



COMPAGNIE DE FINANCEMENT FONCIER

AMENDMENT TO THE 2019 UNIVERSAL REGISTRATION DOCUMENT

including the 2020 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 2019 UNIVERSAL REGISTRATION DOCUMENT

including the 2020 half-year financial report



2019 Universal registration document and annual financial report filed with the AMF on March 27, 2020, under number D. 20-0200.

This Amendment to the 2019 Universal registration document was filed on August 27, 2020 with the *Autorité des Marchés Financiers* (AMF – French Financial Markets Authority), as the competent authority under Regulation (EU) 2017/1129, without prior approval pursuant to Article 9 of that Regulation.

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



PROFILE

A wholly-owned subsidiary of Crédit Foncier [A(negative)/A1(negative)/A+(stable)/AA-(stable)] ⁽¹⁾, and an affiliate of BPCE [A+(negative)/A1(negative)/A+(stable)] ⁽²⁾, 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)] ⁽³⁾, are French legal covered bonds that comply with European directives UCITS 52-4 ⁽⁴⁾ and CRD ⁽⁵⁾ as well as with Article 129 of the European Capital Requirements Regulation (CRR) ⁽⁶⁾. All *obligations foncières* of Compagnie de Financement Foncier are eligible for the European Central Bank (ECB) refinancing operations except for some private placements and issues in foreign currencies.

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

In 2020, Compagnie de Financement Foncier continued to be a major player in its market, with a total *obligations foncières* outstanding of €59.4bn (including related receivables) as of June 30, 2020 and an issuance volume of €1.2bn.

€59.4bn

Outstanding *obligations foncières*
(including related payables)

€1.2bn

Issuance of *obligations foncières*
at June 30, 2020

OUR strategy OUR purpose

Compagnie de Financement Foncier continues to refinance outstanding Crédit Foncier loans.

In addition, Compagnie de Financement Foncier's mission is to refinance Groupe BPCE entities' lending *via* the issue of covered bonds in order to support them in the growth of their various business lines.

ACTIVITY

Business model of Compagnie de Financement Foncier

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

STRUCTURE OF A *SOCIÉTÉ DE CRÉDIT FONCIER'S* BALANCE SHEET

| ASSETS | LIABILITIES |
|---|--|
| ■ Guaranteed loans: backed by a first-rank mortgage or real estate securities conferring at least an equivalent guarantee | ■ Privileged resources (mainly <i>obligations foncières</i>) |
| ■ Exposures on public entities | ■ Non-privileged resources: unsecured debt, subordinated and related debts |
| ■ Replacement values | ■ Provisions |
| | ■ Shareholders' equity (or Equity) |

(1) Standard & Poor's/Moody's/Fitch/Scope Ratings, updated as of the filing date of the Amendment to the 2019 Universal registration document.

(2) Standard & Poor's/Moody's/Fitch Ratings, updated as of the filing date of the Amendment to the 2019 Universal registration document.

(3) Standard & Poor's/Moody's/Scope Ratings, updated as of the filing date of the Amendment to the 2019 Universal registration document.

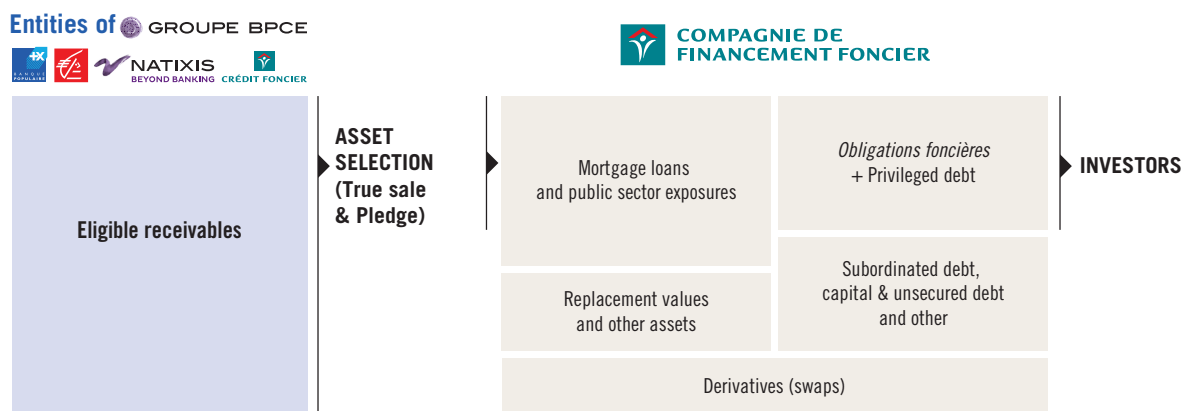
(4) UCITS: Undertakings for Collective Investment in Transferable Securities, a directive on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities.

(5) CRD: Capital Requirements Directive.

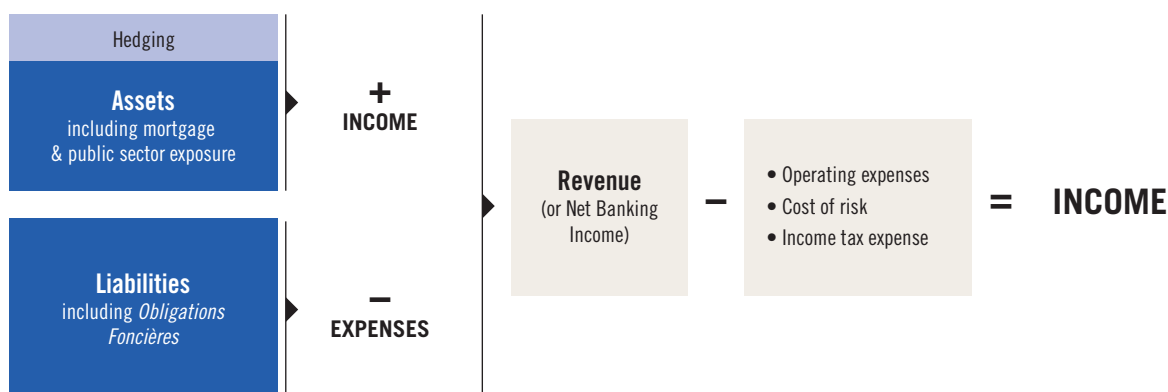
(6) CRR: Capital Requirements Regulation.



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



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



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

Security and robustness are the main features of its economic model, as well as quality of its hedging portfolio.

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

SIGNIFICANT EVENTS OF THE FIRST HALF OF 2020

In the first half of 2020, Compagnie de Financement Foncier issued a net amount of €1.2bn in covered bonds, including €0.2bn in private placements.

In a turbulent public health and macroeconomic environment, Compagnie de Financement Foncier continues to demonstrate a high level of resilience and enjoy unfailing support from a diversified panel of domestic and international investors.

Compagnie de Financement Foncier was one of the first covered bond issuers to reopen the market for secured issues under good conditions

during the period of lockdown related to the Covid-19 health crisis. The May 2020 €1 billion public benchmark issue enjoyed strong participation from Northern Countries (30%), Germany (29%) and France (12%). The main investors for that issue were banks (56%) and central banks (26%).

Compagnie de Financement Foncier also issued a €50 million 70-year private placement, confirming the confidence it inspires among its investors and its ability to issue for very long maturities under 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(negative)/A1(negative)/A+(stable)/AA-(stable)]⁽¹⁾

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

RATINGS OF OBLIGATIONS FONCIÈRES

| | Standard & Poor's | Moody's | Scope Ratings |
|-----------------|-------------------|---------|---------------|
| Note long terme | AAA | Aaa | AAA |
| Perspective | Stable | Stable | Stable |

Simplified economic balance sheet

| ➤ ASSETS (by type of exposures) | 06/30/2020 | | 12/31/2019 | | 12/31/2018 | |
|--|-------------|--------------|-------------|--------------|-------------|--------------|
| | €bn | % | €bn | % | €bn | % |
| Mortgage loans and equivalent | 36.6 | 52.6 | 38.6 | 54.0 | 40.5 | 52.8 |
| Public sector exposures | 25.2 | 36.2 | 24.9 | 34.8 | 28.0 | 36.5 |
| French public sector* | 17.8 | 25.6 | 16.9 | 23.6 | 19.5 | 25.4 |
| Foreign public sector | 7.4 | 10.6 | 8.0 | 11.2 | 8.5 | 11.1 |
| Replacement values and other assets | 7.7 | 11.1 | 8.0 | 11.2 | 8.2 | 10.7 |
| Replacement values | 6.6 | 9.5 | 6.7 | 9.3 | 6.7 | 8.7 |
| Other assets | 1.1 | 1.6 | 1.3 | 1.9 | 1.5 | 2.0 |
| TOTAL ASSETS | 69.6 | 100.0 | 71.5 | 100.0 | 76.7 | 100.0 |

* Including deposits and short term loans at Banque de France of €1.7bn at the end of 2020 and €1.6bn at the end of 2019.

| ➤ LIABILITIES | 06/30/2020 | | 12/31/2019 | | 12/31/2018 | |
|---|-------------|--------------|-------------|--------------|-------------|--------------|
| | €bn | % | €bn | % | €bn | % |
| Privileged resources | 59.4 | 85.3 | 60.4 | 84.6 | 63.5 | 82.8 |
| Obligations foncières | 59.4 | 85.3 | 60.5 | 84.7 | 63.5 | 82.8 |
| Foreign exchange difference on covered bonds | -0.1 | -0.1 | -0.1 | -0.2 | -0.1 | -0.1 |
| Other privileged resources | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Translation difference associated with hedging balance sheet items | 1.0 | 1.5 | 1.1 | 1.6 | 1.1 | 1.4 |
| Non-privileged resources | 9.2 | 13.2 | 9.9 | 13.9 | 12.1 | 15.8 |
| Unsecured debt | 3.9 | 5.6 | 4.6 | 6.4 | 6.6 | 8.6 |
| Subordinated debt or equivalent | 2.1 | 3.1 | 2.1 | 3.0 | 2.3 | 3.0 |
| Shareholders' equity and reserve for general banking risks | 3.1 | 4.5 | 3.2 | 4.5 | 3.2 | 4.2 |
| TOTAL LIABILITIES | 69.6 | 100.0 | 71.5 | 100.0 | 76.7 | 100.0 |
| Regulatory capital according to CRR/CRD IV | 3.1 | 4.5 | 3.1 | 4.4 | 3.1 | 4.1 |

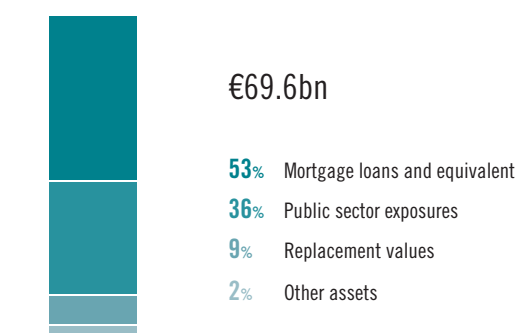
(1) Standard & Poor's/Moody's/Fitch/Scope Ratings, updated as of the filing date of the Amendment to the 2019 Universal registration document.

(2) Standard & Poor's/Moody's/Fitch Ratings, updated as of the filing date of the Amendment to the 2019 Universal registration document.

