 | | 306,078 | | 79,104 | |
| Non-Group commitments | 280,022 | | 306,078 | | 79,104 | |
| Other values used as collateral ⁽²⁾ | 280,022 | | 306,078 | | 79,104 | |
| COMMITMENTS ON SECURITIES | | | | | | |
| Other commitments given | | | | | | |
| TOTAL ⁽³⁾ | 1,465,178 | | 1,153,541 | | 868,607 | |

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

| (in €k) | 12/31/2018 | 12/31/2017 | 12/31/2016 |
|--|------------|------------|------------|
| Permanent credit lines (outstanding transferred from Ixis CIB) | 1,132,786 | 794,018 | 689,729 |
| State housing savings accounts (primes d'épargne logement) | 52,067 | 53,053 | 95,450 |

(2) This line 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) | 12/31/2018 | 12/31/2017 | 12/31/2016 |
|-------------|------------|------------|------------|
| Securities | 215,183 | 231,626 | |
| Receivables | 64,838 | 74,452 | 79,104 |

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

(3) Of which:

| (in €k) | 12/31/2018 | 12/31/2017 | 12/31/2016 |
|----------------------|------------|------------|------------|
| Doubtful commitments | 303 | 392 | 422 |

NOTE 13. COMMITMENTS RECEIVED

| (in €k) | 12/31/2018 | 12/31/2017 | 12/31/2016 |
|---|-------------------|-------------------|-------------------|
| Financing commitments | 28,565,657 | 31,484,834 | 31,032,177 |
| Non-Group commitments | 756,142 | 563,114 | 258,292 |
| Credit institutions ⁽¹⁾ | 756,142 | 563,114 | 258,292 |
| Group commitments | 27,809,515 | 30,921,720 | 30,773,885 |
| Repurchase guarantee | | | |
| Credit institutions ⁽²⁾ | 2,000,000 | 3,000,000 | 3,400,000 |
| Other assets received as collateral from the Group ⁽³⁾ | 25,809,515 | 27,921,720 | 27,373,885 |
| Guarantee commitments | 38,527,020 | 36,516,018 | 39,103,926 |
| Non-Group commitments | 36,538,187 | 34,234,487 | 36,576,008 |
| Credit institutions and similar institutions ⁽⁴⁾ | 4,997,453 | 4,957,184 | 4,527,003 |
| Customers ⁽⁵⁾ | 31,540,734 | 29,277,303 | 32,049,005 |
| Group commitments ⁽⁶⁾ | 1,988,833 | 2,281,532 | 2,527,918 |
| Credit institutions and similar items | 1,943,602 | 2,172,487 | 2,456,535 |
| Customers | 45,231 | 109,045 | 71,383 |
| Commitments on securities | | 60,000 | |
| Other securities to be received | | 60,000 | |
| TOTAL | 67,092,677 | 68,060,852 | 70,136,102 |

(1) Non-Group financing commitments included the commitment received from the Banque de France in relation to the collateral management mechanism, for an amount of €224.4m at December 31, 2018, compared with €265.6m at December 31, 2017.

(2) Credit line of €3bn entered into by Compagnie de Financement Foncier and BPCE on May 2, 2012.

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

| (in €k) | 12/31/2018 | 12/31/2017 | 12/31/2016 |
|---|------------|------------|------------|
| • Guarantees received from Crédit Foncier for loans to French local authorities (L. 211-38) | 16,649,479 | 18,789,564 | 10,412,727 |
| • Guarantees received from BPCE SA as replacement values (L. 211-38 Short-term guaranteed notes) | 6,521,696 | 6,590,777 | 6,656,400 |
| • Guarantees received from Caisses d'Épargne and Banques Populaires for loans to French local authorities (L. 211-38) | 2,638,341 | 2,541,378 | 2,542,445 |
| • Guarantees received from Crédit Foncier for mortgage notes | | | 7,762,299 |

(4) Mainly includes:

| (in €k) | 12/31/2018 | 12/31/2017 | 12/31/2016 |
|---|------------|------------|------------|
| • Guarantees received from Crédit Logement rated Aa3 (Moody's) | 4,559,966 | 3,264,384 | 2,728,231 |
| • Guarantees received from Créserfi | 289,817 | 269,305 | 6,412 |
| • Security enhancement guarantees received from insurance companies | 1,481,050 | 1,443,543 | 1,631,601 |

(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) | 12/31/2018 | 12/31/2017 | 12/31/2016 |
|--|------------|------------|------------|
| • Government guarantees on loans, mainly to the subsidised sector | 128,725 | 146,627 | 173,655 |
| • Guarantees from the SFGAS on FGAS-eligible loans and covered by the government | 18,726,867 | 16,874,627 | 16,966,939 |
| • Mortgage guarantees for mortgage loans that are only covered by this guarantee | 9,234,166 | 10,062,833 | 12,340,130 |
| • Guarantees given by local authorities and other organisations | 865,421 | 1,325,846 | 1,607,601 |
| • Security enhancement guarantees given by governments | 1,052,603 | 867,371 | 960,680 |

(6) At December 31, 2018, guarantee commitments on securities received from BPCE amounted to €800m.

NOTE 14. COMMITMENTS ON FORWARDS AND OPTIONS CONTRACTS

| (in €k) | 12/31/2018 | | 12/31/2017 | | 12/31/2016 | |
|--|-------------------|---------------------------------|-------------------|---------------------------------|-------------------|---------------------------------|
| | Euros | Other currencies ⁽²⁾ | Euros | Other currencies ⁽²⁾ | Euros | Other currencies ⁽²⁾ |
| OVER-THE-COUNTER MARKETS | | | | | | |
| Options (nominal amounts) | 1,384,671 | | 1,615,671 | | 1,882,745 | |
| Hedging transactions (purchases) | | | | | | |
| • Interest rate instruments | 1,384,671 | | 1,615,671 | | 1,882,745 | |
| • Foreign exchange instruments | | | | | | |
| • Other instruments | | | | | | |
| Other options | | | | | | |
| Options (fair value) | | | 4,285 | | 8,619 | |
| Forward transactions (nominal amounts) | 70,228,657 | 8,340,103 | 70,094,424 | 9,130,872 | 70,325,602 | 12,279,430 |
| Hedging transactions | | | | | | |
| • Interest rate instruments | 63,340,619 | 311,564 | 62,404,320 | 310,747 | 60,790,418 | 326,490 |
| • Foreign exchange instruments ⁽³⁾ | 6,888,038 | 8,028,539 | 7,690,104 | 8,820,125 | 9,535,184 | 11,952,940 |
| • Other instruments | | | | | | |
| Other transactions | | | | | | |
| Forward transactions (fair value) ⁽¹⁾ | 1,493,526 | -2,107,778 | 2,084,636 | -1,901,504 | 1,798,965 | -3,477,545 |
| Forward and conditional transactions | 71,613,328 | 8,340,103 | 71,710,096 | 9,130,872 | 72,208,347 | 12,279,430 |
| TOTAL ⁽²⁾ (NOMINAL AMOUNTS) | 79,953,431 | | 80,840,968 | | 84,487,777 | |
| TOTAL (FAIR VALUE) | -614,252 | | 187,417 | | -1,669,961 | |

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

(1) Data disclosed in accordance with the Regulation N° 2014-07 of the French National Accounting Standards Authority.

(2) National amounts in euros at the reporting date.

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

NOTE 15. INTEREST AND SIMILAR INCOME AND EXPENSES

| (in €k) | 12/31/2018 | | | 12/31/2017 | 12/31/2016 |
|---|------------------|-------------------|-----------------|-----------------|-----------------|
| | Income | Expenses | Net | Net | Net |
| Interbank transactions | 298,914 | -100,102 | 198,811 | 205,333 | 110,974 |
| Interest on Central Bank accounts | | -4,983 | -4,983 | -7,331 | -7,590 |
| Interest on current accounts | 3 | -297 | -294 | -325 | -174 |
| Interest on forwards | 290,626 | -73,164 | 217,462 | -43,756 | -35,023 |
| Interest on subordinated loans | | | | | |
| Interest on receivables guaranteed (replacement values) | | | | 265,867 | 156,785 |
| Interest on securities received/sold under repurchase agreements | 6,600 | | 6,600 | 12,016 | 8,211 |
| Financing and guarantee commitments | | | | | |
| Other interest income and expenses | | | | | |
| Hedging transactions (netting) | 1,685 | -21,659 | -19,974 | -21,137 | -11,235 |
| Hedged losses on receivables | | | | | |
| Non-hedged losses on receivables | | | | | |
| Net changes in provisions | | | | | |
| Customers transactions | 870,101 | -70,416 | 799,685 | 656,308 | 899,781 |
| Interest on demand deposits, term deposits and regulated savings accounts | | | | | |
| Interest on loans to customers | 818,706 | | 818,706 | 700,527 | 940,175 |
| Interest on subordinated loans | | | | | |
| Interest on non-performing loans | 47,449 | | 47,449 | 48,201 | 46,980 |
| Amortisation of additional loans fees (CRC Regulation 2009-03) | 3,808 | | 3,808 | 991 | -419 |
| Interest on ABS cash collateral | | | | | |
| Other interest income and expenses | 137 | -5,637 | -5,500 | 19,789 | 74,021 |
| Income on financing and guarantee commitments | 1 | | 1 | 6 | 1 |
| Hedging transactions (netting) | | -63,886 | -63,886 | -103,178 | -160,832 |
| Hedged losses on receivables | | -2,681 | -2,681 | -2,049 | -278 |
| Non-hedged losses on receivables | | -841 | -841 | -7,373 | -861 |
| Net changes in provisions * | | 2,629 | 2,629 | -606 | 993 |
| Finance lease transactions | | | | | |
| Securities portfolio transactions | 1,038,387 | -1,558,152 | -519,765 | -494,806 | -477,780 |
| Interest on investment securities | | | | 13,737 | 108,487 |
| Spreading of discounts/premiums on investment securities | | | | | |
| Interest on held-to-maturity securities | 333,825 | | 333,825 | 337,045 | 381,251 |
| Amortisation of discounts/premiums on held-to-maturity securities | -37,359 | | -37,359 | -37,223 | -36,493 |
| Interest on medium-term notes (BMTN) issued | | -2,247 | -2,247 | -1,845 | -1,560 |
| Interest on certificates of deposits issued | | | | | |
| Interest on mortgage notes issued | | | | | |
| Interest and expenses on bond issuances | | -1,555,905 | -1,555,905 | -1,816,722 | -2,037,434 |
| Interest on doubtful securities | | | | | |
| Hedging transactions (netting) | 741,921 | | 741,921 | 1,010,202 | 1,107,969 |
| Losses on non-recoverable receivables | | | | | |
| Net changes of provisions | | | | | |
| Subordinated debt | | 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 | 14,356 | -264,767 | -250,411 | -259,486 | -253,990 |
| Income on debt securities | 14,137 | | 14,137 | 16,683 | 36,971 |
| Fees on credit derivatives | | | | | |
| Commitments received/given on securities | | -1,509 | -1,509 | -4,388 | -8,416 |
| Other interest income and expenses | | -9,660 | -9,660 | | |
| Macro-hedging transactions (netting) | | -253,598 | -253,598 | -272,016 | -281,486 |
| Net changes of provisions | 219 | | 219 | 235 | -1,058 |
| TOTAL INTEREST AND SIMILAR INCOME AND EXPENSES | 2,221,758 | -1,993,403 | 228,356 | 107,350 | 278,984 |

* Net impact on customers interests listed on Net interest margin.

NOTE 16. NET FEES AND COMMISSIONS

| <i>(in €k)</i> | 12/31/2018 | 12/31/2017 | 12/31/2016 |
|---|-------------------|-------------------|-------------------|
| Commissions on interbank and cash transactions (net) | 906 | -9 | -8 |
| Income | 913 | | |
| Expenses | -8 | -9 | -8 |
| Commissions on transactions with customers (net) * | 43,067 | 96,161 | 82,969 |
| Income | 43,067 | 96,161 | 82,969 |
| Expenses | | | |
| Commissions on securities transactions (net) | -1,020 | -1,112 | -1,441 |
| Income | | | |
| Expenses | -1,020 | -1,112 | -1,441 |
| Other commissions (net) | -430 | -493 | -594 |
| Income | 67 | 3 | 3 |
| Expenses | -497 | -496 | -598 |
| Total income | 44,047 | 96,164 | 82,972 |
| Total expenses | -1,525 | -1,617 | -2,047 |
| TOTAL NET COMMISSIONS | 42,522 | 94,547 | 80,926 |

* 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 prepayment rate observed on loans to individuals is 8.3% of outstandings at the end of 2018.

