



**COMPAGNIE DE FINANCEMENT FONCIER**

**AMENDMENT TO THE 2020 UNIVERSAL  
REGISTRATION DOCUMENT**

including the 2021 half-year financial report



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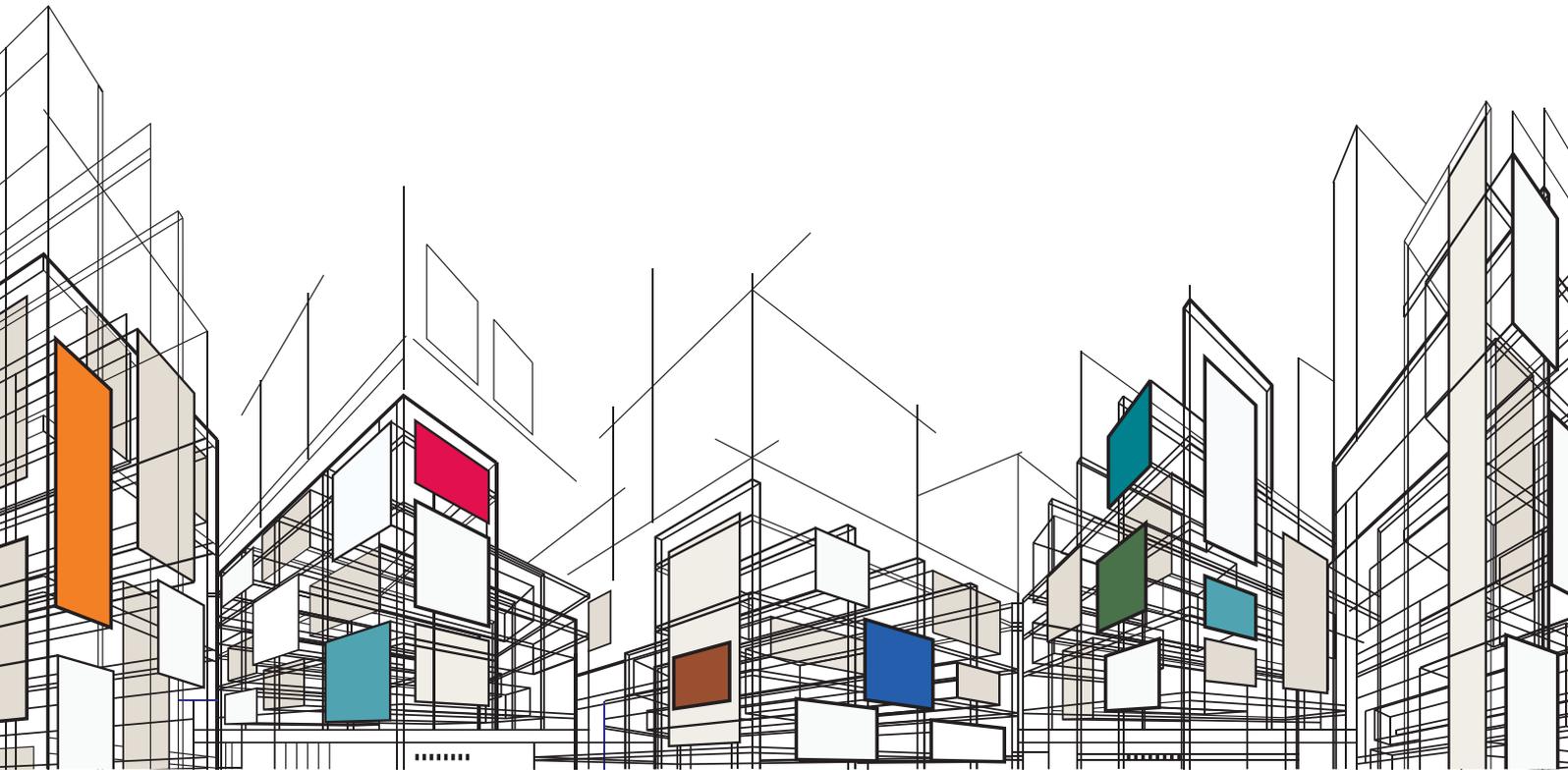


Abbreviations used in the document:  
 Thousands of euros: €k  
 Millions of euros: €m  
 Billion euros: €bn

COMPAGNIE DE FINANCEMENT FONCIER

# AMENDMENT TO THE 2020 UNIVERSAL REGISTRATION DOCUMENT

including the 2021 half-year financial report



*This is a free translation into English of Compagnie de Financement Foncier's Amendment to the 2020 Universal registration document issued in the French language and it is available on the website of the Issuer. In case of discrepancy the French version prevails. Only the French version of the document has been submitted to the Autorité des Marchés Financiers (AMF – French Financial Markets Authority). It is therefore the only version that is binding in law.*

2020 Universal registration document and annual financial report filed with the AMF on March 23, 2021, under number D. 21-0179.

This Amendment to the 2020 Universal registration document was filed on August 25, 2021 with the AMF, as the competent authority under EU Regulation No.2017/1129, without prior approval in accordance with Article 9 of said Regulation.

The Universal registration document may be used for the purposes of an offer to the public of securities or the admission of securities to trading on a regulated market if supplemented by a securities note and, as appropriate, a summary and any amendments to the Universal registration document. The whole is approved by the AMF pursuant to EU Regulation No.2017/1129.



## PROFILE

A wholly-owned subsidiary of Crédit Foncier [A-(stable)/A1(stable)/A+(negative)/AA-(negative)] <sup>(1)</sup>, and an affiliate of BPCE [A(stable)/A1(stable)/A+(negative)/A+(stable)] <sup>(2)</sup>, Compagnie de Financement Foncier is a credit institution registered as a specialist credit institution and a *société de crédit foncier*, a French legal covered bonds issuer.

Compagnie de Financement Foncier's *obligations foncières*, rated [AAA(stable)/Aaa(stable)/AAA(stable)] <sup>(3)</sup>, are French legal covered bonds that comply with European directives UCITS 52-4 <sup>(4)</sup> and CRD <sup>(5)</sup> as well as with Article 129 of the European Capital Requirements Regulation (CRR) <sup>(6)</sup>. All *obligations foncières* of Compagnie de Financement Foncier are eligible for the European Central Bank (ECB) refinancing operations except for some private placements and issues in foreign currencies.

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

In 2021, Compagnie de Financement Foncier continued to be a major player in its market, with a total *obligations foncières* outstanding of €53.9bn (including related receivables) as of June 30, 2021 and an issuance volume of €1.8bn.

**€53.9bn**

Outstanding *obligations foncières*  
(including related payables)

**€1.8bn**

Issuance of *obligations foncières*  
at June 30, 2021

## OUR strategy AND OUR mission

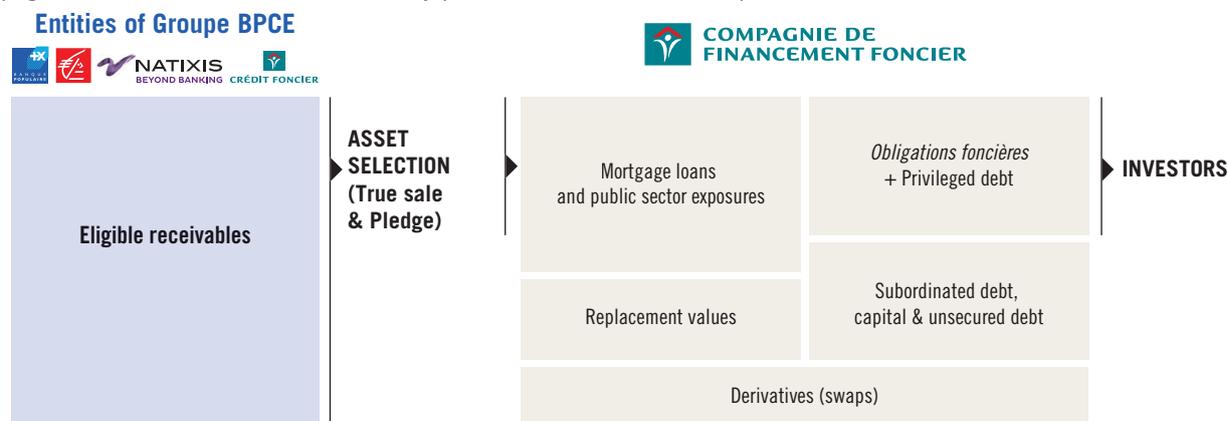
Compagnie de Financement Foncier refinances Groupe BPCE entities' lending under extremely favorable terms, in particular public sector and equivalent financing. It also continues to refinance outstanding loans initially originated by Crédit Foncier.

Compagnie de Financement Foncier, which is deeply committed to serving Groupe BPCE, has set itself the task of raising resources on capital markets at particularly competitive levels through the issuance of AAA-rated *obligations foncières* <sup>(3)</sup>. The constant research for high-quality assets and the optimization of the balance sheet structure contribute to successfully fulfilling this mission.

## ACTIVITY

### Business model of Compagnie de Financement Foncier

Compagnie de Financement Foncier is mainly positioned to refinance Groupe BPCE's assets.



(1) Standard & Poor's/Moody's/Fitch/Scope Ratings, updated as of the filing date of the Amendment to the 2020 Universal registration document.

(2) Standard & Poor's/Moody's/Fitch Ratings, updated as of the filing date of the Amendment to the 2020 Universal registration document.

(3) Standard & Poor's/Moody's/Scope Ratings, updated as of the filing date of the Amendment to the 2020 Universal registration document.

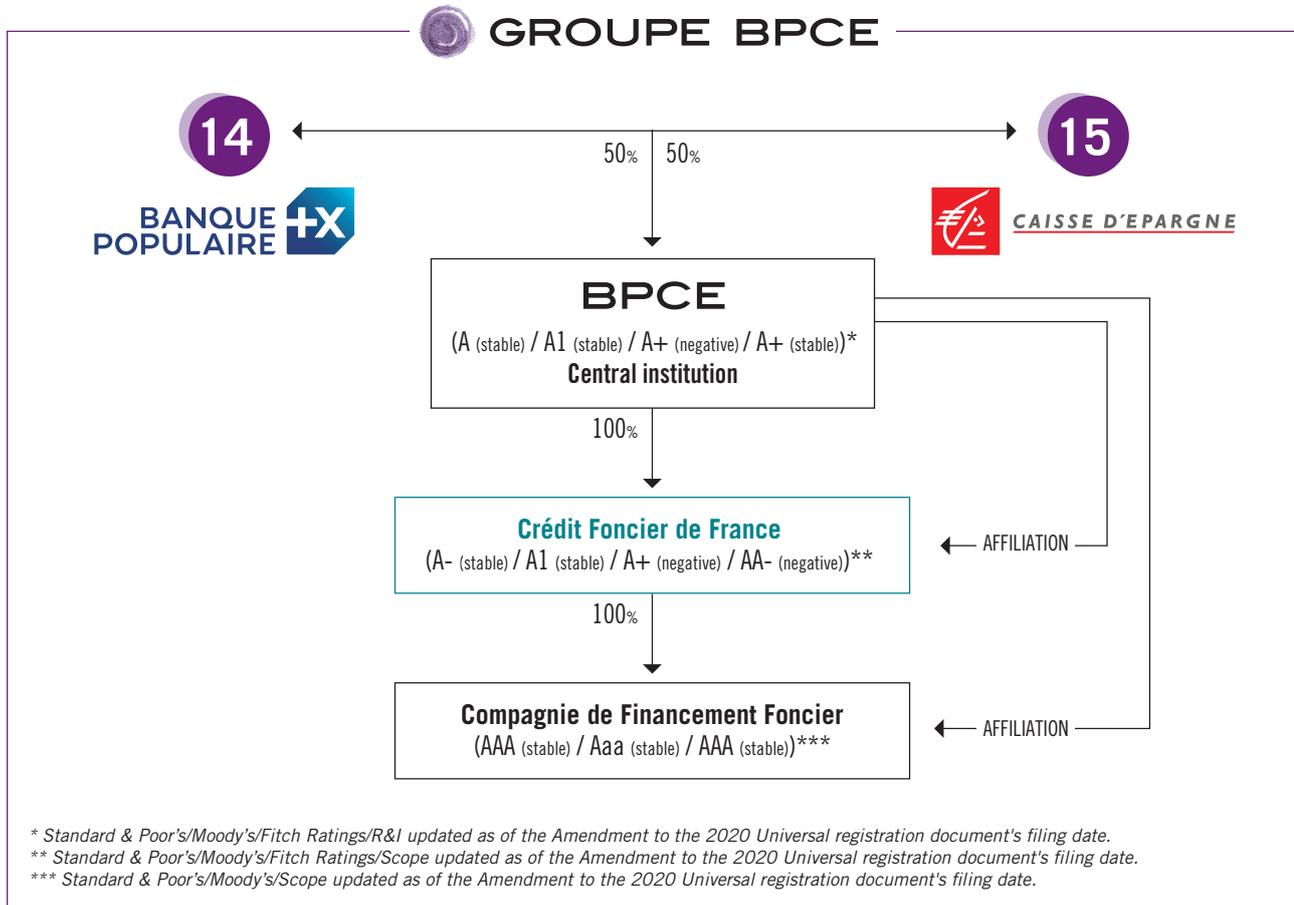
(4) UCITS: Undertakings for Collective Investment in Transferable Securities, a directive on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities.

(5) CRD: Capital Requirements Directive.

(6) CRR: Capital Requirements Regulation.



# POSITIONING WITHIN THE BPCE GROUP



## HIGHLIGHTS OF THE FIRST HALF OF 2021

The first half of 2021 is synonymous with economic recovery. The development of vaccines against Covid-19 allows us to foresee a potential end to the crisis, but the markets remain volatile in this uncertain context. Once again, Compagnie de Financement Foncier has demonstrated the strong resilience of its model in times of crisis.

- Compagnie de Financement Foncier completed two multi-callable private placements in registered form (Namens). In an economic context marked by low interest rates and a downward trend, these issuances enabled Compagnie de Financement Foncier to benefit from a natural hedge, as the Company can buy back its own issuances and refinance itself at a lower rate. These transactions once again demonstrate Compagnie de Financement Foncier's ability to offer tailored solutions to its investor customers by proposing structured private placements.
- On April 6, 2021, Compagnie de Financement Foncier also issued its first euro benchmark of the year. The choice of an eight-year maturity enabled Compagnie de Financement Foncier to raise

liquidity over a duration equivalent to that of the refinanced assets under its back-to-back model. The positioning on this maturity was determined pursuant to a consultation with Compagnie de Financement Foncier investors. The substantial size of the transaction (€1.5bn), carried out at a negative yield (-0.10%) and without a new issue premium, reflects a strong consensus. The quality of Compagnie de Financement Foncier's name is once again recognized.

This is the largest transaction carried out by Compagnie de Financement Foncier since 2018, positioning it in the 1<sup>st</sup> half of 2021 as the 3<sup>rd</sup> largest issuer of covered bonds to have reached an issuance size of €1.5bn.

These successful transactions confirm the confidence of investors in Compagnie de Financement Foncier's issuances and once again demonstrate its ability to issue in good conditions.



# 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 programs:** EMTN, AMTN & USMTS

**Sole service provider:**

Crédit Foncier [A-(stable)/A1(stable)/A+(negative)/AA-(negative)] <sup>(1)</sup>

A subsidiary of BPCE [A(stable)/A1(stable)/A+(negative)/A+(stable)] <sup>(2)</sup>

## RATINGS OF OBLIGATIONS FONCIÈRES

	Standard & Poor's	Moody's	Scope Ratings
Note long terme	<b>AAA</b>	<b>Aaa</b>	<b>AAA</b>
Perspective	<b>Stable</b>	<b>Stable</b>	<b>Stable</b>

## Simplified economic balance sheet

➤ ASSETS (by type of exposures)	06/30/2021		12/31/2020		12/31/2019	
	€bn	%	€bn	%	€bn	%
<b>Mortgage loans and equivalent</b>	<b>34.0</b>	<b>52.4</b>	<b>36.0</b>	<b>52.7</b>	<b>38.6</b>	<b>54.0</b>
<b>Public sector exposures</b>	<b>23.3</b>	<b>35.9</b>	<b>24.7</b>	<b>36.1</b>	<b>24.9</b>	<b>34.8</b>
French public sector*	16.3	25.1	17.6	25.7	16.9	23.6
Foreign public sector	7.0	10.8	7.1	10.4	8.0	11.2
<b>Replacement values and other assets</b>	<b>7.6</b>	<b>11.7</b>	<b>7.7</b>	<b>11.2</b>	<b>8.0</b>	<b>11.2</b>
Replacement values	6.7	10.3	6.6	9.6	6.7	9.3
Other assets	0.9	1.4	1.1	1.6	1.3	1.9
<b>TOTAL ASSETS</b>	<b>64.9</b>	<b>100.0</b>	<b>68.5</b>	<b>100.0</b>	<b>71.5</b>	<b>100.0</b>

\* Including deposits and short term loans at Banque de France of €0.4bn at the end of 2021, €1.3bn at the end of 2020 and €1.6bn at the end of 2019.

➤ LIABILITIES	06/30/2021		12/31/2020		12/31/2019	
	€bn	%	€bn	%	€bn	%
<b>Privileged resources</b>	<b>53.7</b>	<b>82.7</b>	<b>56.4</b>	<b>82.3</b>	<b>60.4</b>	<b>84.6</b>
Obligations foncières	53.9	83.1	56.4	82.3	60.5	84.7
Foreign exchange difference on covered bonds	- 0.2	- 0.3	- 0.1	- 0.1	- 0.1	- 0.2
Other privileged resources	0.0	0.0	0.1	0.1	0.1	0.1
<b>Translation difference associated with hedging balance sheet items</b>	<b>0.8</b>	<b>1.2</b>	<b>0.8</b>	<b>1.2</b>	<b>1.1</b>	<b>1.6</b>
<b>Non-privileged resources</b>	<b>10.4</b>	<b>16.0</b>	<b>11.3</b>	<b>16.5</b>	<b>9.9</b>	<b>13.9</b>
Unsecured debt	7.1 <sup>(1)</sup>	10.9	6.0	8.8	4.6	6.4
Subordinated debt or equivalent	0.1	0.2	2.1 <sup>(2)</sup>	3.0	2.1	3.0
Shareholders' equity and reserve for general banking risks	3.2	4.9	3.2	4.7	3.2	4.5
<b>TOTAL LIABILITIES</b>	<b>64.9</b>	<b>100.0</b>	<b>68.5</b>	<b>100.0</b>	<b>71.5</b>	<b>100.0</b>
Regulatory capital according to CRR/CRD IV	3.1	4.8	3.1	4.5	3.1	4.4

(1) The shareholders' current accounts (€2.0bn) have been reclassified as unsecured debt.

(2) Of which shareholders' advance account for €2.0bn (2.9%).

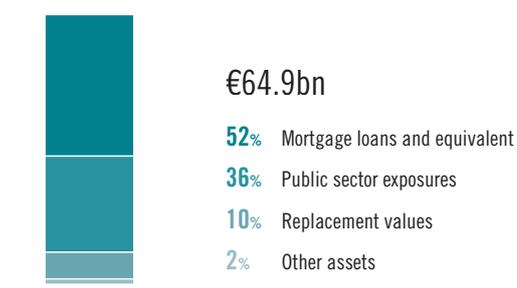
(1) Standard & Poor's/Moody's/Fitch/Scope Ratings, updated as of the filing date of the Amendment to the 2020 Universal registration document.

(2) Standard & Poor's/Moody's/Fitch Ratings, updated as of the filing date of the Amendment to the 2020 Universal registration document.

## Breakdown of assets

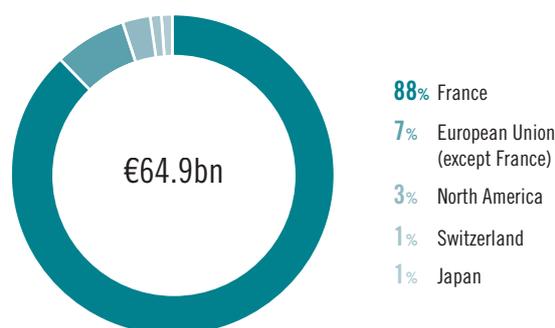
### BY TYPE OF ASSETS

JUNE 30, 2021

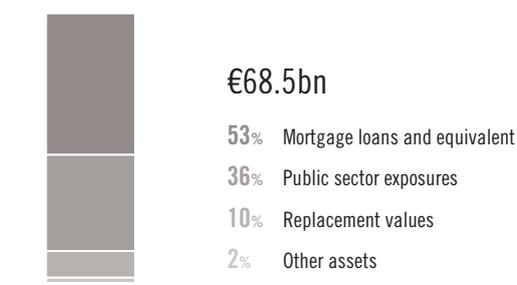


### BY REGION

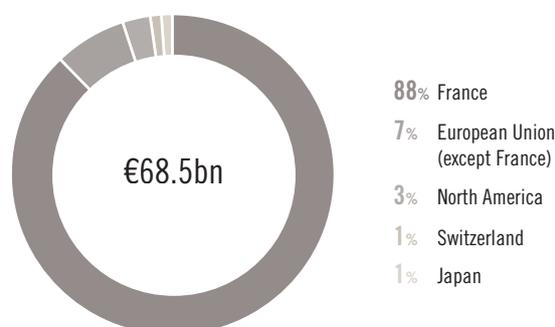
JUNE 30, 2021



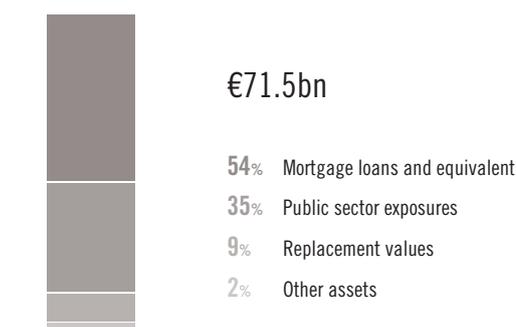
DECEMBER 31, 2020



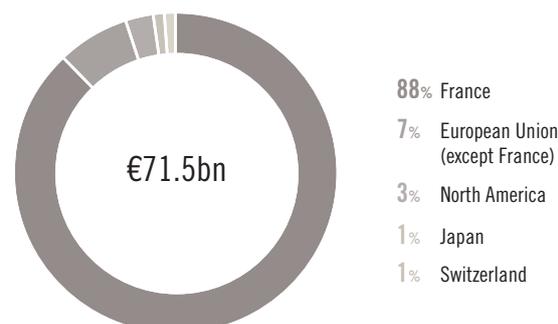
DECEMBER 31, 2020



DECEMBER 31, 2019



DECEMBER 31, 2019

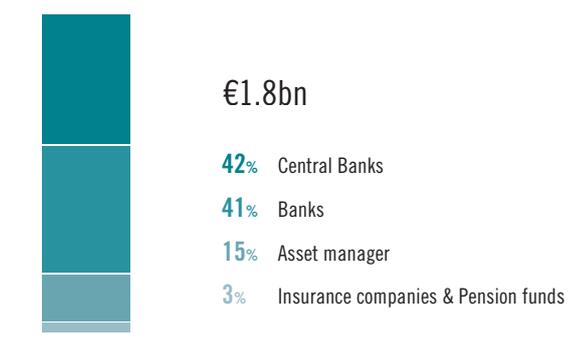




## Breakdown of issuances

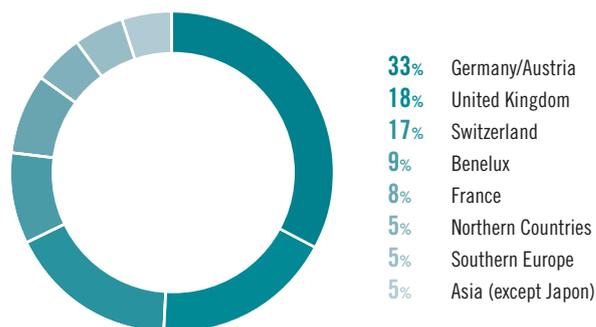
### BY TYPE OF INVESTOR

JUNE 30, 2021



### BY REGION

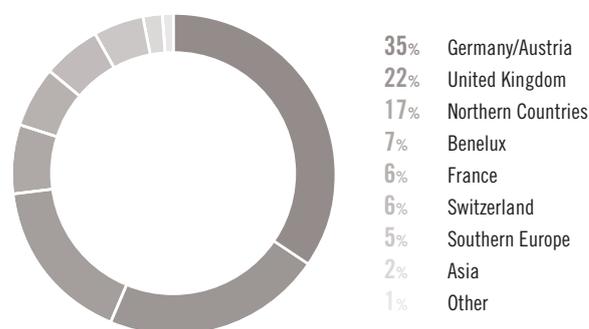
JUNE 30, 2021\*



DECEMBER 31, 2020



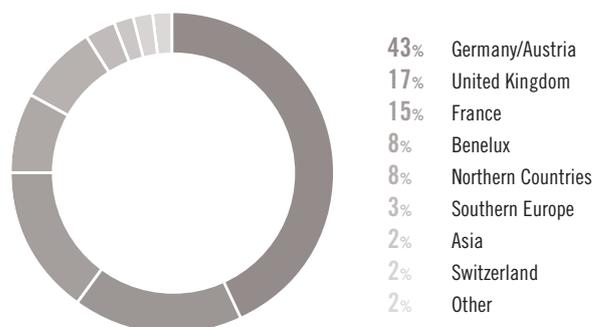
DECEMBER 31, 2020



DECEMBER 31, 2019



DECEMBER 31, 2019



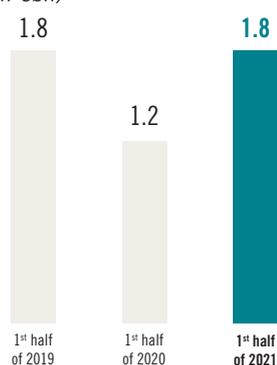
\* Excluding Eurosystem.

## Performance indicators

### ACTIVITY

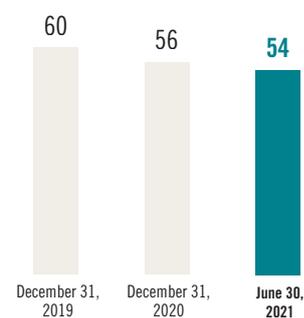
#### OBLIGATIONS FONCIÈRES ISSUES

(in €bn)



#### PRIVILEGED LIABILITIES

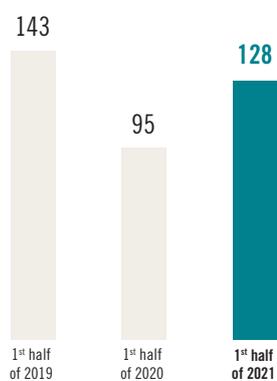
(in €bn)



### RESULTS

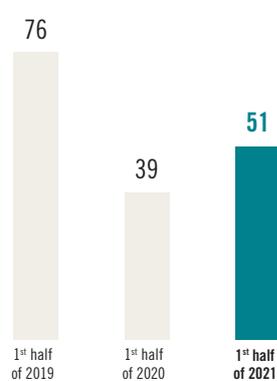
#### NET BANKING INCOME

(in €m)



#### NET INCOME

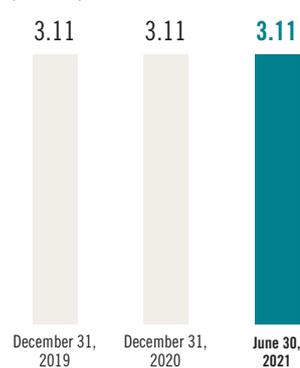
(in €m)



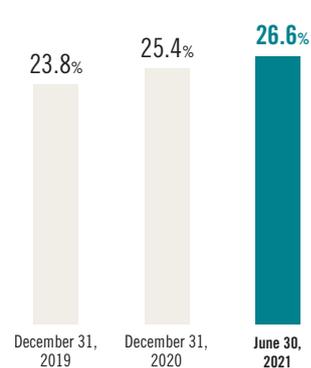
### FINANCIAL STRUCTURE

#### REGULATORY CAPITAL

(in €bn)



#### PRUDENTIAL RATIOS

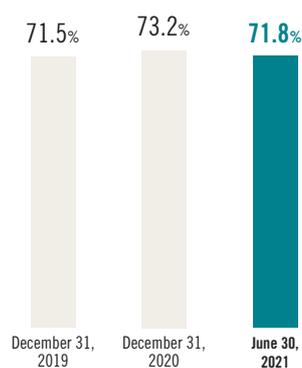


Solvency ratio= Common Equity Tier1

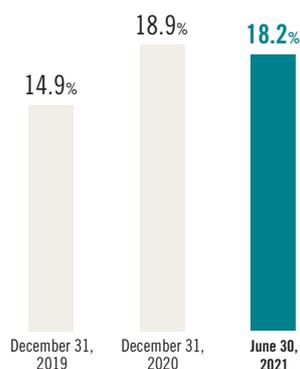


## SOCIÉTÉ DE CRÉDIT FONCIER'S SPECIFIC RATIOS

### AVERAGE LTV OF MORTGAGE LOANS FOR INDIVIDUALS

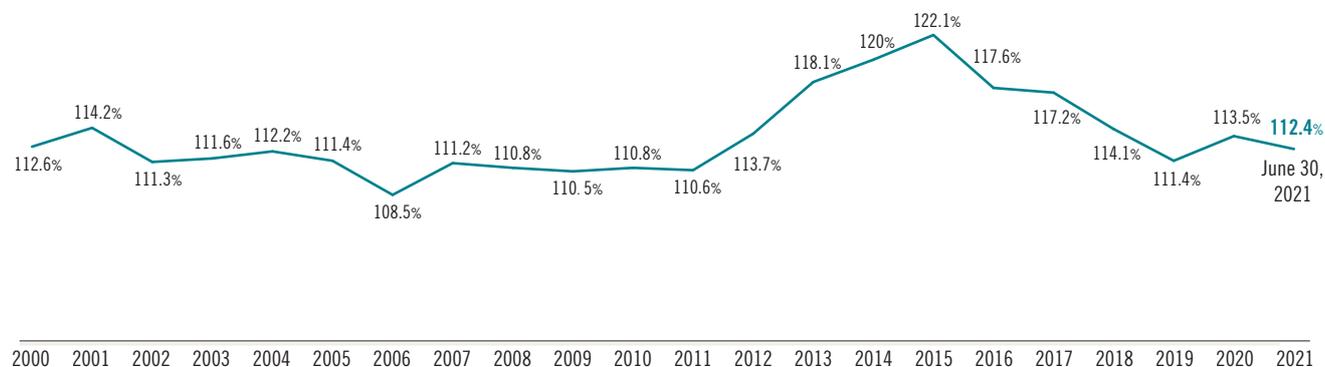


### NON-PRIVILEGED RESOURCES/PRIVILEGED RESOURCES RATIO



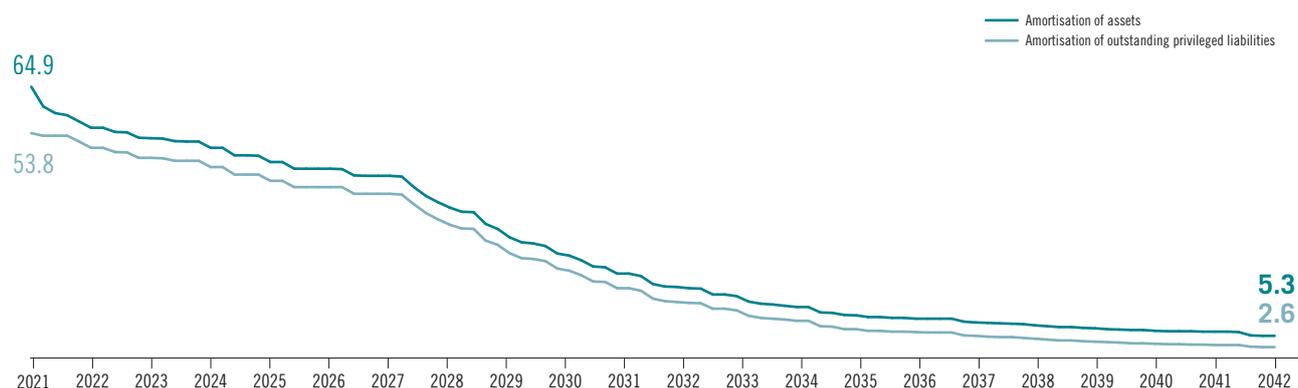
### REGULATORY OVERCOLLATERALIZATION RATIO

(in %)



### AMORTISATION OF ASSETS AND PRIVILEGED LIABILITIES

(in €bn)



# 1

## PRESENTATION OF COMPAGNIE DE FINANCEMENT FONCIER

### ECONOMIC AND FINANCIAL ENVIRONMENT IN THE FIRST HALF OF 2021

Economic environment  
European monetary policies

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	Disposal and securitization of loans to individuals	13
	Managing derivatives	13



# ECONOMIC AND FINANCIAL ENVIRONMENT IN THE FIRST HALF OF 2021

## Economic environment

After a significant fall in economic activity in 2020, -4.5%<sup>(1)</sup> compared to 2019, 2021 will be marked by a strong recovery in global growth. The International Monetary Fund (IMF) believes that economic growth could reach a rate of +6%<sup>(1)</sup> in 2021, before stabilizing at around +4.4%<sup>(1)</sup> in 2022.