Breakdown of assets

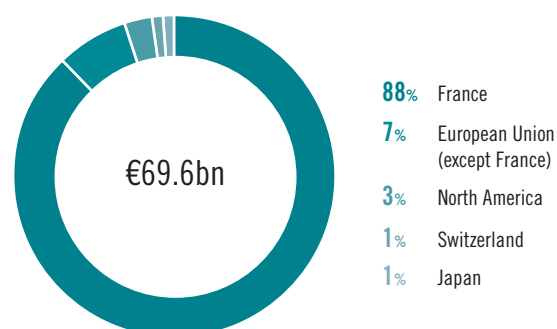
BY TYPE OF ASSETS

JUNE 30, 2020

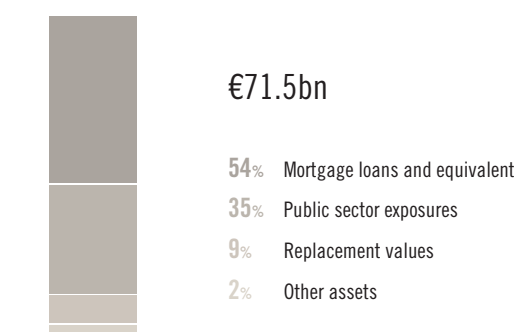


BY REGION

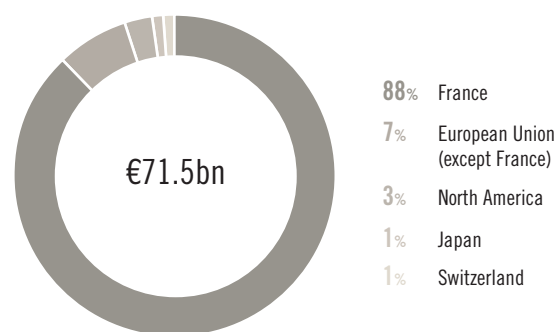
JUNE 30, 2020



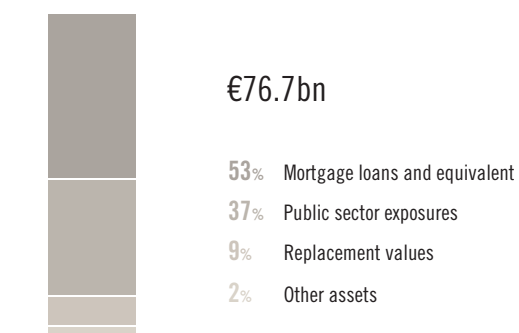
DECEMBER 31, 2019



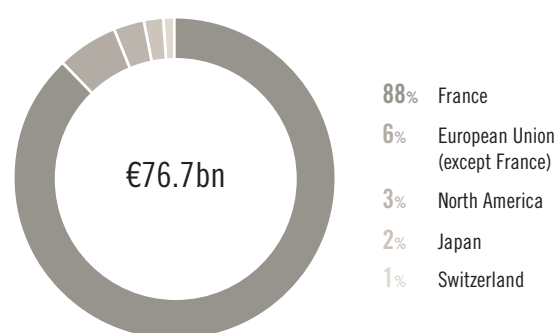
DECEMBER 31, 2019



DECEMBER 31, 2018



DECEMBER 31, 2018

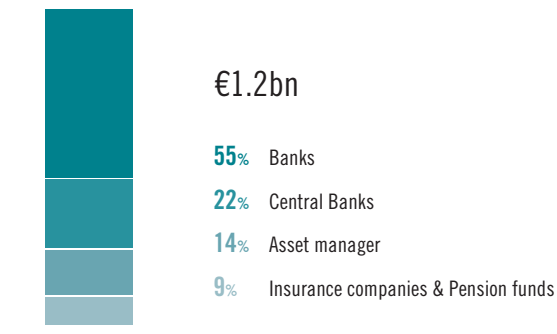




Breakdown of issuances

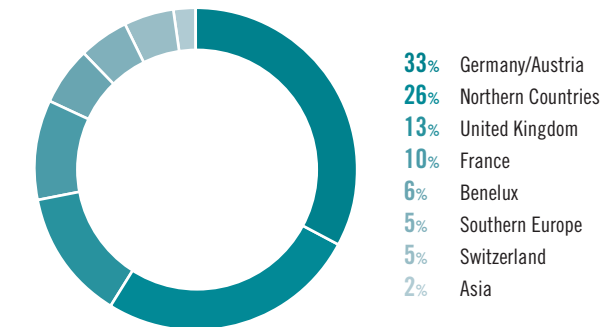
BY TYPE OF INVESTOR

JUNE 30, 2020

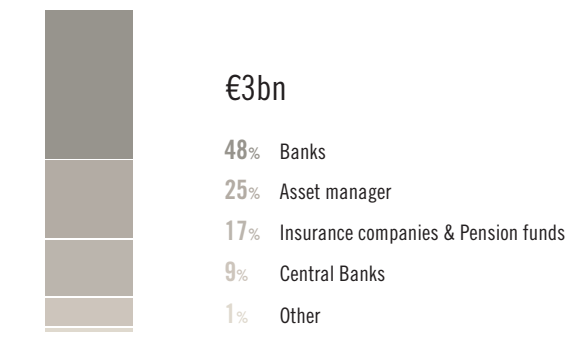


BY REGION

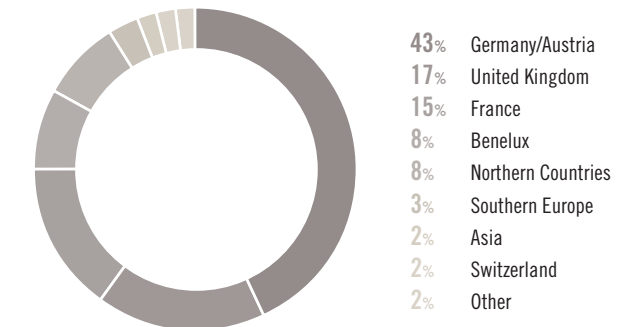
JUNE 30, 2020*



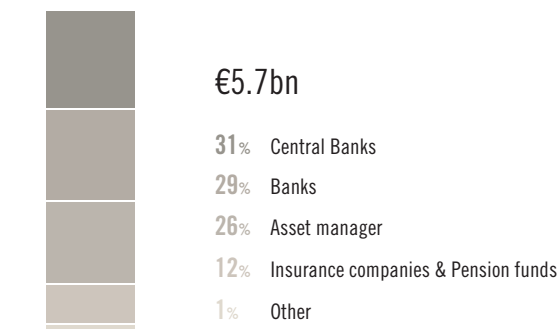
DECEMBER 31, 2019



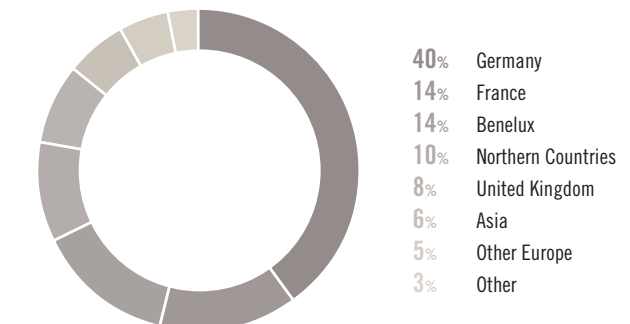
DECEMBER 31, 2019



DECEMBER 31, 2018



DECEMBER 31, 2018



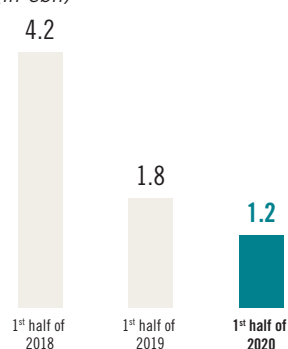
* Excluding Eurosystem.

Performance indicators

ACTIVITY

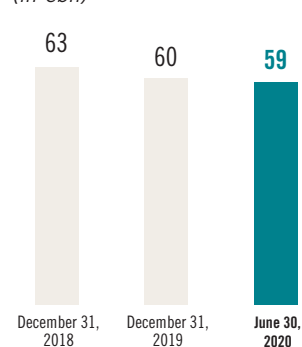
OBLIGATIONS FONCIÈRES ISSUED

(in €bn)



PRIVILEGED LIABILITIES

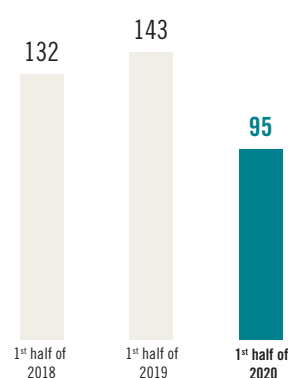
(in €bn)



RESULTS

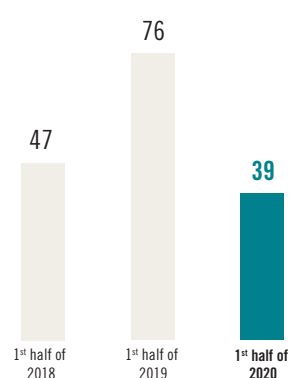
NET BANKING INCOME

(in €m)



NET INCOME

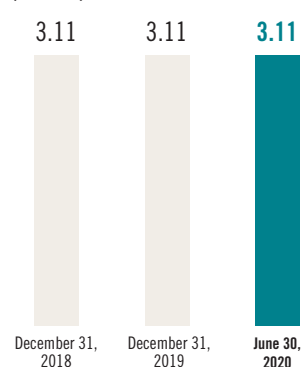
(in €m)



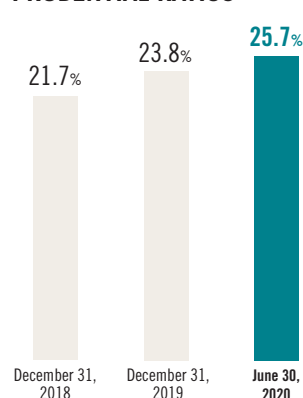
FINANCIAL STRUCTURE

REGULATORY CAPITAL

(in €bn)



PRUDENTIAL RATIOS



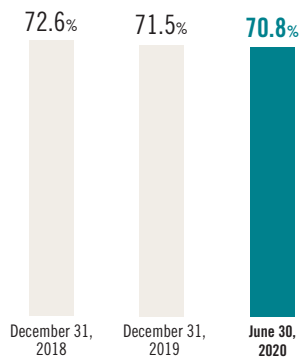
Solvency ratio= Common Equity Tier1



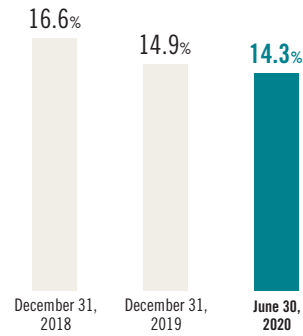
KEY FIGURES

SOCIÉTÉ DE CRÉDIT FONCIER'S SPECIFIC RATIOS

AVERAGE LTV OF MORTGAGE LOANS FOR INDIVIDUALS

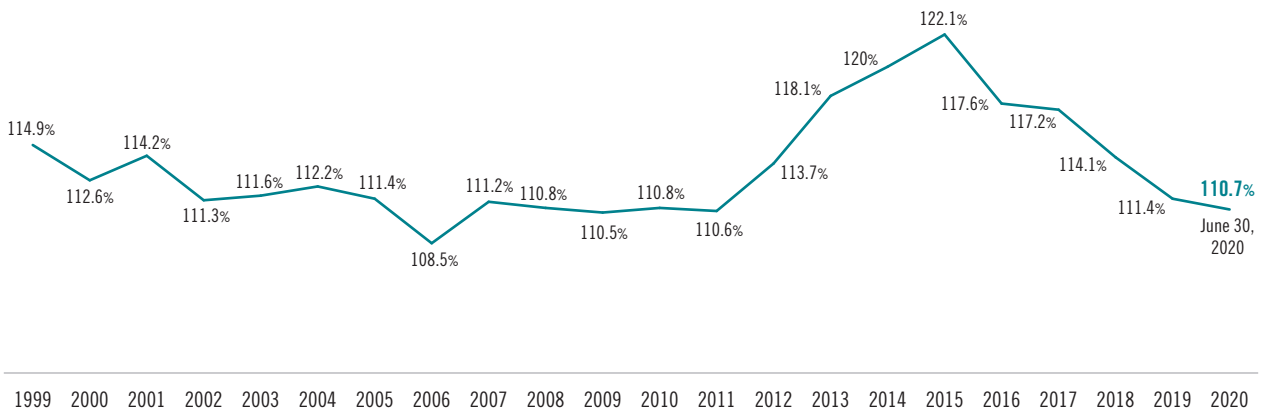


NON-PRIVILEGED RESOURCES/PRIVILEGED RESOURCES RATIO



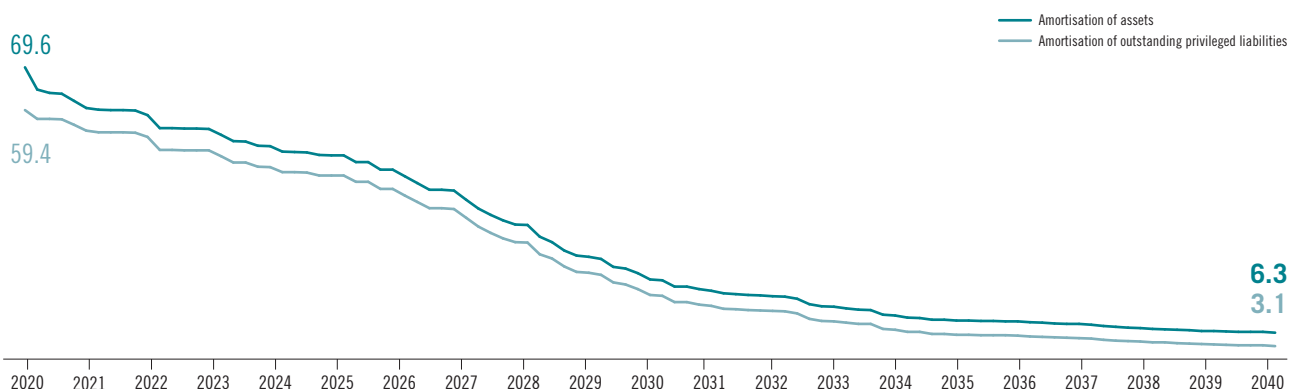
REGULATORY OVERCOLLATERALIZATION RATIO

(in %)



AMORTISATION OF ASSETS AND PRIVILEGED LIABILITIES

(in €bn)





PRESENTATION OF COMPAGNIE DE FINANCEMENT FONCIER

ECONOMIC AND FINANCIAL ENVIRONMENT IN THE FIRST HALF OF 2020

Economic environment

European Monetary policies

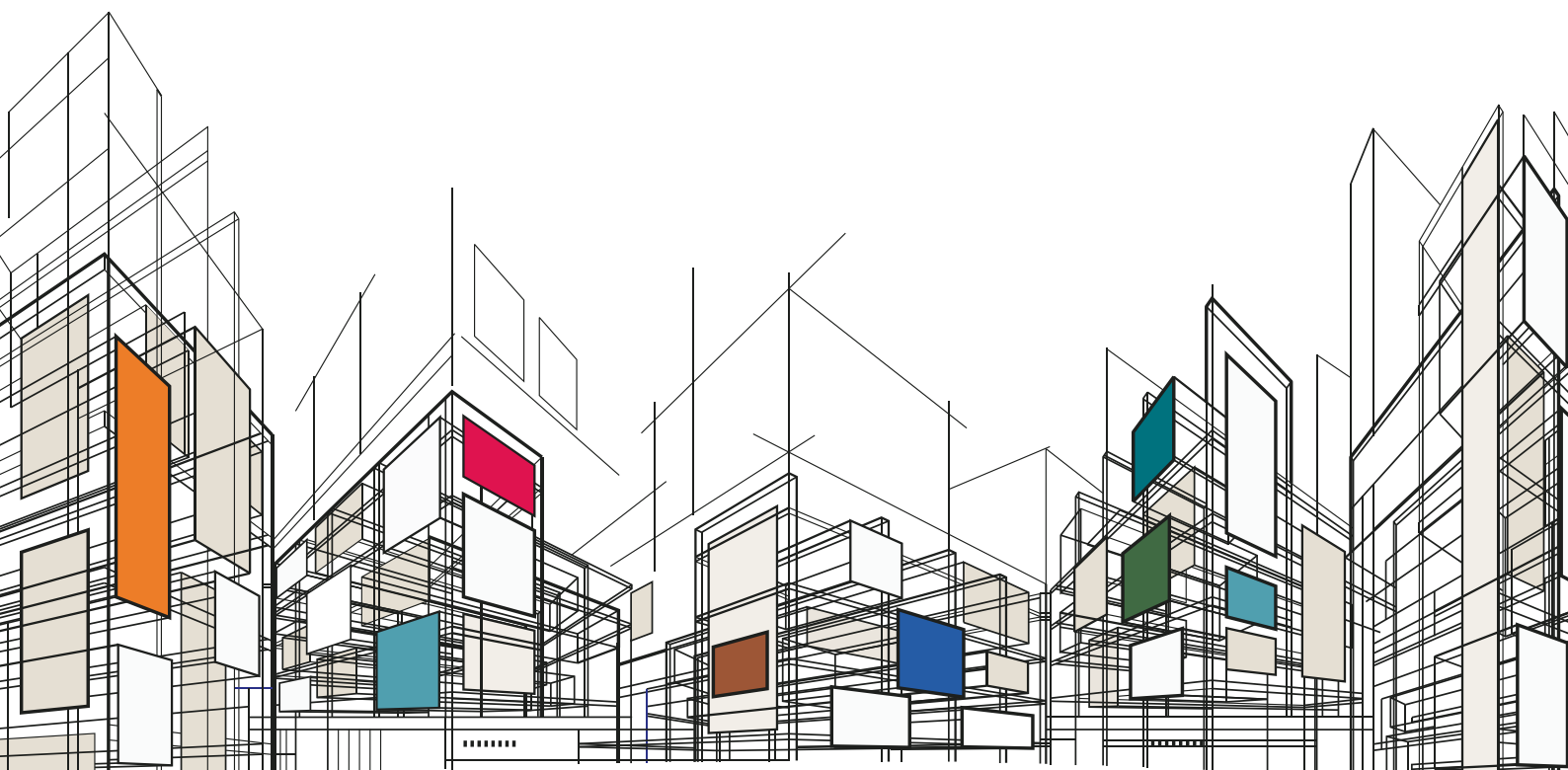
10

10

10

COMPAGNIE DE FINANCEMENT FONCIER – SUPPORTING GROUPE BPCE

11



ECONOMIC AND FINANCIAL ENVIRONMENT IN THE FIRST HALF OF 2020

Economic environment

The 1st half of 2020 was marked by an unprecedented health crisis, which could lead to a global economic contraction of 4.9% for the full year⁽¹⁾. The previous two years had seen a slowdown, with a growth of 2.9% in 2019 after a growth of 3.6% in 2018.