17. NET GAINS/LOSSES ON TRADING PORTFOLIO TRANSACTIONS

| <i>(in €k)</i> | 12/31/2018 | 12/31/2017 | 12/31/2016 |
|--|-------------------|-------------------|-------------------|
| Gains on currency and arbitrage transactions | -65 | -117 | -456 |
| Losses on other financial instruments | | | |
| Gains on other financial instruments | | | |
| Charge to provisions for risks on Financial forward instruments | | | |
| Reversals from provisions for risks on Financial forward instruments | | | |
| TOTAL NET GAINS/LOSSES ON TRADING BOOK TRANSACTIONS AT FAIR VALUE THROUGH PROFIT AND LOSS | -65 | -117 | -456 |

NOTE 18. OTHER BANKING INCOME AND EXPENSES

| <i>(in €k)</i> | 12/31/2018 | | | 12/31/2017 | 12/31/2016 |
|--|------------|---------------|---------------|---------------|------------|
| | Income | Expenses | Net | Net | Net |
| Transfers of expenses and income, reallocated expenses | | | | | |
| Other banking income and expenses | 98 | -3,037 | -2,939 | -2,169 | 2 |
| Other operating income and expenses * | 98 | -7 | 90 | 59 | 2 |
| Additions to and reversals from provisions for other operating income and expenses * | | -3,030 | -3,030 | -2,228 | |
| TOTAL | 98 | -3,037 | -2,939 | -2,169 | 2 |

* Details

| | | | | | |
|--|-----------|---------------|---------------|---------------|----------|
| Other operating income and expenses | 98 | -3,037 | -2,939 | -2,169 | 2 |
| • Transfers to exceptional gains | | | | 73 | |
| • Other operating income | 98 | | 98 | 56 | 7 |
| • Losses on deferred interests and variable rate loans | | -7 | -7 | | -4 |
| • Transfers to exceptional losses | | | | -65 | |
| • Other operating expenses | | | | -5 | |
| • Charge to provisions | | -3,030 | -3,030 | -2,228 | |

NOTE 19. GENERAL OPERATING EXPENSES

| (in €k) | 12/31/2018 | 12/31/2017 | 12/31/2016 |
|--|----------------|-----------------|-----------------|
| TOTAL PAYROLL COSTS | -45 | -73 | -60 |
| Wages and salaries | -45 | -46 | -54 |
| Costs of defined-contribution plans | | | -2 |
| Other social security costs and payroll-based taxes ⁽¹⁾ | | -28 | -5 |
| Charges/reversals of provisions for litigation | | | |
| TOTAL OTHER ADMINISTRATIVE EXPENSES | -94,864 | -117,827 | -127,629 |
| Taxes other than on income | -6,926 | -21,638 | -23,033 |
| CET (local business tax) and CVAE (tax on company value added) | -2,693 | -1,705 | -3,650 |
| Social solidarity contribution | -3,507 | -3,165 | -4,617 |
| Other taxes | -726 | -1,060 | -1,020 |
| Contribution to the supervision expenses of the French Prudential Supervision and Resolution Authority (ACPR) ⁽²⁾ | | -815 | -835 |
| Systemic banking risk tax | | -2,741 | -3,481 |
| Contributions to Single Resolution Fund | | -11,071 | -8,411 |
| Management fees to ECB | | -1,082 | -1,018 |
| Charges/reversals of provisions for tax disputes | | | |
| EXTERNAL SERVICES | -87,938 | -96,189 | -104,596 |
| Leasing | | | |
| External services provided by the Group | -68,901 | -93,440 | -100,802 |
| Contribution to the supervision expenses of the French Prudential Supervision and Resolution Authority | -774 | | |
| Systemic banking risk tax | -2,032 | | |
| Contributions to Single Resolution Fund | -12,024 | | |
| Management fees to ECB | -1,071 | | |
| Fees, subcontracting and services | -2,919 | -2,460 | -3,467 |
| Advertising | -129 | -161 | -200 |
| Remuneration of intermediaries | | | |
| Transport and travel | | | |
| Maintenance and repairs | | | |
| Insurance premiums | | | |
| Other external services | -88 | -129 | -128 |
| 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 | -94,909 | -117,901 | -127,689 |

(1) The total amount of remuneration received by governing bodies at December 31, 2018 amounted to €45k. Following the decision of 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.

The amount recognized in 2017 under "Other social security costs and payroll-based taxes" corresponds to apprenticeship tax refunds for previous years.

(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

| <i>(in €k)</i> | 12/31/2018 | | | 12/31/2017 | 12/31/2016 |
|---|-----------------|---------------|----------------|----------------|----------------|
| | 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 | -84,390 | 95,270 | 10,880 | 19,890 | -44,156 |
| Impairment of customer transactions on doubtful loans | -70,275 | 79,404 | 9,219 | 16,379 | -40,908 |
| Impairment of customer transactions on performing loans | -13,861 | | -13,861 | | |
| Provisions for counterparty risks on performing loans | | 15,866 | 15,866 | 3,511 | -3,248 |
| Other provisions for contingencies and charges | -254 | | -254 | | |
| Losses/recoveries on customer transactions | -31,404 | 4,485 | -26,919 | -24,801 | 17,079 |
| Losses on irrecoverable loans and receivables covered by provisions | -16,789 | | -16,789 | -24,442 | 19,791 |
| Losses on irrecoverable loans and receivables not covered by provisions | -9,438 | | -9,438 | -2,598 | -6,741 |
| Recoveries of bad debts written off | | 4,485 | 4,485 | 5,445 | 4,029 |
| Legal fees and litigation | -5,177 | | -5,177 | -3,206 | |
| Losses/recoveries on other transactions | | | | | |
| Losses on the covered irrecoverable loans and receivables | | | | | |
| TOTAL COST OF RISK | -115,794 | 99,754 | -16,039 | -4,910 | -27,078 |

NOTE 21. GAINS/LOSSES ON LONG-TERM INVESTMENTS

| <i>(in €k)</i> | 12/31/2018 | 12/31/2017 | 12/31/2016 |
|---|------------|--------------|------------|
| Capital gains or losses on disposals of held-to-maturity securities | 421 | 7,458 | -48 |
| Provisions for impairment on held-to-maturity securities | | | |
| Reversals for impairment on held-to-maturity securities | | | |
| TOTAL GAINS OR LOSSES ON OTHER ASSETS | 421 | 7,458 | -48 |

NOTE 22. INCOME TAX

| <i>(in €k)</i> | 12/31/2018 | 12/31/2017 | 12/31/2016 |
|--|-------------------|-------------------|-------------------|
| TAX EXPENSE COMPONENTS | | | |
| Current tax expenses (income) ⁽¹⁾ | -25,128 | 189,771 | -16,862 |
| Deferred tax liabilities (income) ^{(1) (2)} | -42,434 | -215,823 | -94,104 |
| Provisions for deferred taxes | | | |
| Provisions for risks or for tax litigations | | | |
| TOTAL | -67,562 | -26,052 | -110,965 |
| BREAKDOWN OF DEFERRED TAXES FOR THE PERIOD | | | |
| Termination swap balance | -36,854 | -213,626 | -111,212 |
| Client provisions including credit risk provisions | -3,749 | -9,130 | -231 |
| Provisions on investment securities | | | |
| Other temporary differences | -1,831 | 6,933 | 17,339 |
| TOTAL | -42,434 | -215,823 | -94,104 |

(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 -€8,462k recorded on the liability method for 2018.

NOTE 23. TRANSACTIONS WITH RELATED CREDIT INSTITUTIONS ⁽¹⁾

| <i>(in €k)</i> | 12/31/2018 | 12/31/2017 | 12/31/2016 | 12/31/2018 Valuation of assets received as collateral ⁽²⁾ |
|--|-------------------|-------------------|-------------------|---|
| BALANCE SHEET | | | | |
| Assets items | | | | |
| Receivables due from credit institutions | | | | |
| Demand | 51,403 | 148,657 | 243,976 | |
| Term | | | | |
| Term deposits guaranteed by repo securities | 25,456,778 | 27,564,703 | 19,439,806 | 25,809,516 |
| • Loans guaranteed by French local authority loans (SPT) under L. 211-38 | 11,257,149 | 11,838,381 | 12,826,941 | 11,417,872 |
| • to Crédit Foncier | 8,768,000 | 9,332,000 | 10,303,000 | 8,779,531 |
| • to BPCE | 2,320,000 | 2,320,000 | 2,320,000 | 2,468,164 |
| • to other Group entities | 169,149 | 186,381 | 203,941 | 170,177 |
| • Loans guaranteed by individuals loans under L. 211-38 | 7,586,500 | 9,111,500 | | 7,869,948 |
| • to Individuals | 7,178,500 | 8,856,500 | | 7,448,482 |
| • to Corporates | 408,000 | 255,000 | | 421,466 |
| • Loans registered as replacement values under L. 211-38 | 6,600,000 | 6,600,000 | 6,600,000 | 6,521,696 |
| • to BPCE | 6,600,000 | 6,600,000 | 6,600,000 | 6,521,696 |
| • Related receivables | 13,129 | 14,822 | 12,865 | |
| Customer transactions | | | | |
| Receivables | | | | |
| Securities transactions | | | | |
| Bonds and other fixed income securities | 60,490 | 61,692 | 7,389,310 | |
| • Mortgage notes | | | 7,321,281 | |
| • to Crédit Foncier | | | 7,321,281 | |
| • Other fixed income securities | 57,632 | 58,803 | 61,497 | |
| • Related receivables | 2,858 | 2,890 | 6,532 | |
| Other assets ⁽²⁾ | | | | |
| Other debtors | | 194,060 | | |
| TOTAL ASSETS | 25,568,671 | 27,969,112 | 27,073,092 | 25,809,516 |
| Liabilities items | | | | |
| Amounts due to credit institutions | | | | |
| Demand | | | | |
| Term | 4,964,406 | 6,228,709 | 5,151,053 | |
| Securities sold under repurchase agreements | 1,550,119 | 1,718,131 | 3,629,830 | |
| Customer transactions | | | | |
| Demand | | | | |
| Securities transactions | | | | |
| Debt securities | | | | |
| Subordinated debts | | | | |
| Other liabilities | | | | |
| Other creditors | 33,220 | 63,553 | 50,967 | |
| TOTAL LIABILITIES | 6,547,745 | 8,010,393 | 8,831,850 | |

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 December 31, 2018

| Heading (in €k) | Australian \$ | Canadian \$ | US \$ | £ Sterling | Swiss Franc | Yen | Hungarian Forint | New Zealand \$ | Norwegian Krone | Danish Krone | Total |
|--|---------------|-------------|-------------------|-----------------|-----------------|-------------------|---------------------|----------------|--------------------|-----------------|-------------------|
| BALANCE SHEET | | | | | | | | | | | |
| Financial assets | 29 | 9 | 2,087,807 | 121,703 | 1,078,711 | 1,720,031 | 10 | 35 | 6,869 | 7 | 5,015,211 |
| Financial liabilities | | | 271,730 | 638,362 | 1,551,937 | 23,221 | | | 425,987 | | 2,911,237 |
| Balance sheet differential (I) | 29 | 9 | 1,816,077 | -516,659 | -473,226 | 1,696,810 | 10 | 35 | -419,118 | 7 | 2,103,974 |
| OFF-BALANCE SHEET | | | | | | | | | | | |
| Commitments received | | | 405,606 | 612,701 | 1,517,852 | 7,967 | | | 419,119 | | 2,963,245 |
| Commitments given | | | 2,221,673 | 96,027 | 1,042,851 | 1,704,743 | | | | | 5,065,294 |
| Off-balance sheet differential (II) | | | -1,816,067 | 516,674 | 475,001 | -1,696,776 | | | 419,119 | | -2,102,049 |
| TOTAL DIFFERENTIAL (I)+(II) | 29 | 9 | 10 | 15 | 1,775 | 34 | 10 | 35 | 1 | 7 | 1,925 |

Financial assets are comprised 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 December 31, 2018

| 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⁾ | 8,617,109 | 1,261,467 | 3,375,447 | 14,914,808 | 43,935,213 | 72,104,044 |
| Receivables from credit institutions | 7,905,261 | 677,114 | 1,942,200 | 4,748,223 | 11,073,055 | 26,345,853 |
| Receivables from customers | 700,600 | 567,589 | 1,255,661 | 8,900,793 | 26,598,183 | 38,022,826 |
| Bonds and other fixed-income securities | 11,248 | 16,764 | 177,586 | 1,265,792 | 6,263,975 | 7,735,365 |
| Subordinated term loans | | | | | | |
| Financial liabilities | 6,021,645 | 3,149,398 | 2,389,460 | 25,191,558 | 32,652,069 | 69,404,130 |
| Due to credit institutions | 4,925,645 | 81,436 | 633,272 | 8,610 | 951,367 | 6,600,330 |
| Due to customers | | | | | | |
| Debt securities: | 1,096,000 | 3,067,962 | 1,756,188 | 25,182,948 | 31,700,702 | 62,803,800 |
| • <i>Retails certificates of deposit</i> | | | | | | |
| • <i>Interbank market securities</i> | | | | | | |
| • <i>Negotiable debt securities</i> | | | | 150,000 | | 150,000 |
| • <i>Bonds</i> | 1,096,000 | 3,067,962 | 1,756,188 | 25,032,948 | 31,700,702 | 62,653,800 |
| • <i>Other debt securities</i> | | | | | | |
| Subordinated term debt | | | | | | |
| Balance sheet differential (I) | 2,595,464 | -1,887,931 | 985,987 | -10,276,750 | 11,283,144 | 2,699,914 |
| OFF-BALANCE SHEET | | | | | | |
| Commitments given | | | 1,184,853 | | | 1,184,853 |
| Commitments received | 225,703 | | | 2,000,000 | | 2,225,703 |
| Off-balance sheet differential (II) | 225,703 | | -1,184,853 | 2,000,000 | | 1,040,850 |
| TOTAL DIFFERENTIAL (I)+(II) | 2,821,167 | -1,887,931 | -198,866 | -8,276,750 | 11,283,144 | 3,740,764 |
| Conditional positions | 1,500 | | 3,024 | 21,098 | 1,359,049 | 1,384,671 |