This expected increase in economic growth is due to:

- the great hopes of a rapid recovery from the Covid-19 crisis thanks to vaccines;
- further accommodative monetary policies implemented by central banks;
- the strengthening of public aid thanks to expansionary budgetary policies in certain countries.

Nevertheless, this favorable outlook still depends on several factors. First of all, the recovery is strongly linked to the speed with which vaccination campaigns are carried out in each country. The success of these campaigns could increase global GDP by €9,000bn<sup>(1)</sup> by 2025, provided that the most vulnerable countries obtain help through effective international cooperation.

In addition, the intensity of the economic recovery will vary from one country to another because the pandemic has not had the same impacts in all regions. Some industries have returned to pre-crisis standards while others are still struggling. Industrial production and trade in goods are back to pre-crisis volumes, while the travel, art, entertainment, sports, hotel and restaurant industries remain under pressure and are only expected to return to full capacity when the Covid-19 crisis is completely over.

Central banks also play a key role in stabilizing the economy and its future growth. The proactive and accommodative monetary policies of central banks, characterized by low interest rates and major asset purchase programs (e.g. the PEPP - Pandemic Emergency Purchase Program – of the European Central Bank – ECB, with a budget of €1,850bn<sup>(2)</sup> until the end of March 2022), help to support the economy and foster return to sustainable growth.

In the United States, the Fed opted for similar measures, since it is maintaining its accommodative monetary policy with negative interest rates for Fed Funds and asset purchases of around \$120bn<sup>(3)</sup> per month.

The central banks have clearly directed their actions and interventions in favor of economic growth, with a possible negative effect on inflation levels which are rising in the short term and whose expectations point to inflation rates of above 2% in 2021, driven by higher energy costs. The ECB believes that this increase in inflation should be temporary and underlines that the euro zone countries had already recorded an inflation rate of 2.7%<sup>(4)</sup> in 2011.

The return to solid and sustainable growth worldwide also depends on the effectiveness of the economic recovery plans implemented in a context that is still uncertain. In mature countries, significant fiscal stimulus plans have been launched; the United States set up a third stimulus plan of \$1,850bn<sup>(2)</sup>, Japan a record plan of ¥73.6bn<sup>(5)</sup>, and the European Union the distribution of “Next Generation EU” funding (European recovery plan 2020) amounting to €750bn. According to the IMF, the measures taken by the governments of mature countries have already enabled a rise in global GDP of 6%<sup>(5)</sup> in 2020.

For the developing countries, the budgetary effort remained more limited, primarily with an increase in expenditure.

In the labor market, the negative effects of the health crisis are still present. Unemployment remains very high with an overall rate higher by around 1.5%<sup>(6)</sup> on average than the pre-crisis average rate, impacting all countries more or less severely. The sectors most affected are tourism, aviation, leisure and more specifically, hotels, restaurants and wholesale and retail stores that generally employ young people and low-skilled workers. This situation tends to increase the rise of inequalities which ultimately weakens the economy. Conversely, some industries, like technology or finance which lend themselves more easily to remote working, are recording better employment momentum. The actions taken by public authorities in the form of employment aid policies will be critical to support industries in difficulty and accelerating their transition to making it through the crisis.

(1) Summary, *Global Economic Outlook, Recovery: Managing Divergent Recoveries*, IMF, April 2021.

(2) 2021-2022 forecasts: *The Anti Covid-19 strategy, a game changer for recovery over time*, BPCE, May 28, 2021.

(3) Federal Reserve, *Federal Open Market Committee (FOMC) press release*, December 16, 2020.

(4) “In Europe, this increase in inflation is roofless...”, *La Tribune*, June 1, 2021.

(5) *Global Economic Outlook, Recovery: Managing Divergent Recoveries*, IMF, April 2021.

(6) *Global Economic Outlook, Recovery: Managing Divergent Recoveries*, IMF, April 2021.

## European monetary policies

Since the beginning of the crisis, in March 2020, the ECB has conducted a very accommodative monetary policy to actively support the economy, which is experiencing major difficulties. The massive liquidity injected into the financial system, combined with national measures to support households and businesses, helped to increase the solvency of economic players and put the negative spiral of defaults which emerging on hold.

The measures taken by the ECB in response to the health crisis cover several areas. Firstly, the institution confirmed its firm intention to maintain a long-term policy of low interest rates. The interest rate on the main refinancing operations remained stable at 0% <sup>(1)</sup>, the marginal lending facility rate at 0.25% <sup>(1)</sup> and the deposit facility rate at -0.5% <sup>(1)</sup>. This access to cheap credit has made it possible to support economic players and contribute to the achievement of an inflation target of 2%. The ECB rapidly set up a new emergency purchasing program, the PEPP, with an overall budget of €1,850bn <sup>(2)</sup> and maturity extended until March 2022. The ECB's purchases of securities from financial institutions ultimately contribute to injecting liquidity into the

economy. Lastly, the ECB opted for additional direct support for banks with the launch of a third long-term refinancing plan at a very competitive rate, the TLTRO III (Targeted Longer Term Refinancing Operations), which runs until June 2022 <sup>(3)</sup>. Banks have subscribed to these advantageous refinancings whose counterpart is to promote access to credit for households and companies in return.

The ECB specifies that one of the consequences of the health crisis is a sharp increase in households savings following the sharp drop in consumption during lockdown periods. This substantial amount of capital should fuel a strong recovery in consumption and economic activity once health security measures are phased out, which could accelerate with vaccination. Fiscal and monetary policies should also remain accommodative to support the economic recovery and achieve the medium-term inflation target. It should be noted that inflation is partly due to energy prices, which are on the rise in the euro zone and have led to an acceleration of inflation on an annual basis, from 0.9% <sup>(4)</sup> to 1.3% <sup>(4)</sup> between February and March 2021.

(1) *Monetary policy decisions, European Central Bank, March 11, 2021.*

(2) *2021-2022 forecasts: The Anti Covid-19 strategy, a game changer for recovery over time, BPCE, May 28, 2021.*

(3) *Press release, ECB, December 10, 2020.*

(4) *ECB Economic Bulletin, issue 3/2021, May 6, 2021.*

# FINANCIAL TRANSACTIONS

## Funding

### CAPITAL MARKET ENVIRONMENT

In the first half of 2021, the supply of covered bonds was down year-on-year to €45.5bn, a decrease of 32% compared to the first six months of 2020. Even if the net supply remained negative (-€41bn), the month of June was characterized by a return to positive in net supply for the first time of the year, with deposits of around €7.15bn. This result confirms the resilience of the covered bonds which remains a very relevant refinancing tool in the context of the end of the health crisis.

In terms of issue maturities, the overall distribution of 2021 issuances has been extended with maturities of between nine and 15 years on average since the beginning of the year. The under-representation of short maturities of less than four years and the return of issues with maturities of more than ten years shows that the market is returning to a pre-crisis maturity structure, which reflects increased confidence in the upcoming end of the crisis.

Once again, issuances in the France region largely dominate the euro benchmark market accounting for just under 30% of issuances in the first half of 2021. The number of issuances in France remained relatively stable compared to the first half of 2020 (around 30% of the market). The appeal of the French covered bond market is due to its strong resilience and stability in terms of credit spreads despite recent periods of major economic disruption. Issuances in Germany came second, down slightly (17%) compared to the first half of 2020 (20%). It should be noted that Norway recorded a sharp increase in its issuances in the first half of 2021 (13% market share) compared to 2020 (6%).

The first half of 2021 saw a steady decline in issuance margins, with a normalizing trend to pre-crisis levels. It should be noted that higher inflation levels at the end of the half-year fueled a slight increase in margin volatility.

### OPERATIONAL REVIEW

Compagnie de Financement Foncier raised €1.8bn in medium and long-term resources with an average maturity of eight years. Public issuances represent 80% of volumes issued, compared with 20% for private placements. The latter, which amounted to €0.3bn, reflect Compagnie de Financement Foncier's ability to deliver a differentiated offering adapted to investor demand and once again confirm a solid positioning in its market.

On the primary market, issuances in the first half of the year amounted to €1.8bn compared with €1.2bn in the first half of 2020. Issuances of covered bonds are very resilient and continue to enjoy high investor confidence. The oversubscription of this transaction demonstrates the success of the French covered bond model and the strong fit between Compagnie de Financement Foncier's covered bonds and the expectations and objectives of its loyal customers.

At the beginning of the second quarter of 2021, Compagnie de Financement Foncier issued the first euro benchmark of the year. With an issue size of €1.5bn, this is the most important transaction for Compagnie de Financement Foncier since 2018. Compagnie de Financement Foncier is the third issuer of covered bonds to have reached such a significant issue size this year.

Outside the Eurosystem, German and Austrian investors remained the main contributors to Compagnie de Financement Foncier's issuances in the first half of 2021 with 33% of allocations. Note the increasing representation of Swiss and Asian investors, who are particularly keen on Compagnie de Financement Foncier issuances, with respectively 17% and 5% of allocations.

By category of investor, we notice a significant increase in the share of central banks (42% of allocations in 2021 vs 22% in 2020) following the implementation of the various investment programs. The PEPP, extended until the end of March 2022, helped to increase liquidity in the covered bond market. Exposure to banks remained high, although it was down compared to 2020 (41% of allocations in 2021 vs 55% in 2020). Banks and asset managers remained a major and recurring investor base with 55% of investments made in the first half of 2021.

## Compagnie de Financement Foncier – supporting Groupe BPCE

### GRUPE BPCE FUNDING AND PORTFOLIO MANAGEMENT

The first half of 2021 confirmed the interest shown by the Group's institutions for the highly competitive resources offered by Compagnie de Financement Foncier. During this first period, Compagnie de Financement Foncier's sales teams increased their contacts with the Group's various institutions to enable more entities to use Compagnie de Financement Foncier's low-cost resources. In this context, twelve Caisses d'Épargne, six Banques Populaires and Natixis have already refinanced themselves with Compagnie de Financement Foncier. Among the six Banque Populaire banks, three are new compared to 2020. Four other Banque Populaire banks have also shown keen interest, with refinancing projects currently under review.

In the first half of 2021, Compagnie de Financement Foncier refinanced 77 receivables for a total amount of €743m of which:

- €101m for the six Banque Populaire banks broken down into 18 public sector receivables;
- €519m for the Caisses d'Épargne network broken down into 42 public sector receivables;
- €123m for Natixis spread broken down into 17 tax receivables.

However, the current health crisis and the regional and departmental elections required the postponement of some ongoing calls for tenders which could be completed in the second half of the year.

The competitiveness of Compagnie de Financement Foncier's resources enables the Group's institutions to more naturally take up calls for tenders launched by local authorities.

Indeed, in the first half of 2021, Compagnie de Financement Foncier's refinancing was directed towards the French public sector in the amount of €620m, of which 29% allocated to the departments, 15% to cities, 11% to major hospitals, and 8% to the social housing sector. Urban areas and large cities alone account for 5%. The remaining 32% are for public institutions.

All this refinancing of public sector assets was subject to a strict selection process aimed at allocating Compagnie de Financement Foncier's resources to counterparties with solid financial fundamentals.

### Managing collateral

In the first half of 2021, Crédit Foncier continued to maintain various channels for refinancing its receivables, through assignments or disposals.

Externally, Crédit Foncier used assignments of receivables from the Caisse des dépôts et consignations (CDC) (€3.3bn) and the European Investment Bank (EIB) (€0.69bn).

Internally, Crédit Foncier carried out disposals or assignments of receivables with Compagnie de Financement Foncier. In the first half of 2021 Crédit Foncier sold €304.1m in mortgage loans to Compagnie de Financement Foncier (outstanding principal and related receivables). Assignments of eligible receivables (under Article L. 211-38 CMF) were also carried out in the amount of €14.6bn with Compagnie de Financement Foncier.

### Disposal and securitization of loans to individuals

To meet its funding requirements or to manage its doubtful loans, Crédit Foncier may carry out securitization transactions or sell loans taken out by individuals. During the first half of 2021, a disposal of non-performing loans with a gross outstanding of €45.2m was completed.

### Managing derivatives

As part of the optimized management policy for its derivatives portfolio, Groupe Crédit Foncier limited as much as possible the setting up of internal derivative transactions between Crédit Foncier and Compagnie de Financement Foncier. Therefore, the volume of swaps between Compagnie de Financement Foncier and Crédit Foncier remained limited in the first half of 2021.

To ensure the clearance of its transactions on derivatives centrally, pursuant to the EMIR EU Regulation (European Market and Infrastructure Regulation) Crédit Foncier has been a member of the London clearing house LCH since 2014. However, in the context of Brexit, Crédit Foncier is now also a member of the Frankfurt-based clearing house Eurex since May 2020.



## PRESENTATION OF COMPAGNIE DE FINANCEMENT FONCIER

# 2

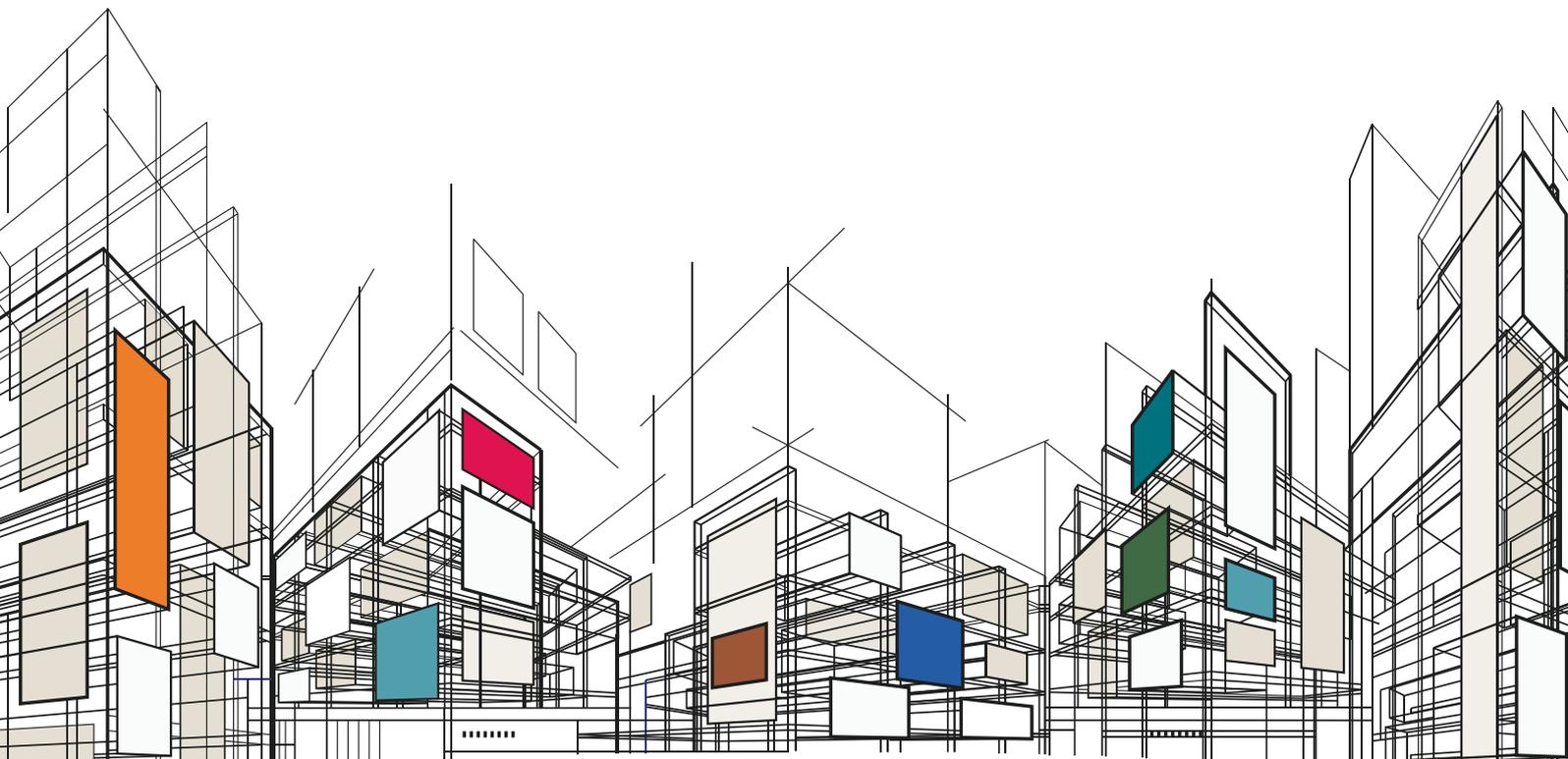
## REPORT ON CORPORATE GOVERNANCE

### COMPOSITION OF EXECUTIVE AND MANAGEMENT BODIES

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### POTENTIAL CONFLICTS OF INTEREST

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## COMPOSITION OF EXECUTIVE AND MANAGEMENT BODIES

### Executive Management as of June 30, 2021

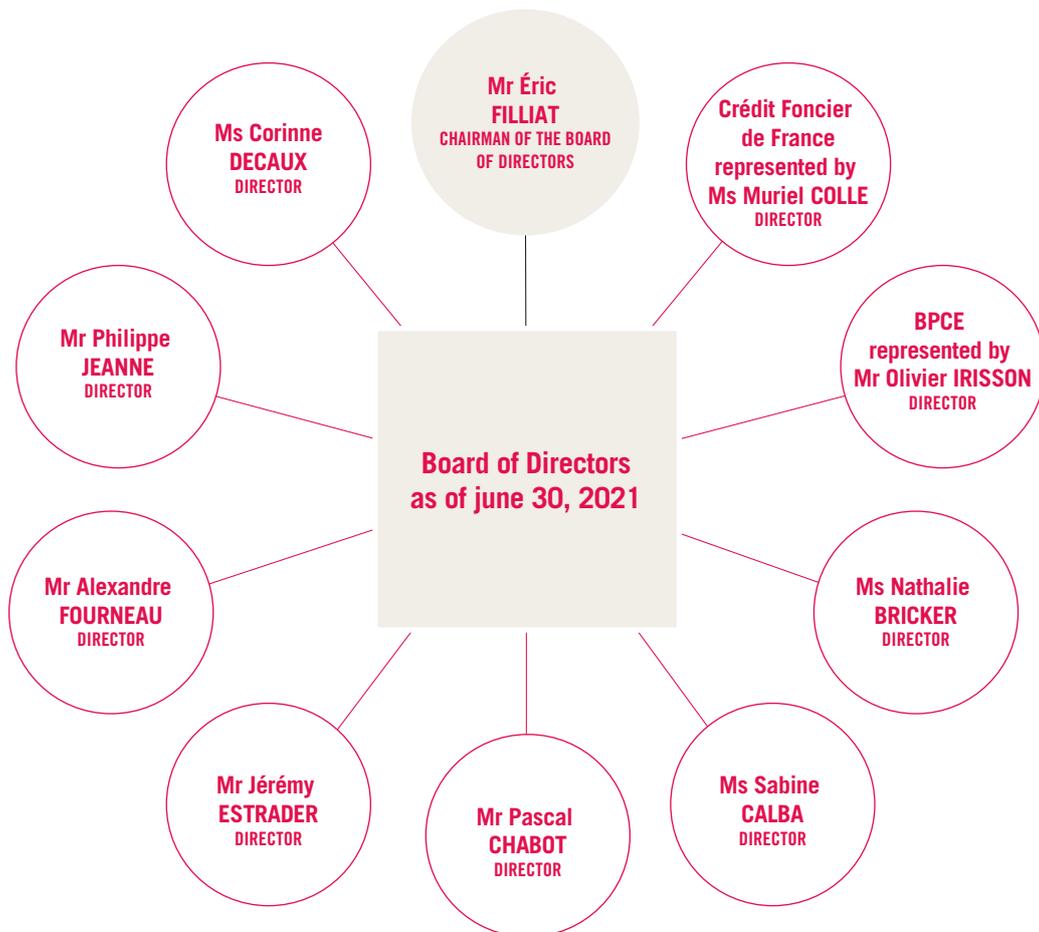
Mr Olivier AVIS, Chief Executive Officer

Mr Paul DUDOUIT, Deputy Chief Executive Officer

### CHANGES IN EXECUTIVE MANAGEMENT IN THE FIRST HALF OF 2021

None.

### The Board of Directors as of June 30, 2021



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

### CHANGES IN THE BOARD OF DIRECTORS IN THE FIRST HALF OF 2021

None

## The Committees set up by the Board of Directors on June 30, 2021

The Company has the following Committees:

### APPOINTMENTS COMMITTEE

The Appointments Committee is tasked with proposing candidates for the function of member of the Board of Directors, assessing the Board's diversity of knowledge and setting targets for gender representation.

### AUDIT COMMITTEE

The Audit Committee operates in accordance with internal regulations approved by the Board of Directors at its meeting of June 29, 2004 and most recently updated by the Board on December 18, 2019.

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

Its usual scope includes:

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

### RISK COMMITTEE

The Risk Committee operates in accordance with internal regulations approved by the Board of Directors at its meeting of August 25, 2015 and most recently updated by the Board on December 18, 2019.

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 of intervention 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: financial instruments, savings products, banking operations, investment services, etc.).

There were no changes within the committees in the 1<sup>st</sup> half of 2021.

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 concerning permanent and periodic controls of Articles 16 *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, and to the principle applied by the management of Crédit Foncier under which the executive bodies of credit institution subsidiaries may draw on the parent company's structure to fulfill their obligations in terms of permanent and periodic control and compliance. Crédit Foncier's Director of Compliance and Permanent Controls is thus responsible for the tasks as Head of the compliance verification function described in Articles 28 *et seq.* of the aforementioned decree for Compagnie de Financement Foncier.

## POTENTIAL CONFLICTS OF INTEREST

Any potential conflicts of interest are detailed on page 76 of the 2020 Universal registration document.



# 3

## MANAGEMENT REPORT

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## MANAGEMENT REPORT

As part of its strategic plan, Compagnie de Financement Foncier refinances assets originating from Groupe BPCE entities under optimal conditions, to support them in the growth of their business lines.

Given the unusual circumstances of the Covid-19 health crisis, Compagnie de Financement Foncier continued to operate its businesses in very satisfactory conditions. From the start of the crisis, special measures were implemented to best support customers, offering them in particular the deferment of payment due dates. The estimated overall impact of the crisis is not material to the 1<sup>st</sup> half of 2021, in an environment where the overall cost of risk remains very low to date.

Thus, during the 1<sup>st</sup> half of 2021, Compagnie de Financement Foncier issued €1.8bn in *obligations foncières* that, like all its senior debt, are rated AAA/Aaa/AAA. <sup>(1)</sup> The rating agencies thereby acknowledge the security provided by the société de crédit foncier status and the additional commitments made by the Company in terms of financial and risk management.

At June 30, 2021, the balance sheet of Compagnie de Financement Foncier totaled €64.9bn and its net income is €50.6m.

### 1. Main transactions of the half-year

#### ACQUISITIONS AND DISPOSALS

During the 1<sup>st</sup> half of 2021, Compagnie de Financement Foncier acquired €304m in loans from Crédit Foncier including related receivables, plus €2m in financing commitments.

Furthermore, as part of its business of funding eligible assets originated by the Groupe BPCE institutions, Compagnie de Financement Foncier refinanced €743m of public sector receivables (including €104m off-balance sheet).

#### DERIVATIVES TRANSACTIONS

During the 1<sup>st</sup> half of 2021, Compagnie de Financement Foncier assigned two interest rate swap and financial swap assignments with Unicredit and Deutsche Bank to Natixis. The overall compensation for the two transactions is €6m in income.

#### FINANCING AND CASH MANAGEMENT

Compagnie de Financement Foncier issued, in the 1<sup>st</sup> half of 2021, €1.8bn of *obligations foncières* including €0.3bn of private placements. This liquidity was raised with an average maturity of 8 years.

A highlight of the 1<sup>st</sup> half of 2021 was a benchmark transaction launched in April. This issuance of €1.5bn was carried out at a favorable rate and benefited from a very high level of subscription.

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

Investors from Germany/Austria and the United Kingdom represent the majority of Compagnie de Financement Foncier's obligation foncière purchasers with 33% and 18% of allocations respectively (excluding the Eurosystem).

#### EARLY REPAYMENTS

The overall rate of early repayments and renegotiations of loans to individuals stood at 9.3%. The asset outflows linked to early repayments amounted to €1,042m for 1<sup>st</sup> half of 2021.

Early repayments had several effects on net banking income:

- accelerated amortization of acquisition premiums/discounts whose impact is estimated at +€5.6m over the period;
- the collection of repayment penalties from individual customers of €14m; as a reminder, according to the agreement on services rendered by Crédit Foncier, one third of these penalties is transferred to the latter;
- the net income impact of renegotiation fees of approximately €2.6m.

The average early repayment rate on loans to Corporates is 0.5% for the 1<sup>st</sup> half of 2021.

(1) Standard & Poor's/Moody's/Scope Ratings, updated as of the filing date of this Amendment to the 2020 Universal registration document.

## 2. Changes in assets

### ASSETS

(in €k)	06/30/2021	12/31/2020
Cash and amounts due from central banks	450,000	1,349,339
Treasury bills and equivalent	2,991,823	3,196,527
Loans and receivables due from credit institutions repayable on demand	22,721,611	23,733,098
■ Sight deposit	53,654	50,858
■ Term	22,667,957	23,682,240
Customer transactions	34,286,964	35,339,082
Bonds and other fixed-income securities	3,150,167	3,220,625
Equity interests and other long-term investments	0	0
Intangible asset and property, plant and equipment	0	0
Other assets	15,739	79,391
Accrual accounts	1,333,071	1,537,408
<b>TOTAL ASSETS</b>	<b>64,949,376</b>	<b>68,455,470</b>

The total balance sheet of Compagnie de Financement Foncier stood at €64.9bn at the end of June 2021, down by 5.1% compared with the end of 2020.

The change in the assets of Compagnie de Financement Foncier between these two dates was marked in particular by decreases in:

- transactions with customers (-€1.1bn) mainly due to the natural amortization of outstanding home loans (-€1.5bn);
- loans and receivables due from credit institutions (-€1.0bn);
- "Cash and amounts due from central banks" balances (-€0.9bn).

### HOME LOANS

Outstanding home loans, held directly or assigned through L. 211-38 loans, decreased compared to the end of 2020 due to natural amortization.

(in €m)	06/30/2021	12/31/2020	Change
Non-commercial mortgage-backed securities (See note 11)	26,098	27,625	-5.5%
Loans to private individuals guaranteed by real estate loans under L. 211-38 (See note 22)	7,369	7,844	-6.1%
<b>TOTAL</b>	<b>33,467</b>	<b>35,469</b>	<b>-5.6%</b>

### GROUP FUNDING AND ASSIGNMENT OF RECEIVABLES

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

These loans are classified as term loans and receivables from credit institutions. At the end of the 1<sup>st</sup> half, the outstanding amount of these loans amounted to €22.1bn broken down into:

- €15.4bn in loans to Crédit Foncier;
- €127m in loans to other Groupe BPCE entities, guaranteed by receivables from French local authorities;

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

The total amount of guarantees received to cover these loans amounted to €20.1bn at June 30, 2021.

### OTHER ASSETS AND ACCRUAL ACCOUNTS

Other assets totaled €15.7m at end June 2021 compared with €79.4m at December 31, 2020.

The accrual accounts stood at €1.3bn at June 30, 2021, down compared to December 31, 2020 (€1.5bn).

### 3. Changes in liabilities

#### LIABILITIES

(in €k)	06/30/2021	12/31/2020
<b>Amount due to central banks</b>	<b>0</b>	<b>0</b>
<b>Amounts due to credit institutions</b>	<b>5,869,386</b>	<b>6,268,175</b>
■ <i>Sight deposit</i>	0	0
■ <i>Term</i>	5,869,386	6,268,175
<b>Customer transactions</b>	<b>0</b>	<b>0</b>
■ <i>Sight deposit</i>	0	0
<b>Debt securities</b>	<b>53,859,396</b>	<b>56,443,309</b>
■ <i>Interbank market instruments and negotiable debt securities</i>	0	0
■ <i>Bond issues (obligations foncières)</i>	53,859,396	56,443,309
<b>Other liabilities</b>	<b>579,491</b>	<b>1,035,086</b>
<b>Accrual accounts</b>	<b>1,483,139</b>	<b>1,554,226</b>
<b>Provisions</b>	<b>481</b>	<b>602</b>
<b>Subordinated debts</b>	<b>0</b>	<b>0</b>
<b>Reserve for general banking risks</b>	<b>20,000</b>	<b>20,000</b>
<b>Equity excluding reserve for general banking risks</b>	<b>3,137,483</b>	<b>3,134,072</b>
■ <i>Share capital</i>	2,537,460	2,537,460
■ <i>Additional paid-in capital</i>	343,002	343,002
■ <i>Reserves</i>	134,475	132,117
■ <i>Regulated provisions and investment subsidies</i>	0	0
■ <i>Retained earnings</i>	71,995	74,352
■ <i>Income to be allocated</i>	0	0
■ <i>Net income for the period</i>	50,551	47,141
<b>TOTAL LIABILITIES</b>	<b>64,949,375</b>	<b>68,455,470</b>

Amounts due to credit institutions decreased by €0.4bn in the 1<sup>st</sup> half of 2021.

Debt securities decreased by €2.6bn, a net change corresponding to maturities during the half-year (€4.2bn) and new issues of *obligations foncières* (€1.8bn).

Shareholders' equity stood at €3.1bn, stable compared with end 2020.