Strict lockdown measures due to the Covid-19 pandemic have resulted in severe disruptions to economic activity throughout the world.

On the demand side, consumption has been severely affected by these disruptions : lockdowns combined with an increase in precautionary savings are causing a major shock. On the supply side, many companies are experiencing major difficulties with adverse effects on the labor market, such as rising unemployment. In these uncertain times, corporate investment is also under pressure.

The pandemic has spread rapidly in a number of countries, regardless of their stage of development. Rapid and often unprecedented interventions by various central banks have injected liquidity into the economy and limited the rise in the cost of money. The ECB has implemented a Pandemic Emergency Purchase Program (PEPP) of €1,350bn. These proactive measures aim to limit the impact of Covid-19 on the economies of these regions. However, despite these massive injections of liquidity, the latest forecasts from the International Monetary Fund (IMF) predict a 3% for 2020 contraction in the economies of emerging markets and developing countries, and 8% for developed countries⁽¹⁾.

In France, GDP contracted by -13.8% in the second quarter, following a 5.9% decline in the first three months of the year; this represents a historic change in GDP growth⁽²⁾.

Unemployment rose to 11.3% in the 2nd quarter from 7.8% in the 1st quarter of 2020. Short-term measures have been implemented to support employment in the most affected sectors. On average, mortgage rates reached 1.25% in the 2nd quarter of 2020⁽³⁾, and have risen slightly in response to increased risks and uncertainty about future macroeconomic developments.

Average inflation in developed countries has been declining since the end of 2019. In France, the rolling annual inflation rate in May was 0.36%, down compared to 1.2% for the same period in the previous year. The health crisis has weakened global demand and is weighing on prices. As a result, inflation forecasts have been revised downward for 2020 in France: the OECD expects an annual inflation rate of -0.28% in the 4th quarter of 2020. This trend could gradually reverse in 2021 with a recovery in activity⁽⁴⁾.

The almost simultaneous occurrence of this economic slowdown in several countries has exacerbated the disruption. Trade declined by 3.5%⁽¹⁾ year-on-year in the 1st quarter of 2020, mainly due to the collapse in international tourism, weak demand and the breakdown of supply chains.

The various institutions emphasize the uncertainty of their forecasts, amid a crisis unprecedented in terms of its nature and scale.

European Monetary policies

In 2020, the European Central Bank (ECB) has kept its deposit rate at -0.50%. The funding rate remains unchanged. ECB rates are expected to remain at the lowest possible levels in order to encourage the rate of inflation to return to around 2%.

In the Asset Purchase Program (APP), net purchases resumed on November 1, 2019 and are expected to continue at a monthly rate of €20bn until the end of the year. Asset classes covered by the APP are Government bonds, securities issued by European supranational institutions, private sector bonds, asset backed securities and covered bonds. Based on macroeconomic changes, the ECB has stated that it could adjust its net asset purchase program at the end of the year, to strengthen the accommodative impact of its key rates⁽⁴⁾.

During the 1st half of 2020, TLTRO III (Targeted Longer-Term Refinancing Operations) was subject to additional measures, enabling banks that have not yet participated in TLTRO III transactions to borrow, subject to lending to the real economy⁽⁵⁾.

In parallel with these monetary policy instruments (the level of key ECB interest rates, the APP and the TLTRO III program), the ECB set up a new Pandemic Emergency Purchase Program (PEPP) on March 18, 2020. Assets eligible for this new PEPP are similar to the assets covered by the APP, whether they involve public or private debt. Launched as emergency measures in the context of the global Covid-19 pandemic, the PEPP aims to support the banking system and encourage banks to continue funding businesses and households⁽⁴⁾.

The budget for the PEPP was increased by €600bn on June 4, 2020, to reach a minimum purchase amount of €1,350bn by the ECB at the end of June 2021. It was clarified that principal asset repayments made before June 30, 2022, within the framework of the PEPP, will be reinvested⁽⁴⁾.

(1) International Monetary Fund (IMF) Update of the Global Economic Outlook – June 2020.

(2) Insee, Informations rapides No 2020-198, Friday, July 31, 2020.

(3) L'Observatoire Crédit Logement CSA, 2nd quarter 2020 survey.

(4) Organization for Economic Cooperation and Development (OECD), Economic Outlook, June 2020.

(5) European Central Bank (ECB), Governors Council Meeting, June 3 and 4, press conference.

COMPAGNIE DE FINANCEMENT FONCIER – SUPPORTING GROUPE BPCE

Following the redeployment of groupe Crédit Foncier's activities across the various entities of Groupe BPCE, the implementation of Compagnie de Financement Foncier's strategy of refinancing Groupe BPCE's eligible assets is now fully operational.

In the 1st half of 2020, Groupe BPCE institutions made extensive use of the optimal refinancing offered by Compagnie de Financement Foncier to refinance a part of their assets, coming notably from the public sector.

In this context, Compagnie de Financement Foncier refinanced 51 debts from several Caisses d'Épargne and Natixis amounting to nearly €1bn (outstanding principal amount of €925m, including

financing commitments of €50m). Refinanced debts relate to local and similar authorities as well as tax receivables.

Compagnie de Financement Foncier's ability to refinance itself under the best terms (AAA rating) over long or even very long maturities (70 years), and to set up specific financing suited to the needs of borrowers, confers a crucial competitive advantage to Groupe BPCE entities.

More specifically, 34 tax receivables originating from Natixis and 17 receivables from the French public sector (local authorities and University Hospitals), from seven Caisses d'Épargne, were acquired by Compagnie de Financement Foncier in the first six months of 2020.





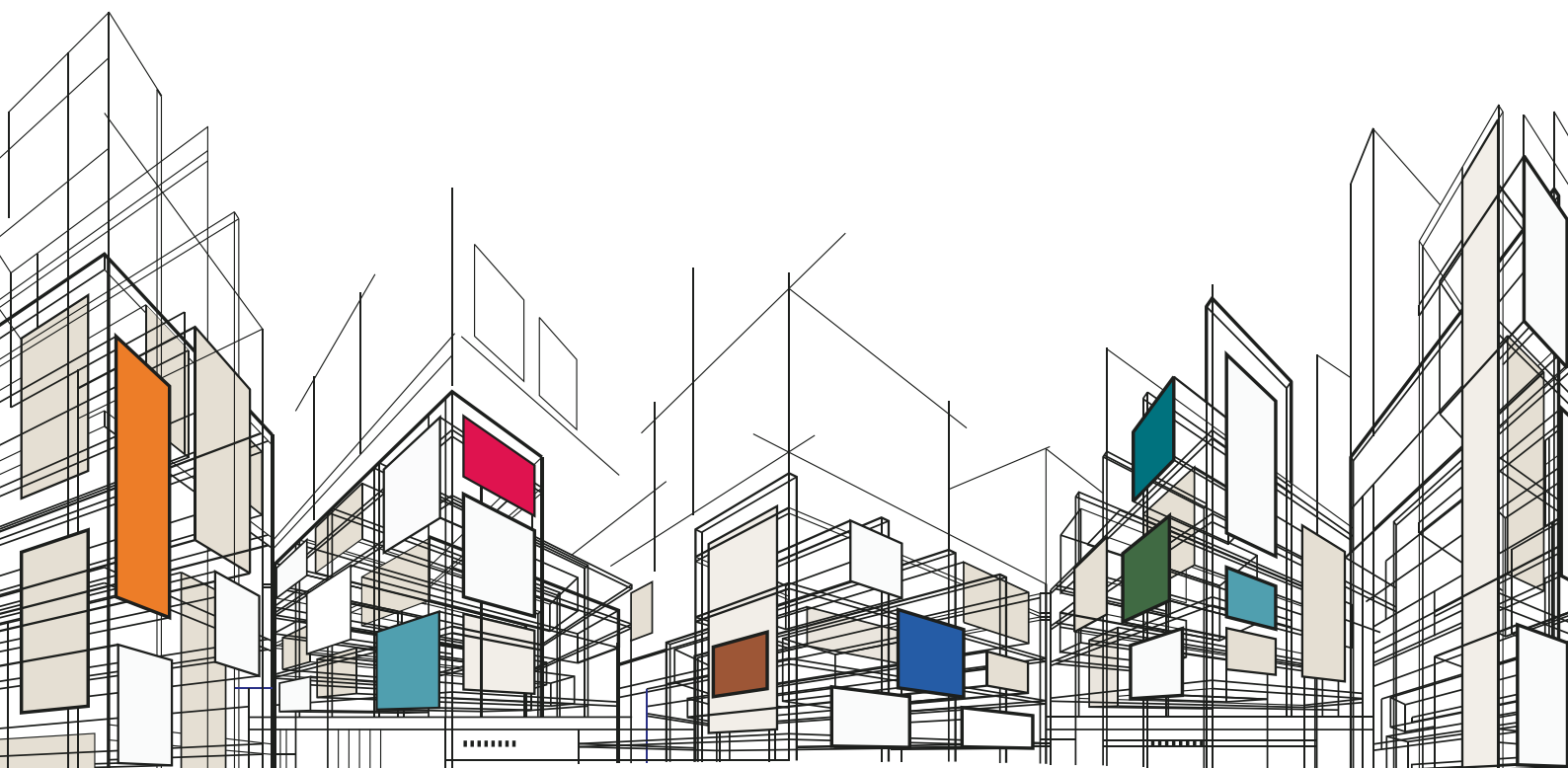
REPORT ON CORPORATE GOVERNANCE

COMPOSITION OF EXECUTIVE AND MANAGEMENT BODIES

| | |
|--|----|
| Executive Management as of June 30, 2020 | 14 |
| The Board of Directors as of June 30, 2020 | 14 |
| The Committees set up by the Board of Directors on June 30, 2020 | 15 |

POTENTIAL CONFLICTS OF INTEREST

15



COMPOSITION OF EXECUTIVE AND MANAGEMENT BODIES

Executive Management as of June 30, 2020

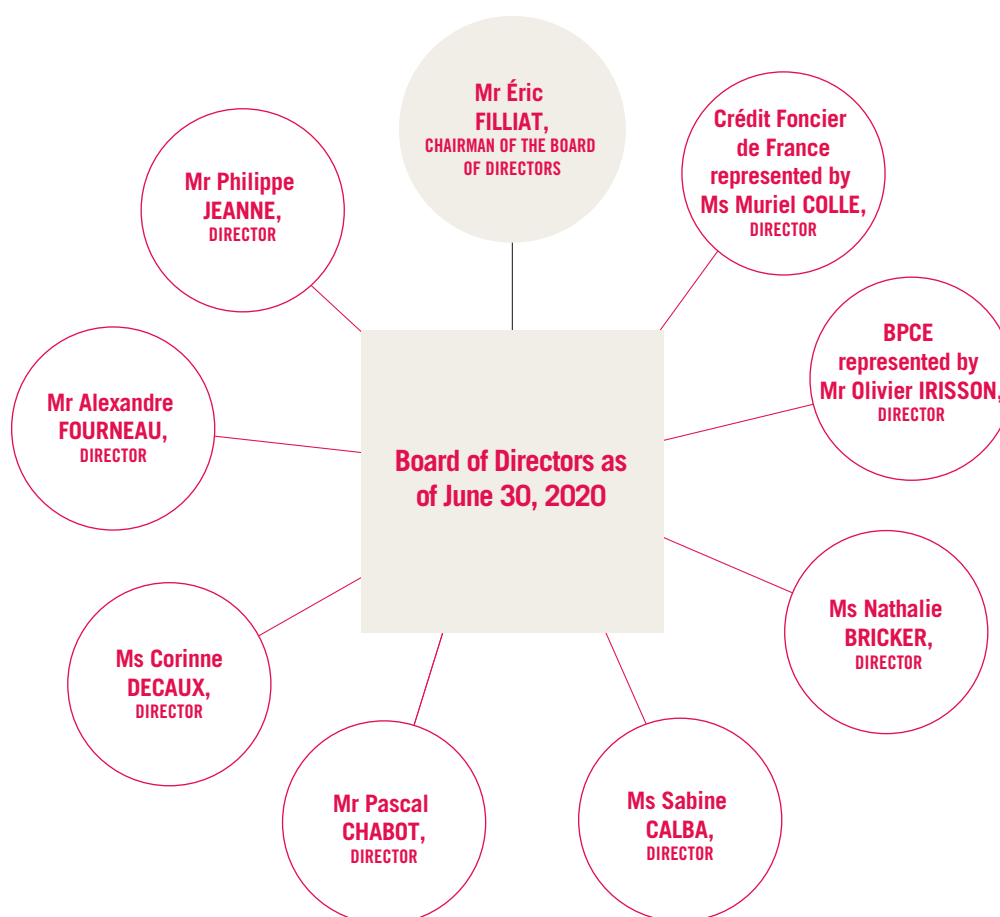
Mr Olivier AVIS, Chief Executive Officer

Mr Paul DUDOUIT, Deputy Chief Executive Officer

CHANGES IN EXECUTIVE MANAGEMENT IN THE FIRST HALF OF 2020

None

The Board of Directors as of June 30, 2020



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

CHANGES WITHIN THE BOARD OF DIRECTORS IN THE FIRST HALF OF 2020

Appointment of Ms Corinne DECAUX as Director by the Ordinary General Shareholders' Meeting of May 4, 2020 for a term of six years expiring at the General Shareholders' Meeting called to approve the financial statements for the 2025 fiscal year.