(1) The financial assets of Compagnie de Financement Foncier include €5.4bn 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. FINANCIAL RESULTS OF THE COMPANY OVER THE LAST FIVE YEARS

| Description (in €) | 2014 | 2015 | 2016 | 2017 | 2018 |
|--|---------------|---------------|---------------|---------------|---------------|
| I) FINANCIAL SITUATION AT THE END OF THE FINANCIAL YEAR | | | | | |
| a) Share Capital | 1,187,459,936 | 2,537,459,936 | 2,537,459,936 | 2,537,459,936 | 2,537,459,936 |
| b) Number of shares in issue | 74,216,246 | 158,591,246 | 158,591,246 | 158,591,246 | 158,591,246 |
| c) Number of bonds convertible into shares | None | None | None | None | None |
| II) OVERALL EARNINGS FROM OPERATIONS | | | | | |
| a) Revenue excluding taxes | 3,483,192,834 | 3,238,589,705 | 2,933,578,888 | 2,543,480,488 | 2,258,211,772 |
| b) Profit for the financial year before tax, employee profit sharing and net increase/reversal in amortisation and provisions | 211,614,676 | 136,262,954 | 232,455,527 | 66,965,494 | 146,646,334 |
| c) Income taxes ⁽¹⁾ | -8,920,504 | -48,551,006 | 16,483,217 | -26,052,279 | -67,561,772 |
| d) Employee profit sharing for the financial year | None | None | None | None | None |
| e) Profit for the financial year after tax, employee profit sharing and net increase/reversal in amortisation and provisions | 84,328,007 | 132,485,939 | 93,676,428 | 58,204,957 | 89,783,493 |
| f) Amount of profits distributed | 74,216,246 | 126,872,997 | 93,568,835 | 58,202,987 | 89,783,262 |
| III) EARNINGS FROM OPERATIONS PER SHARE ⁽²⁾ | | | | | |
| a) Profit for the financial year after tax and employee profit sharing but before net increase/reversal in amortisation and provisions | 0.19 | 0.48 | 0.77 | 0.26 | 0.50 |
| b) Profit for the financial year after tax and employee profit sharing and net increase/reversal in amortisation and provisions | 0.07 | 1.34 | 0.59 | 0.37 | 0.57 |
| c) Dividend paid per share | 1.00 | 0.80 | 0.59 | 0.37 | 0.57 |
| IV) STAFF | | | | | |
| a) Number of employees | Negligible | Negligible | Negligible | Negligible | Negligible |
| • Management category | Negligible | Negligible | Negligible | Negligible | Negligible |
| • Employee and Technician category | None | None | None | None | None |
| b) Total employee salaries | Negligible | Negligible | Negligible | Negligible | Negligible |
| c) Amount paid for social contributions and benefits (social security, other staff benefits, etc.) | Negligible | Negligible | Negligible | Negligible | Negligible |

(1) At December 31, 2015, Compagnie de Financement Foncier's fiscal deficit was offset by a compensation for tax savings transferred to tax consolidation Group, in compliance with the tax consolidation agreement.

(2) Earnings per share are determined by the average number of shares for the year concerned.

NOTE 27. CASH FLOW STATEMENT

1. Principles

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

The Compagnie de Financement Foncier Cash Flow Statement is presented according to Recommendation 2004-R-03 of the French National Accounting Board (CNC), concerning the format of corporate summary documents subject to the supervision of the French Banking and Financial Regulatory Committee (BFRF).

It is prepared using the indirect method: net income for the period is restated for non-monetary items: depreciation allowances for tangible and intangible assets, net provisions, other transactions without cash payments such as expenses payable and accrued income. Cash flows from operating, investing and financing activities are determined by 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 by allocating 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 securitisation 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) | 12/31/2018 | 12/31/2017 | 12/31/2016 |
|--|----------------|-------------------|-------------------|
| OPERATING ACTIVITIES | | | |
| Net income for the year | 89,784 | 58,205 | 93,676 |
| Restatement of earnings related to operating activities | | | |
| Tangible and intangible fixed assets, excluding goodwill | | | |
| Net provisions/customers and credit institutions | 1,659 | -15,774 | 17,380 |
| Net provisions/available-for-sale securities | | | |
| Net provisions/held-to-maturity securities | | | |
| Net provisions for risks/loans | -15,388 | -3,746 | 4,306 |
| Net gain on sale of fixed assets | | | |
| Other transactions without cash payments | -344,232 | 156,331 | 957,331 |
| Cash flows on loans to credit institutions and customers | 1,306,625 | -4,322,888 | 945,978 |
| Cash flows on short-term investment securities | | 7,321,281 | -1,571,315 |
| Cash flows on long-term investment securities | 673,109 | 497,281 | -384,249 |
| Cash flows on other assets | 214,977 | 5,065 | 258,864 |
| Cash flows on debts/credit institutions and customers | -1,344,299 | -832,145 | -1,062,401 |
| Net borrowing | 94,221 | -3,877,663 | -1,423,161 |
| Cash flows on other liabilities | -568,236 | -608,751 | -747,505 |
| Net cash flows used for operating activities | 108,220 | -1,622,804 | -2,911,096 |
| 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 | -58,203 | -93,569 | -126,873 |
| Net issuances of subordinated debt | | | |
| Other | | | |
| Net cash flows from financing activities | -58,203 | -93,569 | -126,873 |
| NET CHANGE IN CASH POSITION | 50,017 | -1,716,373 | -3,037,969 |
| Opening cash position | 712,025 | 2,428,398 | 5,466,367 |
| Closing cash position | 762,042 | 712,025 | 2,428,398 |
| Net | 50,017 | -1,716,373 | -3,037,969 |
| Cash: deposits at Banque de France | 705,379 | 670,000 | 2,400,000 |
| Due to credit institutions on demand * | 56,663 | 42,025 | 28,398 |
| TOTAL | 762,042 | 712,025 | 2,428,398 |
| * Of which: | | | |
| BPCE | 50,934 | 39,819 | 27,744 |

NOTE 28. FEES OF STATUTORY AUDITORS AND MEMBERS OF THEIR NETWORKS

| (in €k) | KPMG | | | | PricewaterhouseCoopers | | | |
|---|--------------------|------------|-------------|-------------|------------------------|------------|-------------|-------------|
| | Amount (incl. tax) | | % | | Amount (incl. tax) | | % | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| AUDIT | 267 | 305 | 100% | 100% | 271 | 300 | 100% | 100% |
| Statutory Auditors, certification, review of individual and consolidated financial statements | 210 | 216 | 79% | 71% | 210 | 210 | 77% | 70% |
| Other procedures and services directly related to the Statutory Auditor's assignment | 57 | 89 | 21% | 29% | 61 | 90 | 23% | 30% |

These amounts are included in the income statement.

Other services directly related to the mission of the Auditors are fees for the issuance of letters of comfort.

Statutory Auditor's report on the financial statements

For the year ended December 31, 2018

Compagnie de Financement Foncier
19, rue des Capucines
75001 Paris
France

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

OPINION

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying financial statements of Compagnie de Financement Foncier for the year ended December 31, 2018.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company at December 31, 2018 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

■ Credit risk: impairment of loans to individuals

Description of risk

Compagnie de Financement Foncier (SCF) sets aside provisions for risks of losses resulting from customers' inability to meet their financial commitments. These provisions are therefore recorded for expected losses on non-performing loans (doubtful loans) as well as on non-doubtful loans (deteriorated or underperforming loans).

At December 31, 2018, SCF wished to align its methods for estimating provisions for these two categories of loans with the expected loss calculations now performed in accordance with IFRS 9, which came into effect for the Group's consolidated financial statements at the beginning of 2018. Therefore, the alignment concerns:

- the identification of the two categories of loans: doubtful loans (at least 90 days past due) and underperforming loans (alignment with the methods for identifying significant increases in credit risk [SICR] as defined upon first-time application of IFRS 9);
- the estimation of provisions for both categories of loans.

The impact of the alignment was treated like a change in estimation in SCF's individual financial statements.

The measurement of provisions requires management to use judgment to classify exposures (non-doubtful or doubtful loans) and to determine recoverable future flows and recovery times.

Given the importance of the judgment required to determine impairment losses and the complexity of the new estimates made in accordance with IFRS 9, we deemed the estimation of expected losses on loans to individuals to be a key audit matter.

At December 31, 2018, loans and receivables due from customers amounted to €39,736 million, including €1,569 million in gross doubtful loans. The impairment and provisions recognized to cover credit risks amounted to €92 million, including €13 million in impairment with respect to significant increases in credit risk on performing loans.

For more information on accounting principles and exposures, see Notes 2.5 (Significant events of 2018), 4.3 (Accounting principles and valuation methods), 2 (Loans and receivables due from customers) and 20 (Cost of risk) to the financial statements.

BASIS FOR OPINION

■ Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the financial statements" section of our report.

■ Independence

We conducted our audit engagement in compliance with the independence rules applicable to us, for the period from January 1, 2018 to the date of our report, and, in particular, we did not provide any non-audit services prohibited by article 5(1) of Regulation (EU) No 537/2014 or the French Code of Ethics (*Code de déontologie*) for Statutory Auditors

JUSTIFICATION OF ASSESSMENTS – KEY AUDIT MATTERS

In accordance with the requirements of articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgment, were the most significant in our audit of the financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the financial statements.

How our audit addressed this risk

We examined the processes implemented by the Risk department to categorize loans (non-doubtful or doubtful) and to measure the amount of expected or actual losses thereon.

We tested the controls implemented by management to identify non-doubtful or doubtful loans, assess the likelihood of recovery and measure impairment losses. We also gained an understanding of the main findings of the specialized committees responsible for monitoring these loans.

With regard to the impairment of non-doubtful loans that have been identified as deteriorated or underperforming:

- we examined the methods used to determine the different expected loss inputs and calculation models and their consistency with the applicable accounting principles;
- we examined the procedures for identifying significant increases in credit risk (SICR);
- we also gained an understanding of the procedures for performing the periodic review of the main inputs for the models used;
- we tested the controls for the transfer of the data used to calculate expected losses, the reconciliations between the bases used in the calculations and the accounting data, as well as the general controls of the applications used to calculate impairment losses;
- lastly, we performed independent expected loss calculations on a sample basis.

Given the organization of the BPCE group, some of the above work was carried out with the support of BPCE's statutory auditors.

For the impairment of doubtful loans, we examined the procedures for updating the recoverable amounts and remeasuring the value of collateral on provisioned loans on an individual basis or by category of homogeneous loans. Lastly, we verified provision calculations on a sample basis.

We also verified the appropriateness of the disclosures provided in the notes to the financial statements.

■ **Financial transactions and Chrome Migration**

Description of risk

In the first quarter of 2018, SCF migrated to a new BPCE group application for the management of financial transactions.

The migration involved recovering data from the previous system, establishing new configurations in the software tool (measurement of instruments, interest calculations, accounting procedures, etc.) and implementing new automated or manual processes and controls.

The context of the migration led SCF to deploy specific procedures for securing the processes for recording transactions for the year, in particular transactions that had to be recorded manually.

In light of the volume of manual transactions and due to the key role of the IT system in the quality of accounting and financial data on financial instruments, we deemed the migration to be a key audit matter.

How our audit addressed this risk

We examined the procedures deployed by bank management to secure the processing of financial transactions.

In particular, we tested the operational effectiveness of the manual controls implemented and performed a critical review of the new processes.

With the support of the BPCE group's statutory auditors, we tested the automated controls of the new application and verified the controls implemented, particularly with respect to access rights.

We performed measurement tests on the securities portfolio on a sample basis.

We tested bank reconciliations and verified the consistency of derivatives valuations with those of counterparties. We also conducted a critical review of the documentation for micro-hedging transactions.

Lastly, we reviewed the manual transactions for the year on a sample basis.

SPECIFIC VERIFICATIONS

In accordance with professional standards applicable in France, we have also performed the specific verifications required by French legal and regulatory provisions.

■ **Information given in the management report and in the other documents provided to the shareholders with respect to the Company's financial position and the financial statements**

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Board of Directors' management report and in the other documents provided to the shareholders with respect to the Company's financial position and the financial statements.

Concerning the fair presentation and the consistency with the financial statements of the information given with respect to the payment terms referred to in article D. 441-4 of the French Commercial Code, we have the following matter to report: as indicated in the management report, this information does not include banking and related transactions, as the Company has decided that such transactions do not fall within the scope of the required information.

■ **Report on corporate governance**

We attest that the report on corporate governance sets out the information required by articles L. 22537-3 and L. 225-37-4 of the French Commercial Code.

Concerning the information given in accordance with the requirements of article L. 225-37-3 of the French Commercial Code relating to remuneration and benefits received by corporate officers and any other commitments made in their favor, we have verified its consistency with the financial statements or with the underlying information used to prepare these financial statements, and, where applicable, with the information obtained by the Company from companies controlling it or controlled by it. Based on this work, we attest to the accuracy and fair presentation of this information.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

■ **Appointment of the Statutory Auditors**

We were appointed Statutory Auditors of Compagnie de Financement Foncier by the General Meetings held on May 17, 2002 for PricewaterhouseCoopers Audit and May 25, 2005 for KPMG SA.

At December 31, 2018, PricewaterhouseCoopers Audit and KPMG SA were in the seventeenth and the fourteenth consecutive year of their engagement, respectively.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for preparing financial statements giving a true and fair view in accordance with French accounting principles, and for implementing the internal control procedures it deems necessary for the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting, unless it expects to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

RESPONSIBILITIES OF THE STATUTORY AUDITORS RELATING TO THE AUDIT OF THE FINANCIAL STATEMENTS

■ **Objective and audit approach**

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these financial statements.

As specified in article L.823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of the Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgment throughout the audit. They also:

- identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of the internal control procedures relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the financial statements;
- assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;
- evaluate the overall presentation of the financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

■ Report to the Audit Committee

We submit a report to the Audit Committee which includes, in particular, a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were the most significant for the audit of the financial statements and which constitute the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in article 6 of Regulation (EU) No 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in articles L. 822-10 to L. 822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit Committee.

Neuilly-sur-Seine and Paris-La Défense, March 22, 2019

The Statutory Auditors

PricewaterhouseCoopers Audit

Anik Chaumartin

KPMG S.A.