## 4. Analysis of the income statement

### INCOME STATEMENTS

(in €k)	06/30/2021	06/30/2020*	06/30/2020
Net interests margin	113,668	76,006	78,458
Net commissions	15,827	18,760	18,760
Other bank operating charges	-1,320	-2,027	-2,580
<b>Net banking income</b>	<b>128,175</b>	<b>92,739</b>	<b>94,638</b>
General operating expenses	-54,986	-51,558	-53,457
<b>Gross operating income</b>	<b>73,189</b>	<b>41,181</b>	<b>41,181</b>
Cost of risk	1,326	336	336
<b>Operating income</b>	<b>74,515</b>	<b>41,517</b>	<b>41,517</b>
Gains or losses on fixed assets	0	20,047	20,047
<b>Income before tax</b>	<b>74,515</b>	<b>61,564</b>	<b>61,564</b>
Income tax	-23,964	-22,650	-22,650
<b>NET INCOME</b>	<b>50,551</b>	<b>38,914</b>	<b>38,914</b>

\* Proforma taking into account the reclassification of the BPCE central body contribution under general operating expenses to net banking income (Group standards) and the reclassification of a provision for other NBI expenses to net interest margin.

### NET BANKING INCOME

Net banking income for the 1<sup>st</sup> half of 2021 amounted to €128.2m, up sharply compared to the 1<sup>st</sup> half of 2020, driven by a significant increase in the net interest margin compared to the 1<sup>st</sup> half of 2020.

Net commissions, mainly composed of early repayment fees, were down compared to the 1<sup>st</sup> half of 2020 in correlation with the fall in early repayment volumes.

### GROSS OPERATING INCOME

Management fees amounted to €55.0m at the end of June 2021, including €8m for the final 2020 invoicing for the services provided by Crédit Foncier and a provisional invoicing for the 1<sup>st</sup> half of 2021 of €37.9m compared with €33.3m in the 1<sup>st</sup> half of 2020.

Gross operating income amounted to €73.2m in the 1<sup>st</sup> half of 2021 compared to €41.2m in the 1<sup>st</sup> half of 2020.

### COST OF RISK

The cost of risk was a net reversal of €1.3m in the 1<sup>st</sup> half of 2021 (compared with a net reversal of €0.3m in the 1<sup>st</sup> half of 2020), due in particular by the improvement in collective risk.

### NET INCOME

Net income amounted to €50.6m in the 1<sup>st</sup> half of 2021, compared to €38.9m in the 1<sup>st</sup> half of 2020.

## 5. Cash flows

Refer to note 25 "Cash flow statement" in chapter 5 – Financial information (page 94).

## 6. Risk factors

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

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

Some of the risks faced by Compagnie de Financement Foncier are described below. This is not an exhaustive list of all the risks faced by Compagnie de Financement Foncier, but the risks considered as the most significant in terms of their probability of occurrence and potential impact.

Other risks not identified to date or considered today as non-material for Compagnie de Financement Foncier could have an unfavorable impact on its business, financial position, and/or results.

### 1. CREDIT AND COUNTERPARTY RISK

#### 1.1 DEFAULT AND COUNTERPARTY RISK

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

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

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

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

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

- on its portfolio of real estate loans to individual customers (€32.5bn) in the event of a sharp rise in defaults combined with a sudden and significant drop in the value of the properties used to guarantee these loans;

- in the case of the default of a public entity to which Compagnie de Financement Foncier has significant exposure, in particular Italy, the United States and Switzerland

Further, Compagnie de Financement Foncier's cost of risk was reversed by €1.3m at June 30, 2021. For further information, please refer to the 2020 Universal registration document of Compagnie de Financement Foncier (page 50).

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

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

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

At June 30, 2021, Compagnie de Financement Foncier's balance sheet amounted to a total €64.9bn. The breakdown of Compagnie de Financement Foncier's outstanding assets/liabilities with regard to credit institutions and central banks is as follows:

#### ASSETS

<i>Of which:</i>	<i>(in €m)</i>
Cash and amounts due from central banks	450
Loans and receivables due from credit institutions repayable on demand	22,722

#### LIABILITIES

<i>Of which:</i>	<i>(in €m)</i>
Amount due to central banks	0
Amounts due to credit institutions	5,869

## 1.2 CONCENTRATION RISK

The volume of exposures to the Public sector is mainly concentrated in France, while abroad, the exposure of Compagnie de Financement Foncier to Public sector is subject to a few significant individual concentrations, particularly Italy for sovereigns. As a reminder, Compagnie de Financement Foncier has no longer been purchasing Public sector loans abroad for several years.

Real estate loans recognized in Compagnie de Financement Foncier's balance sheet are mainly composed of residential loans (assets with high granularity) produced in France. In the event that the French real estate market suffers a significant downturn, this could have adverse consequences on the quality of Compagnie de Financement Foncier's portfolio of real estate assets.

The international exposure of Compagnie de Financement Foncier was €7.7bn at June 30, 2021, compared with €7.9bn at December 31, 2020; it was divided mainly between Italy (€3.1bn), North America (€1.7bn) and Switzerland (€1.0bn).

Compagnie de Financement Foncier's entire International Sovereign portfolio (€2,534m) has an internal rating of at least A-.

## 1.3 COUNTRY RISK

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

Compagnie de Financement Foncier is exposed to country risk, which is the risk that a foreign country's economic, financial, political or social conditions impact its financial interests. Due to the geographic diversification of its assets, Compagnie de Financement Foncier is particularly sensitive to the economic environment in France and other specific countries.

The European markets can experience disturbances that impact economic growth and can impact the financial markets.

In particular, a serious economic disruption (such as the 2008 financial crisis) can have a significant negative impact on the operations of Compagnie de Financement Foncier, in particular if the disruption is marked by a significant drop in financial market liquidity, making it more difficult to carry out the funding activity provided by Compagnie de Financement Foncier on behalf of Crédit Foncier and Groupe BPCE.

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

However, the review of international counterparties suggests a low probability of occurrence of the risk, with an expected moderate final direct impact on Compagnie de Financement Foncier.

The international exposure of Compagnie de Financement Foncier was €7.7bn at June 30, 2021, compared to €7.9bn at December 31, 2020, and can be divided between:

- Italian and Polish Sovereigns for €2.5bn (before hedging swaps). Compagnie de Financement Foncier's whole International sovereign portfolio enjoys an internal rating of at least A-;

- the outstanding amount of the IPS portfolio (excluding sovereign) and Large Corporates for €3.9bn, virtually stable compared to December 31, 2020 (€4.0bn). It may be noted that 66% of this portfolio has an internal rating of at least A;
- outstanding amounts in the portfolio counter-guaranteed by monoline insurers on IPS, Large Corporates and Sovereign exposures for €1.31bn. 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.

## 2. FINANCIAL RISKS

### 2.1 INTEREST RATE AND OPTION RISKS

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

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

Compagnie de Financement Foncier buys *via* its true sale model mortgages to private individuals at market prices.

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

Early repayments and renegotiations of outstanding loans to individuals on Compagnie de Financement Foncier's balance sheet represented 9.3% of outstanding loans at June 30, 2021, compared to 10.9% at December 31, 2020. The ongoing low level of rates explains the high level of requests for early repayments and renegotiations.

### 2.2 CREDIT SPREAD RISKS

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

In order to maintain a competitive refinancing cost, Compagnie de Financement Foncier strives to maintain the AAA credit rating of its *obligations foncières*. To do this, it carefully selects quality assets (acquired or assigned) and manages the overcollateralization of its balance sheet in relation to the outstanding *obligations foncières*.

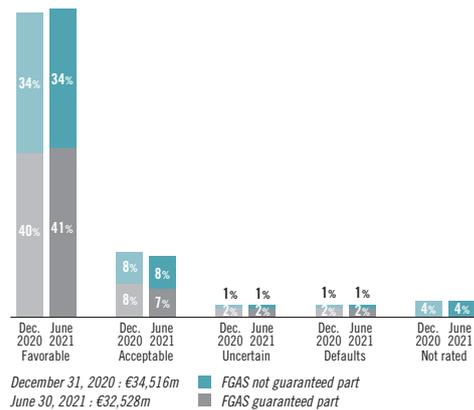
In the event of a severe financial crisis, the downgrading of the credit ratings of assets on the balance sheet or provided as collateral to Compagnie de Financement Foncier could end up calling into question the AAA rating of its *obligations foncières*. In addition, the deterioration in the credit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

The decline in the credit rating of the *obligations foncières* would increase the refinancing cost of Compagnie de Financement Foncier and could potentially impair its profitability.

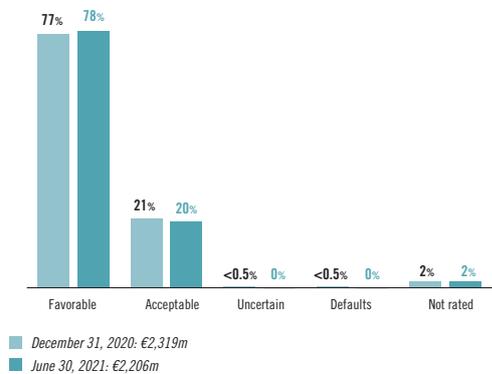
At June 30, 2021, the *obligations foncières* of Compagnie de Financement Foncier were rated AAA/Aaa/AAA with stable outlooks by three rating agencies (S&P, Moody's and Scope Ratings).

The quality of outstandings held by Compagnie de Financement Foncier is of a very high level.

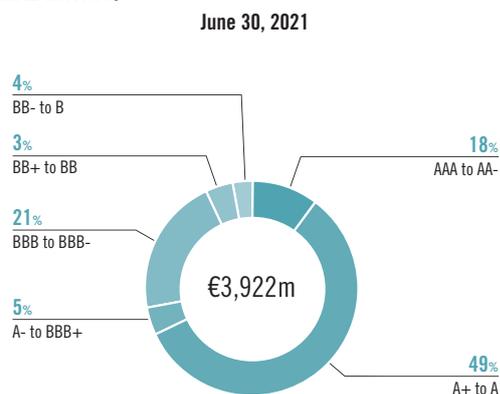
### OUTSTANDING MORTGAGE LOANS TO INDIVIDUALS (INTERNAL RATING)



### SOCIAL HOUSING PORTFOLIO (BASEL II RATING)



### EXPOSURE TO THE INTERNATIONAL PUBLIC SECTOR (EXCLUDING SOVEREIGN) AND LARGE CORPORATES (INTERNAL RATING)



## 2.3 LIQUIDITY RISK

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

Compagnie de Financement Foncier derives its liquidity from several sources:

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

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

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

Nevertheless, at June 30, 2021, Compagnie de Financement Foncier held €7.2bn in assets eligible for ECB operations before the haircut. In addition, Compagnie de Financement Foncier has undertaken to maintain sufficient short-term cash flow to meet its cash requirements at all times for at least 180 days.

The Company's excess liquidity situation can also be identified using the Liquidity Coverage Ratio (LCR), which illustrates the institution's ability to cope with short-term liquidity stress.

Compagnie de Financement Foncier's LCR complies with the 100% limit applicable since January 1, 2018. At June 30, 2021, Compagnie de Financement Foncier had a liquidity reserve of €2.98bn against a Net Cash Outflow (NCO) of €0.4bn over 30 days.

## 3. STRATEGIC, BUSINESS AND ECOSYSTEM RISKS

### 3.1 STRATEGIC AND BUSINESS RISKS

#### Compagnie de Financement Foncier could be affected by an operational risk linked to Crédit Foncier's failure to adhere to the agreements it has entered into.

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, the asset-liability management agreement and the financial services agreement), Crédit Foncier is responsible for monitoring Compagnie de Financement Foncier's credit risks, counterparty risks, interest rate and foreign exchange risks, market risk, operational risk and liquidity and settlement risk.

Even if it does not seem very probable, Compagnie de Financement Foncier could be exposed to the risk of noncompliance by Crédit Foncier with the agreements binding it to Compagnie de Financement Foncier. If this risk occurs, it could result in a severe, negative impact for Compagnie de Financement Foncier (cessation of activities, related image risk).

However, this risk is well-managed in the relations between the two establishments. Operational risks, as defined by the decree of November 3, 2014, are monitored by Crédit Foncier in the name and on behalf of Compagnie de Financement Foncier. It is represented in the Operational Risks Committee. Material Operational Risk incidents relating to it and involving an amount greater than €300k are also presented to the Executive Risk Committee of Compagnie de Financement Foncier. An incident was reported on April 30, 2021 following delayed access to the Amadéa pricer of Compagnie de Financement Foncier recorded on April 27, 2021. Note that the unavailability of the pricer did not result in any financial loss.

The provision of these services by Crédit Foncier is subject to the controls defined at the start of the year by each Crédit Foncier division. These control plans are validated by the Internal Control Committee chaired by the Chief Executive Officer. The control results are regularly presented to the Committee.

Furthermore, the Specific Controller of Compagnie de Financement Foncier performs controls in addition to the aforementioned controls and those carried out by the Statutory Auditors.

Finally, Crédit Foncier's Risks and Compliance department and Compagnie de Financement Foncier's employees in charge of monitoring hold discussions regularly and at least at each quarterly meeting.

**The current coronavirus (Covid-19) pandemic and its economic consequences could ultimately impact Crédit Foncier's activities and results.**

The rapid spread of the pandemic to the entire planet has caused a significant deterioration in the economic and financial situation in various business and financial sectors for economic participants, significant disturbances in financial markets as the affected countries have had to institute health measures.

More generally, the ongoing coronavirus (Covid-19) pandemic and its economic consequences poses a risk to Crédit Foncier in respect of its activities, results and financial position, to the extent that:

- it is causing organizational changes (e.g. remote work) which could bring about an operational risk;
- it is slowing down exchanges in money markets and could have an impact on the supply of liquidity;
- it is increasing customers' liquidity requirements and in particular the amounts loaned to these customers to enable them to withstand the crisis;
- it could cause an increase in corporate defaults, particularly among the weakest corporations or in the sectors with the highest exposure;
- it is causing violent upheavals in the valuation of market assets, which could impact market activities and therefore funding activities.

In response, massive fiscal and monetary policy measures to support activity were put in place at the European and national level. At the European level, the ECB has set up dedicated financing and investment programs (PEPP) to guarantee significant liquidity and low interest rates. At the French level, the State has put in place specific support and financing measures to support households and companies experiencing difficulties (for individuals, partial employment measures as well as many other tax social and bill payment measures, and for companies and professionals, State-guaranteed loans, tax and social relief measures).

The evolution of the Covid-19 situation is a source of significant uncertainty, as its real consequences on economic actors have not yet had their full impact due to the massive support measures put in place by Europe and the Member States. At this stage, the impacts of Covid-19 on Crédit Foncier's business lines (loan management and refinancing for Groupe BPCE), its results (net banking income and cost of risk in particular) and its financial situation (liquidity and solvency) are not significant, but the future consequences on Crédit Foncier's economic clients when the support measures are gradually phased out could be material, although difficult to quantify.

Thus, it is likely that the effects of Covid-19 will only be time-lagged and actually seen and quantifiable in the 2<sup>nd</sup> half of 2021 and in 2022. To date, late payment and default rates have remained very stable.

As a reminder, provisions for "Covid-19" were set aside by groupe Crédit Foncier for €24.5m. They are divided between Retail (€12.1m), Corporate (€10.1m) and the Banco Primus subsidiary (€2.3m).

In particular, sectoral provisions have been set aside for Retail (€8m), in order to deal with a possible deterioration in the residential property market, and for Corporate (€8m), in order to deal with a possible deterioration in the economic situation caused by the health crisis, particularly in certain sensitive sectors (tourism, hotels, restaurants and retail).

### 3.2 ECOSYSTEM RISKS

#### MACROECONOMIC RISKS

**In Europe, the recent economic and financial environment could have an adverse impact on the businesses of Compagnie de Financement Foncier and the markets in which it operates.**

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

A deterioration in the international macroeconomic situation would impact the refinancing model by changing the behavior of investors, who would adopt more cautious asset allocation with more liquidity: Compagnie de Financement Foncier would then potentially issue more limited volumes of *obligations foncières* with higher margin levels, which would reduce Compagnie de Financement Foncier's net banking income. In terms of assets, Compagnie de Financement Foncier has a portfolio of €57.3bn, exposed to France (88% of the outstanding amounts at June 30, 2021) and €7.7bn internationally (13% of the outstanding amounts at June 30, 2021), mainly public in nature. A deterioration in the international macroeconomic situation would weaken some borrowers, who could then face bad debt or default situations, which would lower the net banking income of Compagnie de Financement Foncier.

#### REGULATORY RISK

In essence, Compagnie de Financement Foncier's activity, which is focused primarily on the issuance of *obligations foncières*, is governed by strict and specific regulations, which must be complied with. Regulatory risk could weigh on Compagnie de Financement Foncier's business outlook.

Laws and regulatory measures proposed to avoid or mitigate the effect that new financial crises could have a material financial impact on Compagnie de Financement Foncier and on the financial and economic environment in which it operates.

Laws and regulations have been enacted or proposed to introduce a series of changes to the global financial framework, some of which are permanent. They are likely to change the environment in which Compagnie de Financement Foncier and other financial institutions operate. Some of these measures could also increase the financing costs of Compagnie de Financement Foncier.

Without being exhaustive, one can cite the following measures, either approved or under consideration: changes in regulations relating to covered bonds, new methodologies for credit risk weighting, creation of regulatory bodies or the enhancement of the resources of existing bodies, taxes on financial transactions, etc. Some of these measures are only at the draft stage and their contents will probably be revised and interpreted, in particular for reasons of compliance with national prudential policies in each country.

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

Compagnie de Financement Foncier's business consists mainly of issuing *obligations foncières* in the markets to refinance the lending activities of Groupe BPCE entities and the outstanding loans historically originated by Crédit Foncier. The measures mentioned, the Covered Bond directive (directive (EU) 2019-2162) among others, could lead to increased minimum capital requirements, increased provisioning of outstanding amounts, locking in upfront the liquidity to cover the costs of running the structure in a run-off mode, more detailed and frequent information and data reporting obligations, requiring more resources.

## 4. NON-FINANCIAL RISKS

### 4.1 SECURITY AND INFORMATION TECHNOLOGY RISK

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

Like most financial institutions, Groupe Crédit Foncier relies heavily on its communication and information systems, as its activities require handling a large number of increasingly complex transactions. Any breakdown, interruption or failure in these systems could result in errors or interruptions in the customer management, general accounting, deposit, transaction and/or loan processing systems.

The consequences of these interruptions or failures could potentially have significant consequences for Compagnie de Financement Foncier's business. All Groupe BPCE measures are taken to reduce the probability of occurrence and any adverse impacts.

Compagnie de Financement Foncier is highly dependent on its communication and information systems provided by IT-CE and BPCE-IT (Groupe BPCE internal service providers). These work within the scope of the groupe Crédit Foncier and are involved in third-party application maintenance.

The Head of Information Systems Security for Groupe Crédit Foncier is also in charge of the same area for Compagnie de Financement Foncier. Therefore, the governance in terms of Information Systems Security at Crédit Foncier includes, by extension, that of Compagnie de Financement Foncier. It is mainly organized around:

- an Information Systems Security Policy (ISSP) specific to Crédit Foncier, and its application by area as underpinned by the Security Policy and the rules of Groupe BPCE;

- a dedicated governing body with the Internal Information Systems Security Committee (IISSC) chaired by a Deputy Chief Executive Officer;
- an outreach plan to raise awareness about cyber risks and security risks among all employees;
- a permanent control mechanism for Information Systems Security, combined with a half-yearly security report (security indicators);
- indicators on the state of the level of security of the Crédit Foncier information system and, by extension, that of Compagnie de Financement Foncier.

This system is usefully supplemented by the resources of Groupe BPCE, which reinforce it with:

- the use of the BPCE IT operational security center, which has monitoring tools and systems to supervise atypical or threatening security events;
- the VIGIE system, a community of IS Security players at Groupe BPCE;
- the Groupe BPCE CERT (Alert and Response Center for Computer Attacks), which monitors and responds to identified external threats.

Thus, the main risk factors in Information System Security can be addressed through the following items:

- **Availability of the information system and resources:** in order to control this risk factor, a Contingency and Business Continuity Plan system has been developed and deployed. It is currently in the maintenance in operational condition phase. It is subject to annual tests as a minimum and has shown its efficacy in the wake of the Covid-19 crisis.

The residual risk relating to the availability of the service is low given the measures put in place and tested regularly. However, the risk of flooding moderates this risk very slightly upwards in view of the location of the Crédit Foncier premises, which house Compagnie de Financement Foncier.

- **Integrity of the information, processing and data system:** with the outsourcing of its information systems within Groupe BPCE, the integrity of its information system is ensured by its two IT service providers, BPCE-IT and IT-CE. However, Crédit Foncier's Head of ISS regularly monitors the processing and security actions of these two service providers. The summary of this security monitoring is presented to the appropriate governing bodies.

The residual risk in terms of integrity is rated as low: the integrity guarantee mechanisms implemented by BPCE-IT and IT-CE can provide reasonable assurance in terms of the robustness and coverage of this factor. The tests that have been carried out and the feedback on the control devices from the operator confirm this.

- **Processing and data confidentiality:** this factor is the subject of continuous action and monitoring, both operationally through measures restricting access to data and processing and in terms of control, with regular reviews of access to processing and data. This monitoring is carried out by a specific GDPR Committee chaired by a Deputy Chief Executive Officer.

The residual risk in terms of confidentiality is low given the provisions presented above. The control of rights reviews according to the principle of least privilege and separation of duties and the provisions for controlling data leaks (closure of USB ports, strengthening of password policies, management of high privilege accounts) also lead to better control of this risk.

- **Proof system:** this risk is handled through the implementation, by the aforementioned two IT service providers (BPCE IT and IT-CE), of traceability systems for transactions carried out on the information system of Crédit Foncier and therefore of Compagnie de Financement Foncier attached to the logging of transactions carried out by users.

The residual risk relating to the proof is low: the mechanisms for logging both technical and business transactions are tested regularly for operational needs. It should be noted that aspects related to the General Data Protection Regulation (GDPR) are likely to increase the control of this risk.

In short, taking into account the measures in place, and their monitoring, the residual risk has a low probability of occurrence for Crédit Foncier and, therefore, by extension for Compagnie de Financement Foncier.

## 4.2 LEGAL AND REPUTATION RISKS

**Reputation risk, risk of misconduct and legal risk could impact the profitability and the business outlook of Compagnie de Financement Foncier.**

The reputation of Compagnie de Financement Foncier is critical for ensuring its loan refinancing business – mainly in the Public sector – originated by the Group. As such, inadequate management of potential conflicts of interest, legal and regulatory requirements,

ethical problems, poor conduct, laws concerning money laundering, the fight against terrorism, the requirements of economic sanctions, policies regarding data security and practices linked to methods of managing its activity, or any other poor conduct, could stain the reputation of Compagnie de Financement Foncier.

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

Compagnie de Financement Foncier's activity relies on the confidence of markets and investors. Inadequate management of reputation risk could impact the conditions under which it issues *obligations foncières* on the international market.

Inadequate management of these aspects could also increase the legal risk of Compagnie de Financement Foncier or expose it to sanctions from an authority.

For further information, please refer to the 2020 Universal registration document of Compagnie de Financement Foncier (page 132).

## 7. 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:

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

### LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS REPAYABLE ON DEMAND

No loan or receivable due from credit institutions was reclassified as doubtful in the 1<sup>st</sup> half of 2021. Out of the €22.7bn in loans and receivables due from credit institutions, €22.1bn are 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 €34.3bn at June 30, 2021, including €1.2bn of doubtful loans, compared with €35.3bn and €1.3bn at December 31, 2020. Doubtful loans remained almost exclusively concentrated on home loans for 99.9%. Correspondingly, out of a total of €52.29m in impairments at June 30, 2021, €52.25m concerns home loans.

### HELD-TO-MATURITY SECURITIES

Outstanding held-to-maturity securities amounted to €6.05bn (excluding accrued interest and after premiums or discounts) at June 30, 2021. None of these securities was reclassified as doubtful or impaired in the 1<sup>st</sup> half of 2021.

The outstanding amounts in terms of net carrying amount (excluding accrued interest and after premiums or discounts) break down between Italy (47%), the United States (22%), Japan (8%), France (7%), Canada (6%), Poland (6%), Spain (3%) and other countries with non-material amounts (1%).

## 8. Financial risk analysis

### INTEREST RATE AND EXCHANGE RATE 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.

Due to the implementation of a set of hedging mechanisms, Compagnie de Financement Foncier is subject to very little interest rate risk.

As soon as an asset is recorded on the balance sheet, it is transformed, if necessary, into a variable-rate asset in euros. Macro-hedging swaps are entered into when acquiring loan portfolios, micro-hedging swaps are entered into for every transaction of significant size. Similarly, the debts issued by Compagnie de Financement Foncier are hedged on a unit basis from issuance into a variable rate liability in euros.

The interest rate position is also reviewed each quarter and transactions to adjust hedging are carried out as necessary to maintain the rate gaps within the tight limits which Compagnie de Financement Foncier has set. 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 margin calls are made on a daily basis.

If the opposite situation occurs, these agreements stipulate that Compagnie de Financement Foncier shall not deposit any collateral. As of June 30, 2021, the amount of deposits received was €0.4bn.

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

In total, at June 30, 2021, micro- and macro-hedging instruments amounted to €60.8bn, of which €49.6bn in interest rate swaps and €11.1bn in currency swaps; this compares with €65.1bn at December 31, 2020, of which €53.6bn in interest rate swaps and €11.4bn in currency swaps.

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

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

Interest rates on real estate loans remained very low during the 1<sup>st</sup> half of 2021 and competition between credit institutions remains keen, however, there is a slight decrease in the level of early repayments compared to 2020. In the 1<sup>st</sup> half of 2021, all loans to Individuals recorded an average early repayment rate of 7.7% compared to 8.0% at end-2020. This figure should be seen in perspective with the decrease in outstanding amounts, which indicates the sharp decrease in the number of early repayments in the 1<sup>st</sup> half of 2021.

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.

### LIQUIDITY RISK

The very prudent liquidity management policy continued in the 1<sup>st</sup> half of 2021. Compagnie de Financement Foncier can always raise a sufficient amount of cash to meet the contractual maturities on all of its senior debt, for at least 6 months, without recourse to new resources.

At June 30, 2021, Compagnie de Financement Foncier had cash of €0.5bn, of which €0.4bn with Banque de France, and €6.6bn loaned to BPCE for a maximum of 60 days and fully guaranteed by a loan portfolio.

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

## 9. Information on internal control

For all information related to internal control, please refer to the 2020 Universal registration document of Compagnie de Financement Foncier (pages 89-93).

## 10. Regulatory and prudential information

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

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

For more information, please refer to chapter 4 - "Risk Management Report" in this Amendment to the 2020 Universal registration document (pages 33 to 60).

## 11. Other information

### SUPPLIER PAYMENT PERIODS (ARTICLE L. 441-14 OF THE FRENCH COMMERCIAL CODE) <sup>(1)</sup>

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

Most of Compagnie de Financement Foncier's management is outsourced to Crédit Foncier, and billed by the latter. The breakdown of the amount of supplier invoices received and not yet paid at the close of the fiscal year is presented in note 16 – "Other liabilities" of the separate financial statements of Compagnie de Financement Foncier.

### CUSTOMER PAYMENT PERIODS (ARTICLE L. 441-14 OF THE FRENCH COMMERCIAL CODE) <sup>(1)</sup>

There was no customer receivable not part of the banking business on Compagnie de Financement Foncier's balance sheet as of June 30, 2021.

### INFORMATION ON SUBSIDIARIES AND EQUITY INVESTMENTS

Not applicable. As a société de crédit foncier, Compagnie de Financement Foncier is prohibited by law from holding equity investments.

### EMPLOYEE PARTICIPATION IN THE SHARE CAPITAL

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

### INFORMATION ON ESTABLISHMENTS AND ACTIVITIES

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

### INVESTMENTS

Compagnie de Financement Foncier did not make any major investments (investment of over €30m requiring a qualified majority of the Board of Directors) during the fiscal year.

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

For further information, please refer to the 2020 Universal registration document of Compagnie de Financement Foncier (page 95).

### RESEARCH AND DEVELOPMENT

No research and development activity was carried out by Compagnie de Financement Foncier in the 1<sup>st</sup> half of 2021.

### MAIN RISKS AND UNCERTAINTIES

The information on the main risks and uncertainties can be found in chapter 4 - "Risk Management Report" in this Amendment to the 2020 Universal registration document (pages 33 to 60).

## 12. Post-balance sheet event

No post-balance sheet event liable to have a material impact on the financial statements at June 30, 2021 occurred between the closing date and July 29, 2021, the date on which the Board of Directors approved the financial statements.

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

## 13. Outlook

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The scale of public interventions and the support of banks helped mitigate the consequences of the Covid-19 health crisis.

Compagnie de Financement Foncier intends to continue its development in the 2<sup>nd</sup> half of 2021, in line with the strategic guidelines of Groupe BPCE and for its benefit:

- continued development and management of a network of investors in covered bonds rated AAA (by rating agencies);
- continued growth of funding of eligible loans originated by Groupe BPCE entities, by way of true sale assignments or through collateralized loans;

- active management of its assets in order to maintain their high quality, while preserving their profitability;
- continued optimization of financial risk hedging.

For more information about the future outlook, and particularly the economic and financial environment, please refer to “Economic and Regulatory Environment” on page 10.

## 14. Social and environmental information

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For all social and environmental information, please refer to the 2020 Universal registration document of Compagnie de Financement Foncier (page 96).

# 4

## RISK MANAGEMENT REPORT

<b>1. GOVERNANCE AND RISK MANAGEMENT SYSTEM</b>	<b>34</b>	<b>6. FINANCIAL RISK ANALYSIS</b>	<b>52</b>
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# 1. GOVERNANCE AND RISK MANAGEMENT SYSTEM

## 1.1. Organization of the Risk, Compliance and Permanent Control departments

The Risk and Compliance Division of Crédit Foncier is responsible for internal control and compliance for Compagnie de Financement Foncier. It is composed of:

- i) Financial Control;
- ii) the Credit Risk Division;
- iii) the Financial Risk Division;
- iv) the Risk Governance Division;
- v) the Compliance and Permanent Control Division (DCCP);
- vi) the Business Security department.

This division reports to a Chief Risk Officer of Crédit Foncier.

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. ORGANIZATION OF GROUPE CRÉDIT FONCIER'S RISK DEPARTMENT

Crédit Foncier's Risk Department, which reports functionally to BPCE's Risk Department, covers 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 groupe 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 Institutional Relations 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 groupe Crédit Foncier's Internal Control arrangements.

### MAIN RESPONSIBILITIES OF THE RISK COMMITTEES

Compagnie de Financement Foncier is part of the overall risk policy of Crédit Foncier: the Executive Risk Committee of Compagnie de Financement Foncier and the Internal Control Committee of Crédit Foncier are the umbrella committees for defining risk policy and monitoring risks

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, risk measurement and assessment systems (stress scenarios, etc.) and its main exposures;
- measuring the quality of its commitments on the basis of summary reports;
- risk management: monitoring risk, reviewing regulatory and specific ratios, monitoring the burden of risk, 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 proper organization and completeness of the permanent controls of the activities, and the effectiveness of the monitoring and control mechanisms for risks;
- 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 those systems;
- ensure that deficiencies identified at any stage of the control process (including the recommendations issued by the auditors) 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 US Bank Holding Company Act of 1956 (BHC Act), commonly referred to as "Volcker Rule".

The **Balance Sheet and Liquidity Management Committee** (CGBPL) is a general policy committee responsible for the asset-liability management of the various entities of Crédit Foncier's consolidated scope, within the limits set by the Executive Management and within the framework of the rules of Groupe BPCE. A dedicated CGBPL, chaired by the Chief Executive Officer of Compagnie de Financement Foncier, carries out its duties within its scope.

The implementation of the orientations and management decisions taken in this body is ensured through:

- **the Cash Flow Committee**, which meets twice a month and ensures operational liquidity management;
- **the Financial Management Committee**, for the monitoring and operational management of interest rate risk, implementation of current derivative compression operations and for current disposal/assignment operations.