Resignation of Mr. Jean-Sylvain RUGGIU at the end of the Board meeting held on June 30, 2020.

The Committees set up by the Board of Directors on June 30, 2020

The Company has the following Committees:

APPOINTMENTS COMMITTEE

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

AUDIT COMMITTEE

The Audit Committee operates in accordance with 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 first half of 2020.

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

This appointment meets the requirements of Articles 14 *et seq.* of the Order of November 3, 2014 concerning the internal control of credit institutions, companies providing payment and investment services that are subject to the supervision of the French Prudential Supervisory and Resolution Authority, and to the principle applied by the management of Crédit Foncier under which the executive bodies of credit institutions' subsidiaries may draw on the parent company's structure to fulfil their obligations in terms of permanent and periodic control and compliance.

POTENTIAL CONFLICTS OF INTEREST

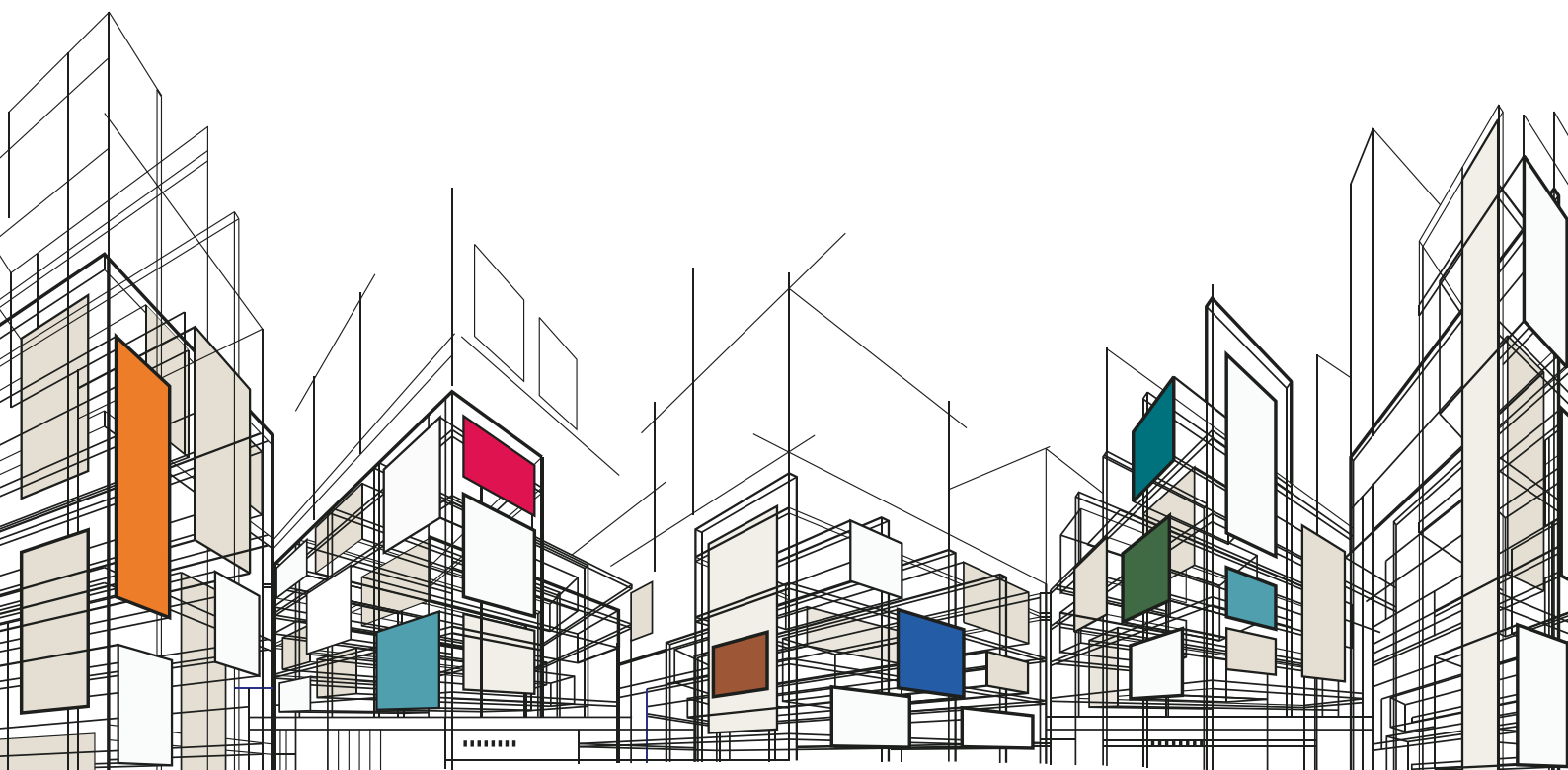
Any potential conflicts of interest are detailed on page 77 of the 2019 Universal registration document.



MANAGEMENT REPORT

MANAGEMENT REPORT

| | | | | | |
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MANAGEMENT REPORT

Compagnie de Financement Foncier continues to fund under optimal conditions the assets originated by the entities of Groupe BPCE in order to support these entities in the growth of their various business lines.

Given the unusual circumstances of the Covid-19 health crisis, Compagnie de Financement Foncier continued to engage in its various activities in the best possible conditions. From the start of the crisis, special measures were implemented to best support customers, including the deferment of payment due dates. In the 1st half of 2020, the estimated overall impact of the Covid-19 pandemic was immaterial in an environment where, to date, total cost of risk has remained very low.

Thus, during the 1st half of 2020, Compagnie de Financement Foncier issued €1.2bn in *obligations foncières* that, like all its privileged debt, are rated AAA/Aaa/AAA⁽¹⁾. The rating agencies thereby acknowledge the security provided by the société de crédit foncier status and the additional commitments made by the Company in terms of financial and risk management.

At June 30, 2020, the balance sheet of Compagnie de Financement Foncier totaled €69.6bn and its net income for the fiscal year is €38.9m.

1. Main operations of the fiscal year

ACQUISITIONS AND DISPOSALS

During the 1st half of 2020, Compagnie de Financement Foncier acquired €790m in loans from Crédit Foncier including related receivables, plus €22m in financing commitments.

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 €875m, to which must be added €50m in financing commitments.

Regarding the International public sector portfolio, some Japanese exposures were disposed of, and this helped reduce the risk of concentration on certain issuers (after the swap, exposure for the JEHDRA entity was reduced of €660m in total).

FUNDING AND CASH MANAGEMENT

Compagnie de Financement Foncier issued, in the 1st half of 2020, €1.2bn of covered bonds including €0.2bn in the form of private investments. This liquidity was raised with an average maturity of 7.5 years.

The 1st half of 2020 was highlighted by a benchmark transaction launched in April. This issuance of €1bn was carried out at a favorable rate and benefited from a very high level of subscription.

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

The largest group of subscribers to *obligations foncières* of Compagnie de Financement Foncier are German investors and investors from the Nordic countries with 33% and 26% of the allocations respectively (excluding Eurosystem).

EARLY REPAYMENTS

The average rate of early repayments for loans to Individuals was 8.3% for the 1st half of 2020.

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

- the impact of accelerated amortization of acquisition premiums/discounts is estimated at -€8.3m over the fiscal year;
- the collection of prepayment penalties of €17.2m; as a reminder, according to the agreement on services rendered by Crédit Foncier, one third of these penalties is transferred to the latter.

The rate of early repayments on Corporate accounts was 1.4% for the half-year, up slightly from the 2019 rate of 1.3%.

(1) Standard & Poor's/Moody's/Scope Ratings, updated as of the filing date of this Amendment to the 2019 Universal registration document.

2. Changes in assets

ASSETS

| (in €k) | 06/30/2020 | 12/31/2019 |
|--|-------------------|-------------------|
| Cash and amounts due from <i>banques centrales</i> | 1,705,000 | 1,564,443 |
| Treasury bills and equivalent | 3,227,782 | 3,236,924 |
| Loans and receivables due from credit institutions repayable on demand | 22,808,326 | 23,067,067 |
| ■ Sight deposit | 51,305 | 56,372 |
| ■ Term deposit | 22,757,020 | 23,010,695 |
| Customer transactions | 36,714,677 | 37,626,531 |
| Bonds and other fixed-income securities | 3,473,632 | 4,093,758 |
| Equity interests and other long-term investments | 0 | 0 |
| Intangible asset and property, plant and equipment | 0 | 0 |
| Other assets | 57,360 | 102,017 |
| Accrual accounts | 1,579,467 | 1,771,111 |
| TOTAL ASSETS | 69,566,245 | 71,461,851 |

The balance sheet total of Compagnie de Financement Foncier stood at €69.6bn at the end of June 2020, down by 2.7% compared with the end of 2019.

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

- a decline in customer transactions (of -€912m compared to the end of December 2019). This decline is attributable mainly to the decrease in outstanding home loans (of -€1.4bn compared to the end of December 2019);

- a drop in the outstanding amounts from bonds and other fixed income securities of -€620m compared to the end of December 2019.

HOME LOANS

Home loans outstanding, held directly or assigned through L. 211-38, fell compared to end 2019.

| (in €m) | 06/30/2020 | 12/31/2019 | Change |
|--|---------------|---------------|--------------|
| Non-commercial mortgage-backed securities (See note 11) | 29,546 | 30,905 | -4.4% |
| Loans to private individuals guaranteed by real estate loans under L. 211-38 (See note 22) | 6,570 | 7,342 | -10.5% |
| TOTAL | 36,116 | 38,247 | -5.6% |

GROUP FUNDING AND ASSIGNMENT OF RECEIVABLES

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

These loans are classified as term loans and receivables from credit institutions. In the 1st half of 2020, these loans totaled €22.2bn. This amount broke down into:

- €15.4bn in loans to Crédit Foncier;
- €143m in loans to other Groupe BPCE entities, also guaranteed by exposures to French local authorities;
- €6.6bn of loans to BPCE as replacement values.

The total amount of guarantees received to cover these loans amounted to €21.9bn at June 30, 2020.

OTHER ASSETS AND ACCRUAL ACCOUNTS

Other assets totaled €57.4m at end June 2020 compared with €102m at December 31, 2019.

The accrual accounts stood at €1.6bn at June 30, 2020, a slight drop compared at December 31, 2019 (€1.8bn).

3. Changes in liabilities

LIABILITIES

| (in €k) | 06/30/2020 | 12/31/2019 |
|--|-------------------|-------------------|
| Amount due to central banks | 0 | 0 |
| Amounts due to credit institutions | 4,139,273 | 4,436,533 |
| ■ <i>Sight deposit</i> | 0 | 2,827 |
| ■ <i>Term deposit</i> | 4,139,273 | 4,433,706 |
| Customer transactions | 0 | 0 |
| ■ <i>Sight deposit</i> | 0 | 0 |
| Debt securities | 59,418,030 | 60,515,318 |
| ■ <i>Interbank market instruments and negotiable debt securities</i> | 0 | 151,288 |
| ■ <i>Bond issues (obligations foncières)</i> | 59,418,030 | 60,364,030 |
| Other liabilities | 892,203 | 1,124,248 |
| Accrual accounts | 1,958,318 | 2,137,319 |
| Provisions | 12,575 | 30,226 |
| Subordinated debts | 0 | 0 |
| Reserve for general banking risks | 20,000 | 20,000 |
| Equity excluding reserve for general banking risks | 3,125,845 | 3,198,207 |
| ■ <i>Share capital</i> | 2,537,460 | 2,537,460 |
| ■ <i>Additional paid-in capital</i> | 343,002 | 343,002 |
| ■ <i>Reserves</i> | 132,117 | 126,553 |
| ■ <i>Regulated provisions and investment subsidies</i> | 0 | 0 |
| ■ <i>Retained earnings</i> | 74,352 | 79,914 |
| ■ <i>Income to be allocated</i> | 0 | 0 |
| ■ <i>Net income for the period</i> | 38,914 | 111,278 |
| TOTAL LIABILITIES | 69,566,245 | 71,461,851 |

Payables to credit institutions decreased by €0.3bn in the 1st half of 2020.

Debt securities decreased by €1.1bn, mainly due to the drop in privileged loans by €1.1bn.

Shareholders' equity stood at €3.1bn, stable compared with end 2019.

4. Analysis of the income statement

INCOME STATEMENT

| (in €k) | 06/30/2020 | 06/30/2019 |
|---------------------------------|---------------|----------------|
| Net interest margin | 78,458 | 126,427 |
| Net commissions | 18,760 | 18,405 |
| Other bank operating charges | -2,580 | -1,740 |
| Net banking income | 94,638 | 143,092 |
| General operating expenses | -53,457 | -38,625 |
| Gross operating income | 41,181 | 104,467 |
| Cost of risk | 336 | 10,930 |
| Gross income | 41,517 | 115,397 |
| Gains or losses on fixed assets | 20,047 | 0 |
| Income before tax | 61,564 | 115,397 |
| Income tax | -22,650 | -39,811 |
| NET INCOME | 38,914 | 75,585 |

NET BANKING INCOME

Net banking income for the 1st half of 2020 was €94.6m, down compared to the 1st half of 2019, in a long-lasting low interest rate environment, which has reduced asset margins and led to a significant decrease in net interest margin compared to the 1st half of 2019 (€78.5m versus €126.4m in the 1st half of 2019).

Net fees and commissions were stable compared to the 1st half of 2019.