Xavier de Coninck

Details of the calculation of the overcollateralisation ratio and control of limits

| | Net book values or amounts eligible for refinancing (in €k) | Weighting (in%) | Weighted amounts (in €k) | |
|--|--|--------------------|--------------------------------|-------------------|
| | 1 | 2 | 3 | |
| Assets used to cover privileged resources | | | | |
| 1. | Mortgage-backed loans – prime mortgages or equivalent collateral | 34,177,501 | 100 % | 34,177,501 |
| 2. | Promissory notes (Articles L. 313-42 To L. 313-49 of the French Monetary and Financial Code). | 0 | | 0 |
| | Of which: | | | |
| 2.1. | Mortgage-backed loans – prime mortgages or equivalent collateral | 100 % | | |
| 2.2. | Guaranteed loans | 100 % | | |
| 2.2.1. | • Satisfying the conditions of 1-a) in the appendix to Regulation No. 99-10: The guarantee company outside the consolidation scope of the <i>société de crédit foncier</i> or <i>société de financement de l'habitat</i> has a minimum of the second-highest grade of credit quality. | 100 % | | |
| 2.2.2. | • Satisfying the conditions of 1-a) in the appendix to Regulation No. 99-10: The guarantee company outside the consolidation scope of the <i>société de crédit foncier</i> or <i>société de financement de l'habitat</i> has the third-highest grade of credit quality. | 80 % | | |
| 2.2.3. | • Satisfying the conditions of 1-b) in the appendix to Regulation No. 99-10: The guarantee company within the consolidation scope of the <i>société de financement de l'habitat</i> has a minimum of the second-highest grade of credit quality. | 80 % | | |
| 2.2.4. | • Satisfying the conditions of 1-b) in the appendix to Regulation No. 99-10: The guarantee company within the consolidation scope of the <i>société de crédit foncier</i> or <i>société de financement de l'habitat</i> has the third-highest grade of credit quality. | 60 % | | |
| 3. | Exposures on public entities | 27,418,638 | 100 % | 27,418,638 |
| | Of which: | | | |
| 3.1. | • Exposures set out in paragraph 5 of Article L. 513-4 I of the French Monetary and Financial Code | | | |
| 3.2. | • Exposures set out in paragraph 5 of Article L. 513-4 I of the French Monetary and Financial Code entered in the balance sheet prior to December 31, 2007 | | | |
| 4. | Fixed assets resulting from the acquisition of property under the application of a guarantee | 50 % | | |
| 5. | Safe securities and deposits, and liquidities coming under Article R. 513-6 | 6,654,112 | 100 % | 6,654,112 |
| 5.1. | Receivables and securities from credit institutions and investment firms corresponding to subparagraph 1 of Article R. 513-6 | 5,771,702 | 100 % | 5,771,702 |
| 5.2. | Receivables and securities from the management of forward financial instruments corresponding to subparagraph 2 of Article R. 513-6 | 882,410 | 100 % | 882,410 |
| 5.3. | Receivables and securities from credit institutions and investment firms corresponding to subparagraph 3 of Article R. 513-6 | | 100 % | |
| 6. | Guaranteed loans | 6,228,200 | | 6,228,200 |
| 6.1. | • Satisfying the conditions of 1-a) in the appendix to Regulation No. 99-10: The guarantee company outside the consolidation scope of the <i>société de crédit foncier</i> or <i>société de financement de l'habitat</i> has a minimum of the second-highest grade of credit quality. | 6,228,200 | 100 % | 6,228,200 |
| 6.2. | • Satisfying the conditions of 1-a) in the appendix to Regulation No. 99-10: The guarantee company outside the consolidation scope of the <i>société de crédit foncier</i> or <i>société de financement de l'habitat</i> has the third-highest grade of credit quality. | | 80 % | |
| 6.3. | • Satisfying the conditions of 1-b) in the appendix to Regulation No. 99-10: The guarantee company that is within the consolidation scope of the <i>société de financement de l'habitat</i> has a minimum of the second-highest grade of credit quality. | | 80 % | |
| 6.4. | • Satisfying the conditions of 1-b) in the appendix to Regulation No. 99-10: The guarantee company that is within the consolidation scope of the <i>société de financement de l'habitat</i> has the third-highest grade of credit quality. | | 80 % | |

| | Net book values or amounts eligible for refinancing (in €k) | Weighting (in%) | Weighted amounts (in €k) |
|--|--|--------------------|--------------------------------|
| | 1 | 2 | 3 |
| Assets used to cover privileged resources | | | |
| 7. Shares, equities and debt securities issued by a securitisation entity | | | |
| 7.1. Shares, equities and debt securities issued by a securitisation or similar entity whose assets have been disposed of exclusively by entities belonging to the same consolidation scope as the <i>société de crédit foncier</i> or <i>société de financement de l'habitat</i> and satisfying the conditions of 2-a) of the appendix to Regulation 99-10: shares, equities and debt securities acquired or financed by the <i>société de crédit foncier</i> or <i>société de financement de l'habitat</i> before December 31, 2011 that have the highest grade of credit quality (until December 31, 2014). | | 100 % | |
| 7.1.1. Of which: | | | |
| • Assets are at least 90% composed of loans to natural persons to finance housing | | | |
| 7.1.2. • Assets are 90% composed of loans mentioned in Article L. 513-3 that do not fall within the scope of R. 513-3 II | | | |
| 7.1.3. • Assets are 90% composed of exposures defined in Article L. 513-4 | | | |
| 7.2. Shares, equities and debt securities issued by a securitisation or similar entity whose assets have been disposed of exclusively by entities belonging to the same consolidation scope as the <i>société de crédit foncier</i> or <i>société de financement de l'habitat</i> and satisfying the conditions of 2-a) of the appendix to Regulation 99-10: shares, equities and debt securities acquired or financed by the <i>société de crédit foncier</i> or <i>société de financement de l'habitat</i> before December 31, 2011 that have the second-highest grade of credit quality (until December 31, 2014). | | 80 % | |
| 7.2.1. Of which: | | | |
| • Assets are at least 90% composed of loans to natural persons to finance housing | | | |
| 7.2.2. • Assets are 90% composed of loans mentioned in Article L. 513-3 that do not fall within the scope of R. 513-3 II | | | |
| 7.2.3. • Assets composed 90% of exposures defined in Article L. 513-4 | | | |
| 7.3. Shares, equities and debt securities issued by a securitisation or similar entity whose assets have been disposed of exclusively by entities belonging to the same consolidation scope as the <i>société de crédit foncier</i> or <i>société de financement de l'habitat</i> and satisfying the conditions of 2-b) of the appendix to Regulation 99-10: shares, equities and debt securities acquired or financed by the <i>société de crédit foncier</i> or <i>société de financement de l'habitat</i> after December 31, 2011 and shares, equities and debt securities acquired or financed prior to that date that have the highest grade of credit quality from January 1, 2015. | | 100 % | |
| 7.3.1. Of which: | | | |
| • Assets composed at least 90% of loans to natural persons to finance housing | | | |
| 7.3.2. • Assets composed 90% of loans mentioned in Article L. 513-3 that do not fall within the scope of R. 513-3 II | | | |
| 7.3.3. • Assets composed 90% of exposures defined in Article L. 513-4 | | | |
| 7.4. Shares, equities and debt securities issued by a securitisation or similar entity whose assets have been disposed of exclusively by entities belonging to the same consolidation scope as the <i>société de crédit foncier</i> or <i>société de financement de l'habitat</i> and satisfying the conditions of 2-b) of the appendix to Regulation 99-10: shares, equities and debt securities acquired or financed by the <i>société de crédit foncier</i> or <i>société de financement de l'habitat</i> after December 31, 2011 and shares, equities and debt securities acquired or financed prior to that date that have the second-highest grade of credit quality from January 1, 2015. | | 50 % | |
| 7.4.1. Of which: | | | |
| • Assets composed at least 90% of loans to natural persons to finance housing | | | |
| 7.4.2. • Assets composed 90% of loans mentioned in Article L. 513-3 that do not fall within the scope of R. 513-3 II | | | |
| 7.4.3. • Assets composed 90% of exposures defined in Article L. 513-4 | | | |
| 7.5. Shares, equities and debt securities issued by a securitisation or similar entity some of whose assets have been disposed of by an entity not belonging to the same consolidation scope as the <i>société de crédit foncier</i> or <i>société de financement de l'habitat</i> and satisfying the conditions of 3-a) of the appendix to Regulation 99-10: shares, equities and debt securities acquired or financed by the <i>société de crédit foncier</i> or <i>société de financement de l'habitat</i> before December 31, 2011 that have the highest grade of credit quality (until December 31, 2014). | | 100 % | |
| 7.5.1. Of which: | | | |
| • Assets composed at least 90% of loans to natural persons to finance housing | | | |
| 7.5.2. • Assets composed 90% of loans mentioned in Article L. 513-3 that do not fall within the scope of R. 513-3 II | | | |
| 7.5.3. • Assets composed 90% of exposures defined in Article L. 513-4 | | | |

FINANCIAL STATEMENTS

Details of the calculation of the overcollateralisation ratio and control of limits

| | | Net book values or amounts eligible for refinancing <i>(in €k)</i> | Weighting <i>(in%)</i> | Weighted amounts <i>(in €k)</i> |
|--|---|--|----------------------------------|---|
| | | 1 | 2 | 3 |
| Assets used to cover privileged resources | | | | |
| 7.6. | Shares, equities and debt securities issued by a securitisation or similar entity some of whose assets have been disposed of by an entity not belonging to the same consolidation scope as the <i>société de crédit foncier</i> or <i>société de financement de l'habitat</i> and satisfying the conditions of 3-a) of the appendix to Regulation 99-10: shares, equities and debt securities acquired or financed by the <i>société de crédit foncier</i> or <i>société de financement de l'habitat</i> before December 31, 2011 that have the second-highest grade of credit quality (until December 31, 2014). | | 50 % | |
| 7.6.1. | Of which: • Assets composed at least 90% of loans to natural persons to finance housing | | | |
| 7.6.2. | • Assets composed 90% of loans mentioned in Article L. 513-3 that do not fall within the scope of R. 513-3 II | | | |
| 7.6.3. | • Assets composed 90% of exposures defined in Article L. 513-4 | | | |
| 7.7. | Shares, equities and debt securities issued by a securitisation or similar entity some of whose assets have been disposed of by an entity not belonging to the same consolidation scope as the <i>société de crédit foncier</i> or <i>société de financement de l'habitat</i> and satisfying the conditions of 3-b) of the appendix to Regulation 99-10: shares, equities and debt securities acquired or financed by the <i>société de crédit foncier</i> or <i>société de financement de l'habitat</i> after December 31, 2011 and shares, equities and debt securities acquired or financed prior to that date that have the highest grade of credit quality from January 1, 2015. | | 100 % | |
| 7.7.1. | Of which: • Assets composed at least 90% of loans to natural persons to finance housing | | | |
| 7.7.2. | • Assets composed 90% of loans mentioned in Article L. 513-3 that do not fall within the scope of R. 513-II | | | |
| 7.7.3. | • Assets composed 90% of exposures defined in Article L. 513-4 | | | |
| 8. | Other assets | 1,251,201 | 100 % | 1,251,201 |
| 8.1. | Other class 1 items | 705,379 | 100 % | 705,379 |
| 8.2. | Other class 2 items | -370,937 | 100 % | -370,937 |
| 8.3. | Other class 3 items | 916,759 | 100 % | 916,759 |
| 8.4. | Other class 4 items | | 100 % | |
| 9. | Transactions deducted from assets | 3,283,910 | 100 % | 3,283,910 |
| 9.1. | Funds received from clients awaiting charging, recorded under liabilities on the balance sheet | | 100 % | |
| 9.2. | Security repurchase agreements: securities sold | 1,468,346 | 100 % | 1,468,346 |
| 9.3. | Receivables funded in the conditions set by Articles L. 313-23 to L. 313-34 of the French Monetary and Financial Code | | 100 % | |
| 9.4. | Assets deducted following the implementation of Article 9 of Regulation 99-10 | 1,815,564 | | 1,815,564 |
| 10. | Total weighted amounts of assets (1+2+3+4+5+6+7+8+9) | A | | 72,445,742 |
| | Coverage ratio (with 2 decimals) (a/l x 100) | | | 114.14 % |

| | | Amounts (in €k) |
|---|--|--------------------|
| Resources having the privilege defined in Article L. 513-11 of the French Monetary and Financial Code: liabilities | | 1 |
| 1. | Privileged resources from credit institutions | - |
| 1.1. | of which nominal amount | - |
| 2. | Privileged resources from clients | |
| 2.1. | Financial clients | |
| 2.2. | Non-financial clients | |
| 2.3. | of which nominal amount | |
| 3. | Securities with privilege | 63,547,037 |
| 3.1. | <i>Obligations foncières</i> or housing finance bonds | 62,653,800 |
| 3.2. | Negotiable debt securities | 150,000 |
| 3.3. | Other securities with privilege | |
| 3.4. | Debts related to these securities | 743,237 |
| 3.5. | To be deducted: <i>obligations foncières</i> or housing finance bonds issued and subscribed for by the credit institution when they are not used as collateral for credit transactions by Banque de France | |
| 3.6. | Subtotal | 63,547,037 |
| 3.7. | of which nominal amount | 62,803,800 |
| 4. | Amounts due in respect of the contract provided for by Article L. 515-22 of the French Monetary and Financial Code | 0 |
| 5. | Amounts due in respect of the forward financial instruments having the privilege defined under Article L. 515-19 of the French Monetary and Financial Code | -77,961 |
| 5.1. | of which impact of variations in exchange rate on the nominal amount of privileged resources | -133,213 |
| 6. | Liabilities resulting from the incidental expenses set out in the last paragraph of Article L. 515-19 of the French Monetary and Financial Code | - |
| 7. | Privileged resources (1+2+3+4+5+6) | 63,469,076 |
| 8. | NOMINAL AMOUNT OF PRIVILEGED RESOURCES (1.1+2.3+3.7+5.1) | 62,670,587 |