### 1.1.2. ORGANIZATION OF GROUPE CRÉDIT FONCIER'S COMPLIANCE AND PERMANENT CONTROL DEPARTMENT

Crédit Foncier's Compliance and Permanent Control Department (DCCP) coordinates Compagnie de Financement Foncier's compliance function in accordance, in particular, with the agreement signed between the two institutions "on internal control and compliance services".

The DCCP includes:

- i) compliance and ethics;
- ii) financial security in charge of preventing and dealing with money laundering, financing of terrorism and internal and external fraud risks;
- iii) coordination of permanent controls and permanent level 2 controls of credit management operations;
- iv) operational risks.

Crédit Foncier's DCCP reports functionally to the Group departments running the corresponding departments (in particular, the Group Compliance Division (DCG) and the Group Permanent Control and Accounting Revision Division).

It is independent of all other business lines, in accordance with banking regulations.

Under the umbrella charter on internal control published on July 30, 2020, the Compliance department is responsible for preventing, identifying, assessing and monitoring risks related to banking compliance, investment services compliance, financial and general ethics.

The DCCP includes the Financial Security department, in charge of the prevention and treatment of money laundering, terrorist financing, internal and external frauds risks.

It acts as "SRBA Volcker Officer" on behalf of groupe Crédit Foncier together with the Risk Department – Financial risks. It also covers the Permanent Control and Operational Risks departments and their monitoring.

It reports on its activity and the controls carried out through periodic reports sent to the Institutional Relations department.

The Compliance and Permanent Control Division (DCCP) ensures the cross-business control functions within groupe Crédit Foncier. This structure works in close collaboration with second-level permanent control teams and the Institutional Relations department, ensuring the existence and effectiveness of the permanent control structure.

Part of the personnel dedicated to second-level permanent controls of operational entities dealing with loans to individuals and Corporates at Crédit Foncier have been centralized in this entity.

Second-level control teams remain connected with cross-business or support activities.

### 1.1.3. ORGANIZATION OF THE INFORMATION SYSTEMS SECURITY DEPARTMENT

The Head of Information Systems Security for groupe Crédit Foncier is also in charge of the Compagnie de Financement Foncier scope.

Governance in terms of Information Systems Security at groupe 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 Security and Continuity Committee (CISC) chaired by a member of Executive Management;
- an 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 half-yearly security report (security indicators).

### 1.1.4. ORGANIZATION OF THE CONTINGENCY AND BUSINESS CONTINUITY PLAN (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 Business Security, who reports directly to the Chief Risk Officer of the Risk and Compliance Department of Crédit Foncier.

Compagnie de Financement Foncier has its own CBCP Manager, fully integrated in the groupe Crédit Foncier plan.

### 1.1.5. ORGANIZATION OF THE PERSONAL DATA PROTECTION SYSTEM

Crédit Foncier's Personal Data Protection Officer (DPO) also works within the scope of Compagnie de Financement Foncier. He ensures compliance with the General Data Protection Regulation (GDPR).

Data protection governance is organized around:

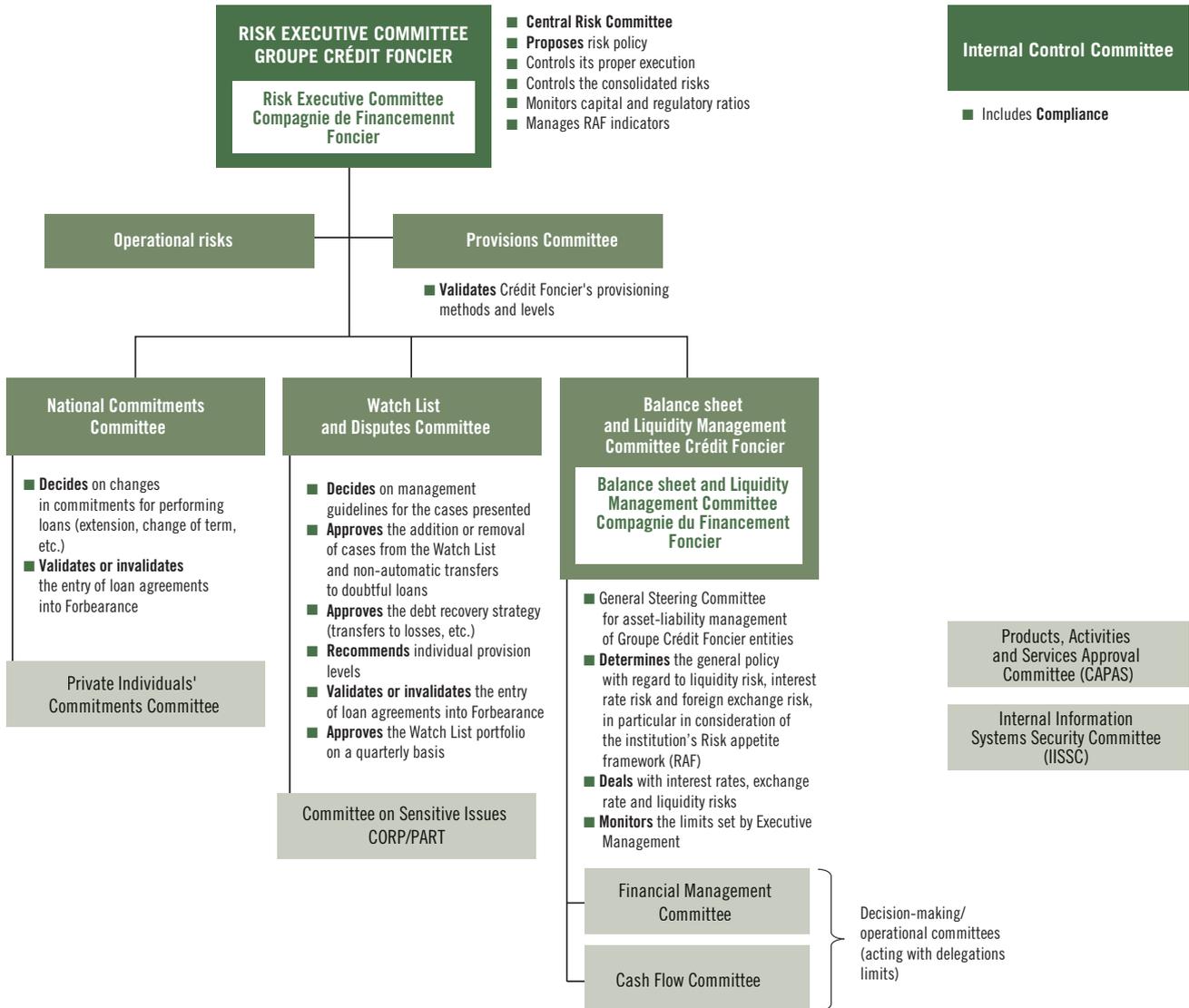
- a Group personal data protection policy applicable to Crédit Foncier and Compagnie de Financement Foncier;
- a half-yearly GDPR Committee meeting, chaired by the Deputy Chief Executive Officer of Crédit Foncier;
- a GDPR department made up of business line representatives, appointed by a member of the Executive Committee and overseen by the DPO;
- an external charter for customers or prospects and a charter for Crédit Foncier employees;
- a GDPR awareness-raising program for all employees;
- documentation dedicated to the various requirements of the GDPR standard;
- a permanent control system.

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 – COMMITTEE 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 (until the first quarter of 2019);
- 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 groupe 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 SYSTEMS AT CRÉDIT FONCIER

Commitment selection and monitoring relies on:

- implementation of risk policies across various activities (loans to individuals, 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;
- a 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 EVALUATION

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 counter analysis system is related to a delegation chain that provides for a National Committee on Commitments level where a representative of the Risk department expresses an independent opinion supported by his counter-analysis. He/she 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, followed by a counter analysis performed by a specialized independent unit.

This counter analysis falls within the exclusive competence of the Risk Department and is performed for all requests for financing submitted to the National Commitments Committee.

#### RATING APPROACH 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 is 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 ASSIGNMENT FILTER

Compagnie de Financement Foncier uses two methods of refinancing for all asset classes:

- “disposal”: Compagnie de Financement Foncier acquires an asset to refinance it. The asset is recognized directly in the balance sheet as from the date of disposal. The seller may be Crédit Foncier or a Groupe BPCE entity, for example;
- “assignment”: collateralized loans that Compagnie de Financement Foncier grants to Crédit Foncier or Groupe BPCE entities. Article L. 211-38 of the French Monetary and Financial Code authorizes the delivery of assets as collateral to a lender as a guarantee of repayment. Compagnie de Financement Foncier grants a loan and the assets of the seller are also provided as security for the proper repayment of the loan. These assets do not appear on the Compagnie de Financement Foncier balance sheet. They remain on the seller’s balance sheet, but can no longer be used, disposed of or assigned by the seller for as long as the receivable from Compagnie de Financement Foncier exists.

Concerning the first mode, the asset acquisition process implemented by Compagnie de Financement Foncier is very prudent and supplements a loan granting system that already ensures quality assets.

#### INDIVIDUALS

Compagnie de Financement Foncier acquires loans that finance home ownership and rental housing that are secured by a first-ranking mortgage, a guarantee or equivalent.

Almost all origination was carried out by Crédit Foncier until the first quarter of 2019. Compagnie de Financement Foncier now mainly acquires loans from other Groupe BPCE credit institutions. The operating method for selecting loans was adjusted accordingly.

After the origination of a loan by a Group credit institution, in accordance with the existing risk policy and eligibility rules, Compagnie de Financement Foncier acquires loans through a process aimed at selecting loans with a default risk below certain thresholds.

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 June 30, 2021.

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 loans benefiting from a FGAS guarantee;
- 80% for home loans granted to private individuals and secured by a first-ranking mortgage, a guarantee or equivalent;
- 60% for the others (relating mainly to social and commercial housing).

In addition, Compagnie de Financement Foncier uses an additional selection filter related to initial credit scores at origination and outstandings as described in the following table.

Receivables that were previously placed under observation and kept on Crédit Foncier’s balance sheet before being sold to Compagnie de Financement Foncier due to lower ratings can, since 2016, be directly acquired by Compagnie de Financement Foncier with an additional risk-limitation mechanism: an automatic termination clause is automatically activated as soon as the receivable is recorded as a doubtful loan (for a period of four years from the date of sale).

#### FOR ALL CRÉDIT FONCIER ENTITIES EXCEPT THE BELGIAN BRANCH

Filter conditions								Disposal before 2016	Disposal since 2016	Existence of a revocation clause	
Doubtful (CX, DX, RX) or Performing and having been doubtful during the last 2 years								✗	✗		
Performing and not doubtful during the last 2 years	Segment and sub-segment known	Segment or sub-segment not eligible						✗	✗		
		Eligible segments and subsegments	Age of the loan	≤ 4 years	Outstanding rating	1 to 7	Rating at origination	0 to 5	✓	✓	
						8,9,10, Not rated		6 to 9, Not rated	✗	✓	✓
		Age of the loan	> 4 years	Outstanding rating	1 to 7			✓	✓		
					8,9,10, Not rated			✗	✓	✓	

This purchasing filter by automatic termination does not apply to loans from the Belgian branch, whose funding is only carried out through assignment.

## FRENCH PUBLIC SECTOR

Compagnie de Financement Foncier's acquisition criteria on loans to French local authorities (FLA) are based on Groupe 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. This portfolio became a run-off activity in 2011. Before production ceased, the selection of these receivables was concentrated on counterparties with high external ratings, most of them in step 1 ( $\geq$ AA-).

## PRIVATE CORPORATES

Since 2016, certain long-term private corporate loans financed by Crédit Foncier have been assigned to Compagnie de Financement Foncier. These loans have a formal, full and complete first-ranking mortgage guarantee in favor of Crédit Foncier on one or more office, retail or residential assets located in mainland France.

The refinancing of these assets by assignment is limited to 60% of the mortgage value within one year of the assets provided as collateral. 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 groupe Crédit Foncier, particularly regarding 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 National Commitments Committee, these individual limits, prepared and proposed by the Risk Division, are updated, controlled and monitored through a range of reporting requirements at the initiative of the Risk department. These limits are also followed at the groupe Crédit Foncier's level.

#### MANAGING LIMIT BREACHES AND ALERT PROCEDURE

##### GENERAL PRINCIPLES

Compliance with limits is checked during regular counter analysis prior to the review of loans by the Commitment Committees.

## BANK COUNTERPARTIES

In accordance with the plan defined in the management agreements between the two institutions, compliance with limits relating to the counterparties of Compagnie de Financement Foncier's financial transactions is monitored by the Financial Risks department and is the subject of a quarterly presentation to the Executive Committee Risk.

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. It should be noted that the framework contracts with bank counterparties include a systematic margin call for the value of the exposures, 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 TRANSACTIONS

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 accounting classification of the concerned loans (performing/doubtful) and their servicing status.

## INDIVIDUALS

Monitoring is carried out by the business line's Committee on Sensitive Issues (CMAS), which meets on request to review troubled loans and to recommend the potential recognition of a provision for credit loss on an individual basis or *via* the Watch List Committee or delegation chain.

**PUBLIC SECTOR AND SOCIAL HOUSING**

Monitoring is carried out *via* groupe Crédit Foncier's Watch List Committee 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, groupe Crédit Foncier closely monitors these transactions, enabling it to alert customers in advance about the market development impacts.

**PRIVATE CORPORATES**

The receivables assigned to Compagnie de Financement Foncier have a low LTV, based on the mortgage value, which is more conservative than the market value, and finance various assets (residential, offices, retail).

In the event of a credit event (default/forbearance/Watch List), the receivable would no longer be assigned for refinancing with 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 3 main categories:

- secured loans, as defined under Articles L. 513-3, L. 513-5, and L. 513-6 of the French Monetary and Financial Code, backed by a first-rank mortgage (or, to a lesser extent, equivalent real estate collateral or a surety);

- 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**

ASSETS	06/30/2021		12/31/2020	
	(in €m)	(% of balance sheet)	(in €m)	(% of balance sheet)
<b>Guaranteed loans (Articles L. 513-3, L. 513-5 and L. 513-6)</b>	<b>34,039</b>	<b>52.4%</b>	<b>36,017</b>	<b>52.6%</b>
Mortgage loans secured by the FGAS	15,077	23.2%	15,935	23.3%
Other mortgage loans	14,370	22.1%	15,336	22.4%
Loans with institutional guarantees	4,592	7.1%	4,746	6.9%
<b>Exposure to public entities (Articles L. 513-4 and L. 513-5)</b>	<b>23,360</b>	<b>36.0%</b>	<b>24,656</b>	<b>36.0%</b>
Public sector loans	9,343	14.4%	8,871	13.0%
Public loans assigned under L. 211-38	7,425	11.4%	8,018	11.7%
Public entity securities	6,142	9.5%	6,417	9.4%
Deposits at Banque de France	450	0.7%	1,349	2.0%
<b>Other assets (interests on IFAT, adjustment accounts, etc.)</b>	<b>900</b>	<b>1.4%</b>	<b>1,134</b>	<b>1.7%</b>
<b>Replacement values (Article L. 513-7)</b>	<b>6,651</b>	<b>10.2%</b>	<b>6,648</b>	<b>9.7%</b>
<b>TOTAL ASSETS</b>	<b>64,949</b>	<b>100.0%</b>	<b>68,455</b>	<b>100.0%</b>

In the 1<sup>st</sup> half of 2021, Compagnie de Financement Foncier's balance sheet was down by €3.5bn compared with December 31, 2020. This decline reflects the various changes among the different asset classes considered:

- mortgage loans held or assigned were down by €2.0bn with amortization of existing loans, in the absence of new production other than the release of funds linked to loans from 2019;
- securities of public entities were down by €0.3bn due to the amortization of existing loans in the first half;
- public sector loans were up by €0.5bn with the development of the program to refinance public assets from regional banks and Natixis. This increase reflects the relevance of the "Compagnie de Financement Foncier – supporting Groupe BPCE" strategy;

refinancing assets of the Groupe BPCE entities at very competitive margins (*via obligations foncières*).

- Banque de France deposits were down by €0.9bn as part of the optimized cash management intended to minimize the cost of carry.

The breakdown of assets by region changed little over the first half of the year, with most of the underlying assets on the balance sheet (88%) located in France.

As of June 30, 2021, international assets, mainly linked to the Public sector, totaled €7.7bn. The main geographical exposures are Italy (€3.1bn), USA (€1.4bn) and Switzerland (€1.0bn), followed to a lesser extent by Belgium (€0.7bn), Canada (€0.3bn), Japan (€0.5bn), Poland (€0.4bn) and Spain (€0.2bn).

### 3. CHANGES IN LIABILITIES

In accordance with the regulations governing *sociétés de crédit foncier* status, Compagnie de Financement Foncier's liabilities may be broken down into 2 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;

#### BREAKDOWN OF LIABILITIES BY GUARANTEE RANK

LIABILITIES	06/30/2021		12/31/2020	
	(in €m)	(% of balance sheet)	(in €m)	(% of balance sheet)
<b>Privileged resources</b>	<b>53,740</b>	<b>82.7%</b>	<b>56,352</b>	<b>82.3%</b>
Covered bonds at the reporting date	53,859	82.9%	56,443	82.5%
Foreign exchange difference on covered bonds	-146	-0.2%	-116	-0.2%
Other privileged resources	26	0.0%	25	0.0%
<b>Translation difference associated with hedging balance sheet items <sup>(1)</sup></b>	<b>789</b>	<b>1.2%</b>	<b>774</b>	<b>1.1%</b>
<b>Non-privileged resources</b>	<b>10,420</b>	<b>16.0%</b>	<b>11,330</b>	<b>16.6%</b>
Unsecured debt	7,154 <sup>(2)</sup>	11.0%	6,057	8.8%
Subordinated debt or equivalent	108	0.2%	2,118 <sup>(3)</sup>	3.1%
Shareholders' equity and reserve for general banking risks	3,158	4.9%	3,154	4.6%
<b>TOTAL LIABILITIES</b>	<b>64,949</b>	<b>100.00%</b>	<b>68,455</b>	<b>100.0%</b>
■ <i>Regulatory capital according to CRR/CRD IV:</i>	<i>3,107</i>	<i>4.8%</i>	<i>3,107</i>	<i>4.5%</i>
■ <i>of which Common Equity Tier 1 capital</i>	<i>3,107</i>	<i>4.8%</i>	<i>3,107</i>	<i>4.5%</i>
■ <i>of which Additional Tier 1 capital</i>	<i>0</i>	<i>0.0%</i>	<i>0</i>	<i>0.0%</i>
of which Tier 2 capital	0	0.0%	0	0.0%

(1) Liabilities and assets are considered at their historical cost, i.e. at the exchange rate originally set when setting up their hedge. Interest accrued on swaps are calculated after netting for the same counterparty.

(2) Of which shareholders' advance account for €2,000m (3.1%).

(3) Of which shareholders' advance account for €2,000m (2.9%).

During the year, privileged resources decreased by €2.6 billion, as the contractual amortization of the privileged debt exceeded issuances in the first half (€1.8bn).

- other resources that help reinforce the security of privileged debt holders. These resources subordinated to privileged resources are made up of:

- unsecured debts with Crédit Foncier and, particularly for swaps, with various other bank counterparties,
- subordinated debt and equity, resources contributed by Crédit Foncier.

Unsecured debt declined by €0.9bn.

Subordinated debt, equity, provisions and the reserve for general banking risks remained stable over the year at €3.3bn, or 5.0% of the balance sheet at June 30, 2021.

## 4. PRUDENTIAL 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 the level of Crédit Foncier, its parent company. However, as a *société de crédit foncier*, Compagnie de Financement Foncier is subject to a certain number of specific regulatory ratios, most of which are subject to validation 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 include three types of assets:

- LTV overruns on mortgage loans either held directly or assigned;
- assets sold under repos; and
- the portion of unsecured intragroup loans exceeding 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 June 30, 2021, loans outstanding in excess of the LTV threshold amounted to €1.1bn, still significantly lower than those for non-privileged liabilities, standing at €10.4bn at that date.

In addition, assets used to secure other transactions are deducted from the assets recognized on the balance sheet. Thus the outstanding amount of securities sold to Crédit Foncier under repurchase agreements, representing €0.6bn at June 30, 2021, was not included for the purposes of calculating the ratio.

Finally, the application of the 25% regulatory threshold for intra-group exposures introduced by the decree of May 26, 2014 led to the deduction of €2.3bn of loans to BPCE from the assets included in the numerator of the regulatory ratio, mainly because the portfolio of loans provided as collateral did not have all the characteristics that would make them eligible for *obligations foncières* financing.

Finally, the overcollateralization ratio was 112.4% at June 30, 2021 (vs. 113.5% at end-2020).

Independently of the minimum imposed by law, Compagnie de Financement Foncier has undertaken to maintain a level of non-privileged liabilities greater than 5% of privileged liabilities, these items being considered after currency swaps. At June 30, 2021, this ratio was 18.2%, down on the end-2020 level of 18.9%.

#### LOAN TO VALUE

As part of its risk monitoring and management rules, Compagnie de Financement Foncier sets the LTV of mortgage loans that it holds directly or through assignment under L. 211-38. This LTV is also the ratio of the present value of the collateral to the outstanding principal. Every year, Compagnie de Financement Foncier, like every *société de crédit foncier*, re-examines the value of this collateral using procedures that are checked for compliance by the Specific Controller. This certification and a description of the methods used to value and re-value property together with their results are presented in the risk management report in section 5.3.2 of the 2020 Universal registration document.

Taking into account all outstanding mortgage loans, both directly held or used to guarantee loans under L. 211-38, the average LTV at end-June 2021 came to 71.8% for a total outstanding amount of €33.1bn, breaking down as:

- 75.0% for loans guaranteed by FGAS in the amount of €17.2bn;
- 68.3% for other mortgage or guaranteed loans to individuals, with €15.9bn outstanding;

In terms of outstanding corporate mortgages:

- 50.9% for mortgage loans with outstanding amounts of €1.0bn.

At June 30, 2021, all mortgage loans, totalling €34.0bn, had an average LTV of 71.2%. This breaks down into an average LTV of 71.8% for loans to individuals in the amount of €33.1bn, and of 50.9% for Corporate loans totalling €1.0bn.

#### OTHER LIMITS

Various regulatory limits applicable to certain categories of assets are regularly monitored. In particular, at June 30, 2021:

- guaranteed loans amounted to 10.1% of total assets, still well below the legal limit of 35% of the balance sheet; this calculation factors in directly held guaranteed loans (7.1%) as well as guaranteed loans under L. 211-38 (3.0%);
- replacement values had an outstanding amount equal to 11.7% of the nominal amount of privileged resources, below the legal limit of 15%;
- cash requirements are hedged over a period of 180 days, taking into account forecasted cash flows and assets available for use in the ECB.

## LIQUIDITY AND SOLVENCY RATIOS

As a credit institution, Compagnie de Financement Foncier monitors its liquidity ratios, which remain well above the minimum requirements set by banking regulations mainly thanks to its cash commitments available within 180 days. In addition, Compagnie de Financement Foncier has €6.9bn in assets that can be assigned to the Eurosystem (excluding repurchase agreements) that could provide it with an estimated additional €6.4bn 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, as of June 30, 2021, on the basis of the Basel III standardized method, its Common Equity Tier One (CET1) ratio, which is equal to its Tier One ratio and its solvency ratio, was 26.6%, up 1.2% compared with the end of December 2020. Total risk exposures (RWA) amounted to €11.7bn, down €0.6bn compared with December 31, 2020.

## 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 S&P/Moody's/Scope for the *obligations foncières*.

### 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 One, Additional Tier One Capital and Tier Two Capital.

The amount of capital of Compagnie de Financement Foncier was €3.11bn at June 30, 2021. This amount also represents the Core Equity Tier One 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 accordance with the assignment and recovery agreements, collected sums are allocated in their entirety and in priority to Compagnie de Financement Foncier. Under the standard approach, this allows to adjust the level of risk-weighting in order to reflect the priority allocation of collections to Compagnie de Financement Foncier and the resulting lower loss rate.

Exposure categories (in €m)	06/30/2021		12/31/2020	
	Capital requirements	RWA	Capital requirements	RWA
Central governments	31	386	34	420
Institutions	15	181	16	201
Regional governments	259	3,234	279	3,492
Corporations	49	613	49	612
Retail customers	75	941	46	570
Mortgage-backed exposure	417	5,211	459	5,738
Exposure at default	41	507	46	572
Other assets	2	27	1	14
<b>Requirements for credit risk (A)</b>	<b>888</b>	<b>11,100</b>	<b>930</b>	<b>11,619</b>
<b>Requirements for market risk (B)</b>	-	-	-	-
<b>Requirements for operational risk (C)</b>	<b>32</b>	<b>401</b>	<b>32</b>	<b>401</b>
<b>Credit value adjustment (D)</b>	<b>15</b>	<b>184</b>	<b>18</b>	<b>224</b>
<b>CAPITAL REQUIREMENTS (A+B+C+D)</b>	<b>935</b>	<b>11,685</b>	<b>980</b>	<b>12,244</b>

## SOLVENCY RATIO

Compagnie de Financement Foncier's solvency ratio at June 30, 2021 was determined using the standardized method.

	06/30/2021	12/31/2020
<b>Solvency ratio</b>	<b>26.59%</b>	<b>25.38%</b>
CET1 ratio	26.59%	25.38%
<b>Tier-1 ratio</b>	<b>26.59%</b>	<b>25.38%</b>

Source: COREP (Common Solvency Ratio Reporting) at June 30, 2021.

## 5. ANALYSIS OF CREDIT AND COUNTERPARTY RISK

The balance sheet comprises two major categories: assets financed for the long-term in the form of loans or securities, and replacement values, short-term securities 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 entities, in the form of secured loans granted under L. 211-38 of the French Monetary and Financial Code;

- loans from the State-subsidized sector;
- 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 at least the second-best external rating.

Since the end of the first quarter of 2019, Crédit Foncier no longer originates loans to individuals or to the public sector.

### 5.1. Breakdown of Compagnie de Financement Foncier's commitments

#### 5.1.1. ANALYSIS OF CREDIT RISK EXPOSURES

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

As an exception, replacement values are analyzed by their exposure to the counterparty (and not according to the underlying assets when they are in the L. 211-38 French Monetary and Financial Code format).

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

CDO (Collateralized Debt Obligation) or direct exposures to monoline insurers;

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

Risk exposure (in €m)	Exposures as of 06/30/2021			Exposures as of 12/31/2020		
	Sold	Assigned	Total	Sold	Assigned	Total
<b>A – Individuals' mortgage loans</b> <sup>(1) (2) (6)</sup>	<b>25,207</b>	<b>7,321</b>	<b>32,528</b>	<b>26,779</b>	<b>7,737</b>	<b>34,516</b>
<b>B – Public sector</b>	<b>15,603</b>	<b>7,399</b>	<b>23,002</b>	<b>16,353</b>	<b>8,024</b>	<b>24,377</b>
French public sector	8,557	6,844	15,401	9,171	7,460	16,631
■ Social housing	723	1,482	2,206	723	1,596	2,319
■ French local authorities (FLA) <sup>(3)</sup>	7,052	4,646	11,697	6,559	4,879	11,438
■ Sovereign France	783	716	1,498	1,889	985	2,874
Infrastructure project financing (IPF)	594	555	1,150	598	563	1,161
International public sector	6,451	0	6,451	6,584	0	6,584
■ International public sector (IPS)	3,568	0	3,568	3,651	0	3,651
■ International Sovereign	2,534	0	2,534	2,539	0	2,539
■ Public sector large corporations	349	0	349	394	0	394
<b>C – Commercial mortgage exposures</b> <sup>(6)</sup>	<b>97</b>	<b>789</b>	<b>886</b>	<b>100</b>	<b>755</b>	<b>854</b>
<b>D – Banking sector exposures</b>	<b>601</b>	<b>6,600</b>	<b>7,201</b>	<b>606</b>	<b>6,600</b>	<b>7,206</b>
Banks with sovereign guarantees or similar	547	0	547	555	0	555
Other banks	54	0	54	51	0	51
L. 211-38-VR <sup>(4)</sup>	0	6,600	6,600	0	6,600	6,600
<b>TOTAL RISK EXPOSURE (A + B + C + D)</b>	<b>41,508</b>	<b>22,109</b>	<b>63,617</b>	<b>43,837</b>	<b>23,115</b>	<b>66,952</b>
Miscellaneous adjustments and other items <sup>(5)</sup>	1,380	5	1,385	1,557	5	1,562
<b>TOTAL</b>	<b>42,887</b>	<b>22,114</b>	<b>65,002</b>	<b>45,394</b>	<b>23,120</b>	<b>68,515</b>

(1) The "mortgage loans to individuals" line item includes a limited amount of outstanding Dutch loans (€27m).

(2) Of which BH Belgium for €715m (carrying amount).

(3) Of which €55m L. 211-38 with Caisses d'Épargne and €77m 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.

(6) Including guaranteed.

At June 30, 2021, the total credit risk exposure was down by €3.5bn to €65.0bn. This change was due to:

- the €2bn decline in private individuals' mortgage and guaranteed loans to €32.5bn, which is mainly due to an amortization effect following a halt in the production of new loans from the end of March 2019;
- the decrease of €1.3bn in Public sector due mainly to the decrease in the French public sector of €1.2bn.

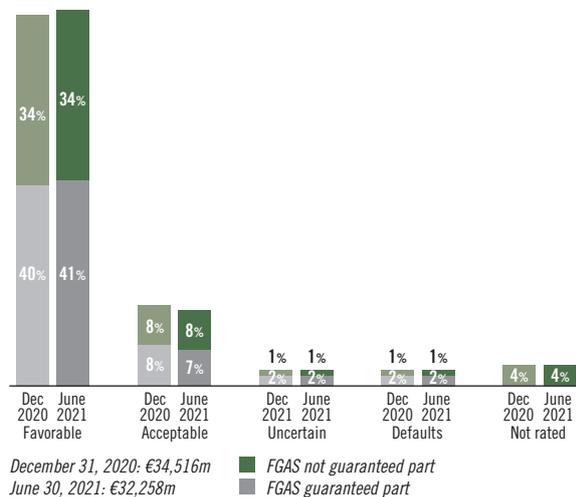
## GEOGRAPHICAL BREAKDOWN OF EXPOSURES

Geographical breakdown of exposures	06/30/2021		12/31/2020	
	Balance sheet (€m)	%		%
France	57,257	88		88
Other countries in the European Economic Area	4,496	7		7
■ \$ of which Italy	3,126	5		5
■ \$ of which Belgium	715	1		1
■ \$ of which Poland	351	ns		1
■ \$ of which Spain	209	ns		ns
■ \$ of which Portugal	67	ns		ns
■ \$ of which the Netherlands	27	ns		ns
Switzerland	1,040	1		1
North America (USA & Canada)	1,725	3		3
Japan	484	1		1
<b>TOTAL</b>	<b>65,002</b>	<b>100</b>		<b>100</b>
Reminder of total exposures at 12/31/2020 (in €m)				68,515

## 5.1.2. QUALITY OF THE PORTFOLIO EXPOSED TO CREDIT RISK

## PORTFOLIO OF LOANS TO INDIVIDUALS

## INTERNAL RATING AND QUALITY OF INDIVIDUAL MORTGAGES OUTSTANDING



The distribution of ratings attests to the ongoing good quality of outstanding loans.