GROSS OPERATING INCOME

Management fees amounted to €53.5m at end June 2020, including €6.7m for payment for services provided by Crédit Foncier in 2019.

Regarding general operating expenses, remuneration for Crédit Foncier services in the private sector increased.

Gross operating income came to €41.2m at June 30, 2020 compared with €104.5m at June 30, 2019.

COST OF RISK

The cost of risk was a net reversal of €0.3m in the 1st half of 2020 (versus a net reversal of €10.9m in the 1st half of 2019), which is explained mainly by a recurring positive cost of risk.

NET INCOME

Net income amounted to €38.9m in the 1st half of 2020, compared to €75.6m in the 1st half of 2019.

5. Cash flows

Refer to note 25 "Cash flow statement" in chapter 5 – Financial information (page 93).

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 activity, financial position, and/or results.

1. CREDIT AND COUNTERPARTY RISK

1.1 DEFAULT AND COUNTERPARTY RISK

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

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

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

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

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

- on its portfolio of real estate loans to private individuals in the event of a sharp rise in defaults combined with a sudden and significant drop in the value of the properties used to guarantee these loans;

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

Further, the cost of risk of Compagnie de Financement Foncier was a reversal of €0.3m at June 30, 2020, compared to €11m at June 30, 2019.

For further information, please refer to the Universal registration document of June 30, 2019 of Compagnie de Financement Foncier (page 74).

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

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

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

At June 30, 2020, Compagnie de Financement Foncier's balance sheet amounted to a total €69.6bn. The breakdown of Compagnie de Financement Foncier's outstanding assets/liabilities with regard to credit institutions and central banks is as follows:

ASSETS

| Of which: | (in €m) |
|--|---------|
| Cash and amounts due from central banks | 1,705 |
| Loans and receivables due from credit institutions repayable on demand | 22,808 |

LIABILITIES

| Of which: | (in €m) |
|------------------------------------|---------|
| Amount due to central banks | 0 |
| Amounts due to credit institutions | 4,139 |

1.2 RISK OF CONCENTRATION

The volume of exposures in the Public sector is mainly concentrated in France, while abroad, the exposure of Compagnie de Financement Foncier on Public sector is subject to a few significant individual concentrations, particularly Italy for sovereigns. 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 €8.2bn at June 30, 2020, compared with €8.8bn at December 31, 2019; it was divided mainly between Italy (€3.2bn), North America (€1.9bn), Switzerland (€1.1bn) and Japan (€0.5bn).

Compagnie de Financement Foncier's whole International Sovereign portfolio (€2,586m) enjoys 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 their financial interests. Due to the nature of its activity, Compagnie de Financement Foncier is particularly sensitive to the economic environment in France or elsewhere in Europe.

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

Notably, 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 lack of market liquidity, making it difficult to carry out the funding activity provided by Compagnie de Financement Foncier on behalf of Crédit Foncier and Groupe BPCE.

Some risks are not the result of the immediate cycle due to their exogenous origin: the development of a global pandemic such as the Covid-19 coronavirus is a case in point.

The very recent emergence of Covid-19 and the rapid spread of the pandemic to the entire planet have caused a significant deterioration in the economic situation in various business and financial sectors for economic actors. This has also resulted in significant disturbances in financial markets as the affected countries have had to institute quarantine measures for their populations, resulting in a sharp decline in the activities of many businesses. Massive budgetary policy initiatives have been implemented to support business activity in reaction to these events. This has particularly been the case for the French government (system of State-secured loans for businesses and professionals, private individuals, partial unemployment measures as well as numerous other tax, social and invoice payment measures) and the European Central Bank (greater and cheaper access to significant amounts of funding).

The Covid-19 pandemic poses a risk to Compagnie de Financement Foncier 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 liquidity supply;
- 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 default, particularly among the more fragile 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.

Nevertheless, the impact of these various risks will be strongly mitigated by the massive corporate support measures implemented by the States and by the central banks' infusions of additional liquidity in markets and banks.

The evolution of the Covid-19 situation is a source of significant uncertainty; in the current situation and taking into account the aforementioned support measures, the impact on Compagnie de Financement Foncier's business lines (particularly funding for Groupe BPCE), its results (particularly net banking income and cost of risk) and its financial position (liquidity and solvency) is difficult to quantify.

To date, based on a review of the rate of debts refused between April and early June 2020, it is noted that Covid-19 has had no proven impact. Actions taken with customers should make it possible to contain the situation at this stage.

However, in view of the medium-term prospects of the economic situation, with the possibility that some customers may lose their jobs in the coming months, it is likely that the effects of Covid-19 will be delayed over time and that they will only be assessable and quantifiable from the 3rd quarter of 2020, taking into account the delay in defaults and bad debts becoming a reality. For the Individuals segment, the probability of the risk occurring could be rather high, given the number and situation of the customers under management.

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

The probability of the risk occurring for international exposures could be rather low given the counterparties concerned and the direct impact on Compagnie de Financement Foncier is expected to be moderate.

The international exposure of Compagnie de Financement Foncier was €8.2bn at June 30, 2020, compared to €8.8bn at December 31, 2019, and can be divided between:

- Italian and Polish Sovereigns for €2.6bn (before hedging swaps). Compagnie de Financement Foncier's whole International Sovereign portfolio enjoys an internal rating of at least A-;
- the IPS (International Public Sector) portfolio (excluding Sovereigns) and Large public sector Corporations remained stable at €4.3bn, down compared to December 31, 2019 (-€0.5bn) following various asset disposals and maturities. It may be noted that 68% of this portfolio enjoys an internal rating of at least A;

- outstandings in the portfolio counter-guaranteed by monoline insurers on exposures of the IPS, Large Corporation and Sovereigns for €1.4bn. 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 OPTIONS RISKS

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

The prolonged period of 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. Although Compagnie de Financement Foncier hedges the interest rate risk of its exposures and resources at the macro and/or micro level, in the event of very high levels of interest-rate renegotiations or early repayments, Compagnie de Financement Foncier's net banking income would fall because the average rate of its asset exposures would fall faster than the average rate of its resources, and the early repayment penalties received would not fully cover the cost of adjusting the interest rate hedges.

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

Early repayments and renegotiations of outstanding loans to individuals on Compagnie de Financement Foncier's balance sheet represented 12.1% of outstanding loans at June 30, 2020, compared to 11.3% at December 31, 2019. The ongoing low interest rates explain the number of requests for early 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 mobilized) and manages the overcollateralization of its balance sheet in relation to the outstanding *obligations foncières*.

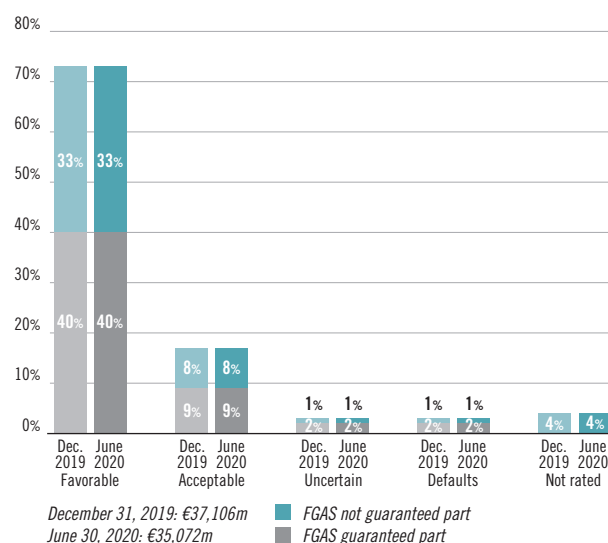
In the event of a severe financial crisis, the downgrading of the credit ratings of assets on the balance sheet or provided as collateral to Compagnie de Financement Foncier could end up calling into question the AAA rating of its *obligations foncières*. In addition, the deterioration in the credit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

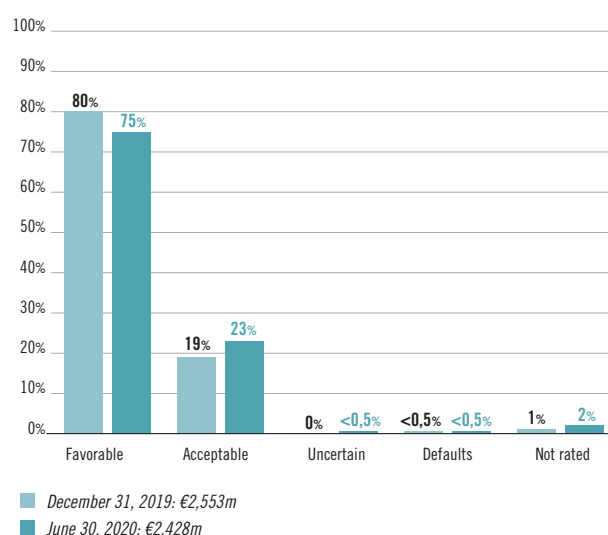
At June 30, 2020, the *obligations foncières* of Compagnie de Financement Foncier were rated AAA/Aaa/AAA with stable outlooks by three rating agencies (S&P, Moody's and Scope Ratings).

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

OUTSTANDING MORTGAGE LOANS TO INDIVIDUALS (INTERNAL RATING)

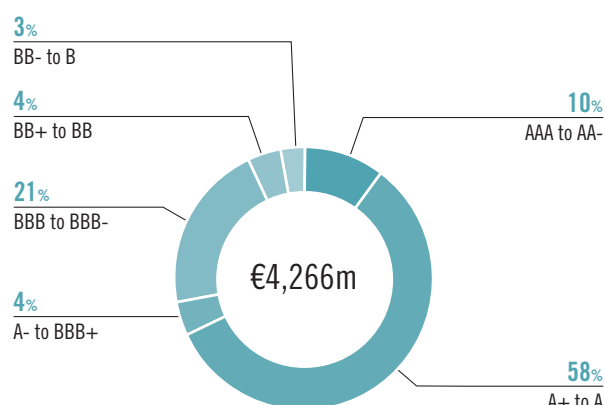


PORTFOLIO OF SOCIAL HOUSING (BASEL II RATING)



EXPOSURES ON INTERNATIONAL PUBLIC SECTOR (EXCLUDING SOVEREIGNS) AND LARGE PUBLIC SECTOR CORPORATIONS (INTERNAL RATING)

June 30, 2020



2.3 LIQUIDITY RISK

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

Compagnie de Financement Foncier derives its liquidity from several sources:

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

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

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

Nevertheless, at June 30, 2020, Compagnie de Financement Foncier held €9.5bn in assets that can be mobilized with the ECB. In addition, Compagnie de Financement Foncier has committed to having sufficient short-term cash to meet, at any time, the contractual maturities of its preferred debt for a period of at least 6 months.

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, 2020, Compagnie de Financement Foncier had reserve liquidity of €6.5bn against a Net Cash Outflow (NCO) of €0.9bn 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), 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. 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. No incident related to Compagnie de Financement Foncier has been detected at June 30, 2020.

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

3.2 ECOSYSTEM RISKS

MACROECONOMIC RISKS

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

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

Compagnie de Financement Foncier consistently raises liquidity in international markets: an average 85% of its investors in the 1st half of 2020 were foreign investors. 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 income. In terms of assets, Compagnie de Financement Foncier has a portfolio of €61.4bn, exposure in France (88% of the outstandings at June 30, 2020) and €8.2bn internationally (12% of the outstandings at June 30, 2020), 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 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 in response to the global financial crisis 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. Although such new measures are intended to prevent a new global financial crisis, they are likely to radically alter the environment in which Compagnie de Financement Foncier and other financial institutions operate.

Some of these measures could also increase the financing costs of Compagnie de Financement Foncier.

Without being exhaustive, one can cite the following measures, either approved or 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 activity consists mainly of issuing *obligations foncières* on the markets to refinance its production and that of Groupe BPCE entities. The measures mentioned, the Covered Bond directive (Directive (EU) 2019 2162) among others, could lead to increasing minimum capital levels and the provisioning of outstandings, immobilizing the advance of liquidity to cover the operating costs of the structure in run-off mode, obligations of more detailed and frequent reporting of information and data thus requiring more resources.

4. NON-FINANCIAL RISKS

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

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

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.

In a "case concerning a French Overseas Department (DOM) operator", there are multiple procedures, but the first rulings issued were in favor of Compagnie de Financement Foncier. Also, the situation may further evolve, after remedies have been used.

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 2019 Universal registration document of Compagnie de Financement Foncier (page 131).

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

In 2020, the turnover of sensitive persons was regularly monitored in Crédit Foncier as part of the Risk Appetite Framework.

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

In terms of TEG, almost all of the decisions delivered are in favor of lenders, with a few unfavorable rulings being limited to issuing very low or even symbolic sanctions. At this stage, the situation leads one to conclude that legal and reputation risk is contained.

4.2 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.

Compagnie de Financement Foncier is highly dependent on its communication and information systems provided by IT-CE and BPCE-IT (Groupe BPCE service providers). These occur at the scope of groupe Crédit Foncier and are envisioned as part of a third-party applicative maintenance (See Risk Management Report – 7.5 “IT risk”).

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 an executive director;
- 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);
- 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 organizational and operational 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, the Head of ISS exercises assiduous control over the processing and actions carried out in terms of the security of the information system 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 the IT Factories (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 was supervised by the ISS governing body of Crédit Foncier.

The residual risk in terms of confidentiality is low in view of the measures 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 operations carried out by users.

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

In short, taking into account the measures in place, and monitoring of them, the residual risk is rated as low for Crédit Foncier and, therefore, by extension for Compagnie de Financement Foncier.

For further information, please refer to the 2019 Universal registration document of Compagnie de Financement Foncier (page 131).

4.3 EXECUTION, DELIVERY AND PROCESS MANAGEMENT RISKS

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

The objective of groupe Crédit Foncier's risk policy is to mitigate this risk and allow the development of activities across all businesses and entities of groupe Crédit Foncier, within a framework that secures profitability and equity. It expresses the Institution's risk tolerance in compliance with BPCE's standards and limits and is therefore broken down according to the various risk standards, umbrella charters and delegations.

As such, it makes the link between the strategic imperatives as approved by the Board of Directors, which determine capital allocations and the business line-wise development plan, commitment rules and, finally, business procedures. It is also approved by the supervisory body.

The risk policy is consistent with macro-risk mapping and the Risk Appetite Framework.