FINANCIAL STATEMENTS

Details of the calculation of the overcollateralisation ratio and control of limits

| Audit of the limits applicable to asset classes (ratio with 2 decimals) | | Ratios/Amounts <i>(in €k)</i> |
|--|--|---|
| 1. | Total assets | 76,664,772 |
| 2.1. | Loans guaranteed held directly | 4,743,881 |
| 2.2. | Guaranteed loans included as assets of securitisation or similar entities, or assigned by promissory notes | 1,509,885 |
| 2.3. | Total guaranteed loans (2.1 + 2.2)/asset ($\leq 35\%$ except for housing finance companies) | 8.16 % |
| 3.1. | Promissory notes held directly | N/A |
| 3.2. | Promissory notes included as assets of securitisation or similar entities | N/A |
| 3.3. | Total promissory notes (3.1 + 3.2)/asset ($\leq 10\%$) | N/A |
| 4. | Total shares, equities and debt securities of securitisation or similar entities satisfying the conditions of Section II of Article R. 513-3 of the French Monetary and Financial Code and not satisfying Section IV of Article R. 513-3/nominal amount of privileged resources ($\leq 10\%$) | 0.00 % |
| 4.1. | Total shares, equities and debt securities of securitisation or similar entities held satisfying the conditions of Section II of Article R. 513-3 of the French Monetary and Financial Code and not satisfying Section IV of Article R. 513-3/nominal amount of privileged resources | 0.00 % |
| 5. | Total shares, equities and debt securities of securitisation or similar entities satisfying the conditions of Section III of Article R. 513-3 of the French Monetary and Financial Code and not satisfying Section IV of Article R. 515-3/nominal amount of privileged resources ($\leq 10\%$) | 0.00 % |
| 5.1. | Total shares, equities and debt securities of securitisation or similar entities held satisfying the conditions of Section III of Article R. 513-43 of the French Monetary and Financial Code and not satisfying Section IV of Article R. 513-3/nominal amount of privileged resources | |
| 6. | Total exposures covered under paragraph 5 of Section I in Article L. 515-15 of the French Monetary and Financial Code/nominal amount of privileged resources ($\leq 20\%$) | |
| 7. | Safe and liquid assets/nominal amount of privileged resources ($\leq 15\%$) | 9.21 % |

| Details of the calculation of the 25% exposure limit to assets of related parties pursuant to the final subparagraph of Article 9 of Regulation No. 99-10 | | Amounts | Weighting | Weighted amounts |
|---|--|-------------------|--------------|-------------------|
| | | (in €k) | (in %) | (in €k) |
| | | 1 | 2 | 3 |
| 1. | Exposures to the entities mentioned in the third subparagraph of Article R. 513-8 of the French Monetary and Financial Code | 6,918,895 | 100 % | 6,918,895 |
| | Of which: | | | |
| 1.1. | Receivables and securities from credit institutions corresponding to subparagraphs 1 and 3 of Article R. 513-6 of the French Monetary and Financial Code | 5,766,443 | 100 % | 5,766,443 |
| 1.2. | Receivables and guarantees corresponding to subparagraph 2 of Article R. 513-6 of the French Monetary and Financial Code (including receivables and guarantees connected with the management of forward financial instruments) | 882,410 | 100 % | 882,410 |
| 1.3. | Other assets | 270,043 | 100 % | 270,043 |
| 1.3.1. | Interest accrued on swaps | 142,029 | 100 % | 142,029 |
| 1.3.2. | Accrued income | 0 | 100 % | 0 |
| 1.3.3. | Other | 128,014 | 100 % | 128,014 |
| 2. | Non-privileged resources | 12,082,775 | 100 % | 12,082,775 |
| 2.1. | Amount of the 25% limit of non-privileged resources provided for in Article 9 of CRBF Regulation No. 99-10 | 3,020,694 | | |
| 3. | Assets received in guarantee, as security or outright with respect to 1 pursuant to Articles L. 211-36 to L. 211-40, L. 313-23 to L. 313-35 and L. 342 to L. 313-49 of the French Monetary and Financial Code | 2,082,637 | | 2,082,637 |
| 3.1. | Assets weighted at 100% | 2,082,637 | 100 % | 2,082,637 |
| 3.2. | Assets weighted at 80% | | 80 % | |
| 3.3. | Assets weighted at 60% | | 60 % | |
| 3.4. | Assets weighted at 50% | | 50 % | |
| 4. | Amount to be deducted from assets | 1,815,564 | | |



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General information

Registered office

The registered office of Compagnie de Financement Foncier is located at 19, rue des Capucines, 75001 Paris.

Activity

Compagnie de Financement Foncier is the *société de crédit foncier* of groupe Crédit Foncier, specifically governed by the provisions of section IV of the second part of French law No. 99-532 of June 25, 1999 governing savings and financial security, which has been incorporated into Articles L. 513-2 to L. 513-27 of the French Monetary and Financial Code.

Pursuant to Article 110 of this law, Crédit Foncier transferred on October 21, 1999 to Compagnie de Financement Foncier assets and liabilities covered by the

specific legislative and regulatory requirements that applied to it before the transfer.

The purpose of Compagnie de Financement Foncier is to grant or purchase secured loans and exposures to public authorities financed by the issuance of covered bonds, by other privileged resources, or by resources which may not benefit from the preferred status, or "privilege", as defined by Article L. 513-11 of the French Monetary and Financial Code.

Structure of the relationship between Compagnie de Financement Foncier and Crédit Foncier

As stipulated by law, Compagnie de Financement Foncier draws on the technical and human resources of its parent company under agreements binding the two companies. These agreements, which are regulated as defined by Article L. 225-38 of the French Commercial Code, cover all of the Company's activities.

The general principles applied in preparing these agreements are described below.

The texts are drafted taking into account the special nature of the relationship between Crédit Foncier and its subsidiary Compagnie de Financement Foncier.

Sixteen agreements are signed by and between Crédit Foncier and Compagnie de Financement Foncier as of December 31, 2018, namely:

- a framework agreement, setting forth the general principles;
- an agreement for loan assignments;
- an agreement for loan servicing and recovery;
- an agreement governing financial services;
- an asset/liability management (ALM) agreement;
- 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 concerning remuneration for services;
- an agreement related to settlement bank services;
- a guarantee agreement for adjustable-rate loans;
- a guarantee and compensation agreement;
- a paying agent agreement;
- an agreement related to shareholder's account advance effective as of September 15, 2015, the date that the account was established;
- an agreement relating to the assignment of mortgage ranking/priority and an agreement between Crédit Foncier, Compagnie de Financement Foncier and the French State: an agreement relating to management and recovery of regulated loans.

Apart from its corporate officers, Compagnie de Financement Foncier does not have any direct employees.

Legal form and applicable legislation

Compagnie de Financement Foncier is a credit institution authorized as a financial company and a *société de crédit foncier* by a decision of the French Credit Institutions and Investment Companies Committee (CECEI – *Comité des établissements de crédit et des entreprises d'investissement*) on July 23, 1999. It is thus subject to all laws and regulations applicable to credit institutions and, as a *société de crédit foncier*, it is also subject to Articles L. 513-2 to L. 513-27 of the French Monetary and Financial Code.

It was formed as a *société anonyme* (French limited company) and, for this reason, is also subject, apart from certain exemptions, to the requirements applicable to commercial companies under the French Commercial Code.

A *société de crédit foncier* benefits from a certain number of exemptions from ordinary laws, specifically:

- Article L. 513-11 of the French Monetary and Financial Code instituting a privilege for holders of *obligations foncières*;

- Article L. 513-20 of the French Monetary and Financial Code, which stipulates that the safeguard procedure, legal receivership or liquidation of a company holding shares of a *société de crédit foncier* cannot be extended to the *société de crédit foncier*;
- in addition, Article L. 513-21 of the French Monetary and Financial Code provides that, notwithstanding any provisions to the contrary, including those of Book VI, Title II to IV of the French Commercial Code, contracts that make provision for the management or recovery of the loans of a *société de crédit foncier* may be terminated immediately in the event of the safeguard, compulsory liquidation or administration of the company in charge of the management or collection of such loans.

Duration

The Company was incorporated on December 22, 1998 for a period of 99 years.

Corporate purpose (Article 2 of the Bylaws)

ARTICLE 2 – PURPOSE

The purpose of the Company, in the context of the laws and regulations applicable to sociétés de crédit foncier, is:

- 1° performing all transactions mentioned in Articles L. 513-2 *et seq.* of the French Monetary and Financial Code without restrictions in terms of the countries in which it operates other than those resulting from said Articles.

These transactions include:

- granting or acquiring secured loans, exposures to public authorities and investments and securities as defined in Articles L. 513-3 to L. 513-5 and L. 513-7 of the French Monetary and Financial Code,
- financing these types of loans, exposures, investments and securities by issuing covered bonds known as obligations foncières, benefiting from the privilege defined in Article L. 513-11 of the French Monetary and Financial Code and by raising other resources whose issuance or subscription agreement mentions this privilege.

The Company may also finance the activities mentioned above by issuing bonds or resources that do not benefit from the privilege. It may issue the promissory notes referred to in Articles L. 313-42 to L. 313-49-1 of the French Monetary and Financial Code.

Notwithstanding any other provisions or stipulations to the contrary, the Company may carry out temporary transfers of its securities in accordance with Articles L. 211-22 to L. 211-34 of the French Monetary and Financial Code, pledge securities accounts pursuant to Article L. 211-20 of said Code and assign all or some of the receivables that it holds in accordance with Articles L. 211-36 to L. 211-40 or in accordance with Articles L. 313-23 to L. 313-35, whether or not these receivables are professional. The receivables or securities thus assigned or transferred do not fall within the scope of the privilege defined in Article L. 513-11 of the French Monetary and Financial Code and are not booked pursuant to Article L. 513-12 of said Code.

As an exception to Articles L. 1300 of the French Civil Code and L. 228-44 and L. 228-74 of the French Commercial Code, the Company may subscribe for its own *obligations foncières* solely for the purpose of using them as collateral for access to the refinancing facilities of the Banque de France under the conditions set forth in Article L. 513-26 of the French Monetary and Financial Code.

The Company cannot hold equity investments;

- 2° concluding, with any credit institution or financial company, all agreements necessary for:

- servicing and recovering loans, exposures and securities,
- managing bonds and other resources,
- more generally, providing all services necessary to manage the assets, liabilities and the financial balances of the Company,
- as well as all agreements concerning the distribution and refinancing of loans.

- 3° acquiring and holding all property and equipment necessary to fulfill its purpose or arising from the recovery of its loans and contracting with any authorized third party any agreement related to the acquisition, ownership, management, maintenance and disposal of such assets;

- 4° concluding, with any insurance company, any agreement that serves the corporate purpose, notably to cover risks related to borrowers, risks in respect of both assets securing the loans and assets being held by the Company, and the liability risks of the Company or its corporate officers;

- 5° in connection with its own activity or on behalf of other companies, providing customers with and managing payment processes, in particular:

- for the payment of funds or the receipt of all cash flows arising from loan activities,
- for maintenance of any financial relationship or account with any other credit institution, financial institution or public entity,
- for the management of technical accounts in respect of expenses and receipts.

- 6° participating in any system for interbank settlements, settlement-delivery of securities and all clearing system, as well as any transaction within the framework of the monetary policy of the European Central Bank, that contributes to the development of the Company's activities;

- 7° more generally:

- carrying out all operations contributing to the fulfillment of its corporate purpose, as long as such transaction complies with the purpose of sociétés de crédit foncier as defined in the legislation and regulations that regulate their activity,
- concluding any agreement that allows the Company to use essential outsourcing services and related controls.

Company registration number

Compagnie de Financement Foncier is registered in the Paris Trade and Companies Register under number 421 263 047.

Fiscal year

The Company's fiscal year starts on January 1 and ends on December 31.

Statutory allocation of earnings

If the financial statements for a given fiscal year, as approved by the Annual General Shareholder's Meeting, show distributable earnings as defined by law, shareholders shall decide either to attribute them to one or more reserve accounts, the allocation and use of which it determines, or to retained earnings, or to distribute them.

After noting the existence of the reserves at its disposal, the Annual General Shareholders' Meeting may decide to distribute amounts drawn from those

reserves. In such a case, the decision shall specify the reserve accounts from which the distributed amounts are to be drawn.

However, dividends shall be withdrawn first from the distributable earnings for the fiscal year.

The Annual General Shareholders' Meeting also has the right to grant each shareholder an option to receive payment either in the form of cash or in shares for all or part of the dividend or interim dividend to be distributed.

Dividend policy

2018

The Ordinary General Shareholders', which met on May 16, 2018, resolved that a dividend of €58,202,987.28 would be paid out in respect of fiscal year 2017 to shareholders, equal to €0.367 per share.

2017

The Ordinary General Shareholders', which met on May 15, 2017, resolved that a dividend of €93,568,835.14 would be paid out in respect of fiscal year 2017 to shareholders, equal to €0.59 per share.

2016

The Ordinary General Shareholders', which met on May 25, 2016, resolved that a dividend of €126,872,996.80 would be paid out in respect of fiscal year 2017 to shareholders, equal to €0.80 per share.

Capital

SHARE CAPITAL

At December 31, 2018, 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.