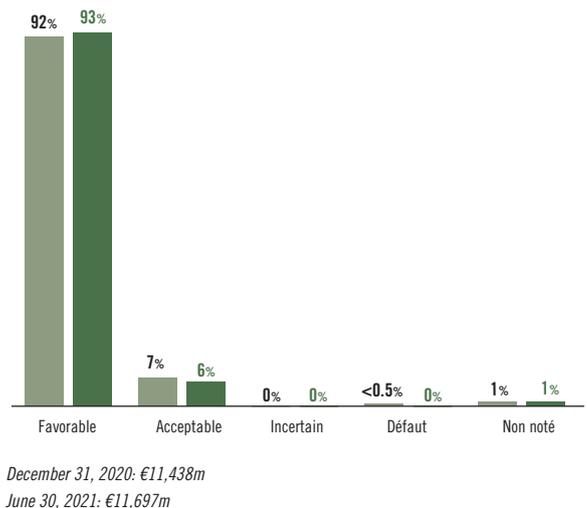
## FRENCH PUBLIC SECTOR PORTFOLIO

The French public sector portfolio stood at €15.4bn and breaks down as follows:

- French local authorities: €11.7bn;
- Social housing: €2.2bn;
- Sovereign France: €1.5bn.

## FRENCH LOCAL AUTHORITIES

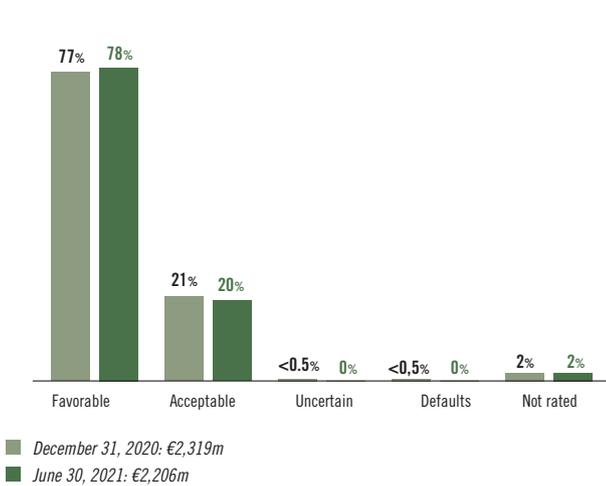
## PORTFOLIO OF FRENCH PUBLIC OPERATORS – BREAKDOWN BY BASEL II RATING



The quality of French local authorities' outstandings held by Compagnie de Financement Foncier has remained at a very high level, and has improved.

**SOCIAL HOUSING**

**SOCIAL HOUSING PORTFOLIO – BREAKDOWN BY BASEL II RATING**



Note: including associations

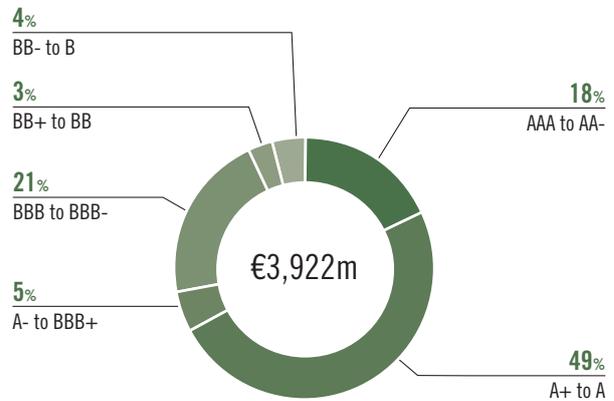
The quality of Social housing portfolio held by Compagnie de Financement Foncier stays at a very high level.

**INTERNATIONAL PUBLIC SECTOR PORTFOLIO**

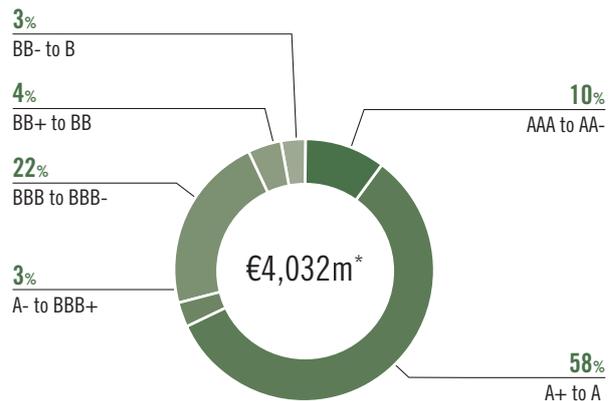
**INTERNATIONAL PUBLIC SECTOR (EXCLUDING SOVEREIGNS) AND LARGE PUBLIC SECTOR CORPORATES**

At June 30, 2021, the IPS portfolio (excluding Sovereigns) and Large public sector Corporates stood at €3.9bn, down -€0.1bn compared with December 31, 2020, following various asset disposals and asset amortization. Compagnie de Financement Foncier has stopped making new acquisitions in recent years.

**BREAKDOWN BY INTERNAL RATING OF EXPOSURES TO THE INTERNATIONAL PUBLIC SECTOR AND LARGE CORPORATES\***  
June 30, 2021



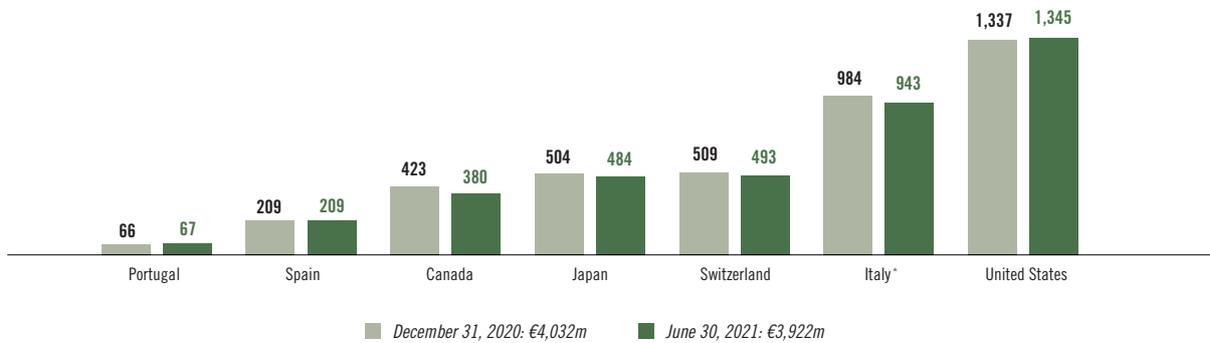
December 31, 2020



\* Net carrying amount before taking swaps into account.

The average quality of internal ratings continues to be high.

## BREAKDOWN OF DIRECT EXPOSURES TO THE INTERNATIONAL PUBLIC SECTOR AND LARGE CORPORATES\*



\* Net carrying amount before taking swaps into account.

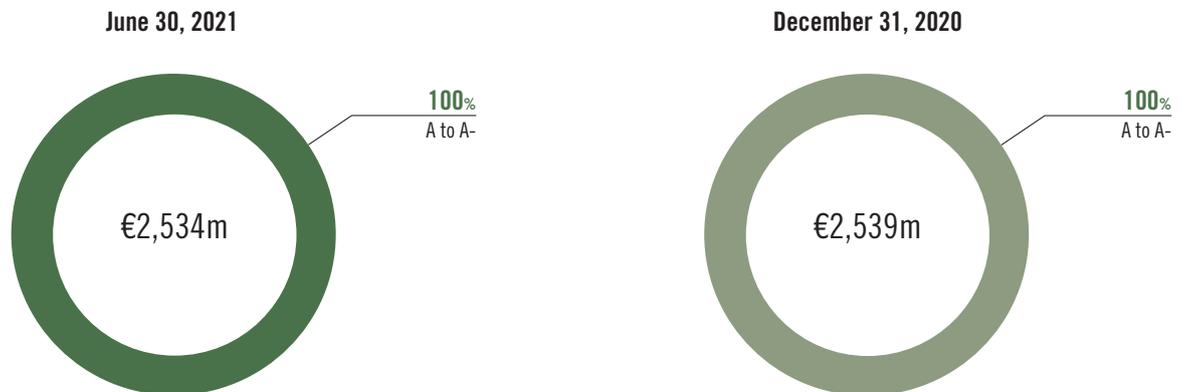
It should be noted that currency exchange fluctuations affect the outstandings of assets denominated in foreign currencies (USD, JPY, CAD, etc.), shown before currency swap effects.

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

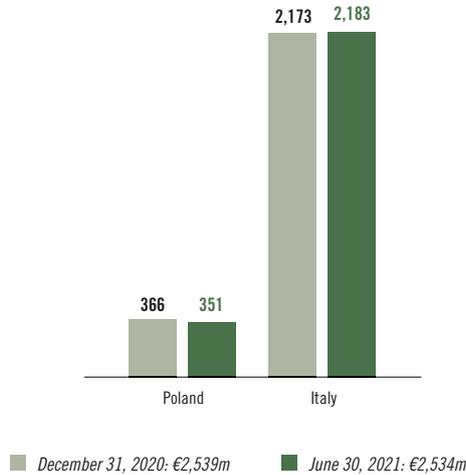
Following the disposals and repayments, Compagnie de Financement Foncier's residual exposure to sovereign issuers is concentrated on Italy and, to a lesser extent, on Poland.

## BREAKDOWN OF EXPOSURES BY INTERNAL RATING OF SOVEREIGNS EXCLUDING FRANCE



Compagnie de Financement Foncier's whole International Sovereign portfolio is rated investment grade (rating  $\geq$ A-).

**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 presented on a before swaps basis.

**MONOLINE INSURERS ON EXPOSURES TO IPS, LARGE CORPORATES AND SOVEREIGNS**

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

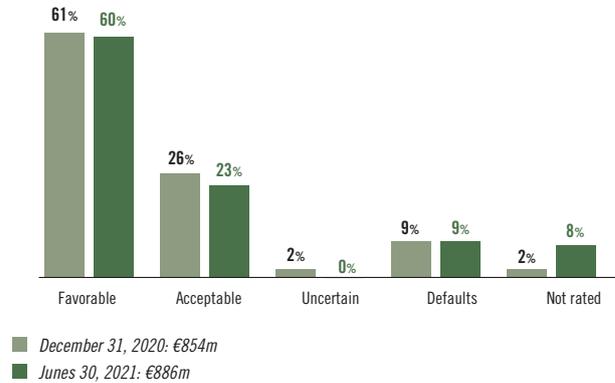
Thus, €1.31bn of outstandings in the portfolio is counter-guaranteed by the monoline insurers.

The other monolines used, Assured Guaranty Municipal Corp (formerly FSA) and Assured Guaranty Corp (which took over CIFG), maintain high credit ratings, respectively AA/A2 and AA/A3 by S&P and Moody's, and guarantee a total outstanding of securities of €1.06bn; more marginally, National public Finance Guarantee Corp (formerly MBIA), rated Baa2 by Moody's, guarantees outstanding securities of €0.08bn.

The FGIC monoline is not rated which reduces the quality of its credit support (counter-guaranteed outstandings of €113.2m).

**PRIVATE CORPORATES PORTFOLIO**

At June 30, 2021, Private Corporate outstandings sold and assigned amounted to €886m, with 83% of the outstandings having "Favorable" or "Acceptable" ratings.



**BANKING SECTOR PORTFOLIO**

With €7.2bn of outstandings, banking sector exposures remained stable compared to December 31, 2020. They consist mainly of short-term transactions with BPCE (€6.6bn). Compagnie de Financement Foncier is also exposed, in the context of long-term loans from the former International public sector activity, to Swiss regional banks, which are guaranteed by public authorities.

## 5.2. Delinquency

### 5.2.1. COMPAGNIE DE FINANCEMENT FONCIER'S RISK HEDGING

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

Risk exposure (in €m)	Gross exposures as of 06/30/2021				Gross exposures as of 12/31/2020			
	Total balance sheet	Doubtful loan rate sold	Doubtful loan rate assigned	Overall doubtful loan rate	Total balance sheet	Doubtful loan rate sold	Doubtful loan rate assigned	Overall doubtful loan rate
<b>A – Individuals' mortgage loans</b> <sup>(1) (2) (6)</sup>	<b>32,528</b>	<b>4.31%</b>	<b>0.05%</b>	<b>3.35%</b>	<b>34,516</b>	<b>4.43%</b>	<b>0.11%</b>	<b>3.47%</b>
<b>B – Public sector</b>	<b>23,002</b>	<b>0.00%</b>	<b>0.02%</b>	<b>0.01%</b>	<b>24,377</b>	<b>0.01%</b>	<b>0.00%</b>	<b>0.00%</b>
French public sector	15,401	0	0.02%	0	16,631	0	0.00%	0
■ Social housing	2,206	0	0.08%	0	2,319	0	0.00%	0
■ French local authorities (FLA) <sup>(3)</sup>	11,697	0	0.00%	0	11,438	0	0.00%	0
■ Sovereign France	1,498				2,874			
Infrastructure project financing (IPF)	1,150				1,161			
International public sector	6,451				6,584			
■ International public sector (IPS)	3,568				3,651			
■ International Sovereign	2,534				2,539			
■ Public sector large corporations	349				394			
<b>C – Commercial mortgage exposures</b> <sup>(6)</sup>	<b>886</b>	<b>82.89%</b>	<b>0.00%</b>	<b>9.04%</b>	<b>854</b>	<b>80.80%</b>	<b>0.00%</b>	<b>9.41%</b>
<b>D – Banking sector exposures</b>	<b>7,201</b>				<b>7,206</b>			
Banks with sovereign guarantees or similar	547				555			
Other banks	54				51			
L. 211-38-VR <sup>(4)</sup>	6,600				6,600			
<b>TOTAL RISK EXPOSURE (A + B + C + D)</b>	<b>63,617</b>	<b>2.81%</b>	<b>0.02%</b>	<b>1.84%</b>	<b>66,952</b>	<b>2.89%</b>	<b>0.04%</b>	<b>1.91%</b>
Miscellaneous adjustments and other items <sup>(5)</sup>	1,385				1,562			
<b>TOTAL</b>	<b>65,002</b>	<b>2.72%</b>	<b>0.02%</b>	<b>1.80%</b>	<b>68,515</b>	<b>2.80%</b>	<b>0.04%</b>	<b>1.86%</b>

(1) The "mortgage loans to individuals" line item includes a limited amount of outstanding Dutch loans (€27m).

(2) Of which BH Belgium for €715m (carrying amount).

(3) Of which €55m L. 211-38 with Caisses d'Épargne and €77m 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.

(6) Including guaranteed.

The overall doubtful loan rate remains low at 1.8%.

On mortgages or guarantees to individuals, the doubtful loan rate decreased slightly to 3.35% at the end of June 2021. The total doubtful mortgage loan exposure rate dropped from 9.41% to 9.04%.

### 5.2.2. RISK CHARGE OF COMPAGNIE DE FINANCEMENT FONCIER

(in €m)	06/30/2021	12/31/2020
Individual cost of risk (A)	-0.52	3.1
Collective provisions (B)	1.84	1.2
<b>Cost of risk (A+B)</b>	<b>1.32</b>	<b>4.3</b>
Risk charge, net banking income (C)	-0.05	-3.2
<b>NET (A+B+C)</b>	<b>1.27</b>	<b>1.1</b>

At June 30, 2021, Compagnie de Financement Foncier's risk charge grew by €1.32m. It is made up of the cost of risk on a solo basis (addition of -€0.52m), the cost of risk on a collective basis (reversal of €1.84m) and the cost of risk recognized in NBI (addition of -€0.05m).

## 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, 58.7% 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). As such, SGFGAS benefits from external ratings from the French State. The coverage rate of the FGAS guarantee is 100% for loans granted until December 31, 2006 and 50% for loans granted after this date. The portion of loans covered by the FGAS guarantee is weighted at 0%. The portion not covered by the FGAS guarantee is covered by Crédit Foncier, pursuant to an agreement with Compagnie de Financement Foncier, and is weighted at 0% for Compagnie de Financement Foncier.

In addition, certain loans to individual customers benefit from a guarantee in the form of a surety, similar to a financial institution risk. Crédit Logement, a subsidiary of most of the major French banking networks, is the main provider of this type of guarantee.

Loans covered by Crédit Logement were subject to a Basel III weighting of 50% until the third quarter of 2014. Since the fourth quarter of 2014, exposures guaranteed by Crédit Logement are weighted at 35%.

Risk reduction is also achieved through the assignment mechanism between Compagnie de Financement Foncier and Crédit Foncier or other Groupe BPCE entities (agreements, contracts), which explicitly provides for the termination of assignments in the event of non-compliance of the receivables acquired.

With respect to real estate guarantees, in accordance with the regulations in force, Compagnie de Financement Foncier annually performs a detailed revaluation of the pledges registered as mortgages or accompanied by a promise to assign mortgages in connection with loans with institutional guarantees. Compagnie de Financement Foncier's Specific Controller issues once a year an opinion on the validity of real estate asset valuation methods and their results as well as periodic review procedures.

### 5.3.2. VALUATION AND PERIODIC REVIEW METHODS FOR REAL ESTATE ASSETS

The methodology remained unchanged in the 1<sup>st</sup> half of 2021.

## 6. FINANCIAL RISK ANALYSIS

Compagnie de Financement Foncier does not conduct any proprietary trading and does not have any positions in the trading book. However, it carries out balance sheet hedging operations.

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

### 6.1. Methodology used to assess 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 items without contractual maturity, such as capital and provisions, are subject to specific BPCE amortization assumptions.

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, professionals 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 the first half of 2021, Compagnie de Financement Foncier issued €1.8bn of *obligations foncières*.

Furthermore, Compagnie de Financement Foncier has a number of potentially assignable assets that are eligible for the ECB's refinancing operations. At June 30, 2021, these outstandings amounted to nearly €6.9bn in nominal value, divided into:

- €4.3bn in Public sector loans;
- €2.6bn in securities.

During the first half of 2021, this financing option was not used by Compagnie de Financement Foncier.

## 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 section 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 2021. Other than regulatory requirements, Compagnie de Financement Foncier's ALM rules ensure that its exposure to liquidity risk remains very limited. They are managed using a system of internal limits and are monitored by the ALM and Liquidity Oversight Committee as well as by the Risk Executive Committee.

In particular, Compagnie de Financement Foncier is committed to dispose of sufficient assets eligible for the ECB after haircut to cover its privileged debt repayment commitments for at least 180 days.

At June 30, 2021, Compagnie de Financement Foncier had available cash of €0.45bn in 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 mostly guaranteed by a loans portfolio.

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

## 6.2.3. INDICATORS 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 base case, one-year and stress scenarios:

- major stress at three months (maintenance of a proportion of new production for the Group and a proportion of the funding) and subject to limits: a check is thus done to verify whether the liquidity buffer covers all the cash needs caused 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;
- moderate system-wide stress and high specific stress round out the system.

The stress test limit was complied with in the first half of 2021.

## 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 complied with in the first half of 2021. 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.

During the first half of 2021, without restricting the eligible assets to the extent of the regulatory overcollateralization ratio constraint, this limit was also complied with.

### COVERAGE PLAN FOR PRIVILEGED RESOURCES

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.

The institution declares, as of the statement date and every quarter until the last privileged resource is repaid, the following:

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

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

## 6.2.4. LIQUIDITY CONTINGENCY PLAN

A liquidity contingency plan was defined for groupe 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 interest rate and exchange rate risks.

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

Derivatives transactions are generally intermediated by Crédit Foncier and results in an intragroup swap between Crédit Foncier and Compagnie de Financement Foncier.

This intermediation strategy by Crédit Foncier does not generally apply to cross-currency swaps intended to hedge issues in foreign currencies or swaps structured to hedge private placements or certain FLA assets.

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).

The 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. If the opposite situation occurs, these agreements stipulate that Compagnie de Financement Foncier shall not deposit any collateral. At June 30, 2021, the amount of deposits received was €0.4bn.

### 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.

These limits are fixed every year in terms of amount.

The current limits for interest rate gaps are:

Horizon	Limits expressed (in €bn)
0-2 years	1.5
2-4 years	1.7
4-8 years	2.1
Threshold over 8 years	2.1

In the first half of 2021, the limits were complied with.

## 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. 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 Division, 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 is respected on the first half of 2021.

## 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.

Operational oversight of this risk for Compagnie de Financement Foncier is done by the Crédit Foncier cash management back office.

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.

The escalation and governance process makes it possible to monitor settlement risks and classify them as default if necessary.

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. OPERATIONAL 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.

More specifically, the operating risks generated by Compagnie de Financement Foncier's own activities, which are limited to the Institutional Relations Division's functions, are also managed by Crédit Foncier according to Groupe BPCE rules.

These operational risks are specifically mapped and presented to the Operating Risks Committee every quarter. At June 30, 2021, a serious incident was detected relating to delays in accessing Compagnie de Financement Foncier's pricing tool, which is used to offer Groupe BPCE institutions a repurchase rate for the loans they wish to sell to it. This incident had no financial consequences. An action plan was implemented to prevent a new occurrence.

## 7.1. Main organization

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

## 7.2. Governance

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For more information, see Compagnie de Financement Foncier's 2020 Universal registration document (page 131).

## 7.3. Management environment

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### 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 Compliance and Permanent Control Division. The network of Risk Officers was reviewed in December 2020 to take into account the growth of Crédit Foncier.

### 7.3.2. METHODS AND TOOLS

For more information, see Compagnie de Financement Foncier's 2020 Universal registration document (page 131).

## 7.4. Organization of the Business Continuity Plan

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In accordance with the service agreements between groupe 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

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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.

## 7.6. Personal data protection

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Compagnie de Financement Foncier relies on the human and technical resources provided by Crédit Foncier to ensure that its processes comply with the General Data Protection Regulation.

## 7.7. Insurance

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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 taken out 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.

## 7.8. Legal risks

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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.

Between 1984 and 1995, a French overseas departments (DOM) operator took out subsidized loans distributed by Crédit Foncier on behalf of the French State to finance the construction of rental properties with intermediate rents.

The difficulties it encountered led it to initiate bankruptcy proceedings at the end of 2016, at the same time as the collective insolvency proceedings of the other companies in its Group. Now almost all of the Group's companies have been put into court-ordered liquidation.

It is specified that the corresponding loan is secured by both real estate collateral on these assets and the guarantee of the State, under Article L. 312-1 of the French Construction and Housing Code.

In 2019, after a call for tenders, the block sale of assets was authorized by the bankruptcy judge for an amount greater than the declared liabilities.

In addition, since 2019, Crédit Foncier has been the target of many civil and criminal legal actions initiated by both the legal representatives and the Company Director on behalf of the companies in its group:

- summary appraisal and legal expertise: confirmed;
- action for extension of judicial liquidation to the Crédit Foncier group; abandoned by applicants;
- civil liability action; ongoing;
- private prosecution for bankruptcy and complicity in bankruptcy. The Criminal Court ordered a full acquittal. The Public Prosecutor's Office and the liquidators finally withdrew their appeal;

- in addition, the Compagnie de Financement Foncier receivable recorded as a liability was disputed. The order granting admissibility of the declared claim was confirmed on appeal and an appeal was filed by BLI and the liquidator. The request for a provisional payment on account was authorized by the court.

The aim of these actions is to try to call into question Compagnie de Financement Foncier's loan fees and hold Crédit Foncier and Compagnie de Financement Foncier (and, indirectly, the French State) liable for allegedly unfair loans. The subsequent restructuring of these loans under the aegis of the Court and with the approval of the French State, was also criticized. This restructuring was later considered to have been insufficient in relation to the borrower's financial capabilities.

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

With regard to the dispute over the overall effective rate that Compagnie de Financement Foncier has encountered, like all the institutions in the market, the body of decisions in favor of lenders, recent changes in legislation, which are likely to discourage purely opportunistic lawsuits, and case law lead the courts to almost systematically reject borrowers' claims, which has resulted in the flow of new allocations drying up. Therefore, all that remains to be done is to deal with a considerably reduced business commitment (bearing in mind that the developments described above are now leading some borrowers to drop their case).

### 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 and Permanent Control Division in accordance with the terms of the relevant agreements (framework agreement and internal control and compliance service agreement) between the two entities.

At the Internal Control Committee meeting of February 21, 2021, it set out the missions and responsibilities of the "compliance audit function" set out in the Group compliance framework

document validated by the National Business Line Committee on December 16, 2020, and assumes these missions and responsibilities. The Compliance and Permanent Controls Director is responsible for the Compliance Verification function.

Crédit Foncier's Director of Compliance and Permanent Control is the person responsible for the compliance of Compagnie de Financement Foncier's Investment Services.

### 8.1. Main organization

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:

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

Non-compliance risks are identified using a dual approach:

- detecting and taking into account the specificities of Compagnie de Financement Foncier in the implementation of regulatory texts in order to prevent any difficulties in their application and to ensure that they are correctly reflected in the operational systems; analysis of the results of the first-level controls performed by Crédit Foncier's operational teams on the Compagnie de Financement Foncier scope. 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 relevant departments. These dysfunctions and the progress of the corresponding action plans are monitored by the Heads of Permanent Control at Crédit Foncier on the Internal Control Committee and Compagnie de Financement Foncier's Risk Executive Committee.

The DCCP also monitors regulatory changes that could impact Compagnie de Financement and that have not yet been taken into account in the compliance risk mapping established by the Group. This is particularly the case for changes related to Brexit; Compagnie de Financement Foncier is subject to the Temporary Permission Regime (TPR).

### 8.2. Financial security

Groupe 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 and Permanent Control Division.

## 8.3. Compliance

### BANKING COMPLIANCE

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

It oversees the compliance of Critical or Important Outsourcing Services (CIOS) as per Articles 231 to 240 of the Decree of November 3, 2014 concerning the internal control of companies in the banking, payment services and investment services sector. These services are covered by agreements between Crédit Foncier and Compagnie de Financement Foncier.

The Institutional Relations Division relies on the controls carried out by the dedicated control units and coordinated by the Compliance and Permanent Control Division to ensure that the risks of activities outsourced to Crédit Foncier are managed in accordance with the guidelines of the European Banking Authority on outsourcing and Groupe BPCE policy. The governance and supervision of outsourcing is carried out by the key outsourcing function entrusted to Crédit Foncier's Director of Organization and Transformation and an Outsourcing Committee.

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

### VOLCKER RULE AND THE LAW ON THE SEPARATION AND REGULATION OF BANKING ACTIVITIES (SRBA)

Compagnie de Financement 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, HR 4173), and the related implementing regulations (Volcker Rule).

Compagnie de Financement Foncier adapted its compliance system on January 1, 2021 pursuant to the changes in the Volcker law.

The Volcker Committee meeting of January 28, 2021 approved the changes to the following manuals, which form the core of the procedures:

- the Volcker manual as an extension of Groupe BPCE's Enterprise Wide Manual of December 11, 2020;
- the desk manuals and risk mandates of Compagnie de Financement Foncier's various desks;
- the report on the effectiveness of the system prepared on the basis of the controls carried out during the year which replaces the senior management report (novation of the revised Volcker regulations).

In addition, the format of the Liquidity Management Plan was modified at Group level and adapted to the Crédit Foncier Group scope. It was approved by the Liquidity Management Committee on December 14, 2020.

In application of these revised provisions, the Compliance and Permanent Controls Division successfully completed the final certification phase for Compagnie de Financement Foncier, which ended on March 31, 2021. In particular, the "2020 report on the effectiveness of the Volcker Rule Enhanced Compliance Program", which describes the advanced compliance program, was validated by the Volcker Committee and presented to the Risk Committee of Compagnie de Financement Foncier. All of Compagnie de Financement Foncier's sub-certifications were sent to Groupe BPCE.

### INVESTMENT SERVICES

The Compliance and Permanent Controls Division manages non-compliance risks related to market regulations. In this context, it participates in the work relating to the implementation of regulation 2016/11 known as "Benchmark".

Moreover, Compliance includes the requirements relating to MiFID II Regulations, such as product governance, transaction reporting, and the storage and recording of exchanges, in its system for managing market regulations compliance.

The Compliance and Permanent Controls Division is also responsible for managing non-compliance risks related to customer knowledge.

Compliance has completed the preparation of the RCSI annual report pursuant to Article L. 621-8-4 of the Monetary and Financial Code, which was filed on the AMF's GECO extranet on May 7, 2021. The report will be presented to the Internal Control Committee on July 7, 2021.

## 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. At the same time, the persons concerned receive a reminder each time that they are prohibited from buying or selling securities. The blackout periods are applied in accordance with the Crédit Foncier and BPCE calendars. The Compliance and Permanent Control Division also periodically reviews the list of insiders.

Compliance with the rules of financial ethics of Compagnie de Financement Foncier is ensured by Crédit Foncier Compliance, which ensures that the list of holders of an AMF professional card is updated, as well as the recording of market conversations.

The financial ethics system also incorporates the provisions of law no. 2016 of December 9, 2016 (Sapin II), through procedures regarding the use of the whistleblowing system by employees, financial privacy and requirements in respect of amounts or benefits received. Employees receive regular reminders from the Compliance and Permanent Controls department on these topics.



# 5

## FINANCIAL INFORMATION

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## FINANCIAL STATEMENTS

## Income statement

(in €k)	Notes	06/30/2021	06/30/2020	12/31/2020
Interest and similar income	1	881,733	933,650	1,841,107
Interest and similar expenses	1	-768,065	-855,192	-1,723,964
<b>Net interest margin</b>		<b>113,668</b>	<b>78,458</b>	<b>117,143</b>
Fees and commissions income	2	16,238	19,160	35,311
Fees and commissions	2	-411	-400	-853
Net gains/losses on trading portfolio transactions	3	-56	-19	-53
Other banking income	4	709	9	53
Other bank operating charges	4	-1,973	-2,570	-5,232
<b>Net banking income</b>		<b>128,175</b>	<b>94,638</b>	<b>146,368</b>
Payroll costs	5	0	0	-44
Taxes and other contributions	5	-2,333	-3,046	-4,380
External services and other expenses	5	-52,653	-50,411	-88,381
Amortization		0	0	0
<b>General operating expenses</b>		<b>-54,986</b>	<b>-53,457</b>	<b>-92,805</b>
<b>Gross operating income</b>		<b>73,189</b>	<b>41,181</b>	<b>53,563</b>
Cost of risk	6	1,326	336	4,314
<b>Operating income</b>		<b>74,515</b>	<b>41,517</b>	<b>57,878</b>
Gains/losses on fixed assets	7	0	20,047	20,047
<b>Income before tax</b>		<b>74,515</b>	<b>61,564</b>	<b>77,925</b>
Non-recurring income		0	0	0
Income tax	8	-23,964	-22,650	-30,784
<b>NET INCOME</b>		<b>50,551</b>	<b>38,914</b>	<b>47,141</b>
Earnings per share* (in €)		0.32	0.25	0.30
Diluted earnings per share (in €)		0.32	0.25	0.30

\* Earnings per share are calculated by dividing net income by the average number of shares outstanding in the period.