These three documents are approved by the supervisory body.

The risk management methods as well as the measures to reduce various types of risks concerning groupe Crédit Foncier, including Compagnie de Financement Foncier, are standardized therein.

The risk policy must be translated and integrated by the business lines into their operational procedures.

Furthermore, it is specified that the role of the Specific Controller is mainly to assess the quality of the risk management and monitoring procedures implemented by Compagnie de Financement Foncier.

These risk reduction methodologies, mainly including the procedures and macro-mapping, which are reviewed regularly, as well as comitology, lead us to believe that the risk is low.

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 in compliance 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 1st half of 2020. Out of the €22.8bn in loans and receivables due from credit institutions, €22.2bn are term loans to Groupe BPCE entities. Moreover, these loans are fully secured by receivables, in accordance with Article L. 211-38 of the French Monetary and Financial Code.

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

LOANS AND RECEIVABLES DUE FROM CUSTOMERS

Loans and receivables due from customers amounted to €36.7bn at June 30, 2020, including €1.3bn of doubtful loans, compared with €37.6bn and €1.4bn at December 31, 2019. Doubtful loans remained almost exclusively concentrated on home loans for 99.8%. At the same time, out of a total of €59.8m in impairments at June 30, 2020, €59.0m concerns home loans.

HELD-TO-MATURITY SECURITIES

Outstanding held-to-maturity securities amounted to €6.6bn (excluding accrued interest and after premiums or discounts) at June 30, 2020. None of these loans or receivables was reclassified as doubtful or impaired in the 1st half of 2020.

The outstanding net carrying amount (excluding accrued interest and after premiums or discounts) was split across Italy (43%), the United States (23%), Japan (8%), France (10%), Canada (7%), Poland (6%), Spain (3%) and other countries with non-material amounts (1%).

8. Financial risk analysis

EXCHANGE RATE AND FOREIGN EXCHANGE RISK

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

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

As soon as an asset is recorded on the balance sheet, it is transformed, if necessary, into a variable-rate asset in euros. Macro-hedging swaps are entered into when acquiring loan portfolios, micro-hedging swaps are entered into for every

transaction of significant size. Similarly, the debt issued by Compagnie de Financement Foncier is micro swapped at the outset to transform it into variable rate liabilities in euros.

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

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

If the opposite situation occurs, these agreements stipulate that Compagnie de Financement Foncier shall not deposit any collateral. As of June 30, 2020, the amount of deposits received was €0.7bn.

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, 2020, micro- and macro-hedging instruments amounted to €67.2bn, of which €55.1bn in interest rate swaps and €12.1bn in currency swaps; this compares with €68.4bn at December 31, 2019, of which €55.2bn in interest rate swaps and €13.2bn in currency swaps.

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

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

In the 1st half of 2020, across all loans to individuals in the balance sheet of Compagnie de Financement Foncier, the early repayment rate was 8.3%, compared with 8.5% for 2019.

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 1st half of 2020. Compagnie de Financement Foncier can always raise a sufficient amount of cash to meet the contractual maturities on all of its privileged debt, for at least 6 months, without recourse to new resources.

At June 30, 2020, Compagnie de Financement Foncier had cash of €1.8bn, of which €1.7bn 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 2019 Universal registration document of Compagnie de Financement Foncier (pages 88-93).

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 risks supervision of Compagnie de Financement Foncier.

For more information, please refer to chapter 4 - "Risk Management Report" in this Amendment to the 2019 Universal registration document (pages 32 to 56).

11. Other information

SUPPLIER PAYMENT PERIOD (ARTICLE L. 441-6-1 OF THE FRENCH COMMERCIAL CODE) ⁽¹⁾

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

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

CUSTOMER PAYMENT PERIOD (ARTICLE L. 441-6-1 OF THE FRENCH COMMERCIAL CODE) ⁽¹⁾

There was no customer receivable not part of the banking business on Compagnie de Financement Foncier's balance sheet as of June 30, 2020.

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) between January 1, 2020 and the filing date of this Amendment to the 2019 Universal registration document.

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 2019 Universal registration document of Compagnie de Financement Foncier (page 94).

RESEARCH AND DEVELOPMENT

No research and development activity was carried out by Compagnie de Financement Foncier in the first half of 2020.

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 2019 Universal registration document (pages 32 to 56).

12. Outlook

In the 1st half of 2020, no significant impacts were noted from the Covid-19 pandemic, as customer-facing actions (both Individual and Corporate customers) helped contain the situation.

As for the medium-term economic situation (with a likely loss of jobs for certain customers or a deterioration of the situation for certain businesses in the coming months), the true impacts of Covid-19 will likely not be quantifiable for several months, given the time it takes to transition from a case of past due payments to defaults or becoming a doubtful loan.

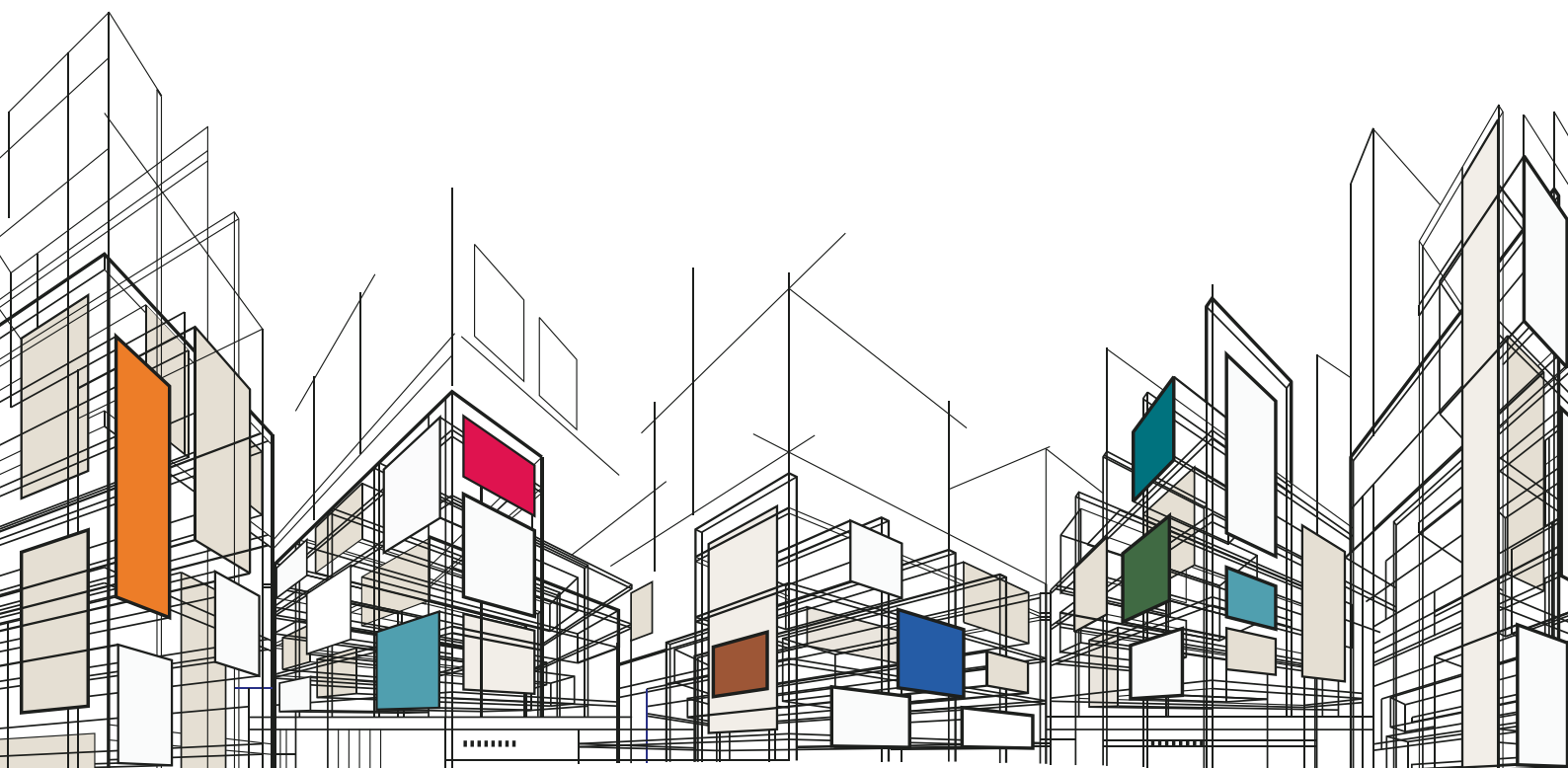
13. Societal and environmental information

For all social and environmental information, please refer to the 2019 Universal registration document of Compagnie de Financement Foncier (page 95).

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

RISK MANAGEMENT REPORT

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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) the Accounting Review Department;
- ii) the Credit Risk Department;
- iii) the Financial Risk Department;
- iv) the Risk Governance Department;
- v) the Compliance and Permanent Control Department (DCCP);
- vi) the Business Security Department.

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

The Compliance and Permanent Control Division includes:

- i) compliance & ethics;
- ii) financial security in charge of preventing and dealing with money laundering, financing of terrorism and internal and external fraud risks;
- iii) permanent control;
- iv) operational risks.

Crédit Foncier's Risk and Compliance Division is an integral part of the risk framework of Groupe BPCE. Compagnie de Financement Foncier relies on the systems and the network organization set up at Crédit Foncier.

1.1.1. 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 organization of Crédit Foncier: the Compagnie de Financement Foncier Risk Executive Committee and Crédit Foncier Internal Control Committee are the umbrella committees of this organization.

Compagnie de Financement Foncier's Risk Executive Committee is chaired by its Chief Executive Officer. Meeting at least quarterly, its main responsibilities are to deal with:

- the general risk policy;
- analyzing and monitoring the institution's overall risk profile based on the results of the rating systems, measurement and assessment (*stress scenarios*, etc.) and its principle exposures;
- measuring the quality of its commitments and debt collection efforts on the basis of summary reports;
- risk management: monitoring risk, reviewing regulatory and specific ratios, monitoring the 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 good organization and completeness of the permanent controls of the activities, and the effectiveness of the risk monitoring and control mechanisms;
- coordinate actions to ensure compliance, the risk management of operations and internal procedures, the quality and availability of information processed by the Information System (IS) and the security of these 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 Bank Holding Company Act of 1956 (BHC Act), section 13, 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.

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 GROUP CRÉDIT FONCIER'S COMPLIANCE AND PERMANENT CONTROL DEPARTMENT

Crédit Foncier's Compliance and Permanent Control Department (DCCP) manages Compagnie de Financement Foncier's compliance function.

Crédit Foncier's DCCP reports functionally to the Groupe BPCE Compliance Division (GCD) as well as the Group's Permanent Control Coordination and Accounting Review Divisions.

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

Under the umbrella charter on internal control organization published on April 20, 2017, the Compliance Department is responsible for preventing, identifying, assessing and monitoring risks related to banking compliance, investment services compliance, financial and general ethics. The 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. 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 personal and corporate credit activities in Crédit Foncier have been centralized in this entity.

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

The Compliance and Permanent Control Division also covers operational risk monitoring.

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 Information Systems Security Committee (IISSC) chaired by an executive director;
- outreach plan to raise awareness about cyber attacks and security risks among all employees;
- a permanent control mechanism for Information Systems Security, combined with a 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 Information Systems Security, who reports directly to the Chief Risk Officer of the Risk and Compliance Division of Crédit Foncier.

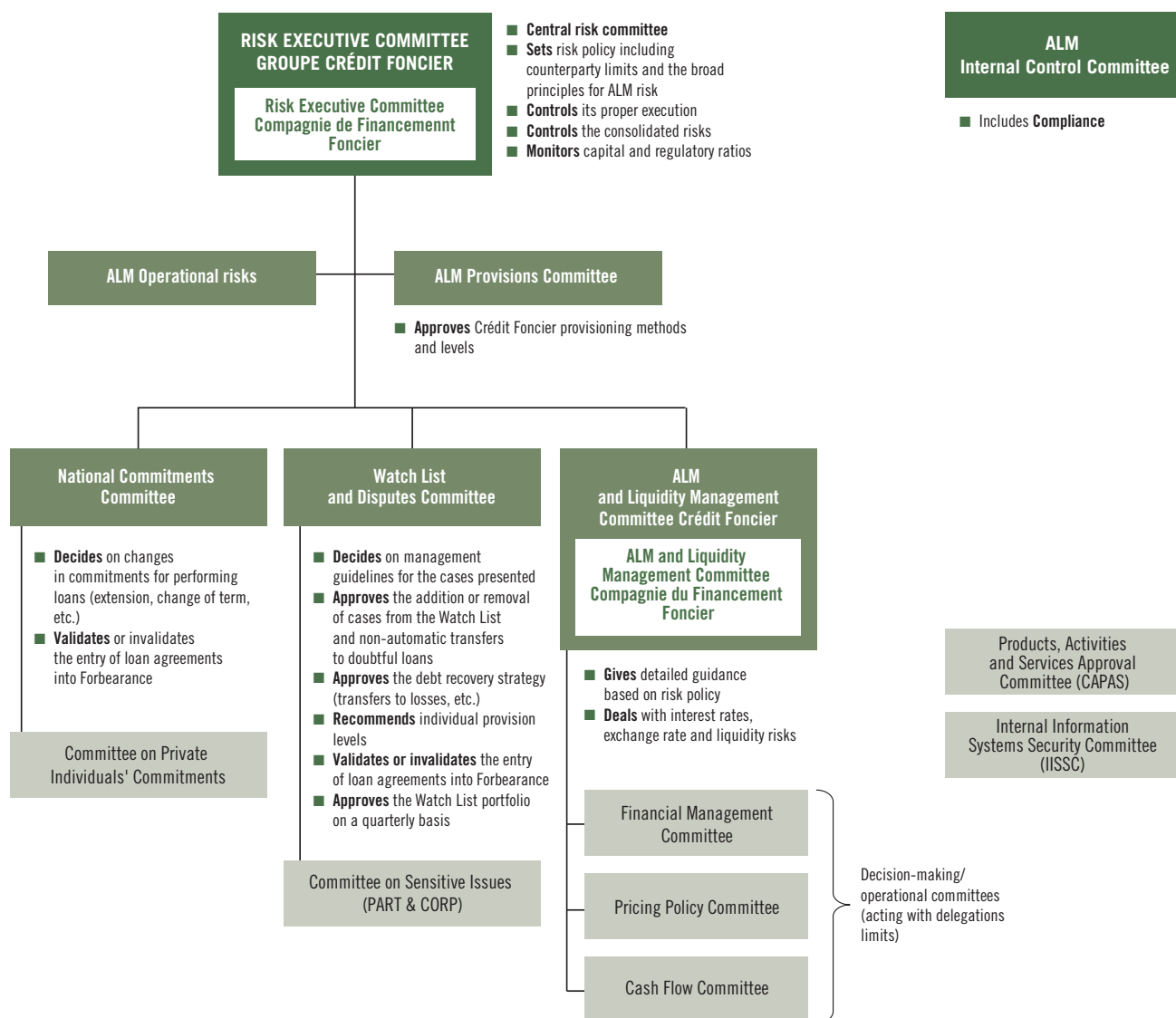
Compagnie de Financement Foncier has its own CBCP Manager, fully integrated in the groupe Crédit Foncier plan.