DIFFERENT VOTING RIGHTS

The articles of association do not grant double voting rights to all fully paid-up shares for which a nominative registration has been given for at least two years in the name of the same shareholder. Each member of the shareholder meeting is entitled to as many votes as he owns or represents shares

OWNERSHIP STRUCTURE AND VOTING RIGHTS

| Major shareholders At 12/31/2018 | Number of shares | In % |
|-------------------------------------|---------------------|---------------|
| Crédit Foncier | 158,591,245 | 100.00 |
| Director | 1 | not reported |
| TOTAL | 158,591,246 | 100.00 |

CHANGES IN CAPITAL OVER THE LAST FIVE YEARS

No change was made to the share capital in 2014.

The Board of Directors, meeting on August 25, 2015, unanimously resolved to exercise the powers granted by the Extraordinary General Shareholders' Meeting of May 28, 2015 and to increase the share capital by €1,350,000,000, from €1,187,459,936 to €2,537,459,936, by issuing 84,375,000 new shares with a par value of €16 each, the shares being issued at par. These shares were fully subscribed to by Crédit Foncier on September 15, 2015.

No change was made to the share capital in 2016.

No change was made to the share capital in 2017.

No change was made to the share capital in 2018.

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

INFORMATION ON GROUP CRÉDIT FONCIER, TO WHICH COMPAGNIE DE FINANCEMENT FONCIER BELONGS

The principal business of Crédit Foncier is to grant mortgage loans to individuals and real estate professionals, grant loans to local authorities, provide structured financing and to issue bonds to finance these loans.

From its creation in 1852 and until 1999, Crédit Foncier has held the special status as a *société de crédit foncier* and as such, issued obligations foncières.

Acting as a key player in the specialized real estate financing market and responsible for distributing French state subsidized loans, following the real estate crisis in the 1990s and the abolition of subsidized loans, in 1999 Crédit Foncier joined the Private sector after its 90% acquisition by Groupe Caisse d'Épargne.

In the legal context governing this acquisition, the Parliament created a specific new status for *sociétés de crédit foncier*. Compagnie de Financement Foncier was then founded and authorized as *société de crédit foncier* by the CECEI. Crédit

Foncier transferred all its property commitments and pledged assets to Compagnie de Financement Foncier pursuant to Article 110 of the law of June 25, 1999.

After having been affiliated with Groupe Caisse d'Épargne between 1999 and 2009, Crédit Foncier became affiliated in 2009 to Groupe BPCE, which resulted from the merger of the Caisse d'Épargne and the Banque Populaire networks. Since August 5, 2010, Crédit Foncier has been fully owned by the Central institution of BPCE.

Crédit Foncier is a major player in real estate financing services.

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.

Bylaws

Bylaws applicable at the filing date of this Registration document.

Section I: Legal form – purpose – corporate name – registered office – term of the Company

ARTICLE 1 – LEGAL FORM

The Company is a French public limited company (*société anonyme*).

The Company is governed by the legislative and regulatory provisions in force applicable to *sociétés anonymes*, credit institutions, and in particular to *sociétés de crédit foncier*, and by these Bylaws.

ARTICLE 2 – PURPOSE

The purpose of the Company, in the context of the laws and regulations applicable to *sociétés de crédit foncier*, is:

- 1° performing all transactions mentioned in Articles L. 513-2 *et seq.* of the French Monetary and Financial Code without restrictions in terms of the countries in which it operates other than those resulting from said Articles.

These transactions include:

- granting or acquiring secured loans, exposures to public authorities and investments and securities as defined in Articles L. 513-3 to L. 513-5 and L. 513-7 of the French Monetary and Financial Code,
- financing these types of loans, exposures, investments and securities by issuing covered bonds known as *obligations foncières*, benefiting from the "privilege" defined in Article L. 513-11 of the French Monetary and Financial Code and by raising other resources whose issuance or subscription agreement mentions this "privilege".

The Company may also finance the activities mentioned above by issuing bonds or resources that do not benefit from the "privilege". It may issue the promissory notes referred to in Articles L. 313-42 to L. 313-49-1 of the French Monetary and Financial Code.

Notwithstanding any other provisions or stipulations to the contrary, the Company may carry out temporary transfers of its securities in accordance with Articles L. 211-22 to L.211-34 of the French Monetary and Financial Code, pledge securities accounts pursuant to Article L. 211-20 of said Code and assign all or some of the receivables that it holds in accordance with Articles L. 211-36 to L. 211-40 or in accordance with Articles L. 313-23 to L. 313-35, whether or not these receivables are professional. The receivables or securities thus assigned or transferred do not fall within the scope of the "privilege" defined in Article L. 513-11 of the French Monetary and Financial Code and are not booked pursuant to Article L. 513-12 of said Code.

As an exception to Articles 1300 of the French Civil Code and L. 228-44 and L. 228-74 of the French Commercial Code, the Company may subscribe for its own obligations foncières solely for the purpose of using them as collateral for access to the refinancing facilities of the *Banque de France* under the conditions set forth in Article L. 513-26 of the French Monetary and Financial Code.

The Company cannot hold equity investments;

- 2° concluding, with any credit institution or financial institution, all agreements necessary for:
- servicing and recovering loans, exposures and securities,
 - managing bonds and other resources,
 - more generally, providing all services necessary to manage assets, liabilities and financial balances of the Company,
 - as well as all agreements concerning the distribution and refinancing of loans.
- 3° acquiring and holding all property and equipment necessary to fulfill its purpose or arising from the recovery of its loans:
- concluding any agreement with any authorized third party related to the acquisition, ownership, management, maintenance and disposal of such assets.
- 4° concluding, with any insurance company, any agreement that serves the corporate purpose, notably to cover risks related to borrowers, risks in respect of both assets securing the loans and assets being held by the Company, and the liability risks of the Company or its corporate officers;
- 5° in connection with its own activity or on behalf of other companies, providing customers with and managing payment processes, in particular:
- for the payment of funds or the receipt of all cash flows arising from loan activities,
 - for maintenance of any financial relationship or account with any other credit institution, financial institution or public entity,
 - for the management of technical accounts in respect of expenses and receipts.

6° participating in any system for interbank settlements, settlement-delivery -of securities and all clearing system, as well as in any transactions within the framework of the monetary policy of the European Central Bank, which contribute to the development of the Company's activities;

7° more generally:

- carrying out all operations contributing to the fulfillment of its corporate purpose, as long as such transaction complies with the purpose of *sociétés de crédit foncier* as defined in the legislation and regulations that regulate their activity,
- concluding any agreement that allows the Company to use essential outsourcing services and related controls.

ARTICLE 3 – CORPORATE NAME

The name of the Company is: "Compagnie de Financement Foncier".

ARTICLE 4 – REGISTERED OFFICE

The registered office is located at 19, rue des Capucines, Paris (75001), France.

If the location of the registered office is moved by the Board of Directors in accordance with the conditions set out in the applicable legislation, the new location shall be automatically substituted for the previous one in this Article, provided the move is ratified by an Ordinary General Shareholders' Meeting.

ARTICLE 5 – TERM

The legal life of the Company is ninety-nine years, starting from December 22, 1998, unless the period is extended or the Company is liquidated, in accordance with the legislation in force or these Bylaws.

Section II: Share capital – shares

ARTICLE 6 – SHARE CAPITAL

The share capital is set at €2,537,459,936 (two billion, five hundred and thirty-seven million, four hundred and fifty-nine thousand, nine hundred and thirty-six euros).

It is divided into 158,591,246 shares with a par value of €16 (sixteen) each, all of which belong to the same class and are fully paid up in cash.

ARTICLE 7 – FORM OF THE SHARES

The shares are in registered form. They are registered in accordance with the terms and conditions set forth by law.

ARTICLE 8 – RIGHTS AND OBLIGATIONS ATTACHED TO SHARES

Each share confers a right to ownership of the Company's assets and a share in its profits proportional to the fraction of the Company's capital that it represents.

All shares which comprise or will comprise the share capital, as long as they are of the same type and the same par value, are strictly equivalent to each other so long as they have the same dividend-bearing date. Both during the Company's existence and its liquidation, they provide payment of the same net amount on all allocations or redemptions, so that, if applicable, all shares are aggregated without distinction with respect to all tax savings or charges resulting from such allocations or redemptions.

The rights and obligations attached to shares are transferred with the title to the shares.

Ownership of a share automatically implies acceptance of the Bylaws and the decisions of Annual General Shareholders' Meetings.

The beneficiaries, creditors, successors or other representatives of a shareholder cannot cause legal seals to be placed on the assets and securities of the Company or request the distribution or division of such assets and securities or interfere in any manner in the Company's administration.

They must refer to the financial statements and to the decisions of Annual General Shareholders' Meetings to exercise their rights.

Every time when an ownership of several shares is required to exercise a given right, in cases of exchange, grouping or allotment of shares, or as a result of an increase or decrease in capital stocks, splits or reverse splits of shares, or any other operation on the share capital, the owners of single shares or of less than the required number of shares, may exercise their rights only if they undertake to combine, sell or purchase the necessary number of shares.

ARTICLE 9 – TRANSFER OF SHARES

Shares can be traded freely.

Shares can be transferred, with respect to third parties and the Company, by an order to transfer them from one account to another.

ARTICLE 10 – INDIVISIBILITY OF SHARES

Shares are indivisible *vis-à-vis* the Company, which only recognizes one owner for each share. Joint owners of a share are required to be represented within the Company by one of the joint owners or by a single agent.

The beneficial owner shall represent the bare owner in Ordinary General Shareholders' Meetings, however, the bare owner is the only one entitled to vote in Extraordinary General Meetings.

Section III: Corporate governance

ARTICLE 11 – BOARD OF DIRECTORS

The Company is administered by a Board of Directors comprised of at least three and at most eighteen members, selected among the shareholders and appointed by the Ordinary General Shareholders' Meeting.

Directors can be natural persons or legal entities. Legal entities shall, at the time of their appointment, appoint a permanent representative who is subject to the same conditions and obligations and bears the same liability as if he/she were a Director in his/her own name. This without prejudice to the joint and several liabilities with the legal entity he/she represents.

When the Director of a legal person terminates the term of its permanent representative, he/she must notify the Company without delay by registered mail of

his/her decision as well as the identity of the new permanent representative. The same applies in the event of the death or resignation of the permanent representative.

ARTICLE 12 – DIRECTORS' TERM

The Directors' term is six years.

The renewal of the terms is carried out gradually, in such a way that members of the Board are required to seek re-election on a regular basis in the most equal proportions possible.

Exceptionally, the Ordinary General Shareholders' Meeting may elect a Director to serve for a term of two or four years, in order to ensure adequate rotation of Board members. Directors can be dismissed at any time by the Ordinary General Shareholders' Meeting.

They may resign from their term without giving any reason. Reaching the end of his or her term, each Director may be re-elected.

The age limit for exercising the function of Director is set at 72 years old. The number of Directors above the age of 68 may not be more than a third of the number of Directors. Once the age limit is reached, the oldest Director is deemed to have resigned from office following the next Ordinary General Shareholders' Meeting.

ARTICLE 13 – MEETINGS AND PROCEEDINGS OF THE BOARD – MINUTES

The Board of Directors is called to meetings by its Chairman, as often as the interest of the Company requires, either at the registered office, or at any other location indicated on the notice. Meetings may be called by all means, even verbally.

If no meeting has been held for more than two months, at least one third of the members of the Board of Directors can request that the Chairman call a Board meeting with a specific agenda.

The Chief Executive Officer can also request that the Chairman call a Board meeting with a specific agenda.

The Chairman must comply with requests that have been made to him in accordance with the two previous paragraphs.

Resolutions are adopted with the quorum and majority required by law. In the event of a tie vote, the Chairman shall cast the deciding vote.

For the purposes of calculating a *quorum* and majority, Directors participating in the meeting through videoconferencing or other means of telecommunications that allow them to identify themselves and effectively participate shall be considered present.

This rule is not applicable to the adoption of resolutions that require, in accordance with the current legislation, the physical presence of Directors.

Sufficient proof of the number of Directors in office and of their presence at a meeting of the Board is provided by the production of a copy or an excerpt of the minutes of the Board meeting.

The minutes of the meeting are prepared, and the copies or excerpts are delivered and certified as required by law.

ARTICLE 14 – POWERS OF THE BOARD

The Board of Directors determines the strategic direction of the Company's activities and supervises the implementation of such strategies. Subject to the powers expressly attributed to Annual General Shareholders' Meetings, and within the limits of the Company's purpose, the Board deals with any issue affecting the Company's operations and settles, through its decisions, all matters concerning the Company.

The Board shall carry out any controls and checks that it considers appropriate.

Each Director receives all the information necessary to perform his or her duties and can request all documents that he or she considers useful.

In its relations with third parties, the Company is responsible for the acts of the Board of Directors which are not in accordance with the Company's purpose, unless it can prove that the third party knew that the act in question was not in accordance with the Company's purpose or that the third party could not have been unaware of this fact given the circumstances, the sole fact that the Company's Bylaws are published does not constitute sufficient evidence.

In addition, without any effect to third parties, unless the Company proves that the third party knew that the acts exceeded those purposes or could not in view of the circumstances have been unaware of it, decisions are submitted to the prior approval of the Board of Directors:

- (i) to establish the strategic guidelines of the Company;
- (ii) to agree on a business plan;
- (iii) to agree on the annual budget of the Company;
- (iv) any expenditure decisions exceeding thirty million euros (€30,000,000);
- (v) granting any pledge, collateral, or other guarantees on the Company's assets outside banking operations;

- (vi) authorize all proposals on issuing securities (bonds, other debt and hybrid securities) other than those approved in the budget or the debt issuance program of the Company;
- (vii) approve the strategy and the policy in relation to risk-taking and the monitoring, management and reduction of risks;
- (viii) take note of the results of the review of the policy, procedures and defined limits in relation to liquidity risk that are not included in the statement of risk appetite;
- (ix) regularly review outsourced activities as well as the associated risks;
- (x) annually perform a review of the efficiency and effectiveness of the risk management function in terms of positioning, resources and independence.