## Balance sheet

### ASSETS

(in €k)	Notes	06/30/2021	06/30/2020	12/31/2020
Cash and amounts due from central banks		450,000	1,705,000	1,349,339
Treasury bills and equivalent	9	2,991,823	3,227,782	3,196,527
Loans and receivables due from credit institutions	10	22,721,611	22,808,326	23,733,098
■ <i>Sight deposit</i>		53,654	51,305	50,858
■ <i>Term</i>		22,667,957	22,757,020	23,682,240
Customer transactions	11	34,286,964	36,714,677	35,339,082
■ <i>Other facilities granted to customers</i>		34,286,964	36,714,677	35,339,082
Bonds and other fixed-income securities	9	3,150,167	3,473,632	3,220,625
Equity interests and other long-term investments		0	0	0
Intangible asset and property, plant and equipment		0	0	0
Other assets	12	15,739	57,360	79,391
Accrual accounts	13	1,333,071	1,579,467	1,537,408
<b>TOTAL ASSETS</b>		<b>64,949,376</b>	<b>69,566,245</b>	<b>68,455,470</b>

### LIABILITIES

(in €k)	Notes	06/30/2021	06/30/2020	12/31/2020
Amount due to central banks		0	0	0
Due to credit institutions	14	5,869,386	4,139,273	6,268,175
■ <i>Sight deposit</i>		0	0	0
■ <i>Term</i>		5,869,386	4,139,273	6,268,175
Customer transactions		0	0	0
■ <i>Sight deposit</i>		0	0	0
Debt securities	15	53,859,396	59,418,030	56,443,309
■ <i>Interbank market instruments and negotiable debt securities</i>		0	0	0
■ <i>Bond issues (obligations foncières)</i>		53,859,396	59,418,030	56,443,309
Other liabilities	16	579,491	892,203	1,035,086
Accrual accounts	17	1,483,139	1,958,318	1,554,226
Provisions	18	481	12,575	602
Subordinated debts		0	0	0
Reserve for general banking risks		20,000	20,000	20,000
Equity excluding reserve for general banking risks	19	3,137,483	3,125,845	3,134,072
■ <i>Share capital</i>		2,537,460	2,537,460	2,537,460
■ <i>Additional paid-in capital</i>		343,002	343,002	343,002
■ <i>Reserves</i>		134,475	132,117	132,117
■ <i>Regulated provisions and investment subsidies</i>		0	0	0
■ <i>Deferred income</i>		71,995	74,352	74,352
■ <i>Income to be allocated</i>		0	0	0
■ <i>Net income for the period</i>		50,551	38,914	47,141
<b>TOTAL LIABILITIES</b>		<b>64,949,376</b>	<b>69,566,245</b>	<b>68,455,470</b>

## Off-balance sheet

(in €k)	Notes	06/30/2021	06/30/2020	12/31/2020
<b>TOTAL COMMITMENTS GIVEN</b>				
<b>Financing commitments</b>				
		<b>1,223,115</b>	<b>651,556</b>	<b>1,578,905</b>
■	<i>Commitments given to credit institutions</i>	20 (20.1) 0	0	0
■	<i>Commitments given to customers</i>	20 (20.1) 1,223,115	651,556	1,578,905
<b>Guarantee commitments</b>				
		<b>216,165</b>	<b>206,620</b>	<b>201,322</b>
■	<i>Commitments given to credit institutions</i>	20 (20.1) 0	0	0
■	<i>Other securities pledged as collateral</i>	20 (20.1) 216,165	206,620	201,322
<b>Commitments on securities</b>				
		<b>0</b>	<b>0</b>	<b>0</b>
■	<i>Other commitments given</i>	20 (20.1) 0	0	0
<b>TOTAL COMMITMENTS RECEIVED</b>				
<b>Financing commitments</b>				
		<b>23,440,410</b>	<b>24,562,600</b>	<b>24,869,427</b>
■	<i>Guarantees received from credit institutions</i>	20 (20.2) 2,700,031	2,701,214	2,693,633
■	<i>Other assets received as collateral from the Group</i>	20 (20.2) 20,740,379	21,861,386	22,175,794
<b>Guarantee commitments</b>				
		<b>29,693,617</b>	<b>33,587,110</b>	<b>31,463,810</b>
■	<i>Guarantees received from credit institutions</i>	20 (20.2) 5,370,636	5,936,786	5,589,484
■	<i>Commitments received from customers</i>	20 (20.2) 24,322,982	27,650,324	25,874,326
<b>Commitments on securities</b>				
		<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL RECIPROCAL COMMITMENTS</b>				
■	<i>Sale and purchase of foreign currencies</i>	21 11,127,451	12,094,897	11,448,771
■	<i>Other financial instruments</i>	21 50,555,608	56,210,882	54,588,488

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

## Notes to the 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 CRBF (French Banking and Financial Regulation Committee) 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.

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

### 2. HIGHLIGHTS OF THE 1<sup>ST</sup> HALF OF 2021

#### 2.1. COVID-19 ENVIRONMENT

During the ongoing Covid19 health crisis since March 2020, Compagnie de Financement Foncier continued to conduct its business and serve its customers under very satisfactory conditions. The specific measures implemented by Crédit Foncier at the start of the crisis continued to best assist them, in particular through targeted proposals to defer payment due dates.

In the 1<sup>st</sup> half of 2021, the estimated overall impact of the COVID19 pandemic remained immaterial in an environment where to date total cost of risk has remained very low.

#### 2.2. COMMERCIAL ACTIVITY

During the 1<sup>st</sup> half of 2021, Compagnie de Financement Foncier acquired €304m in loans from Crédit Foncier including related receivables, plus €2m in financing commitments.

Article L. 211-38 of the French Monetary and Financial Code specifies the possibility for an institution to grant a loan to another financial institution, a loan whose repayment is secured by the creation of a guarantee on a group of receivables. Accordingly, Compagnie de Financement Foncier carried loans with its parent company, Crédit Foncier, in the total amount of €15,387m at June 30, 2021. The same facility was also granted to BPCE SA, amounting to €6,600m at June 30, 2021 excluding related receivables. Total loans granted were collateralized for €20,844m.

Furthermore, as part of its business of funding eligible assets originated by the Groupe BPCE institutions, Compagnie de Financement Foncier refinanced receivables in the Public sector in the amount of €640m.

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 €6,651m including related receivables. In addition to working cash balances, replacement values essentially comprise loans granted under Article L. 211-38 of the French Monetary and Financial Code.

With regard to funding activities, Compagnie de Financement Foncier issued €1,800m of *obligations foncières* in the 1<sup>st</sup> half of the year (exchange value at the date of issuance).

Compagnie de Financement Foncier can also access refinancing lines with the Banque de France (overall collateral management – pool 3G). However, this option was not used in 2021.

#### 2.3. EARLY REPAYMENTS

The overall rate of early repayments and renegotiations of loans to individuals stood at 9.3%. The asset outflows linked to early repayments amounted to €1,042m for the half year.

Early repayments had several effects on net banking income:

- the impact of accelerated amortization of acquisition premiums/discounts is estimated at +€5.6m over the period;
- the collection of prepayment penalties from individual customers of €14m; as a reminder, according to the agreement on services rendered by Crédit Foncier, one third of these penalties is transferred to the latter;
- the impact of renegotiation fees for approximately €2.6m.

In the 1<sup>st</sup> half of the year, the rate of early repayments on *Corporate* accounts was 0.5%, down compared with the 1<sup>st</sup> half of 2020 rate of 0.6%.

#### 2.4. BUYBACK OF OBLIGATIONS FONCIÈRES (FRENCH LEGAL COVERED BONDS)

During the 1<sup>st</sup> half of 2021, Compagnie de Financement Foncier did not buy back any *obligations foncières*.

#### 2.5. ASSETS DISPOSALS AND DERIVATIVES TRANSACTIONS

During the first half of 2021, Compagnie de Financement Foncier did not carry out any asset disposals.

During the first half of the year, Compagnie de Financement Foncier made two interest rate swap and financial swap assignments with Unicredit and Deutsche Bank to Natixis. The total amount of compensation received for the two transactions is an income of €6m.

#### 2.6. TAXES

In accordance with the consolidated tax agreement signed with Crédit Foncier, Compagnie de Financement Foncier recognized a tax charge of €6m *vis-à-vis* its parent company due to its tax loss. In addition, a deferred tax charge of €18m was recognized, bringing income tax to a total charge of -€24m.

### 3. POST-BALANCE SHEET EVENTS

No subsequent event liable to have a significant impact on the June 30, 2021 financial statements occurred between the closing date and July 29, 2021, the date on which the Board of Directors approved the financial statements.

### 4. ACCOUNTING PRINCIPLES AND METHODS

#### 4.1. VALUATION METHODS, PRESENTATION OF FINANCIAL STATEMENTS AND BALANCE SHEET DATE

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. They were approved by the Board of Directors on July 29, 2021.

The amounts presented in the financial statements and in the notes are expressed in thousands of euros, unless otherwise stated. The rounding effects may, where applicable, generate differences between the amounts presented in the financial statements and those presented in the notes to the financial statements.

#### 4.2. CHANGES IN ACCOUNTING METHODS

No changes were made to the accounting policies used to prepare the financial statements for the 1<sup>st</sup> half of 2021.

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. GENERAL ACCOUNTING POLICIES

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.

Specific accounting policies are provided in various notes to the financial statements to which they relate.

#### 4.4. PRINCIPLES APPLICABLE 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. 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 represent an insignificant amount (less than €2k).

The Resolution Fund was built in 2015 pursuant to directive 2014/59/EU known as BRRD (Bank Recovery and Resolution Directive), which establishes a framework for the recovery and resolution of credit institutions and investment firms and European Regulation 806/2014 (MRU). As of 2016, it became a Single Resolution Fund (SRF) between member States participating in the Single Resolution Mechanism. An SRF is a resolution financing arrangement available to the resolution authority (Single Resolution Board) dedicated to the implementation of the resolution procedures.

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 set the contributions to the Single Resolution Fund for the 1<sup>st</sup> half of 2021. The amount of contributions paid by Compagnie de Financement Foncier for the period represented €11.5m, of which €8.5m was recognized as expenses and €3m as cash guarantee deposits entered on the asset side of the balance sheet (15% of the call for funds as cash guarantee deposits). The cumulative contributions entered on the assets side of the balance sheet amount to €15.7m as of June 30, 2021.

**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 1 INTEREST AND SIMILAR INCOME AND EXPENSES****INTEREST AND SIMILAR FEE – COMMISSION INCOME**

Interest and similar fees and commissions is recognized in the income statement on a prorata basis.

Negative interest is presented as follows:

- negative interest on an asset is presented in interest expenses in NBI;
- negative interest on a liability is presented in interest income in NBI.

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.

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.

(in €k)	06/30/2021			06/30/2020	12/31/2020
	Income	Expenses	Net	Net	Net
<b>Interbank transactions</b>	<b>106,938</b>	<b>-22,693</b>	<b>84,245</b>	<b>41,849</b>	<b>51,224</b>
Interest on Central Bank accounts		-3,703	-3,703	-4,208	-7,617
Interest on current accounts 2019 version	0	24	24	-32	-32
Interest on forwards	106,733	-18,752	87,980	45,954	60,828
Interest on subordinated loans	0		0	0	0
Interest on receivables guaranteed (replacement values)	0	0	0	0	0
Interest on securities received/sold under repurchase agreements	0	-8	-8	1,008	0
Contingent liabilities and commitments	0		0	0	0
Other interest income and expenses	0	0	0	0	0
Hedging transactions (netting)	205	-253	-48	-873	-1,955
Hedged losses on receivables	0		0	0	0
Non-hedged losses on receivables	0		0	0	0
Net changes in provisions	0		0	0	0
<b>Customer transactions</b>	<b>357,049</b>	<b>-28,066</b>	<b>328,983</b>	<b>366,567</b>	<b>718,175</b>
Interest on demand deposits, term deposits and regulated savings accounts		0	0	0	0
Interest on loans to customers	341,217	0	341,217	372,995	738,604
Interest on subordinated loans	0		0	0	0
Interest on doubtful loans	13,945		13,945	19,899	33,369
Amortization of additional loans fees (CRC Regulation 2009-03)	1,795		1,795	2,791	6,976
Interest on ABS cash collateral	0		0	0	0
Other interest income and expenses	93	-854	-761	-1,278	-2,290
Income on financing and guarantee commitments	0		0	0	0
Hedging transactions (netting)	0	-25,016	-25,016	-26,655	-52,742
Hedged losses on receivables		-815	-815	-265	-756
Non-hedged losses on receivables		-518	-518	-764	-993
Net changes in provisions*		-864	-864	-155	-3,993
<b>Finance lease transactions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Securities portfolio transactions</b>	<b>406,540</b>	<b>-603,987</b>	<b>-197,447</b>	<b>-259,925</b>	<b>-500,520</b>
Interest on investment securities	0		0	0	0
Spreading of discounts/premiums on investment securities	0		0	0	0
Interest on held-to-maturity securities	137,496		137,496	150,149	292,349
Amortization of discounts/premiums on held-to-maturity securities	0	-16,897	-16,897	-18,101	-36,109
Interest on medium-term notes (BMTN) issued		0	0	-321	-321
Interest on certificates of deposits issued		0	0	0	0
Interest on mortgage notes issued		0	0	-20,000	-20,000
Interest and expenses on bond issuances		-587,090	-587,090	-662,077	-1,311,926
Interest on doubtful securities	0		0	0	0
Hedging transactions (netting)	269,044	0	269,044	290,424	575,486
Losses on non-recoverable receivables		0	0	0	0
Net changes in provisions	0		0	0	0
<b>Subordinated debts</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Payables on subordinated term securities		0	0	0	0
Payables on subordinated debt – credit institutions		0	0	0	0
Payables on subordinated debt – customers		0	0	0	0
<b>Other interest and similar income and expenses</b>	<b>11,206</b>	<b>-113,318</b>	<b>-102,112</b>	<b>-70,033</b>	<b>-151,736</b>
Income on debt securities	11,158		11,158	9,124	19,384
Fees on credit derivatives		0	0	0	0
Commitments received/given on securities	0	-709	-709	-2,528	-3,430
Other interest income and expenses	0	0	0	0	0
Hedging transactions (netting)	0	-112,609	-112,609	-96,596	-187,793
Net changes in provisions	48	0	48	19,967	20,103
<b>TOTAL INTEREST AND SIMILAR INCOME AND EXPENSES</b>	<b>881,733</b>	<b>-768,065</b>	<b>113,668</b>	<b>78,458</b>	<b>117,143</b>

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

## NOTE 2 NET FEES AND COMMISSIONS

## ACCOUNTING POLICIES

Commission income similar to interest is recognized as interests and other income and expenses (note 1).

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.

(in €k)	06/30/2021	06/30/2020	12/31/2020
<b>Commissions on interbank and cash transactions (Net)</b>	<b>-1</b>	<b>-1</b>	<b>-111</b>
Income	0	0	0
Expenses	-1	-1	-111
<b>Commissions on transactions with customers (Net)*</b>	<b>16,161</b>	<b>19,156</b>	<b>35,282</b>
Income	16,161	19,156	35,282
Expenses	0	0	0
<b>Commissions on securities transactions (Net)</b>	<b>-348</b>	<b>-511</b>	<b>-783</b>
Income	0	0	0
Expenses	-348	-511	-783
<b>Other commissions (Net)</b>	<b>14</b>	<b>116</b>	<b>71</b>
Income	78	4	29
Expenses	-63	112	42
<b>INCOME</b>	<b>16,238</b>	<b>19,160</b>	<b>35,311</b>
<b>EXPENSES</b>	<b>-411</b>	<b>-400</b>	<b>-853</b>
<b>NET FEES AND COMMISSIONS</b>	<b>15,827</b>	<b>18,760</b>	<b>34,458</b>

\* Commissions on customer transactions are the fees received from customers following early repayments. The level of these fees is therefore directly correlated to the volume of loans repaid. The average early repayment rate on loans to individuals was 7.7% of outstanding loans in the 1<sup>st</sup> half of 2021.

## NOTE 3 NET GAINS/LOSSES ON TRADING PORTFOLIO TRANSACTIONS

## ACCOUNTING POLICIES

Gains or losses on trading book transactions combine:

- balance-sheet and off-balance sheet gains or losses on trading book transactions;
- gains or losses realized on outright forward foreign exchange transactions, resulting from currency purchases and sales and the periodic evaluation of transactions in currencies and precious metals;
- gains or losses from transactions in forward financial instruments, including interest rates, exchange rates and stock market indices, whether these instruments are fixed or conditional, including where it involves hedging transactions of trading portfolio transactions.

(in €k)	06/30/2021	06/30/2020	12/31/2020
Gains on currency and arbitrage transactions	-56	-19	-53
Expenses on financial forward instruments trading	0	0	0
Income from financial forward instruments trading	0	0	0
Expenses on conditional rates trading	0	0	0
Income from conditional rates trading	0	0	0
Losses on other financial instruments	0	0	0
Gains on other financial instruments	0	0	0
Addition to provisions for risks on financial forward instruments	0	0	0
Reversals from provisions for risks on financial forward instruments	0	0	0
<b>NET GAINS/LOSSES ON TRADING BOOK TRANSACTIONS</b>	<b>-56</b>	<b>-19</b>	<b>-53</b>

## NOTE 4 OTHER BANKING INCOME AND EXPENSES

### ACCOUNTING POLICIES

Other banking income and expenses cover the share realized on common operations, re-invoicing of banking income and expenses, income and expenses from the real estate and IT services business.

(in €k)	06/30/2021			06/30/2020	12/31/2020
	Income	Expenses	Net	Net	Net
<b>Transfers of expenses and income, reallocated expenses</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other banking income and expenses <sup>(1)</sup></b>	<b>709</b>	<b>-1,973</b>	<b>-1,264</b>	<b>-2,561</b>	<b>-5,179</b>
Other operating income and expenses	709	-1,973	-1,264	-109	-5,179
Additions to and reversals from provisions for other operating income and expenses	0	0	0	-2,452	0
<b>TOTAL</b>	<b>709</b>	<b>-1,973</b>	<b>-1,264</b>	<b>-2,561</b>	<b>-5,179</b>

#### <sup>(1)</sup> Details

	06/30/2021	06/30/2021	06/30/2021	06/30/2020	12/31/2020
<b>Other banking income and expenses</b>	<b>709</b>	<b>-1,973</b>	<b>-1,264</b>	<b>-2,561</b>	<b>-5,179</b>
■ Transfers to exceptional gains	0		0	0	0
■ Other operating income	709		709	9	53
■ Transfers to exceptional losses		0	0	0	0
■ Central institution contribution*		-1,892	-1,892		-5,104
■ Other operating expenses		-81	-81	-118	-128
■ Additions to provisions		0	0	-2,452	0

\* In 2020, and in correlation with the rebilling of Groupe BPCE "central institution" activities (listed in the French Monetary and Financial Code), the latter is now presented in NBI.

## NOTE 5 GENERAL OPERATING EXPENSES

## ACCOUNTING POLICIES

General operating expenses consist of personnel costs, including salaries and wages, social security contributions, taxes and duties relating to personnel costs. Other administrative expenses, including other taxes and duties and remuneration of external services are also recorded.

(in €k)	06/30/2021	06/30/2020	12/31/2020
<b>PAYROLL COSTS</b>	<b>0</b>	<b>0</b>	<b>-44</b>
Wages and salaries <sup>(1)</sup>	0	0	-44
Costs of defined-contribution plans	0	0	0
Other social security costs and payroll-based taxes	0	0	0
Charges/reversals of provisions for litigation	0	0	0
<b>OTHER ADMINISTRATIVE EXPENSES</b>	<b>-54,986</b>	<b>-53,457</b>	<b>-92,761</b>
<b>Taxes and other contributions</b>	<b>-2,333</b>	<b>-3,046</b>	<b>-4,380</b>
CET (local business tax) and CVAE (tax on company value added)	-600	-15	-15
Social solidarity contribution	-1,612	-2,859	-4,107
Other taxes	-121	-172	-257
Contribution to the supervision expenses of the French Prudential Supervision and Resolution Authority (ACPR) <sup>(2)</sup>			
Systemic banking risk tax			
Contributions to Single Resolution Fund			
Management fees to ECB			
Charges/reversals of provisions for tax disputes	0	0	0
<b>External services</b>	<b>-52,653</b>	<b>-50,411</b>	<b>-88,381</b>
Leasing	0	0	0
External services provided by the Group	-42,411	-40,871	-69,394
Contribution to the supervision expenses of the French Prudential Supervision and Resolution Authority	-290	-324	-649
Systemic banking risk tax	0	0	0
Contributions to Single Resolution Fund	-8,504	-7,224	-14,447
Management fees to ECB	-347	-719	-1,438
Fees, subcontracting and services	-995	-1,157	-2,226
Advertising	-41	-102	-133
Remuneration of intermediaries	0	0	0
Transport and travel	0	0	0
Maintenance and repairs	0	0	0
Insurance premiums	0	0	0
Other external services	-65	-15	-94
Additions to/reversals from provisions for disputes relating to external services	0	0	0
Additions to/reversals from provisions for external services costs	0	0	0
<b>Other expenses</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Transfers of expenses</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>OPERATING EXPENSES</b>	<b>-54,986</b>	<b>-53,457</b>	<b>-92,805</b>

(1) The total amount of remuneration received by governing bodies at December 31, 2020 amounted to €43.5k. 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.

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

## NOTE 6 COST OF RISK

### ACCOUNTING POLICIES

The cost of risk item includes only the cost related to credit risk (or counterparty risk). Credit risk is the existence of a potential loss related to a possibility of default of the counterparty on the commitments it has given. Counterparty refers to any legal entity benefiting from a credit or a commitment by signing, party to a forward financial instrument or issuer of a debt instrument.

The cost of credit risk is assessed when the receivable is classified as doubtful, that is to say when the risk is proven as soon as it is probable that the institution will not receive all or part of the sums due in respect of the commitments given by the counterparty in accordance with the initial contractual provisions, notwithstanding the existence of a guarantee or surety.

Credit risk is also assessed when credit risk is identified on loans that are not doubtful but that have seen a significant increase in credit risk since initial recognition (See notes 9, 10 and 11).

The cost of credit risk therefore consists of all the allocations and reversals of impairment of receivables from customers, credit institutions, fixed income investment securities (in the event of a proven default risk by the issuer), provisions for off-balance sheet commitments (excluding off-balance sheet financial instruments) as well as losses on non-recoverable receivables and recoveries of bad debts written off.

However, are included allocations and reversals of provisions, losses on non-recoverable receivables or recoveries of bad debts written off relating to interest on doubtful loans and receivables, whose provisioning is compulsory are included under the items Interest and similar income and other banking income in the income statement. For trading securities, investment securities, portfolio activity and forward financial instruments, the cost of counterparty risk is carried directly to the items recording gains and losses on these portfolios, except in the event of risk of proven counterparty default, where this component can be effectively isolated and the provision movements on counterparty risk are then entered under cost of risk.

(in €k)	06/30/2021			06/30/2020	12/31/2020
	Expenses	Income	Net	Net	Net
<b>Net additions/reversals on held-to-maturity securities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Net additions/reversals on securities transactions	0	0	0	0	0
<b>Net additions/reversals on customer transactions</b>	<b>-8,804</b>	<b>16,161</b>	<b>7,358</b>	<b>4,596</b>	<b>9,735</b>
Impairment of customer transactions*					
Impairment of customer transactions on doubtful loans*	-8,876	14,387	5,510	3,912	8,336
Impairment of customer transactions on performing loans*	0	1,774	1,774	684	1,392
Provisions for counterparty risks on performing loans	73	0	73	0	-227
Other provisions for contingencies and charges	0	0	0	0	235
<b>Losses/recoveries on customer transactions</b>	<b>-11,422</b>	<b>5,391</b>	<b>-6,032</b>	<b>-4,260</b>	<b>-5,421</b>
Losses on irrecoverable loans and receivables covered by provisions	-5,643	0	-5,643	-251	-1,340
Losses on irrecoverable loans and receivables not covered by provisions	-3,328	0	-3,328	-3,596	-6,497
Recoveries of bad debts written off	0	5,391	5,391	2,250	7,929
Legal fees and litigation	-2,452	0	-2,452	-2,663	-5,512
<b>Losses/recoveries on other transactions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Losses on the covered irrecoverable loans and receivables	0	0	0	0	0
<b>COST OF RISK</b>	<b>-20,226</b>	<b>21,552</b>	<b>1,326</b>	<b>336</b>	<b>4,314</b>

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

## NOTE 7 GAINS OR LOSSES ON FIXED ASSETS

## ACCOUNTING POLICIES

Gains or losses on fixed assets include gains or losses on transactions in held-to-maturity securities, arising from the difference between reversals of provisions and capital gains on disposals and additions to provisions and capital losses on disposal.

(in €k)	06/30/2021	06/30/2020	12/31/2020
Capital gains or losses on disposals of long-term securities	0	10,500	10,500
Capital gains or losses on disposals of held-to-maturity securities	0	9,547	9,547
Additions for impairment on held-to-maturity securities	0	0	0
Reversals for impairment on held-to-maturity securities	0	0	0
<b>GAINS OR LOSSES ON OTHER ASSETS</b>	<b>0</b>	<b>20,047</b>	<b>20,047</b>

## NOTE 8 INCOME TAX

## 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 June 30, 2021, Compagnie de Financement Foncier recognized a total tax expense of €23.96m.

(in €k)	06/30/2021	06/30/2020	12/31/2020
<b>Tax expense components</b>			
Current tax expenses (income) <sup>(1)</sup>	-5,629	21,440	31,649
Deferred tax liabilities (income) <sup>(1) (2)</sup>	-18,335	-44,090	-62,433
Provisions for deferred taxes	0	0	0
Provisions for risks or for tax litigations	0	0	0
<b>TOTAL</b>	<b>-23,964</b>	<b>-22,650</b>	<b>-30,784</b>
<b>Breakdown of deferred taxes for the period</b>			
Termination swap balance	-11,989	-15,213	-30,055
Client provisions including credit risk provisions	554	-5,911	-6,089
Provisions for investment securities			
Other temporary differences	-6,900	-22,966	-26,289
<b>TOTAL</b>	<b>-18,335</b>	<b>-44,090</b>	<b>-62,433</b>

(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 -€174k recorded on the liabilities method for the 1<sup>st</sup> half of 2021.

## NOTE 9 TREASURY BILLS, BONDS AND OTHER FIXED-INCOME SECURITIES

### ACCOUNTING POLICIES

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.

(in €k)	06/30/2021			06/30/2020			12/31/2020		
	Securities available for sale	Held-to-maturity securities	Total	Securities available for sale	Held-to-maturity securities	Total	Securities available for sale	Held-to-maturity securities	Total
Treasury bills and equivalent*	0	2,936,863	2,936,863	0	3,171,526	3,171,526	0	3,152,759	3,152,759
Related receivables	0	54,961	54,961	0	56,256	56,256	0	43,768	43,768
<b>Subtotal</b>	<b>0</b>	<b>2,991,823</b>	<b>2,991,823</b>	<b>0</b>	<b>3,227,782</b>	<b>3,227,782</b>	<b>0</b>	<b>3,196,527</b>	<b>3,196,527</b>
Bonds*	0	3,109,887	3,109,887	0	3,428,118	3,428,118	0	3,179,939	3,179,939
Interbank market instruments (mortgage notes)*	0	0	0	0	0	0	0	0	0
Negotiable debt securities	0	0	0	0	0	0	0	0	0
Securitization units*	0	0	0	0	0	0	0	0	0
Related receivables	0	40,280	40,280	0	45,514	45,514	0	40,685	40,685
<b>Subtotal</b>	<b>0</b>	<b>3,150,167</b>	<b>3,150,167</b>	<b>0</b>	<b>3,473,632</b>	<b>3,473,632</b>	<b>0</b>	<b>3,220,625</b>	<b>3,220,625</b>
<b>Doubtful loans and securities including related receivables</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>GROSS AMOUNTS</b>	<b>0</b>	<b>6,141,990</b>	<b>6,141,990</b>	<b>0</b>	<b>6,701,415</b>	<b>6,701,415</b>	<b>0</b>	<b>6,417,152</b>	<b>6,417,152</b>
Impairment on fixed-income securities	0	0	0	0	0	0	0	0	0
<b>NET AMOUNTS</b>	<b>0</b>	<b>6,141,990</b>	<b>6,141,990</b>	<b>0</b>	<b>6,701,415</b>	<b>6,701,415</b>	<b>0</b>	<b>6,417,152</b>	<b>6,417,152</b>

\* Of which:

	06/30/2021	06/30/2020	12/31/2020
Listed securities	5,767,394	6,299,186	6,053,311
Unlisted securities	279,356	300,458	279,388
<b>TOTAL EXCLUDING RELATED RECEIVABLES</b>	<b>6,046,750</b>	<b>6,599,644</b>	<b>6,332,699</b>

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

Under Regulation No. 2014-07 of the French National Accounting Standards Authority, the aggregate fair value of the investment portfolio amounted to €7,477.07m at June 30, 2021, excluding related receivables.

Unrealized capital gains on held-to-maturity securities amounted to €1,508.13m at June 30, 2021, before swaps. At December 31, 2020, unrealized capital gains on held-to-maturity securities amounted to €1,605.76m, before swaps.

Unrealized capital losses on held-to-maturity securities amounted to €77.81m at June 30, 2021, before swaps. At December 31, 2020, unrealized capital losses on held-to-maturity securities amounted to €82.79m, before swaps.

The Company did not reclassify any securities to the "Held-to-maturity securities" portfolio either during the 2021 fiscal year or in previous years.

## NOTE 9 A SOVEREIGN RISK

At June 30, 2021, the net exposures of the Compagnie de Financement Foncier sovereign risk in these countries are:

Held-to-maturity securities (in €m)	06/30/2021			06/30/2020			12/31/2020		
	Carrying amount	Market value	Value after swap*	Carrying amount	Market value	Value after swap*	Carrying amount	Market value	Value after swap*
Italy	2,213.2	3,023.8	1,917.2	2,234.9	2,908.9	1,710.5	2,218.5	3,105.3	1,872.5
Poland	350.3	423.0	307.6	380.4	462.0	552.6	364.9	440.7	314.8
<b>TOTAL</b>	<b>2,563.5</b>	<b>3,446.8</b>	<b>2,224.8</b>	<b>2,615.3</b>	<b>3,370.9</b>	<b>2,263.1</b>	<b>2,583.4</b>	<b>3,546.0</b>	<b>2,187.3</b>

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

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

The maturity dates of net exposures in nominal value as of June 30, 2021 are presented below:

	Residual maturity		
	< 8 years	> 8 years and < 10 years	> 10 years
Italy	1,082.8	0.0	1,009.3
Poland	167.0	0.0	197.8
<b>TOTAL</b>	<b>1,249.8</b>	<b>0.0</b>	<b>1,207.1</b>

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

## NOTE 9 B CHANGE IN HELD-TO-MATURITY SECURITIES

(in €k)	Gross 12/31/2019	Acquisitions	Disposals/Redemptions*	Reclassifications	Current change	Currency differences	Gross 12/31/2020	Acquisitions	Disposals/Redemptions*	Reclassifications	Current change	Currency differences	Gross 06/30/2021
Held-to-maturity securities	7,233,429	0	-523,719		-184,279	-192,732	6,332,698	0	0		-310,359	24,410	6,046,749
<b>TOTAL</b>	<b>7,233,429</b>	<b>0</b>	<b>-523,719</b>		<b>-184,279</b>	<b>-192,732</b>	<b>6,332,698</b>	<b>0</b>	<b>0</b>		<b>-310,359</b>	<b>24,410</b>	<b>6,046,749</b>
Related receivables	97,253				-12,799	0	84,454				10,787	0	95,241
<b>TOTAL</b>	<b>7,330,681</b>	<b>0</b>	<b>-523,719</b>	<b>0</b>	<b>-197,078</b>	<b>-192,732</b>	<b>6,417,152</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-299,572</b>	<b>24,410</b>	<b>6,141,990</b>

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

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

## NOTE 9 C RECLASSIFICATION OF FINANCIAL ASSETS

### ACCOUNTING POLICIES

In order to harmonize accounting practices and ensure compliance with IFRS, Regulation No. 2014-07 of the French National Accounting Standards Authority includes the provisions of Notification No. 2008-19 of December 8, 2008 regarding 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 “Held-to-maturity securities” 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.