1.1.5. INFORMATION SYSTEM AND DATA CONSISTENCY

To comply with Basel II and subsequently Basel III, the Risk Department ensures the accounting consistency of the data input into the risk management system. Compagnie de Financement Foncier's exposures are fully integrated into this data consistency mechanism.

Accordingly, all Groupe BPCE entities ensure that all data transferred to Group regulatory production systems are checked for accounting consistency at least quarterly.

RISK ORGANIZATION – COMMITTEES STRUCTURE



1.2. Loan selection process

Compagnie de Financement Foncier's loans selection process takes place in two steps:

- selection by Crédit Foncier during its loan granting process (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 activities (loans to individual customers, and to public and private Corporates), consistent with Group credit policies;
- definition of delegations, primarily with regard to public Corporates and the consumer business;
- a system of fixed limits governing main corporate exposures, in order to manage concentration risk;
- system for assessing borrowers' creditworthiness and the quality of transactions using internal rating engines and counter-analysis;

- risk monitoring primarily achieved through the following mechanisms: quarterly review of portfolios, committees dealing with sensitive issues and internal, external and regulatory reporting;
- risk management leading to the measurement and the prospective management of risks.

1.2.2. CREDIT RISK 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 counteranalysis 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 counteranalysis performed by a specialized independent unit.

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

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 OR1 MOBILIZATION 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 guarantee or equivalent.

Loan origination is carried out almost exclusively by Crédit Foncier. Compagnie de Financement Foncier will increasingly resort to the possibility of acquiring loans from other credit institutions of Groupe BPCE. The operating method for selecting loans is then adjusted accordingly.

After loan granting by a credit institution in accordance with existing policies and eligibility criteria, Compagnie de Financement Foncier acquires loans presenting a risk of default below a certain threshold, based on a selection process.

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, 2020.

The LTVs applied to the mortgage value allow the determination of the outstanding amount of the loan that can be financed by privileged resources:

- 100% for FGAS guarantees;
- 80% for home loans granted to private individuals and secured by a first-ranking mortgage or equivalent;
- 60% for the others (relating mainly to Social housing).

In addition, Compagnie de Financement Foncier uses a rating filter taking into account initial credit scores at origination and outstandings as described in the following table.

Loans and receivables that were under observation and thus kept on the Crédit Foncier balance sheet due to their lower ratings can now, since 2016, be purchased by Compagnie de Financement Foncier accompanied by a special termination clause automatically activated as soon as the loan becomes categorized as doubtful (for a period of four years identical to that of their previous observation).

FOR ALL CRÉDIT FONCIER ENTITIES EXCEPT THE BELGIAN BRANCH

| Filter conditions | | | | | | | | Disposal before 2016 | Disposal since 2016 | Existence of a revolution clause | |
|---|-------------------------------|-------------------------------------|-----------------|-----------|--------------------|-------------------|-----------------------|----------------------|---------------------|----------------------------------|---|
| Doubtful (CX, DX, RX) or Performing and having been doubtful during the last 2 years | | | | | | | | ✗ | ✗ | | |
| 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 does not concern loans from the Belgian branch, whose purchases are only carried out through assignment.

FRENCH PUBLIC SECTOR

Compagnie de Financement Foncier's acquisition criteria on loans to French local authorities (FLA) were based on BPCE's internal rating system.

This rating covers the borrower's inherent characteristics (budget, degree of indebtedness, creditworthiness, etc.).

The lowest ratings are systematically excluded from selection.

INTERNATIONAL PUBLIC SECTOR

Compagnie de Financement Foncier holds exposures to international counterparties that meet the eligibility requirements of the French Monetary and Financial Code. The portfolio switched to being managed on a run-off basis in 2011. Before the phase-out, the loans selected at origination were concentrated on counterparties with the highest ratings, most of them step 1 (\geq AA-).

PRIVATE CORPORATE LOANS

Since 2016, Compagnie de Financement Foncier may be assigned some long-term private corporate loans financed by Crédit Foncier, which receives a full and complete, formalized and first-rank mortgage guarantee, in favor of Crédit Foncier, on one or more assets used as offices, commercial or residential properties located in mainland France.

The asset assignment is limited to 60% of the mortgage value, dated within one year of the assets used as a guarantee. Only performing loans are eligible.

1.2.4. CREDIT LIMITS

ASSIGNING CREDIT LIMITS

Compagnie de Financement Foncier's credit limits system incorporates the same limits as those used by groupe Crédit Foncier, notably with regard to country limits and individual limits.

Groupe BPCE entities must, at their respective levels, adhere to the limitations placed on their operations determining the rules for risk diversification among the portfolios and to the regulatory limits applicable to managing major risks.

Validated by the Risk Executive Committee, these individual limits, prepared and proposed by the Risk Department, are subject to update, control, monitoring and a range of reporting requirements at the initiative of the Risk Department. These limits are also followed at the groupe Crédit Foncier's level.

MANAGING LIMIT BREACHES AND ALERT PROCEDURE

GENERAL PRINCIPLES

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

BANK COUNTERPARTIES

In accordance with the 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 transactions, based on the counterparty's rating, to be paid only by the counterparties, not by Compagnie de Financement Foncier.

All breaches are reported in real time to the executive management of Compagnie de Financement Foncier and Crédit Foncier.

1.2.5. RISK MONITORING

Risk monitoring relies on three main components:

- the quarterly review of portfolios to ensure the overall quality of exposures and control the recognition of provisions for credit losses;
- at a minimum, monthly monitoring of sensitive operations for Corporate clients and on request for Retail clients;
- the production of internal, external and regulatory reporting.

Special rules apply to the structured products of the French public sector.

PORTFOLIO REVIEWS

Regular reviews are conducted to evaluate the quality of the exposures. This implies stringent analysis of the quality of each exposure performed by the business lines and the Risk Department. This analysis extends to all of Crédit Foncier's large exposures as well as of Compagnie de Financement Foncier.

MONITORING OF SENSITIVE 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 classification of the concerned loans or their servicing status (performing/doubtful/in litigation).

INDIVIDUALS

This type of monitoring is carried out by the 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

This type of 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

Loans and receivables assigned to Compagnie de Financement Foncier have a low mortgage LTV ratio (which is more strict than the market value LTV), and finance various assets (housing, offices and commercial properties).

If, in spite of all the measures, the said event occurs (default, forbearance, watch list), the loan will no longer be mobilized by Compagnie de Financement Foncier. The monthly control is carried out in order to renew the assignments.

2. CHANGES IN ASSETS

In accordance with its *société de crédit foncier* status, Compagnie de Financement Foncier's assets are broken down into 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 under Article L. 513-7, limited to 15% of the nominal value of the privileged resources.

BREAKDOWN OF ASSETS BY GUARANTEE

| ASSETS | 06/30/2020 | | 12/31/2019 | |
|---|---------------|--------------------|---------------|--------------------|
| | in €m | % of balance sheet | in €m | % of balance sheet |
| Guaranteed loans (Articles L. 513-3, L. 513-5 and L. 513-6) | 36,573 | 52.6% | 38,577 | 54.0% |
| ■ Mortgage loans secured by the FGAS | 16,879 | 24.3% | 17,594 | 24.6% |
| ■ Other mortgage loans | 14,675 | 21.1% | 16,032 | 22.4% |
| ■ Loans with institutional guarantees | 5,019 | 7.2% | 4,952 | 6.9% |
| Exposure to public entities (Articles L. 513-4 and L. 513-5) | 25,223 | 36.3% | 24,891 | 34.8% |
| ■ Public sector loans | 8,436 | 12.1% | 8,049 | 11.3% |
| ■ Public loans assigned under L. 211-38 | 8,380 | 12.0% | 7,947 | 11.1% |
| ■ Public entity securities | 6,701 | 9.6% | 7,331 | 10.3% |
| ■ Deposits at Banque de France | 1,705 | 2.5% | 1,564 | 2.2% |
| Other assets (interests on IFAT, adjustment accounts, etc.) | 1,121 | 1.6% | 1,339 | 1.9% |
| Replacement values (Article L. 513-7) | 6,649 | 9.6% | 6,654 | 9.3% |
| TOTAL ASSETS | 69,566 | 100.0% | 71,462 | 100.0% |

In the 1st half of 2020, Compagnie de Financement Foncier's balance sheet was down by €1.9bn compared with December 31, 2019. This decline reflects the various changes among the different asset classes considered:

- mortgage loans were down by €1.4bn 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 €0.6bn on account of the disposal of Japanese exposures in the first quarter;
- loans to the Public sector were up €0.9bn following the refinancing of 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*).

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, 2020, international assets, mainly linked to the Public sector, totaled €8.2bn. The main geographical exposures are Italy (€3.2bn), USA (€1.5bn) and Switzerland (€1.1bn). Followed to a lesser extent by Belgium (€0.8bn), Canada (€0.5bn), 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;

- 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.

BREAKDOWN OF LIABILITIES BY GUARANTEE RANK

| LIABILITIES | 06/30/2020 | | 12/31/2019 | |
|--|---------------|--------------------|---------------|--------------------|
| | in €m | % of balance sheet | in €m | % of balance sheet |
| Privileged resources | 59,362 | 85.3% | 60,427 | 84.6% |
| Covered bonds at the reporting date | 59,418 | 85.4% | 60,515 | 84.7% |
| Foreign exchange difference on covered bonds | -87 | -0.1% | -144 | -0.2% |
| Other privileged resources | 31 | 0.0% | 55 | 0.1% |
| Translation difference associated with hedging balance sheet items* | 1,030 | 1.5% | 1,124 | 1.6% |
| Non-privileged resources | 9,174 | 13.2% | 9,911 | 13.9% |
| Unsecured debt | 3,900 | 5.6% | 4,558 | 6.4% |
| Subordinated debt or equivalent | 2,127 | 3.1% | 2,135 | 3.0% |
| ■ of which subordinated securities | 0 | 0.0% | 0 | 0.0% |
| ■ of which associate current account | 2,000 | 2.9% | 2,000 | 2.8% |
| Shareholders' equity, provisions and reserve for general banking risks | 3,147 | 4.5% | 3,218 | 4.5% |
| TOTAL LIABILITIES | 69,566 | 100.0% | 71,462 | 100.0% |
| Regulatory capital according to CRR/CRD IV: | 3,107 | 4.5% | 3,107 | 4.4% |
| ■ of which Common Equity Tier 1 capital | 3,107 | 4.5% | 3,107 | 4.4% |
| ■ of which Additional Tier 1 capital | 0 | 0.0% | 0 | 0.0% |
| ■ of which Tier 2 capital | 0 | 0.0% | 0 | 0.0% |

* 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.

During the year, preferred resources decreased by €1.1bn, with contractual amortization of debt amounting to (€2.2bn), higher than issues over the period (€1.2bn).

Unsecured debt declined by €0.7bn.

The item comprising subordinated debts and equity remained almost stable over the year at €5.3bn, i.e. 7.6% of balance sheet assets at June 30, 2020.

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 Crédit Foncier's level, its parent company. However, as a *société de crédit foncier*, Compagnie de Financement Foncier is subject to several specific regulatory ratios that must be respected at all times and which are generally validated by the Specific Controller.

COVERAGE RATIO

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

In the case of Compagnie de Financement Foncier, restatements include 3 types of assets:

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

Regulations limit outstanding loans financed with *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, 2020, loans outstanding in excess of the LTV threshold amounted to €170m, still significantly lower than those for non-privileged liabilities, standing at €9.2bn 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, 2020, was not included for the purposes of calculating the ratio.

Finally, application of the limit on intragroup exposure introduced by the Order of May 26, 2014 resulted in a €2.4bn drop in BPCE loans, mainly because the loan portfolio posted as collateral failed to meet all eligibility criteria for financing by *obligations foncières*.

As a result, the coverage ratio was 110.7% at June 30, 2020 (vs. 111.4% at end 2019), including any associated currency hedging for assets and liabilities.

Regardless of the minimum ratio required by law, Compagnie de Financement Foncier already committed to maintain at any time a level of non-privileged liabilities in excess of 5% of privileged liabilities (both considered after currency swaps). At June 30, 2020, this ratio was 14.3%, down on the end-2019 level of 14.9%.

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 6.3.2 of the 2019 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 2020 came to 70.8% for a total outstanding amount of €35.8bn. This breaks down as follows:

- 77.4% for loans guaranteed by FGAS in the amount of €19.0bn;
- 63.3% for other mortgage loans to individuals, with €16.7bn outstanding;
- 47.3% for mortgage loans to Corporates amounting to €0.9bn.

At end-2019, all mortgage loans, totaling €38.7bn, had an average LTV of 71.0%. This breaks down into an average LTV of 71.1% for loans to individuals in the amount of €37.8bn, and of 49.0% for corporate loans totaling €0.9bn.

OTHER LIMITS

Compliance with the various holding limits applicable to certain assets is also verified. Namely, at June 30, 2020:

- guaranteed loans amounted to 9.3% of total assets, still well below the legal limit of 35% of the balance sheet; this calculation factors in directly held guaranteed loans (7.2%) as well as loans used to guarantee loans under L. 211-38 (2.1%);
- replacement values had an outstanding amount equal to 10.1% of the nominal amount of privileged liabilities, below the mandatory limit of 15%;
- the hedging of cash requirements, taking into account cash flow forecasts, is secured over a period of 180 days.