The Board of Directors can grant any representative of its choice a delegation of powers within the limit of its powers under law or these Bylaws.

ARTICLE 15 – COMPENSATION OF THE BOARD OF DIRECTORS

An Ordinary General Shareholders' Meeting may allocate to the Board of Directors a fixed annual remuneration in the form of attendance fees, the amount of which it shall determine. This compensation remains applicable until an Ordinary General Shareholders' Meeting decides otherwise.

The Board of Directors shall allocate this remuneration in the proportions that it considers appropriate.

ARTICLE 16 – CHAIRMAN OF THE BOARD OF DIRECTORS

The Board of Directors elects, from among its individual members, a Chairman and determines his or her remuneration. It also sets the Chairman's term of office, which may not exceed his or her term as Director. The Chairman can be re-elected.

The Chairman's term must expire no later than the end of the Ordinary General Shareholders' Meeting that follows the date on which the Chairman reaches the age of 68.

The Chairman represents the Board of Directors. He or she organizes and directs the work of the Board, and reports to the Annual General Shareholders' Meeting on such work. The Chairman verifies that the Company's decision-making bodies function properly and ensures, in particular, that the Directors are able to fulfill their responsibilities.

The Board may confer on one or more of its members or on third parties, whether or not they are shareholders, special mandates for one or more specific purposes.

It may also appoint one or more committees, the structure and roles of which it shall determine. These committees, which can include both Directors and third parties chosen for their expertise, study the questions that the Board or the Chairman submits for their review.

In these various cases, the Board may allocate special compensation to the appointed Directors.

ARTICLE 17 – EXECUTIVE MANAGEMENT

The Company's Executive Management is directed, under his or her responsibility, by an individual appointed by the Board of Directors with the title of Chief Executive Officer. The positions of Chairman of the Board of Directors and Chief Executive Officer may no longer be held by the same person.

The Board of Directors shall appoint the Chief Executive Officer, determine the period for which the Chief Executive Officer is appointed and, if applicable, the limitation of his/her powers beyond the provisions laid down in Article 14 of these Bylaws.

The Chief Executive Officer has the broadest powers to act in all circumstances in the name of the Company, within the limits of its purpose, and subject to the specific powers expressly attributed to Annual General Shareholders' Meetings by law and to the specific powers of the Board of Directors.

The Chief Executive Officer represents the Company in its relationships with third parties. The Company is responsible for the acts of the Chief Executive Officer which are not in accordance with the Company's purpose, unless it can prove that the third party knew that the act in question was not in accordance with the Company's purpose, or that the third party could not have been unaware of this fact in light of the circumstances. The sole fact that the Company's Bylaws are published does not constitute sufficient proof.

On the recommendation of the Chief Executive Officer, the Board of Directors can appoint one or more individuals, whether Directors or not, to assist the Chief Executive Officer, with the title of Deputy Chief Executive Officer. The number of Deputy Chief Executive Officers may not exceed five. The scope and duration of the powers of the Deputy Chief Executive Officers shall be determined by the Board of Directors with the consent of the Chief Executive Officer.

With respect to third parties, Deputy Chief Executive Officers have the same powers as the Chief Executive Officer.

The Board of Directors determines the compensation of the Chief Executive Officer and the Deputy Chief Executive Officers.

The Chief Executive Officer and, if they have been appointed, Deputy Chief Executive Officers, even if not members of the Board, are invited to the meetings of the Board of Directors.

The duties of the Chief Executive Officer and Deputy Chief Executive Officer must cease no later than the end of the Annual General Shareholders' Meeting that follows the date at which the person reaches the age of 68.

The Chief Executive Officer may be removed at any time by the Board of Directors. The same applies, on the recommendation of the Chief Executive Officer, to the Deputy Chief Executive Officers. If the removal is decided without just cause, it may result in legal damages.

If the Chief Executive Officer resigns, or cannot carry out his or her duties, the Deputy Chief Executive Officers retain, unless the Board decides otherwise, their positions and the responsibilities assigned to them until a new Chief Executive Officer is appointed.

ARTICLE 18 – NON-VOTING DIRECTORS

The Ordinary General Shareholder's Meeting may, on the recommendation of the Board of Directors, appoint up to four non-voting directors.

The term of a non-voting director is six years. They may be re-appointed.

The renewal of the terms is carried out gradually, in such a way that non-voting directors are required to seek re-election on a regular basis in the most equal proportions possible.

Exceptionally, the Ordinary General Shareholders' Meeting may elect non-voting directors to serve for a term of two or four years, in order to ensure adequate rotation.

The age limit for exercising the function of non-voting directors is set at 72 years old. The number of non-voting directors above the age of 68 may not be more than a third of the number of non-voting directors in office. Once the age limit is reached, the oldest non-voting director is deemed to have resigned from office following the next Ordinary General Shareholders' Meeting.

Non-voting directors are responsible for ensuring that Bylaws are strictly applied. Non-voting directors attend meetings of the Board of Directors and have an advisory role.

The Board of Directors determines their compensation in the context of the allocation of the attendance fees awarded by the Annual General Shareholders' Meeting.

Section IV: Company Audits

ARTICLE 19 – STATUTORY AUDITORS

The Annual General Shareholders' Meeting shall designate one or more Acting Statutory Auditors and one or more Acting Auditors, under the conditions stipulated by law.

ARTICLE 20 – SPECIFIC CONTROLLER

Under the conditions stipulated by law and by the regulations applicable to a *société de crédit foncier*, and after obtaining the opinion of the Board of Directors, the Chief Executive Officer shall appoint one Specific Controller and an alternate.

The Specific Controller and, if applicable, the alternate shall perform the duties assigned to them by the laws governing a *société de crédit foncier*.

Section V: Annual General Shareholder's Meetings

ARTICLE 21 – GENERAL MEETINGS

Annual General Shareholders' Meetings shall be called and shall deliberate under the conditions stipulated by law.

An Ordinary General Shareholders' Meeting must be held each fiscal year within five months of the closing date of the preceding fiscal year.

Meetings shall be held at the registered office or at another location stated in the notice of meeting.

Any shareholder may participate personally, or by proxy, in Annual General Shareholders' Meetings with proof of identity and ownership of shares in the form of a record in his name on the Company's books five days before the date of the Annual General Shareholders' Meeting.

He may also vote by email under the conditions stipulated by law.

Shareholders who participate in the Annual General Shareholders' Meeting by videoconference or telecommunications that enable them to be identified shall be considered present for calculating the quorum and the majority.

Annual General Shareholders' Meetings shall be chaired by the Chairman of the Board of Directors or, in his or her absence, by a Director specially authorized for that purpose by the Board. Otherwise, the Annual General Shareholders' Meeting shall appoint a Chairman.

An attendance sheet shall be kept under the conditions stipulated by law.

Minutes of Annual General Shareholders' Meetings shall be drawn up and copies shall be certified and issued pursuant to law.

ARTICLE 22 – DELIBERATIONS OF THE ANNUAL GENERAL SHAREHOLDERS' MEETING

Ordinary and Extraordinary General Shareholders' Meetings ruling with the quorum and majority set by law shall exercise the powers that are conferred to them by law.

Section VI: Annual financial statements – distribution of earnings

ARTICLE 23 – FISCAL YEAR

The Company's fiscal year starts on January 1 and ends on December 31.

The Board of Directors may change the closing date of the fiscal year if it determines such a change to be in the Company's best interest.

As an exception, the first fiscal year started on December 22, 1998, from the registration date, and ended on December 31, 1998.

ARTICLE 24 – DISTRIBUTION OF EARNINGS

If the financial statements for a given fiscal year, as approved by the Annual General Shareholder's Meeting, show distributable earnings as defined by law,

shareholders shall decide either to attribute them to one or more reserve accounts, the allocation and use of which it determines, or to retained earnings, or to distribute them.

After noting the existence of the reserves at its disposal, the Annual General Shareholders' Meeting may decide to distribute amounts drawn from those reserves. In such a case, the decision shall specify the reserve accounts from which the distributed amounts are to be drawn.

However, dividends shall be withdrawn first from the distributable earnings for the fiscal year.

The above provisions shall apply if non-voting preferred shares are created.

Annual General Shareholders' Meeting also has the right to grant each shareholder an option to receive payment either in the form of cash or in shares for all or part of the dividend or interim dividend to be distributed.

Section VII: Dissolution – liquidation – disputes

ARTICLE 25 – DISSOLUTION AND LIQUIDATION

At the expiration of the Company or in the event of early dissolution, the Annual General Shareholders' Meeting shall determine the method of liquidation and shall appoint one or more liquidators, whose powers it shall determine and who shall perform their duties pursuant to law.

To this effect, in the case of a dispute, any shareholder is bound to designate an address for service of process within the area of jurisdiction of the court of the registered office and any assignments or notifications will be duly issued to this elected domicile, without consideration of the actual address. Failing an election of domicile, the assignments and notifications will be validly issued to the Public Prosecutor's office in the county court in the location of the registered office.

ARTICLE 26 – DISPUTES

All disputes that might arise during the legal life of the Company or at the time of liquidation, either between the shareholders, regarding the interpretation or execution of these Bylaws or between the Company and its shareholders, shall be adjudicated as required by law and shall be subject to the jurisdiction of the competent courts of the place of the registered office.

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.

Material contracts

As of the date of publication of this financial information, with the exception of the agreements referred to in the present chapter (related-party agreements), Compagnie de Financement Foncier as not entered into any material contracts other than those entered into in the normal course of business.

Outlook for Compagnie de Financement Foncier

RECENT EVENTS

The Company has not recorded any recent events that significantly impact the evaluation of its solvency.

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 reasonably 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 February 11, 2019 – the date at which the Board of Directors closed the accounts – and the filing date of this Registration document.

Additional information

- No potential conflicts of interest exist between the duties of Board members towards Compagnie de Financement Foncier and their private interests and/or other duties.
- As of December 31, 2018, there were no exceptional events or legal disputes (government, legal or arbitration procedures) likely to have or to have had a material impact on Compagnie de Financement Foncier's financial position, operations, results or assets.
- Compagnie de Financement Foncier conducts itself and its corporate entities operate according to the corporate governance framework applicable in France.

Resolutions submitted to the Annual General Shareholders' Meeting

Ordinary General Shareholders' Meeting of May 6, 2019.

Draft resolutions

FIRST RESOLUTION

The Annual General Shareholders' Meeting, having considered the Management report of the Board of Directors and the report of the Statutory Auditors, approves the annual financial statements for the fiscal year ended December 31, 2018 as presented and that show a profit of €89,783,262.10.

Consequently, the Annual General Shareholders' Meeting grants full and unconditional discharge to the members of the Board of Directors for this fiscal period.

The Annual General Shareholders' Meeting takes note that the fiscal statements for the past fiscal year do not include any non-tax deductible expenses as per Article 39-4 of the French General Tax Code.

SECOND RESOLUTION

The Annual General Shareholders' Meeting, having recorded the distributable earnings of €174,187,467.15 composed of net income for the financial year of €89,783,493.18 plus retained earnings of €84,403,973.97, resolved to allocate said distributable earnings as follows:

Allocated to legal reserves: €4,490,000.00

Dividend: €89,783,262.10

Retained earnings: €79,914,205.05

The dividend per share for each of the 158,591,246 shares comprising the share capital is therefore fixed at €0.56613.

Pursuant to Article 243 a of the French General Tax Code, it is specified that the total dividend proposed is eligible for the 40% discount available to individuals who are resident in France for tax purposes, provided for in Article 158-3 of the French General Tax Code.

The dividend payment date is set for June 27, 2019. Pursuant to Article 24 of the Bylaws, the Annual General Shareholders' Meeting decides to grant each

shareholder the possibility of choosing to receive payment of the dividend in shares. New shares will have the same features and the same rights as the shares that gave the entitlement to the dividend. Their vesting date is set for January 1, 2019.

The issuance price of the new shares will be equal to the amount of shareholders' equity after allocation, as shown in the balance sheet as of December 31, 2018 approved by the Annual General Shareholders' Meeting in the first resolution set forth above, divided by the number of existing shares.

It stands at €19.46 per share.

The number of shares that can be allocated to shareholders who have chosen to receive payment of the balance of the dividend in shares will be determined in function of the calculated price. It is understood that shareholders cannot receive the dividend to which they are entitled partly in shares and partly in cash.

If the dividends thus determined do not give rise to a whole number of shares, shareholders who have chosen to receive payment in shares may subscribe for the nearest whole number of shares below the dividend payable, with the balance being paid in cash or the nearest whole number above the dividend payable, with the shareholder paying the difference in cash.

Shareholders must make their choice between June 1, 2019 and June 15, 2019.

Any shareholder who has not exercised his or her option by June 15, 2019 at the latest will receive the dividends in cash on the dividend payment date of June 27, 2019.

The Annual General Shareholders' Meeting gives full powers to the Board of Directors to record the number of shares issued and the corresponding increase in capital stock and to amend Article 6 of the Bylaws accordingly.