Note that the French National Accounting Council, in its press release of March 23, 2009, specifies that options of portfolio transfers, in particular from the available for sale securities portfolio to the held-to-maturity securities portfolio as planned by Article 19 of CRB Regulation No. 90-01 before its update by Regulation No. 2008-17 remain in force and are not repealed by Regulation No. 2014-07 of the French National Accounting Standards Authority.

Since Regulation No. 2008-17 of the CRC replaced by Regulation No. 2014-07 of French National Accounting Standards Authority provides for additional options of transfers between portfolios, these new transfer options complete the ones defined above, and this, as of the date of application of this regulation on July 1, 2008.

Consequently, a reclassification from the available for sale securities portfolio to the held-to-maturity securities portfolio remains possible with a simple change of intention, if on the day of the transfer, all the criteria of the investment portfolio are met.

No portfolio reclassification took place in the 1<sup>st</sup> half of 2021 as Compagnie de Financement Foncier did not own trading securities or securities available for sale.

## NOTE 10 RECEIVABLES DUE FROM CREDIT INSTITUTIONS

### ACCOUNTING POLICIES

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.

Securities received are recognized off-balance sheet. 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.

### 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.

### DOUBTFUL LOANS

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.

Compagnie de Financement Foncier has no receivables due from credit institutions falling under restructured or doubtful loans and receivables. 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.

As of June 30, 2021, there were no doubtful payables due from credit institutions. Accordingly, no impairment was recorded.

### REPURCHASE AGREEMENTS

Repurchase agreements delivered are recognized in accordance with the provisions of Regulation No. 2014-07 of the French National Accounting Standards Authority completed by amended directive No. 94-06 of the Banking Commission.

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.

(in €k)	06/30/2021	06/30/2020	12/31/2020
<b>Demand loans to credit institutions</b>	<b>53,654</b>	<b>51,305</b>	<b>50,858</b>
Current accounts with overdrafts	53,654	51,305	50,858
Overnight loans	0	0	0
Unallocated items (demand)	0	0	0
Related receivables	0	0	0
<b>Term loans to credit institutions</b>	<b>22,667,957</b>	<b>22,757,020</b>	<b>23,682,240</b>
Term accounts and loans	547,395	563,817	554,737
Secured receivables under L. 211-38 (described in greater detail in note 10 A)	22,114,403	22,189,717	23,120,017
Securities bought under repurchase agreements	0	0	0
Subordinated loans and participating loans	0	0	0
Related receivables	6,159	3,487	7,487
<b>Doubtful loans and receivables</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>GROSS AMOUNT OF TERM LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS</b>	<b>22,721,611</b>	<b>22,808,326</b>	<b>23,733,098</b>
Impairment of doubtful loans	0	0	0
<b>Impairment of doubtful loans</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>NET AMOUNT OF TERM LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS</b>	<b>22,721,611</b>	<b>22,808,326</b>	<b>23,733,098</b>
<b>Breakdown of term accounts (Group/non-Group)</b>			
Term accounts and loans			
■ of which Group transactions	0	0	0
■ of which non-Group transactions	547,395	563,817	554,737
Secured receivables			
■ of which Group transactions	22,114,403	22,189,717	23,120,017
■ of which non-Group transactions	0	0	0
Related receivables			
■ of which Group transactions	6,159	3,487	7,487
■ of which non-Group transactions	0	0	0
<b>Group receivables</b>	<b>22,120,562</b>	<b>22,193,204</b>	<b>23,127,503</b>
<b>Non-Group loans</b>	<b>547,395</b>	<b>563,817</b>	<b>554,737</b>
<b>TOTAL</b>	<b>22,667,957</b>	<b>22,757,020</b>	<b>23,682,240</b>
<b>Breakdown of demand accounts (Group/non-Group)</b>			
Demand accounts and loans			
■ of which Group transactions	51,035	51,265	50,850
■ of which non-Group transactions	2,619	40	8
Related receivables			
■ of which Group transactions	0	0	0
■ of which non-Group transactions	0	0	0
Unallocated amounts			
■ of which Group transactions (at Crédit Foncier's scope)	0	0	0
■ of which non-Group transactions	0	0	0
<b>Group receivables</b>	<b>51,035</b>	<b>51,265</b>	<b>50,850</b>
<b>Non-Group loans</b>	<b>2,619</b>	<b>40</b>	<b>8</b>
<b>TOTAL</b>	<b>53,654</b>	<b>51,305</b>	<b>50,858</b>

## NOTE 10 A BREAKDOWN OF OUTSTANDING TERM LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS

(in €k)	06/30/2021			06/30/2020	12/31/2020
	Gross amount	Impairment	Net amount	Net amount	Net amount
<b>Term loans</b>					
Refinancing of subsidized residential property	0		0	0	0
Refinancing of unsubsidized residential property	0		0	0	0
Public entities	547,395		547,395	563,817	554,737
Other loans to credit institutions*	22,120,562		22,120,562	22,193,204	23,127,503
Doubtful term loans					
<b>NET AMOUNT OF TERM LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS</b>	<b>22,667,957</b>	<b>0</b>	<b>22,667,957</b>	<b>22,757,020</b>	<b>23,682,240</b>
* Of which :					
Replacement values pursuant to L. 211-38, with BPCE	6,600,000		6,600,000	6,600,000	6,600,000
Loans guaranteed by loans and receivables (Local authorities, Individuals, Corporates) pursuant to L. 211-38, with Crédit Foncier	15,387,000		15,387,000	15,446,500	16,382,000
Loans guaranteed by local authority receivables pursuant to L. 211-38, with BPCE, CEP and Banques Populaires	127,403		127,403	143,217	138,017
Related and other receivables	6,159		6,159	3,487	7,487
<b>TOTAL</b>	<b>22,120,562</b>	<b>0</b>	<b>22,120,562</b>	<b>22,193,204</b>	<b>23,127,503</b>

## NOTE 11 CUSTOMER TRANSACTIONS ACCOUNTING POLICIES

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. Loans issued to customers 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. 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 20.2 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.

Securities received are recognized off-balance sheet. 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.

## 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

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 ANC Regulation No. 2014-07, the identification of doubtful loans is carried out, in particular with regard to unpaid loans for at least three consecutive months, in line with the default cases laid down in Article 178 of EU Regulation 575/2013 of June 26, 2013 on prudential requirements applicable to credit institutions and EBA guidelines (EBA/GL/2016/07) on the application of default determination and ECB delegated Regulation 2018/1845 on critical threshold measurement for unpaid credit obligations, effective no later than December 31, 2020. The definition of non-performing loans is thus clarified by the introduction of a relative threshold and an absolute threshold applicable to past-due receivables, to identify default cases, the clarification of the criteria for reverting to performing loans with a mandatory probation period and the introduction of explicit criteria for classifying restructured loans as default.

With regard to individual customers, the identification of non-performing loans is carried out in accordance with the provisions of Regulation No. 2014-07 of the French National Accounting Standards Authority, particularly in the case of unpaid loans for over three months, of over six months for mortgage loans and nine months for loans to local authorities.

Doubtful loans are considered to be irrecoverable when full or partial collection is deemed to be highly unlikely and a write-off is considered. Receivables that have lapsed, terminated leases, open-ended competitions, whose closure has been notified are presumed to be entered as compromised doubtful loans. 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. Where the receivable is classified as compromised, accrued interest that has not been collected is no longer recognized.

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.

## REPURCHASE AGREEMENTS

Repurchase agreements delivered are recognized in accordance with the provisions of Regulation No. 2014-07 of the French National Accounting Standards Authority completed by amended directive No. 94-06 of the Banking Commission.

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.

## 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.

Impairment provisions and reversals where there is a risk of non-recovery 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”.

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.

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 those of IFRS 9 Stage 2 used for the consolidated financial statements.

Non-recoverable receivables are recorded as losses and the corresponding impairments are reversed.

(in €k)	Performing loans and receivables			Doubtful loans and receivables			Impairment of customer receivables <sup>(4)</sup>			Net amounts		
	06/30/2021	06/30/2020	12/31/2020	06/30/2021	06/30/2020	12/31/2020	06/30/2021	06/30/2020	12/31/2020	06/30/2021	06/30/2020	12/31/2020
Current accounts with overdrafts	0	0	0	0	0	0	0	0	0	0	0	0
Facilities granted to customers	33,168,620	35,426,513	34,120,342	1,170,630	1,347,998	1,277,451	52,286	59,834	58,711	34,286,964	36,714,677	35,339,082
Loans to financial customers	234,357	236,202	235,305	0	0	0	0	0	0	234,357	236,202	235,305
Export credits	0	0	0	0	0	0	0	0	0	0	0	0
Short-term credit facilities <sup>(1)</sup>	354,674	904,983	421,469	0	0	0	0	84	0	354,674	904,899	421,469
Equipment loans <sup>(2)</sup>	7,516,366	5,935,301	6,974,065	34	34	34	34	737	34	7,516,366	5,934,598	6,974,065
Home loans	24,981,000	28,259,107	26,408,175	1,169,049	1,345,973	1,275,514	52,252	59,001	58,665	26,097,796	29,546,079	27,625,024
Other customer loans	5,205	2,135	5,390	23	47	40	0	12	11	5,228	2,170	5,419
Unallocated amounts	0	0	0							0	0	0
Related receivables	77,018	88,785	75,938	1,525	1,944	1,863				78,543	90,729	77,801
<b>GENERAL<sup>(3)</sup></b>	<b>33,168,620</b>	<b>35,426,513</b>	<b>34,120,342</b>	<b>1,170,630</b>	<b>1,347,997</b>	<b>1,277,451</b>	<b>52,286</b>	<b>59,833</b>	<b>58,711</b>	<b>34,286,964</b>	<b>36,714,677</b>	<b>35,339,082</b>

Restructured loans amounted to €487.09m at June 30, 2021, of which €129.5m classified as performing loans.

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

(1) Since 2007, the Company purchased the local authority loans of Natixis, which included revolving credit lines of €354.87m at June 30, 2021, versus €421.39m at December 31, 2020.

(2) Equipment loans are loans to local authorities.

(3) Customer loans eligible for refinancing with the Central Bank amounted to €1.4bn at June 30, 2021 in outstanding capital. This amount represents €1bn after haircut and overcollateralization constraints.

(4) Write-downs on customer loans include, on the one hand, write-downs on doubtful debts for €46.52m and, on the other hand, write-downs due to significant increases in credit risk on performing loans for €5.77m.

## NOTE 11 A 1 IMPAIRMENT AND PROVISIONS FOR CREDIT RISKS

(in €k)	12/31/2019	Reclassi- fication	Additions	Reversals	12/31/2020	Reclassi- fication	Additions	Reversals	Reversals used	06/30/2021
<b>Impairment of assets</b>										
Customer loans and due from credit institutions <sup>(1) (2)</sup>	64,147	0	52,964	-58,401	58,711	0	13,835	-20,259		52,286
<b>Provisions recognized as liabilities</b>										
Customer loans and due from credit institutions and provisions on securities <sup>(3)</sup>	660		227	-660	227		0	-73		155
<b>TOTAL</b>	<b>64,807</b>	<b>0</b>	<b>53,192</b>	<b>-59,061</b>	<b>58,938</b>	<b>0</b>	<b>13,835</b>	<b>-20,332</b>	<b>0</b>	<b>52,440</b>

- (1) Loan impairment is measured at discounted value in accordance with the Regulation No. 2014-07 of the French National Accounting Standards Authority.  
(2) In accordance with the Regulation No. 2014-07 of the French National Accounting Standards Authority, Compagnie de Financement Foncier now recognizes its impairment flows in accumulated stock: reversal of all impairment for the previous fiscal year and full allocation of impairment for the current fiscal year.  
(3) A provision for risk is included in the scope of non-doubtful off-balance sheet commitments, for which the available information makes it possible to anticipate a risk of default and losses at maturity.

## NOTE 11 A 2 PREMIUMS/DISCOUNTS ON ACQUIRED RECEIVABLES

(in €k)	12/31/2019	Reclassi- fication – Repayment	Additions	Spreading	12/31/2020	Reclassi- fication – Repayment	Additions	Spreading	06/30/2021
<b>Due from credit institutions</b>									
Premiums	0		0	0	0		0	0	0
Discounts									
<b>Net</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>Customer loans</b>									
<b>Performing loans and receivables</b>									
Premiums	857,598	-5,077	70,447	-164,570	758,398	-135	23,005	-70,621	710,647
Discounts	-1,376,036	8,743	-11,638	152,955	-1,225,976	2,184	-2,982	73,174	-1,153,600
<b>Doubtful loans and receivables</b>									
Premiums	36,702	5,077		-9,168	32,611	135		-3,516	29,230
Discounts	-33,013	-8,743		9,745	-32,011	-2,184		4,213	-29,982
<b>Net</b>	<b>-514,749</b>	<b>0</b>	<b>58,809</b>	<b>-11,038</b>	<b>-466,978</b>	<b>0</b>	<b>20,023</b>	<b>3,250</b>	<b>-443,705</b>
<b>TOTAL</b>	<b>-514,749</b>	<b>0</b>	<b>58,809</b>	<b>-11,038</b>	<b>-466,978</b>	<b>0</b>	<b>20,023</b>	<b>3,250</b>	<b>-443,705</b>

**NOTE 12 OTHER ASSETS**

(in €k)	06/30/2021	06/30/2020	12/31/2020
<b>Options bought</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Securities settlement accounts</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other debtors</b>	<b>15,739</b>	<b>57,360</b>	<b>79,391</b>
Deposits on collateralization transactions	0	0	0
Other deposits and guarantees <sup>(1)</sup>	15,687	12,686	12,686
Tax consolidation receivables <sup>(2)</sup>	0	44,192	65,860
Other non-trade receivables	51	482	845
<b>Special bonus account</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL</b>	<b>15,739</b>	<b>57,360</b>	<b>79,391</b>

(1) As of June 30, 2021, this item includes mainly the guarantee deposits for the years 2015-2021 set up within the framework of the Single Resolution Fund amounting to €15,687k.

(2) This item represents compensation due by Crédit Foncier for corporate tax savings due to the tax deficit.

**NOTE 13 ACCRUAL ACCOUNTS – ASSETS**

(in €k)	06/30/2021	06/30/2020	12/31/2020
<b>Collection accounts</b>	<b>8</b>	<b>25</b>	<b>24</b>
<b>Deferred expenses</b>	<b>155,676</b>	<b>187,530</b>	<b>170,578</b>
Issue and redemption premiums on fixed-income securities	155,676	187,530	170,578
Other deferred expenses	0	0	0
<b>Prepaid expenses</b>	<b>829,536</b>	<b>950,503</b>	<b>879,050</b>
Termination balances of paid swaps to be amortized	820,394	942,555	879,050
Other prepaid expenses	9,141	7,948	0
<b>Accrued income</b>	<b>248,681</b>	<b>295,354</b>	<b>368,357</b>
Accrued interest on swaps	248,191	294,864	367,868
Other accrued income	490	490	490
<b>Other accrual accounts – assets</b>	<b>99,171</b>	<b>146,056</b>	<b>119,398</b>
Cash in domiciliation	0	0	0
Deferred tax assets	97,780	134,457	116,115
Currency adjustment accounts	0	0	0
Other accrued income*	1,391	11,599	3,283
<b>TOTAL</b>	<b>1,333,071</b>	<b>1,579,467</b>	<b>1,537,408</b>

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

## NOTE 14 DUE TO CREDIT INSTITUTIONS

## ACCOUNTING POLICIES

Payables to credit institutions are presented according to their initial term (sight deposit or term). Depending on the counterparty involved, these items may include repurchase agreements involving securities and other assets. Accrued interest is recorded on related debts.

## 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.

(in €k)	06/30/2021	06/30/2020	12/31/2020
<b>Due to credit institutions – on demand <sup>(1)</sup></b>	<b>0</b>	<b>0</b>	<b>0</b>
Current accounts of credit institutions	0	0	0
Demand loans from credit institutions	0	0	0
Other amounts due to credit institutions	0	0	0
Related payables	0	0	0
<b>Due to credit institutions – at maturity <sup>(2)</sup></b>	<b>5,869,386</b>	<b>4,139,273</b>	<b>6,268,175</b>
Term deposits and loans	5,206,718	3,464,798	5,578,707
Values sold under repurchase agreements	0	0	0
Securities sold under repurchase agreements	663,234	673,490	689,722
Related payables	-566	985	-254
<b>TOTAL</b>	<b>5,869,386</b>	<b>4,139,273</b>	<b>6,268,175</b>
<b>(1) Details on due to credit institutions – on demand (Group/non-Group)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Of which Group</b>	<b>0</b>	<b>0</b>	<b>0</b>
■ Other amounts due to credit institutions	0	0	0
■ Demand loans from credit institutions	0	0	0
■ Related payables	0	0	0
<b>Of which non-Group</b>	<b>0</b>	<b>0</b>	<b>0</b>
■ Other amounts due to credit institutions	0	0	0
<b>(2) Details on due to credit institutions – at maturity (Group/non-Group)</b>	<b>5,869,386</b>	<b>4,139,273</b>	<b>6,268,175</b>
<b>Of which Group</b>	<b>5,869,386</b>	<b>4,139,273</b>	<b>6,268,174</b>
■ Term deposits and loans	5,206,151	3,465,783	5,578,453
■ Securities sold under repurchase agreements	663,234	673,490	689,722
<b>Of which non-Group</b>	<b>0</b>	<b>0</b>	<b>0</b>
■ Term deposits and loans	0	0	0
■ Banque de France refinancing (3G pool)	0	0	0
■ Other term loans	0	0	0
■ Securities sold under repurchase agreements	0	0	0
■ Related payables	0	0	0
<b>Subtotal due to Group credit institutions</b>	<b>5,869,386</b>	<b>4,139,273</b>	<b>6,268,174</b>
<b>Subtotal due to non-Group credit institutions</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL</b>	<b>5,869,386</b>	<b>4,139,273</b>	<b>6,268,175</b>

## NOTE 15 DEBT SECURITIES

### 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 in 2021.

(in €k)	06/30/2021	06/30/2020	12/31/2020
Negotiable debt securities	0	0	0
Related payables	0	0	0
<b>Negotiable debt securities and related payables</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Obligations foncières</i>	53,381,472	58,861,401	55,824,258
Related payables	477,923	556,629	619,052
<b><i>Obligations foncières</i> and related payables</b>	<b>53,859,396</b>	<b>59,418,030</b>	<b>56,443,309</b>
<b>TOTAL</b>	<b>53,859,396</b>	<b>59,418,030</b>	<b>56,443,309</b>

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 16 OTHER LIABILITIES

(in €k)	06/30/2021	06/30/2020	12/31/2020
<b>Options sold</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other creditors</b>	<b>539,592</b>	<b>851,293</b>	<b>995,166</b>
Deposits on collateralization transactions	415,285	709,074	879,916
Margin calls on repurchase agreements	0	0	0
Trade payables*	17,920	37,372	14,719
Tax consolidation liabilities <sup>(1)</sup>	7,765	0	0
Other fiscal and social debts	-2	2	34
Other payables accounts	-3,481	3,494	-1,336
Special bonus account	102,105	101,351	101,832
<b>Allocated public funds <sup>(2)</sup></b>	<b>39,898</b>	<b>40,910</b>	<b>39,920</b>
<b>TOTAL</b>	<b>579,491</b>	<b>892,203</b>	<b>1,035,086</b>

(1) Corporate tax due to Crédit Foncier (tax consolidation) 7,765 0 0

(2) Of which subsidized sector 38,701 38,531 38,200

\* Pursuant to provisions of Article D. 441-6 of the French Commercial Code, the breakdown of the amount of the suppliers invoices received and not settled at the closing date is the following:

Suppliers' invoices received and not settled as at the closing date	From 1 to 30 days	From 31 to 60 days	From 61 to 90 days	more than 91 days	Total
Total amount of invoices concerned incl.VAT (in €k)	0	-	-	-	0
Percentage of the total amount of the year purchases incl. VAT	0.00%	-	-	-	0.00%
Number of invoices	0	-	-	-	0

## NOTE 17 ACCRUAL ACCOUNTS – LIABILITIES

(in €k)	06/30/2021	06/30/2020	12/31/2020
<b>Collection accounts</b>	<b>3,063</b>	<b>1</b>	<b>22</b>
<b>Unearned income</b>	<b>762,016</b>	<b>888,029</b>	<b>827,335</b>
Subsidies on loans for low-income households (PAS) and former interest-free loans (PTZ)	7,224	12,742	9,601
Balances of swaps received to be amortized	640,288	780,578	705,979
Other unearned income	114,504	94,709	111,756
<b>Accrued expenses</b>	<b>143,266</b>	<b>157,306</b>	<b>127,884</b>
Accrued interest on derivatives (swaps)	130,358	151,687	112,980
Other accrued expenses	12,908	5,619	14,904
<b>Other accrual accounts</b>	<b>574,794</b>	<b>912,982</b>	<b>598,985</b>
Currency adjustment accounts*	539,938	821,419	569,129
Other items	34,856	91,563	29,856
<b>TOTAL</b>	<b>1,483,139</b>	<b>1,958,318</b>	<b>1,554,226</b>

\* 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 13.

## NOTE 18 PROVISIONS

## 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 or reporting banking or related transactions, 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 the provisions of Regulation No. 2014-03 of the French National Accounting Standards Authority.

In particular, this item includes a provision for counterparty risk on performing loans detailed in note 11.

(in €k)	06/30/2021	06/30/2020	12/31/2020
<b>Provisions for counterparty risks</b>	<b>155</b>	<b>525</b>	<b>227</b>
Provisions for counterparty risks on performing loans	155	290	227
Sectoral provisions	0	0	0
Provisions for execution risks on endorsements	0	235	0
<b>Provisions for claims and litigation</b>	<b>0</b>	<b>11,540</b>	<b>0</b>
Tax litigation	0	0	0
Other litigation <sup>(1)</sup>	0	11,540	0
<b>Other provisions</b>	<b>327</b>	<b>510</b>	<b>374</b>
Other provisions <sup>(2)</sup>	327	510	374
<b>TOTAL</b>	<b>481</b>	<b>12,575</b>	<b>602</b>

(1) The reserve for provisions only included one case and was therefore reclassified in 2020 after deduction of the outstanding amounts in question.

(2) A provision related to an estimate of an accelerated amortization of several termination balances.

Changes in the period (in €k)	12/31/2020	Changes in 2021				06/30/2021
		Additions	Reversals Used	Not used	Other changes	
<b>Provisions for counterparty risks</b>	<b>227</b>	<b>0</b>	<b>0</b>	<b>73</b>	<b>0</b>	<b>155</b>
Provisions for counterparty risks on performing loans	227	0	0	73	0	155
Sectoral provisions	0	0	0	0	0	0
Provisions for execution risks on endorsements	0	0	0	0	0	0
<b>Provisions for claims and litigation</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Tax litigation	0	0	0	0	0	0
Other litigation	0	0	0	0	0	0
<b>Other provisions</b>	<b>374</b>	<b>0</b>	<b>0</b>	<b>48</b>	<b>0</b>	<b>327</b>
Other provisions	374	0	0	48	0	327
<b>TOTAL</b>	<b>602</b>	<b>0</b>	<b>0</b>	<b>120</b>	<b>0</b>	<b>481</b>

## NOTE 19 CHANGES IN EQUITY

### 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.

(in €k)	Opening 01/01/2020	Allocation	Changes in capital and reserves		Balance at 12/31/2020	Allocation	Changes in capital and reserves		Amount at 06/30/2021
			Dividends paid in shares	Other changes			Dividends paid in shares	Other changes	
Share capital*	2,537,460				2,537,460				2,537,460
Share premiums*	343,002				343,002				343,002
<b>Reserves</b>									
■ Legal reserve	71,036	5,564			76,600	2,358			78,958
■ General reserve	55,517				55,517				55,517
■ Regulated reserves									
of which:									
Regulated reserves of revaluation									
Special reserves for long-term capital gains									
Retained earnings	79,914	-5,562			74,352	-2,357			71,995
<b>Net equity before net income for the year</b>	<b>3,086,929</b>				<b>3,086,931</b>				<b>3,086,932</b>
Net income for the year before distributions	111,278	-111,278			47,141	-47,141			50,551
<b>Equity after net income for the year</b>	<b>3,198,207</b>				<b>3,134,072</b>				<b>3,137,483</b>
Dividends paid		111,278				47,140			

(in €k)	Opening 01/01/2020	Allocation	Changes in provisions		Balance at 12/31/2020	Allocation	Changes in provisions		Amount at 06/30/2021
			Additions	Reversals			Additions	Reversals	
Special revaluation provision									
Other regulated provisions									
Regulated provisions									
<b>Equity before distributions</b>	<b>3,198,207</b>				<b>3,134,072</b>				<b>3,137,483</b>

(in €k)	Opening 01/01/2020	Allocation	Changes in the reserve for general banking risks (RGBR)		Balance at 12/31/2020	Allocation	Changes in the reserve for general banking risks (RGBR)		Amount at 06/30/2021
			Additions	Reversals			Additions	Reversals	
Reserve for general banking risks	20,000				20,000				20,000
<b>TOTAL</b>	<b>3,218,207</b>				<b>3,154,072</b>				<b>3,157,483</b>

\* 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 to all shareholders.  
No free revaluation has been carried out to date.

## NOTE 20 COMMITMENTS GIVEN AND RECEIVED

## GENERAL PRINCIPLES

## FINANCING COMMITMENTS

Financing commitments given to credit and similar institutions comprising refinancing agreements, payment approvals or payment commitments, documentary credit opening confirmation and other commitments given to credit institutions.

Financing commitments given to customers comprising confirmed credit openings, substitutions for commercial paper facilities, commitments on securities issue facilities and other commitments given to economic agents other than credit and similar institutions.

Financing commitments received list refinancing agreements and other commitments received from credit and similar institutions.

## GUARANTEE COMMITMENTS

Credit institution guarantee commitments cover deposits, pledges and other guarantees from credit and similar institutions.

Customer guarantee commitment include deposits, pledges and other guarantees from economic agents other than credit and similar institutions.

Guarantee commitments include received list deposits, pledges and other guarantees received from credit and similar institutions.

## 20.1 COMMITMENTS GIVEN

(in €k)	06/30/2021		06/30/2020		12/31/2020	
	Loans authorized but not yet established	Amounts not drawn down on loans already partially established	Loans authorized but not yet established	Amounts not drawn down on loans already partially established	Loans authorized but not yet established	Amounts not drawn down on loans already partially established
<b>FINANCING COMMITMENTS</b>	<b>1,222,920</b>	<b>195</b>	<b>651,168</b>	<b>388</b>	<b>1,530,768</b>	<b>48,137</b>
Subsidized sector commitments	0	0	0	0	0	0
Unsubsidized sector commitments	1,222,920	195	651,168	388	1,530,768	48,137
<b>Non-Group commitments</b>	<b>1,222,920</b>	<b>195</b>	<b>651,168</b>	<b>388</b>	<b>1,530,768</b>	<b>48,137</b>
■ Credit institutions	0	0	0	0	0	0
■ Customers <sup>(1)</sup>	1,222,920	195	651,168	388	1,530,768	48,137
<b>Group commitments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>GUARANTEE COMMITMENTS</b>	<b>216,165</b>	<b>0</b>	<b>206,620</b>	<b>0</b>	<b>201,322</b>	<b>0</b>
<b>Non-Group commitments</b>	<b>216,165</b>	<b>0</b>	<b>206,620</b>	<b>0</b>	<b>201,322</b>	<b>0</b>
Other values used as collateral <sup>(2)</sup>	216,165		206,620		201,322	
<b>COMMITMENTS ON SECURITIES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL <sup>(3)</sup></b>	<b>1,439,280</b>		<b>858,176</b>		<b>1,780,227</b>	

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

(in €k)	06/30/2021	06/30/2020	12/31/2020
Permanent credit lines (outstanding transferred from Ixis CIB)	1,222,920	651,168	1,478,701
State housing savings accounts (primes d'épargne logement)	0	0	52,067

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

(in €k)	06/30/2021	06/30/2020	12/31/2020
* Securities	161,752	149,769	147,225
* Receivables	54,413	56,851	54,097

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

(3) Of which:

(in €k)	06/30/2021	06/30/2020	12/31/2020
Doubtful commitments	195	388	204

## 20.2 COMMITMENTS RECEIVED

(in €k)	06/30/2021	06/30/2020	12/31/2020
<b>FINANCING COMMITMENTS</b>	<b>23,440,410</b>	<b>24,562,600</b>	<b>24,869,427</b>
<b>Non-Group commitments</b>	<b>700,031</b>	<b>701,214</b>	<b>693,633</b>
Credit institutions <sup>(1)</sup>	700,031	701,214	693,633
<b>Group commitments</b>	<b>22,740,379</b>	<b>23,861,386</b>	<b>24,175,794</b>
Repurchase guarantee	0	0	0
Credit institutions <sup>(2)</sup>	2,000,000	2,000,000	2,000,000
Other assets received as collateral from the Group <sup>(3)</sup>	20,740,379	21,861,386	22,175,794
<b>GUARANTEE COMMITMENTS</b>	<b>29,693,617</b>	<b>33,587,110</b>	<b>31,463,810</b>
<b>Non-Group commitments</b>	<b>28,882,321</b>	<b>32,657,920</b>	<b>30,593,712</b>
Credit institutions and similar institutions <sup>(4)</sup>	4,592,182	5,045,349	4,754,066
Customers <sup>(5)</sup>	24,290,138	27,612,571	25,839,646
<b>Group commitments</b>	<b>811,297</b>	<b>929,190</b>	<b>870,097</b>
Credit institutions and similar items	778,454	891,437	835,417
Customers	32,843	37,753	34,680
<b>COMMITMENTS ON SECURITIES</b>	<b>0</b>	<b>0</b>	<b>0</b>
Other securities to be received	0	0	0
<b>TOTAL</b>	<b>53,134,028</b>	<b>58,149,710</b>	<b>56,333,237</b>

(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 €188.87m at June 30, 2021 compared with €180.57m at December 31, 2020.

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

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

(in €k)	06/30/2021	06/30/2020	12/31/2020
■ Guarantees received from Crédit Foncier for loans to French local authorities (L. 211-38)	15,788,341	15,717,449	16,610,206
■ Guarantees received from BPCE SA as replacement values (L. 211-38 – RV)	4,925,545	5,999,832	5,429,097
■ Guarantees received from Caisses d'Épargne, Banques Populaires and BPCE for loans to French local authorities (L. 211-38)	132,060	144,105	136,491
■ Guarantees received from Crédit Foncier for mortgage notes	0	0	0

(4) Mainly includes:

(in €k)	06/30/2021	06/30/2020	12/31/2020
■ Guarantees received from Crédit Logement rated Aa3 (Moody's)	4,367,235	4,786,349	4,515,149
■ Guarantees received from Créserfi	217,340	248,408	229,473

(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 include:

(in €k)	06/30/2021	06/30/2020	12/31/2020
■ Government guarantees on loans, mainly to the subsidized sector	96,203	108,171	102,922
■ Guarantees from the SGFGAS on FGAS-eligible loans and covered by the government	15,061,580	16,885,375	15,927,141
■ Mortgage guarantees for mortgage loans that are only covered by this guarantee	6,137,220	7,313,131	6,688,985
■ Guarantees given by local authorities and other organizations	643,072	709,854	668,463
■ Security enhancement guarantees given by governments	987,318	1,085,153	1,038,059
■ Security enhancement guarantees received from insurance companies	1,312,668	841,279	1,362,005

## NOTE 21 COMMITMENTS ON FORWARDS AND OPTIONS CONTRACTS

### FOREIGN CURRENCY 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.

Receivables, liabilities and off-balance sheet commitments denominated in a foreign currency are valued at the closing exchange rate. 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 *prorata 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”.