Pursuant to Article 47 of the Act of July 12, 1965 and Article 243 bis of the French General Tax Code, it is recalled that the dividend and total return per share have evolved as follows over the last three fiscal years:

| Fiscal Year | Overall remuneration | | |
|-------------|----------------------|-----------|-----------------------|
| | Number of shares | per share | Dividend distributed* |
| 2015 | 158,591,246 | €0.80 | €0.80 |
| 2016 | 158,591,246 | €0.59 | €0.59 |
| 2017 | 158,591,246 | €0.367 | €0.367 |

* Eligible for the 40% discount provided for in Article 158-3 of the French General Tax Code.

THIRD RESOLUTION

The Annual General Shareholders' Meeting, pursuant to Article 24 of the Bylaws and Articles L. 232-12, L. 232-18 and L. 232-20 of the French Commercial Code, authorizes the Board of Directors to consider allowing shareholders to receive all or part of any interim dividends for the 2018 fiscal year in shares and to establish the terms thereof, pursuant to the regulations in force.

FOURTH RESOLUTION

The Annual General Shareholders Meeting, having considered the Statutory Auditors' special report concerning the agreements referred to in Article L. 225-38 of the French Commercial Code, approves the agreements mentioned therein.

FIFTH RESOLUTION

The Annual General Shareholders' Meeting, noting that the term of office of Ms Muriel COLLE was expiring, resolved to renew her term of office for six years, ending at the Annual General Shareholders' Meeting called to approve the financial statements for the 2024 fiscal year.

SIXTH RESOLUTION

The Annual General Shareholders' Meeting, noting that the term of office of Mr Mathieu LEPELTIER was expiring, resolved to renew his term of office for six years, ending at the General Meeting called to approve the financial statements for the 2024 fiscal year.

SEVENTH RESOLUTION

The Annual General Shareholders' Meeting ratified the co-opting, by the Board of Directors meeting on December 18, 2018, of Mr Jean-Sylvain RUGGIU, as Board Member, from June 28, 2018, replacing Mr Cédric MIGNON, who is stepping down, for the remaining duration of his predecessor's mandate, i.e. until the Annual General Shareholders' Meeting called to approve the financial statements for the 2019 fiscal year.

EIGHTH RESOLUTION

The Annual General Shareholders' Meeting ratified the co-opting, by the Board of Directors meeting on December 18, 2018, of Ms Nathalie BRICKER as Board Member, from December 19, 2018, replacing Mr Jean CHEVAL, who is stepping down, for the remaining duration of her predecessor's mandate, *i.e.* until the Annual General Shareholders' Meeting called to approve the financial statements for the 2019 fiscal year.

NINTH RESOLUTION

The Annual General Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary General Shareholders' Meetings, hereby expresses a favorable opinion on the remuneration due or allocated to Mr Benoît CATEL for the fiscal year ended December 31, 2018.

TENTH RESOLUTION

The Annual General Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary General Shareholders' Meetings, hereby expresses a favorable opinion on the remuneration due or allocated, for the fiscal year ended December 31, 2018 to Mr Olivier AVIS, Deputy Chief Executive Officer and executive director, as mentioned in the financial report.

ELEVENTH RESOLUTION

The Annual General Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary General Shareholders' Meetings, hereby expresses a favorable opinion on the remuneration due or allocated, for the fiscal year ended December 31, 2018, to Mr Paul DUDOUIT, Deputy Chief Executive Officer and executive director, as mentioned in the financial report.

TWELFTH RESOLUTION

The Annual General Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary General Shareholders' Meetings, after reading the report drafted according to Article L. 225-37-2 of the French Commercial Code, hereby expresses a favorable opinion on the remuneration of Mr Benoît CATEL, Chairman of the Board of Directors, for the 2019 fiscal year.

THIRTEENTH RESOLUTION

The Annual General Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary General Shareholders' Meetings, after reading the report drafted according to Article L. 225-37-2 of the French Commercial Code, hereby expresses a favorable opinion on the remuneration of Mr Olivier AVIS, Deputy Chief Executive Officer, for the 2019 fiscal year.

FOURTEENTH RESOLUTION

The Annual General Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary General Shareholders' Meetings, after reading the report drafted according to Article L. 225-37-2 of the French Commercial Code, hereby expresses a favorable opinion on the remuneration of Mr Paul DUDOUIT, Deputy Chief Executive Officer, for the 2019 fiscal year.

FIFTEENTH RESOLUTION

Consultation pursuant to Article L. 511-73 of the French Monetary and Financial Code regarding the overall package of all kinds of compensation paid to the persons referred to in Article L. 511-71 of the French Monetary and Financial Code, for the fiscal year ended December 31, 2018.

The Annual General Shareholders' Meeting, consulted pursuant to Article L. 511-73 of the French Monetary and Financial Code, acting in accordance with the quorum and majority requirements for Ordinary General Shareholders' Meetings, having considered the report of the Board of Directors, expresses a favorable opinion on the nul compensation package for the financial year ended December 31, 2018 to the persons referred to in Article L. 511-71 of the French Monetary and Financial Code, either with respect to the office of Chief Executive Officer or of Deputy Chief Executive Officer.

SIXTEENTH RESOLUTION

The Annual General Shareholders' Meeting gives full powers to the bearer of a copy or excerpt of the minutes of this meeting for the accomplishment of all filing and publication formalities.

Statutory Auditor's special report on related-party agreements and commitments

Annual General Meeting for the approval of the financial statements for the year ended December 31, 2018

This is a free translation into English of the Statutory Auditors' special report on related-party agreements and commitments 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.

Compagnie de Financement Foncier

19, rue des Capucines
75001 Paris
France

To the Shareholders,

In our capacity as Statutory Auditors of Compagnie de Financement Foncier, we hereby report to you on related party-agreements and commitments.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of agreements and commitments that have been disclosed to us or that we may have identified as part of our engagement, as well as the reasons given as to why they are beneficial for the Company, without commenting on their relevance or substance or identifying any undisclosed agreements or commitments. Under the provisions of article R. 225-31 of the French Commercial Code (*Code de commerce*), it is the responsibility of the shareholders to determine whether the agreements and commitments are appropriate and should be approved.

Where applicable, it is also our responsibility to provide shareholders with the information required by article R.225-31 of the French Commercial Code in relation to the implementation during the year of agreements and commitments already approved by the Annual General Meeting.

We performed the procedures that we deemed necessary in accordance with the professional standards applicable in France to such engagements. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

AGREEMENTS AND COMMITMENTS SUBMITTED FOR THE APPROVAL OF THE ANNUAL GENERAL MEETING

In accordance with article R. 225-40 of the French Commercial Code, we have been advised of the following agreements and commitments entered into during the past financial year which have been subject to the prior authorization of your Board of Directors.

• New addendum to the internal control and compliance agreement with Compagnie de Financement Foncier

Concerned person: Olivier Avis, Chief Executive Officer of Compagnie de Financement Foncier and Deputy Chief Executive Officer, Head of Financial Operations of Crédit Foncier de France.

Under the terms of this agreement, Compagnie de Financement Foncier entrusts its periodic inspection activities to Crédit Foncier's General Inspection in accordance with article 20 of the Order of November 3, 2014. Moreover, Compagnie de Financement Foncier is to be included in the scope of audit of the BPCE General Inspection.

In application of the law, we inform you that the prior authorization given by the Board of Directors does not include the reasons justifying the interest of the agreement for the company as intended by Article L. 225-38 of the French Commercial Code.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE ANNUAL GENERAL MEETING

AGREEMENTS AND COMMITMENTS APPROVED IN PREVIOUS YEARS

a) that were implemented during the year

In accordance with article R.225-30 of the French Commercial Code, we were informed that the following agreements and commitments, approved by the Annual General Meeting in prior years, remained in force during the year.

Agreements with Crédit Foncier de France

• Management agreements

Pursuant to articles L.515-13 *et seq.* of the French Monetary and Financial Code (*Code monétaire et financier*), Crédit Foncier de France manages, on behalf of your Company, servicing and recovery services for loans and other assets, servicing of privileged and non-privileged *obligations foncières* and other resources that your Company holds, and more generally, all services required in terms of operational, financial, administrative and accounting management, as well as the audit and control services required for its operations.

All of these services are governed by a framework agreement entered into between your Company and its parent company.

The directly related agreements are as follows:

- An agreement for loan servicing and recovery
- An agreement governing financial services
- An administrative and accounting management agreement
- A service agreement on internal control and compliance
- An asset/liability management (ALM) agreement
- An agreement for assignments of eligible loans
- An agreement relating to settlement bank services
- An agreement relating to the implementation of information technology services
- An agreement relating to seconded staff and human resources management

The payments received by your Company for these services are included in the remuneration for financial services defined in a specific agreement described below.

Under the servicing and recovery agreement and the amendment thereto, Crédit Foncier de France provides cash advances to your Company corresponding to overdue payments on regulated loans for the unsubsidized sector with respect to the share financed by your Company. These amounted to €80.9 million for 2018. In return for these advances, Crédit Foncier de France retains the late payment interest charged to the customer, which amounted to €7.7 million for 2018.

• Paying agent agreement

Your Company entered into a paying agent agreement with Crédit Foncier de France whereby Crédit Foncier de France undertakes to centralize the financial operations relating to the first and second issues of *obligations foncières*.

The compensation owed to Crédit Foncier de France for this financial service is included in remuneration for financial services.

• Agreement on the management and recovery of State-subsidized loans

The compensation owed to Crédit Foncier de France under the agreement with the French State relating to the management and recovery of State-subsidized loans by Crédit Foncier de France is included in remuneration for services.

• Agreement on remuneration for services

On December 15, 2009, your Company signed an agreement for the remuneration of services provided by Crédit Foncier de France on your Company's behalf under management agreements. This agreement replaces the agreement of October 21, 1999 with the same subject matter.

For 2018, payments made to Crédit Foncier de France under the agreement on remuneration for services amounted to €69.22 million.

• Guarantee agreement for adjustable-rate loans

In December 2007, exceptional measures were proposed to certain customers with adjustable-rate loans, whether regulated or not, to secure their monthly payments. Some of these receivables have been assigned to your Company.

In these exceptional circumstances, Crédit Foncier de France indemnifies your Company for the costs incurred under the scheme through a guarantee agreement concluded in favor of your Company.

Under the guarantee, your Company recorded income of €0.5 million for the year ended December 31, 2018.

- **Agreement on the assignment of mortgage ranking/priority**

Under this agreement, Crédit Foncier de France undertakes to recognize the priority ranking of mortgages granted by your Company and to subordinate its own mortgages to those of your Company. In the event of competing mortgage rights, payments to your Company will therefore take precedence.

In the event of allotment or allocation of funds from the debtor or in the event of implementation of the mortgage guarantee through the transfer of the property used as security, your Company will receive these funds for the total amount it is owed in capital, interest and ancillary costs.

This agreement had no direct financial impact in accounting terms since it concerned legal items related to the guarantees in respect of the loans assigned to your Company by Crédit Foncier de France.

- **Shareholder's account advance agreement**

At the date of the signature of the agreement (September 15, 2015), the funds generated by the repayment of the redeemable subordinated notes (€2.1 billion) were deposited in the newly opened shareholder's account. In accordance with the agreement, this account earns interest at the 3-month Euribor rate + 2.50% and is repayable at any time by your Company (with 15 days advance notice).

Your Company incurred interest expenses of €46.3 million on this account for the year ended December 31, 2018.

b) that were not implemented during the year

In addition, we were informed that the following agreements, approved by the Annual General Meeting in prior years, were not implemented during the year.

- **Guarantee and compensation agreement with Crédit Foncier de France, holder of 99.9% of Compagnie de Financement Foncier's shares**

In connection with the agreement to assign certain assets and liabilities from Crédit Foncier de France to your Company, Crédit Foncier de France:

- has undertaken to offset the effects of any changes in interest rates on your Company's net income should it not be possible to obtain fixed rate financing in the unsubsidized market;
- has guaranteed your Company a minimum return on the outstanding loans transferred;
- has undertaken to indemnify your Company in the event of changes in the treatment of borrowing costs relating to subsidized loans.

Neuilly-sur-Seine and Paris La Défense, March 22, 2019

The Statutory Auditors

PricewaterhouseCoopers Audit

Anik Chaumartin

KPMG SA

Xavier de Coninck

LEGAL INFORMATION

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

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

Statement from the person who assumes responsibility for the Registration document

PERSON RESPONSIBLE FOR FINANCIAL INFORMATION

Olivier AVIS
Chief Executive Officer
Compagnie de Financement Foncier

Address: 4, quai de Bercy – 94220 Charenton-le-Pont
Telephone: +33 (1) 57 44 85 51
Fax: +33 (1) 57 44 92 73

STATEMENT FROM THE PERSON WHO ASSUMES RESPONSIBILITY FOR THE REGISTRATION DOCUMENT

I certify, after having taken every reasonable measure to this purpose, that the information provided in this Registration document is, to my knowledge, true to fact and that no information has been omitted that would change the interpretation of the information provided. I further certify that, to the best of my knowledge, the financial statements have been prepared in compliance with the applicable accounting standards and give a true and fair view of the Company's assets, financial position and earnings, and that the information contained in the management report pages 65 to 77 gives an accurate representation of the business trends, earnings and financial position of the Company, as well as a description of the primary risks and uncertainties the Company faces. I have received a letter from the Statutory Auditors indicating that they have completed their work, which consisted of verifying the information on the financial position and the financial statements provided in this Registration document, as well as reading the entire document.

Charenton-le-Pont, March 22, 2019

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: May 17, 2002

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

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

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.

Cross-reference table

Cross-reference table for the Registration document

In order to facilitate the reading of this document, the following table of concordance refers to the main items required by Annex 1 of Regulation (EC) No 809/2004 of 29 April 2004 implementing the so-called "Prospectus Directive".

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In accordance with Article 28 of European regulation No. 809/2004 of April 29, 2004, the following information is incorporated by reference in this 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.

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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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