### FUTURE 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 nominal value of the contracts. At closing, the amount recognized for these commitments represented the volume of the open transactions at closing.

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, floor and ceiling guarantees) are classified according to the initial intention criterion in the following categories:

- micro-hedging (earmarked hedge);
- 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;
- for 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 June 30, 2021, Compagnie de Financement Foncier recognized no forward rate agreements on an isolated open position.

(in €k)	06/30/2021		06/30/2020		12/31/2020	
	Euros	Currencies <sup>(2)</sup>	Euros	Currencies <sup>(2)</sup>	Euros	Currencies <sup>(2)</sup>
<b>OVER-THE-COUNTER MARKETS</b>						
<b>Options (nominal amounts)</b>	<b>931,524</b>	<b>0</b>	<b>1,111,574</b>	<b>0</b>	<b>985,573</b>	<b>0</b>
<b>Hedging transactions (purchases)</b>						
■ Interest rate instruments	931,524	0	1,111,574	0	985,573	0
■ Foreign exchange instrument						
■ Other instruments						
<b>Other options</b>						
<b>Options (fair value)</b>	<b>964</b>	<b>0</b>	<b>1,007</b>	<b>0</b>	<b>405</b>	<b>0</b>
<b>Forward transactions (nominal amounts)</b>	<b>54,455,590</b>	<b>6,295,944</b>	<b>60,343,799</b>	<b>6,850,406</b>	<b>58,624,462</b>	<b>6,427,223</b>
<b>Hedging transactions</b>						
■ Interest rate instruments	49,299,849	324,234	54,785,307	314,001	53,286,982	315,932
■ Foreign exchange instruments <sup>(3)</sup>	5,155,741	5,971,710	5,558,492	6,536,405	5,337,480	6,111,291
■ Other instruments	0	0	0	0	0	0
<b>Other transactions</b>						
<b>Forward transactions (fair value) <sup>(1)</sup></b>	<b>1,025,234</b>	<b>-1,893,881</b>	<b>1,295,408</b>	<b>-1,598,502</b>	<b>1,390,161</b>	<b>-1,944,002</b>
<b>Forward and options transactions</b>	<b>55,387,115</b>	<b>6,295,944</b>	<b>61,455,373</b>	<b>6,850,406</b>	<b>59,610,036</b>	<b>6,427,223</b>
<b>TOTAL <sup>(2)</sup> (NOMINAL AMOUNTS)</b>	<b>61,683,059</b>		<b>68,305,779</b>		<b>66,037,259</b>	
<b>TOTAL (FAIR VALUE)</b>	<b>-867,683</b>		<b>-302,087</b>		<b>-553,436</b>	

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

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

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

(3) These items are financial micro-hedging currency swaps. They represent a foreign exchange forward position, the inverse position, spot currency transactions, is included in the balance sheet assets (See note 23).

NOTE 22 TRANSACTIONS WITH RELATED CREDIT INSTITUTIONS <sup>(1)</sup>

<i>(in €k)</i>	06/30/2021	06/30/2020	12/31/2020	06/30/2021 Valuation of assets received as collateral <sup>(2)</sup>
<b>BALANCE SHEET</b>				
<b>Asset items</b>				
<b>Receivables due from credit institutions</b>				
Sight deposit	51,035	51,265	50,850	
Term	0	0	0	
Term deposits guaranteed by repo securities	22,120,562	22,193,204	23,127,504	20,844,188
■ Loans guaranteed by French local authority loans (SPT) under L. 211-38	7,471,903	8,375,717	8,012,517	7,522,788
■ to Crédit Foncier	7,344,500	8,232,500	7,874,500	7,392,485
■ to BPCE	0	0	0	0
■ to other Group entities	127,403	143,217	138,017	130,303
■ Loans guaranteed by mortgage loans under L. 211-38	8,042,500	7,214,000	8,507,500	8,395,856
■ to individuals	7,369,000	6,569,500	7,844,000	7,700,127
■ to Corporates	673,500	644,500	663,500	695,728
■ Loans registered as replacement values under L. 211-38	6,600,000	6,600,000	6,600,000	4,925,545
■ to BPCE	6,600,000	6,600,000	6,600,000	4,925,545
■ Related receivables	6,159	3,487	7,487	
<b>Customer transactions</b>				
Receivables	0	0	0	
<b>Transactions on securities</b>				
Bonds and other fixed-income securities	0	0	0	0
■ Mortgage notes	0	0	0	0
■ to Crédit Foncier	0	0	0	0
■ Other fixed-income securities	0	0	0	
■ Related receivables	0	0	0	
<b>Other assets <sup>(2)</sup></b>				
Other debtors	0	44,191	65,860	
<b>TOTAL ASSETS</b>	<b>22,171,597</b>	<b>22,288,661</b>	<b>23,244,214</b>	<b>20,844,188</b>
<b>Liabilities</b>				
<b>Due to credit institutions</b>				
Sight deposit	0	0	0	
Term	5,206,981	3,465,859	5,579,084	
Securities sold under repurchase agreements	664,064	673,566	690,354	
<b>Customer transactions</b>				
Sight deposit	0	0	0	
<b>Securities transactions</b>				
Debt securities				
Subordinated debts	0	0	0	
<b>Other liabilities</b>				
Other creditors	15,110	35,044	12,539	
<b>TOTAL LIABILITIES</b>	<b>5,886,155</b>	<b>4,174,469</b>	<b>6,281,976</b>	

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 23 STATEMENT OF FOREIGN EXCHANGE POSITIONS

At 06/30/2021

Heading (in €k)	Australian \$	Canadian \$	US \$	£ Sterling	Swiss Franc	Yen	Hungarian Forint	New Zealand \$	Norwegian Krone	Danish Krone	TOTAL
<b>BALANCE SHEET</b>											
Financial assets	29	10	1,821,696	54,621	1,059,886	796,540	9	35	4,414	7	3,737,247
Financial liabilities	0	0	199,694	654,587	1,214,963	4,683			210,280		2,284,207
<b>Balance sheet differential (I)</b>	<b>29</b>	<b>10</b>	<b>1,622,002</b>	<b>-599,966</b>	<b>-155,077</b>	<b>791,857</b>	<b>9</b>	<b>35</b>	<b>-205,866</b>	<b>7</b>	<b>1,453,040</b>
<b>OFF-BALANCE SHEET</b>											
Commitments received	0	0	218,578	640,755	1,195,145	0		0	205,866		2,260,344
Commitments given	0	0	1,840,576	40,775	1,038,187	791,826			0		3,711,364
<b>Off-balance sheet differential (II)</b>	<b>0</b>	<b>0</b>	<b>-1,621,998</b>	<b>599,980</b>	<b>156,958</b>	<b>-791,826</b>	<b>0</b>	<b>0</b>	<b>205,866</b>	<b>0</b>	<b>-1,451,020</b>
<b>TOTAL DIFFERENTIAL (I)+(II)</b>	<b>29</b>	<b>10</b>	<b>4</b>	<b>14</b>	<b>1,881</b>	<b>31</b>	<b>9</b>	<b>35</b>	<b>0</b>	<b>7</b>	<b>2,020</b>

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

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

## NOTE 24 STATEMENT OF LIQUIDITY POSITIONS

AT 06/30/2021

Heading (in €k)	Remaining maturity					Total <sup>(2)</sup>
	<3 months	3 months<D <6 months	6 months<D <1 year	1 year<D <5 years	>5 years	
<b>BALANCE SHEET</b>						
<b>Financial assets <sup>(1)</sup></b>	<b>7,614,159</b>	<b>1,088,492</b>	<b>2,087,871</b>	<b>16,026,058</b>	<b>34,942,511</b>	<b>61,759,091</b>
Due from credit institutions	7,031,000	431,200	812,144	6,139,304	8,248,150	22,661,798
Receivables from customers	551,728	636,958	1,107,203	8,368,229	22,386,425	33,050,543
Bonds and other fixed-income securities	31,431	20,334	168,524	1,518,525	4,307,936	6,046,750
Subordinated term loans						
<b>Financial liabilities</b>	<b>5,244,229</b>	<b>3,059,836</b>	<b>3,187,895</b>	<b>22,042,173</b>	<b>25,717,291</b>	<b>59,251,424</b>
Amounts due to credit institutions	5,185,213	80,003	635	4,847	599,254	5,869,952
Due to customers						
Debt securities:	59,016	2,979,833	3,187,260	22,037,326	25,118,037	53,381,472
■ <i>Retails certificates of deposit</i>						
■ <i>Interbank market securities</i>						
■ <i>Negotiable debt securities</i>	0	0	0	0	0	0
■ <i>Bonds</i>	59,016	2,979,833	3,187,260	22,037,326	25,118,037	53,381,472
■ <i>Other debt securities</i>						
Subordinated term debt						
<b>Balance sheet differential (I)</b>	<b>2,369,930</b>	<b>-1,971,344</b>	<b>-1,100,024</b>	<b>-6,016,115</b>	<b>9,225,220</b>	<b>2,507,667</b>
<b>OFF-BALANCE SHEET</b>						
Commitments given	0	0	1,222,920	0	0	1,222,920
Commitments received	188,872	0	0	2,000,000	0	2,188,872
<b>Off-balance sheet differential (II)</b>	<b>188,872</b>	<b>0</b>	<b>-1,222,920</b>	<b>2,000,000</b>	<b>0</b>	<b>965,952</b>
<b>TOTAL DIFFERENTIAL (I)+(II)</b>	<b>2,558,802</b>	<b>-1,971,344</b>	<b>-2,322,944</b>	<b>-4,016,115</b>	<b>9,225,220</b>	<b>3,473,619</b>
Conditional positions	1,500	1,500	3,000	30,024	895,500	931,524

(1) The financial assets of Compagnie de Financement Foncier include €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 25 CASH FLOW STATEMENT

### 25.1 PRINCIPLES

The net cash flow statement analyses the change in cash flow from operating, investment and financing transactions between two periods.

The cash flow statement of Compagnie de Financement Foncier is presented in accordance with Regulation 2004-R-03 of the French National Accounting Council, related to the format of company summary documents governed by the French Banking and Financial Services Regulatory Committee.

It is prepared using the indirect method: net income for the year is restated to reflect non-monetary items: depreciation, amortisation and impairment for property, plant and equipment and intangible assets provisions, Other transactions without cash payments, such as accrued income and expenses.

Cash flows generated by operating, investing and financing activities are determined by the difference between the items in the annual financial statements for the previous year and the current year.

Treasury transactions with no cash flow or impact on profit or loss are neutral: payment of the dividend in shares, provision for retained earnings.

The breakdown of Compagnie de Financement Foncier's activities between operating, investing and financing activities takes into account its *société de crédit foncier* status.

- operating activities include:
- the acquisition of eligible loans;
- the acquisition of securitization tranches and securities issued by public entities;

the issue of *obligations foncières* and other long-term unsubordinated 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 council. It includes cash on hand and sight deposits at the Banque de France, in post office accounts and with credit institutions.

## 25.2 CASH FLOW STATEMENT

(in €k)	06/30/2021	06/30/2020	12/31/2020
<b>Operating activities</b>			
Net income for the year	50,551	38,914	47,141
Restatement of earnings related to operating activities			
Tangible and intangible fixed assets, excluding goodwill			
Net provisions charges/customers and credit institutions	-6,421	-4,305	-5,310
Net provisions charges/available-for-sale securities	0	0	0
Net provisions charges/held-to-maturity securities	0	0	0
Net provisions charges/loans	-120	-20,102	-20,536
Net gain on sale of fixed assets			
Other transactions without cash payments	-126,551	-98,565	-82,180
Cash flows on loans to credit institutions and customers	2,072,241	1,169,367	1,598,778
Cash flows on securities available to sale	0	0	0
Cash flows on held-to-maturity securities	365,819	658,967	671,455
Cash flows on other assets	83,895	78,561	83,188
Cash flows on debts/credit institutions and customers	-398,477	-296,902	1,833,239
Net borrowing	-2,442,785	-1,008,458	-4,045,602
Cash flows on other liabilities	-447,555	-270,710	-189,514
<b>Net cash flows used for operating activities</b>	<b>-849,403</b>	<b>246,767</b>	<b>-109,341</b>
<b>Investing activities</b>			
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			
<b>Net cash flows used for investment activities</b>			
<b>Financing activities</b>			
Cash flows from share issuances			
Dividends paid	-47,140	-111,277	-111,277
Net issuances of subordinated debt			
Other			
<b>Net cash flows from financing activities</b>	<b>-47,140</b>	<b>-111,277</b>	<b>-111,277</b>
<b>NET CHANGE IN CASH POSITION</b>	<b>-896,543</b>	<b>135,490</b>	<b>-220,618</b>
Opening cash and cash equivalents	1,400,197	1,620,815	1,620,815
Closing cash and cash equivalents	503,654	1,756,305	1,400,197
<b>Net</b>	<b>-896,543</b>	<b>135,490</b>	<b>-220,618</b>
Cash: deposits at Banque de France	450,000	1,705,000	1,349,339
Amount due to credit institutions on demand*	53,654	51,305	50,858
	<b>503,654</b>	<b>1,756,305</b>	<b>1,400,197</b>
* Of which: BPCE	50,567	50,798	50,383

## NOTE 26 CONSOLIDATION

In accordance with Article 4111-1 of Regulation No. 2014-07 of the French National Accounting Standards Authority, 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.

## NOTE 27 COMPENSATION, ADVANCES

The “payroll costs” heading corresponds exclusively to the fees allocated to Board members.

## NOTE 28 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 endeavours arising from the various OECD initiatives and summits and contribute to the fight against money laundering and terrorist financing.

At June 30, 2021, Compagnie de Financement Foncier had no activities or offices in non-cooperative countries.

# STATUTORY AUDITORS' REPORT ON THE 2021 INTERIM FINANCIAL INFORMATION

## Compagnie de Financement Foncier SA

19, rue des Capucines, 75001 Paris, France

Share capital: €2,537,459,936

## Period from January 1, 2021 to June 30, 2021

*This is a free translation into English of the statutory auditors' report on the interim financial information 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 standards applicable in France.*

To the Shareholders,

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

- the review of the accompanying condensed interim financial statements of Compagnie de Financement Foncier S.A., for the six months ended June 30, 2021;
- the verification of the information presented in the interim management report.

Due to the global crisis related to the Covid-19 pandemic, the condensed interim financial statements have been prepared and reviewed under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of our review procedures.

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

## I. CONCLUSION ON THE FINANCIAL STATEMENTS

We conducted our review in accordance with professional standards applicable in France.

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

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

## II. SPECIFIC VERIFICATION

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

Paris La Défense and Neuilly-sur-Seine, August 25, 2021

The Statutory Auditors  
*French original signed by*

**PricewaterhouseCoopers Audit**  
Emmanuel Benoist

**KPMG S.A.**  
Xavier De Coninck



# 6

## LEGAL INFORMATION

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Outlook for Compagnie de Financement Foncier	100	Cross-reference table for the half-year financial report	107
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## GENERAL INFORMATION

Detailed general information is presented in the 2020 Universal registration document of Compagnie de Financement Foncier (pages 186 to 188).

### Material contracts

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As of the date of publication of this financial information, with the exception of the agreements referred to in the 2020 Universal registration document (page 199), Compagnie de Financement Foncier has not entered into any material contracts other than those entered into in the normal course of business.

### Outlook for Compagnie de Financement Foncier

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#### TRENDS

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

To date, the Covid-19-related crisis has not had a significant impact on the Company's performance. However, it is important to be cautious regarding the future impact of the crisis, which risks undermining the financial health of borrowers and could limit their ability to repay their credit in the coming months.

#### 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

The financial statements of Compagnie de Financement Foncier as of June 30, 2021 were approved by the Board on July 29, 2021. With the exception of the information given in the sub-section "Post-balance sheet events" in the Management report, no material changes have occurred affecting the financial or commercial position of Compagnie de Financement Foncier, between June 30, 2021 (end of half-year) and August 25, 2021 (date on which this Amendment was filed with the AMF).

### Location of legal documents concerning the Company

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

### Shareholders' Meeting

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An Ordinary General Shareholders' Meeting was held on May 5, 2021. The proposed resolutions were approved in their entirety.

## Capital

### SHARE CAPITAL

At June 30, 2021, the Company's subscribed capital amounted to €2,537,459,936. It is divided into 158,591,246 fully paid-up shares with a par value of €16 each.

### SHARE CAPITAL AUTHORIZED BUT NOT SUBSCRIBED

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

### OWNERSHIP STRUCTURE AND VOTING RIGHTS

Major shareholders at June 30, 2021	Number of shares	As a %
Crédit Foncier	158,591,245	100.00
Director	1	ns
<b>TOTAL</b>	<b>158,591,246</b>	<b>100.00</b>

### NATURAL OR LEGAL PERSONS THAT EXERCISE CONTROL OVER THE COMPANY

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

### IMPROPER CONTROL

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

# PERSONS RESPONSIBLE FOR THE AMENDMENT TO THE UNIVERSAL REGISTRATION DOCUMENT AND FOR AUDITING THE FINANCIAL STATEMENTS

## Statement from the person responsible for the Amendment to the 2020 Universal registration document

I certify, that the information provided in this Amendment to the 2020 Universal 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 certify that, to the best of my knowledge, the condensed financial statements for the previous half-year have been prepared in accordance with the applicable accounting standards and accurately represent the assets, financial situation and earnings of the Company, and that the interim activity report on pages 20 to 32 is an accurate representation of the material events that occurred in the first six months of the fiscal year, their impact on the financial statements, major related party transactions and a description of the primary risks and uncertainties in the remaining six months of the year.

Charenton-le-Pont, August 25, 2021

The Chief Executive Officer of Compagnie de Financement Foncier

**Olivier AVIS**

## Persons responsible for auditing the financial statements

### PRINCIPAL

#### KPMG SA

Represented by Mr Xavier de CONINCK

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

775 726 417 RCS (Trade and Companies Register) Paris

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

Start of first 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 Mr Emmanuel BENOIST

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

302 474 572 RCS (Trade and Companies Register) Paris

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

Start of first term: June 30, 2003

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 2025 fiscal year.

### ALTERNATES

#### KPMG AUDIT FS I

Represented by Ms Isabelle GOALEC

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

512 802 596 RCS (Trade and Companies Register) Paris

Start of first 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.

## Specific controllers

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### PRINCIPAL

#### CAILLIAU DEDOUIT & ASSOCIÉS

Represented by Mr Laurent BRUN

Address: 19, rue Clément-Marot – 75008 Paris

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

RCS number: 722 012 051

Start of first term: June 29, 2004

Length of term: four years

Expiration of term: after submission of the report and certified statements relating to the fiscal year ending December 31, 2022.

### ALTERNATE

#### MR RÉMI SAVOURNIN

Address: 19, rue Clément-Marot – 75008 Paris

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

RCS number: 722 012 051

Start of first term: January 1, 2015

Length of term: four years

Expiration of term: after submission of the report and certified statements relating to the fiscal year ending December 31, 2022.

## CROSS-REFERENCE TABLE

### Incorporation by reference

The Amendment to the 2020 Universal Registration Document should be read and interpreted in conjunction with the documents listed below. These documents are incorporated into this Amendment and are deemed to form an integral part thereof:

- the 2020 Universal Registration Document filed with the *Autorité des Marchés Financiers* on March 23, 2021 under number D. 21-0179 which includes the annual financial report, available on the Compagnie de Financement Foncier website: <https://foncier.fr/en/annual-reports/>

All documents incorporated by reference in this Amendment to the 2020 Universal Registration Document have been filed with the *Autorité des Marchés Financiers* (AMF – French Financial Markets Authority) and published on the websites of the Issuer (<https://foncier.fr/en/annual-reports/>) and the AMF (<https://www.amf-france.org/en>). The information incorporated by reference should be read in accordance with the following cross-reference table. Any information not included in this cross-reference table but forming part of the documents incorporated by reference is provided solely for information purposes.

## Appendices I and II of European delegated Regulation 2019/980 of the European Commission supplementing European Regulation 2017/1129 of the European Parliament and of the Council

Headings of Appendix I "Registration document for capital securities"		Page of the amendment to the 2020 Universal Registration Document filed with the AMF on August 25, 2021	Page of the 2020 Universal Registration Document filed with the AMF on March 23, 2021
<b>Section 1</b>	<b>Persons responsible, third party information, experts' reports and competent authority approval</b>	<b>102-103</b>	<b>115-116; 202</b>
<b>Section 2</b>	<b>Statutory Auditors</b>	<b>102-103</b>	<b>202</b>
<b>Section 3</b>	<b>Risk factors</b>	<b>24-29</b>	<b>81-87</b>
<b>Section 4</b>	<b>Information about the issuer</b>		
4.1	The legal and commercial name of the issuer	100	186; 191
4.2	Place of registration, registration number and legal entity identifier (LEI)	100	188
4.3	Date of incorporation and the length of life	100	187; 191
4.4	Domicile, legal form, legislation under which the issuer operates, country of incorporation, address, telephone number and website	100; 4 <sup>th</sup> cover page	186-187; 191 4 <sup>th</sup> cover page
<b>Section 5</b>	<b>Business overview</b>		
5.1	Main activities	2; 12-13	4; 29-30; 34-35; 37-38
5.2	Main markets	6	24-29
5.3	Important events in the development of the business	3; 65	5; 141
5.4	Strategy and objectives	2; 32; 100	4; 96; 195
5.5	Extent to which the issuer is dependent, on patents or licenses, industrial, commercial or financial contracts or new manufacturing processes	31; 57	95; 133
5.6	Basis for any statements made by the issuer regarding its competitive position	4-8	6-10
5.7	Investments	31	95
<b>Section 6</b>	<b>Organizational structure</b>		
6.1	Brief description of the Group	3	16-17
6.2	List of significant subsidiaries	na	na

Headings of Appendix I “Registration document for capital securities”		Page of the amendment to the 2020 Universal Registration Document filed with the AMF on August 25, 2021	Page of the 2020 Universal Registration Document filed with the AMF on March 23, 2021
<b>Section 7</b>	<b>Operating and financial review</b>		
7.1	Financial condition	20-23	78-81
7.2	Operating income	23; 62; 72	80-81; 138; 149; 173
<b>Section 8</b>	<b>Capital resources and cash flow</b>		
8.1	Information concerning the issuer’s capital resources	43-44; 87; 101	107-108; 165; 173; 189
8.2	Sources and amounts of the issuer’s cash flows	94-95	173-174
8.3	Information on the borrowing requirements and funding structure of the issuer	6; 52	8; 128
8.4	Information regarding any restriction on the use of capital resources that have materially affected or could materially affect the issuer’s operation	na	na
8.5	Information regarding the anticipated sources of funds needed to fulfil commitments on material investments (which are ongoing or for which firm commitments have been made)	na	na
<b>Section 9</b>	<b>Regulatory environment</b>	<b>59</b>	<b>18-23; 134</b>
<b>Section 10</b>	<b>Trend information</b>	<b>3; 32; 65-66; 100</b>	<b>5; 96; 142; 195</b>
<b>Section 11</b>	<b>Profit forecasts or estimates</b>	<b>na</b>	<b>na</b>
<b>Section 12</b>	<b>Administrative, management and supervisory bodies and senior management</b>		
12.1	Administrative bodies	16-17	44-59
12.2	Conflicts of interest	17	76
<b>Section 13</b>	<b>Remuneration and benefits</b>		
13.1	Amount of remuneration paid and benefits in kind	na	68-75
13.2	The total amounts set aside or accrued by the issuer or its subsidiaries to provide for pension, retirement or similar benefits	na	70
<b>Section 14</b>	<b>Board practices</b>		
14.1	Date of expiration of the current term of office of this person	na	48
14.2	Information about members of the administrative body’s service contracts	17	76
14.3	Information about the Issuer’s Audit Committee and Remuneration Committee	17	48; 62
14.4	A statement as to whether or not the issuer complies with the corporate governance regime	na	40-43
14.5	Potential material impacts on the corporate governance	17	76
<b>Section 15</b>	<b>Employees</b>		
15.1	Number of employees	31	95
15.2	Shareholdings and stock options of directors and executive management	na	74
15.3	Arrangement involving the employees in the capital of the issuer	31	95
<b>Section 16</b>	<b>Major shareholders</b>		
16.1	Shareholders having a percentage in the capital or voting rights	100-101	189
16.2	Different voting rights of the major shareholders	100-101	189
16.3	Control of the issuer	100-101	189
16.4	Arrangement, known to the issuer, the operation of which may at a subsequent date result in a change in control of the issuer	100-101	195
<b>Section 17</b>	<b>Related-party transactions</b>	<b>92</b>	<b>171</b>

Headings of Appendix I "Registration document for capital securities"		Page of the amendment to the 2020 Universal Registration Document filed with the AMF on August 25, 2021	Page of the 2020 Universal Registration Document filed with the AMF on March 23, 2021
<b>Section 18</b>	<b>Financial information concerning the issuer's assets and liabilities, financial position and profits and losses</b>		
18.1	Historical financial information	62-96	138-175
18.2	Interim and other financial information	na	na
18.3	Auditing of historical annual financial information	97	176-179
18.4	<i>Pro forma</i> financial information	23	80
18.5	Dividend policy	na	173; 188
18.6	Legal and arbitration proceedings	57	132-133
18.7	Significant change in the issuer's financial position	100	195
<b>Section 19</b>	<b>Additional information</b>		
19.1	Share capital	101	189
19.2	Memorandum and Articles of Association	na	63-67; 190-195
<b>Section 20</b>	<b>Material contracts</b>	<b>100</b>	<b>195</b>
<b>Section 21</b>	<b>Documents available</b>	<b>100</b>	<b>195</b>

## Cross-reference table for the half-year financial report

Pursuant to Article 212-13 of the French Financial Markets Authority's General Regulation, this Amendment to the 2020 Universal Registration Document comprises the information contained in the half-year financial report referred to in Article L. 451-1-2 of the French Monetary and Financial Code and Article 222-4 of the French Financial Markets Authority's General Regulation.

	Page of the amendment to the 2020 Universal Registration Document filed with the AMF on August 25, 2021	Page of the 2020 Universal Registration Document filed with the AMF on March 23, 2021	
<b>Information required under Article L. 451-1-2 of the French Monetary and Financial Code</b>			
<b>Annual financial report</b>			
Consolidated financial statements	na	na	
Statutory Auditors' report on the consolidated financial statements	na	na	
Individual financial statements	62-96	138-175	
Statutory Auditors' report on the individual financial statements	97	176-179	
<b>Management report</b>			
<b>1</b>	<b>Activity report (Article L. 225-100, Article. R. 225-102 and Article L. 233-6 of the French Commercial Code)</b>		
1.1	Situation and activity during the year	12-13; 20-23	34; 37-38; 78
1.2	Results of the Group, its subsidiaries and the companies it controls	20-23; 62-96	80-81
1.3	Key financial and non-financial performance indicators	4-8	6-10
1.4	Analysis of the change in results and financial position	20-23; 62-96	78-81; 138-175
1.5	Significant post-balance sheet events	31; 66; 100	96; 195
1.6	Outlook	2; 32; 100	5; 96; 195
1.7	Research & Development	31; 57	95; 133
1.8	Main risks and uncertainties	24-29; 31	81-87; 95
1.9	Significant investments or controlling interests in companies headquartered in France	na	na
<b>2</b>	<b>Information pertaining to share buybacks (Article L. 225-211, paragraph 2 of the French Commercial Code)</b>		
		na	na
<b>3</b>	<b>Social, environmental and societal information (Article L. 225-102-1 of the French Commercial Code)</b>		
		<b>32</b>	<b>96</b>
<b>4</b>	<b>Information on locations by country and activities (Article 511-45 of the French Monetary and Financial Code)</b>		
		<b>31</b>	<b>95</b>
<b>5</b>	<b>Key characteristics of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information</b>		
		<b>30</b>	<b>89-93</b>
<b>6</b>	<b>Vigilance plan (Article L. 225-102-4 of the French Commercial Code)</b>		
		<b>58-59</b>	<b>134</b>
<b>Report on corporate governance</b>			
	Information on governance	16-17	44-67
	Information on pay	na	68-75
	Capital structure	101	189
	Information required by Article L. 225-37-5 of the French Commercial Code on items liable to have an impact in the event of a public offering	100	189; 194-195
	Information on agreements entered into by a subsidiary and a corporate officer or a director holding more than 10% of the voting rights (Article L. 225-37-4 2° of the French Commercial Code)	100	189; 199-201
	Table summarizing capital increase authorizations, in accordance with Articles L. 225-129-1 and L. 225-129-2 of the French Commercial Code, and use of these authorizations in fiscal year 2017	na	74
<b>Pursuant to Articles 212-13 and 221-1 of the AMF General Regulation, the Universal Registration Document also contains the following regulatory information</b>			
	Statutory Auditors' special report on related-party agreements and commitments	na	199-201
	Statutory Auditors' fees	na	175
	Statement by the person responsible for the document	102	202

In accordance with Article 19 of European Regulation No. 2017/1129 of the European Parliament and of the Council of June 14, 2017, the following information is incorporated by reference in this Amendment to the 2020 Universal Registration Document:

- Compagnie de Financement Foncier's individual financial statements for the fiscal year ended December 31, 2020 and the related Statutory Auditors' report, presented on pages 138 to 179 of the Universal Registration Document filed with the AMF on March 23, 2021 under number D. 21-0179.

The information can be found using the following link:  
<https://foncier.fr/en/annual-reports/>

- Compagnie de Financement Foncier's individual financial statements for the fiscal year ended December 31, 2019 and the related Statutory Auditors' report, presented on pages 136 to 176 of the Universal Registration Document filed with the AMF on March 27, 2020 under number D. 20-0200.

The information can be found using the following link:  
<https://foncier.fr/en/annual-reports/>

- Compagnie de Financement Foncier's individual financial statements for the fiscal year ended December 31, 2018 and the related Statutory Auditors' report, presented on pages 111 to 153 of the Registration Document filed with the AMF on March 22, 2019 under number D. 19-0190.

The information can be found using the following link:  
<https://foncier.fr/en/annual-reports/>

- the management report for the year ended December 31, 2020 presented on pages 77 to 96 of the Registration Document filed with the AMF on March 23, 2021 under number D. 21-0179.

The information can be found using the following link:  
<https://foncier.fr/en/annual-reports/>

- the management report for the year ended December 31, 2019 presented on pages 79 to 96 of the Universal Registration Document filed with the AMF on March 27, 2020 under number D. 20-0200.

The information can be found using the following link:  
<https://foncier.fr/en/annual-reports/>

- the management report for the year ended December 31, 2018 presented on pages 64 to 77 of the Registration Document filed with the AMF on March 22, 2019 under number D. 19-0190.

The information can be found using the following link:  
<https://foncier.fr/en/annual-reports/>

The Amendment to the 2020 Universal Registration Document can be consulted on the websites of the AMF ([www.amf-france.org/en](http://www.amf-france.org/en)) and Compagnie de Financement Foncier ([www.foncier.fr/en](http://www.foncier.fr/en)).

**Contacts**

Compagnie de Financement Foncier  
4, quai de Bercy  
94224 Charenton-le-Pont Cedex  
France

Financial information:  
[bal-comfi@creditfoncier.fr](mailto:bal-comfi@creditfoncier.fr)

Investor relations:  
[ir@foncier.fr](mailto:ir@foncier.fr)

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/en](http://www.foncier.fr/en).

Compagnie de Financement Foncier - SA (French public limited company)  
With capital of 2,537,459,936 euros – Paris Trade and Companies Register No. 421 263 047  
Head Office: 19, rue des Capucines – 75001 Paris - Tel.: +33 (0)1 58 73 58 34  
**foncier.fr**



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