LIQUIDITY AND SOLVENCY RATIOS

As a credit institution, Compagnie de Financement Foncier monitors its liquidity ratios, which remain well above the minimum requirements set by banking regulations mainly thanks to its cash commitments available within one year. In addition, Compagnie de Financement Foncier has €9.5bn in assets that can be mobilized by the Eurosystem (excluding repurchase agreements) that could provide it with an estimated additional €8.4bn 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 has been determining solvency ratios only within its own scope since January 1, 2014 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, 2020, on the basis of the Basel III standardized approach, its Common Equity Tier One (CET1) ratio, which is equal to its Tier One ratio and its solvency ratio, was 25.7%, up 1.9% compared with the end of December 2019. Total risk exposures (RWA) amounted to €12.1bn, down €1bn compared with December 31, 2019.

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 ratings for the *obligations foncières*.

The solvency ratio is calculated for informational purposes at the individual Compagnie de Financement Foncier level, which enjoys an exemption.

The amount of capital of Compagnie de Financement Foncier was €3.11bn at June 30, 2020. This amount also represents the Core Equity Tier-1 capital.

CAPITAL REQUIREMENTS

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

Loans to Groupe BPCE affiliates are weighted at 0%.

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

COMPOSITION OF CAPITAL

Capital is determined in accordance with the CRD IV directive and the CRR Regulation, applicable since January 1, 2014, taking into account the national options set by the French Prudential Supervision and Resolution Authority (ACPR). It consists of three broad categories: Common Equity Tier 1, Additional Tier 1 Capital and Tier 2 Capital.

| Exposure categories (in €m) | 06/30/2020 | | 12/31/2019 | |
|--|----------------------|---------------|----------------------|---------------|
| | Capital requirements | RWA | Capital requirements | RWA |
| Central governments | 37 | 465 | 46 | 575 |
| Institutions | 7 | 82 | 7 | 92 |
| Regional governments | 289 | 3,613 | 312 | 3,901 |
| Corporations | 36 | 452 | 36 | 448 |
| Retail customers | 44 | 551 | 46 | 569 |
| Mortgage-backed exposure | 453 | 5,667 | 485 | 6,064 |
| Exposure at default | 47 | 583 | 50 | 620 |
| Other assets | 2 | 22 | 8 | 101 |
| Requirements for credit risk (A) | 915 | 11,435 | 990 | 12,371 |
| Requirements for market risk (B) | - | - | 0 | 0 |
| Requirements for operational risk (C) | 34 | 419 | 34 | 419 |
| Credit value adjustment (D) | 17 | 212 | 21 | 261 |
| CAPITAL REQUIREMENTS (A+B+C+D) | 966 | 12,066 | 1,044 | 13,051 |

SOLVENCY RATIO

Compagnie de Financement Foncier's solvency ratio at June 30, 2020 was determined using the standard approach.

| | 06/30/2020 | 12/31/2019 |
|-----------------------|---------------|---------------|
| Solvency ratio | 25.75% | 23.81% |
| CET1 ratio | 25.75% | 23.81% |
| Tier 1 ratio | 25.75% | 23.81% |

Source: COREP (Common Solvency Ratio Reporting) as of June 30, 2020.

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, in the form of L.211-38 Public sector or mortgage loans;
- subsidized loans which benefit from the guarantee of the French State were transferred to Compagnie de Financement Foncier when it was created in 1999; with no new loans of this type being granted;
- Public sector securities, which comprise Compagnie de Financement Foncier's main international exposure;
- replacement values comprised of short-term investments with credit institutions that have at least the second-best external rating.

5.1. Breakdown of Compagnie de Financement Foncier's commitments

5.1.1. ANALYSIS OF CREDIT RISK EXPOSURES

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

Replacement values, on the other hand, are analyzed by their exposure to the counterparty (and not according to the underlying assets when they are in the L. 211-38 CMF 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 06/30/2020 | | | Exposures as of 12/31/2019 | | |
|---|----------------------------|---------------|---------------|----------------------------|---------------|---------------|
| | Sold | Assigned | Total | Sold | Assigned | Total |
| A – Private Individuals' mortgage loans ^{(1) (2)} | 28,593 | 6,478 | 35,072 | 29,861 | 7,244 | 37,106 |
| B – Public sector | 16,516 | 8,406 | 24,922 | 16,610 | 7,976 | 24,586 |
| French public sector | 9,060 | 7,837 | 16,897 | 8,545 | 7,394 | 15,939 |
| ■ Social housing | 776 | 1,652 | 2,428 | 846 | 1,707 | 2,553 |
| ■ French local authorities (FLA) ⁽³⁾ | 6,028 | 5,415 | 11,443 | 5,578 | 5,565 | 11,143 |
| ■ Sovereign France | 2,256 | 770 | 3,026 | 2,121 | 122 | 2,243 |
| Infrastructure project financing (IPF) | 605 | 569 | 1,174 | 610 | 582 | 1,192 |
| International public sector | 6,851 | 0 | 6,851 | 7,455 | 0 | 7,455 |
| ■ International public sector (IPS) | 3,836 | 0 | 3,836 | 4,445 | 0 | 4,445 |
| ■ International Sovereign | 2,586 | 0 | 2,586 | 2,581 | 0 | 2,581 |
| ■ Public sector large corporations | 429 | 0 | 429 | 430 | 0 | 430 |
| C – Commercial mortgage exposures | 100 | 700 | 800 | 99 | 628 | 727 |
| D – Banking sector exposures | 615 | 6,600 | 7,215 | 608 | 6,600 | 7,208 |
| Banks with sovereign guarantees or similar | 564 | 0 | 564 | 552 | 0 | 552 |
| Other banks | 51 | 0 | 51 | 56 | 0 | 56 |
| L. 211-38-VR ⁽⁴⁾ | 0 | 6,600 | 6,600 | 0 | 6,600 | 6,600 |
| TOTAL RISK EXPOSURE (A + B + C + D) | 45,824 | 22,185 | 68,009 | 47,178 | 22,448 | 69,626 |
| Miscellaneous adjustments and other items ⁽⁵⁾ | 1,612 | 5 | 1,617 | 1,887 | 4 | 1,891 |
| TOTAL | 47,436 | 22,190 | 69,626 | 49,065 | 22,452 | 71,517 |

(1) The "mortgage loans France" line item includes a limited amount of outstanding Dutch loans (€33m).

(2) Of which L. 211-38 Belgium for €801m (carrying amount).

(3) Of which €60m L. 211.38 with Caisses d'Épargne and €85m with Banques Populaires.

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

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

At June 30, 2020, the total credit risk exposure was down by €1.9bn to €69.6bn. This change was due to:

- the €2.0bn decline in private individuals' mortgage loans to €35.1bn, which mostly had an amortization effect following a halt in the production of new loans from the end of March 2019;
- the €0.6bn decrease in the International public sector (decline in the OPEFI outstandings on the IPS);
- the €1bn increase in French public sector to €16.9bn mainly due to the increase in Sovereign France, in turn the result of a strong mobilization of new cash loans granted to the French government (+€650m).

GEOGRAPHICAL BREAKDOWN OF EXPOSURES

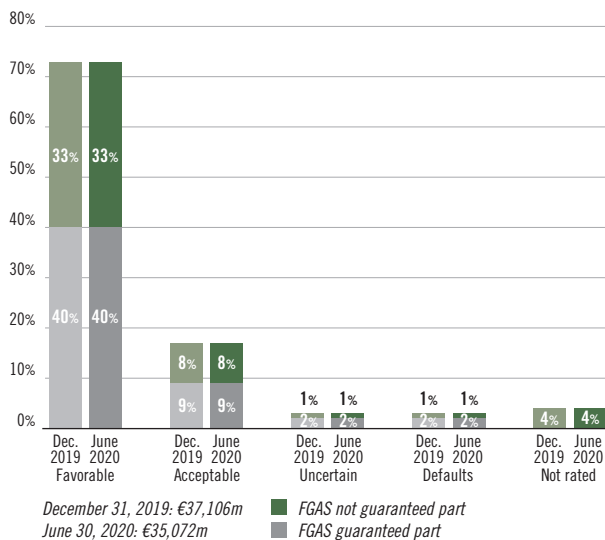
| Geographical breakdown of exposures | 06/30/2020 | | 12/31/2019 |
|---|--------------------------|--------------|--------------|
| | Balance sheet (in €m) | % | % |
| France | 61,377 | 88 | 88 |
| Other countries in the European Economic Area | 4,693 | 7 | 7 |
| ■ of which Italy | 3,201 | 5 | 4 |
| ■ of which Belgium | 801 | 1 | not reported |
| ■ of which Spain | 381 | 1 | not reported |
| ■ of which Poland | 210 | not reported | not reported |
| ■ of which Portugal | 67 | not reported | not reported |
| ■ of which the Netherlands | 33 | not reported | not reported |
| Switzerland | 1,079 | 1 | 1 |
| North America (USA & Canada) | 1,942 | 3 | 3 |
| Japon | 534 | 1 | 1 |
| TOTAL | 69,626 | 100 | 100 |
| Reminder of total exposures at 12/31/2019 (in €m) | | | 71,517 |

not reported: negligible

5.1.2. QUALITY OF THE PORTFOLIO EXPOSED TO CREDIT RISK

PORTFOLIO OF LOANS TO INDIVIDUALS

INTERNAL RATING AND QUALITY OF MORTGAGE LOANS MADE TO PRIVATE INDIVIDUALS



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

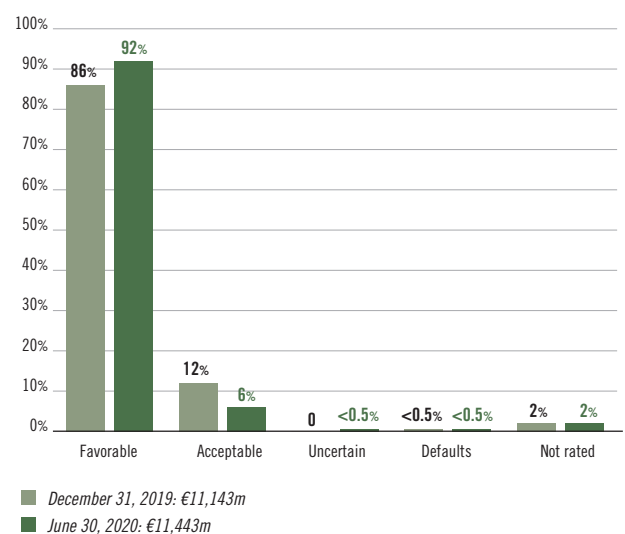
FRENCH PUBLIC SECTOR PORTFOLIO

The French public sector portfolio stood at €16.9bn, breaking down as follows:

- French local authorities: €11.5bn;
- Social housing: €2.4bn;
- Sovereign France: €3.0bn.

FRENCH LOCAL AUTHORITIES

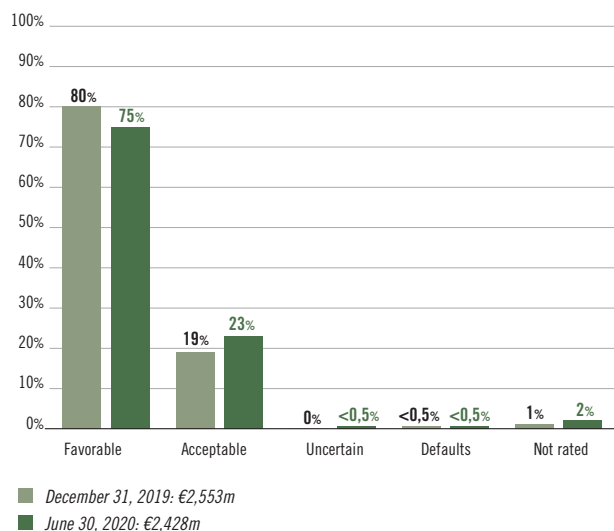
PORTFOLIO OF FRENCH PUBLIC OPERATORS – BREAKDOWN BY BASEL II RATING



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 – BREAKDOWN BY BASEL II RATING



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

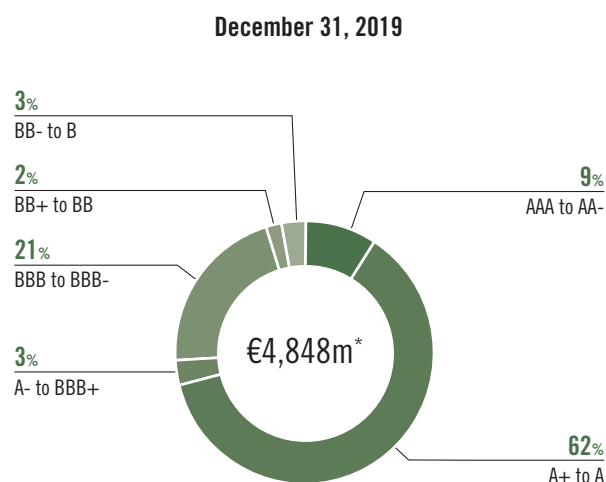
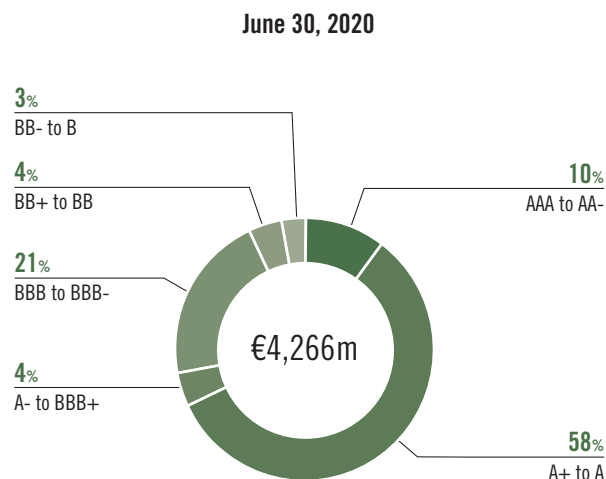
The share of outstandings from Favorable to Acceptable is mainly due to the re-rating from 8 to 11 on April 29, 2020 by a counterparty.

INTERNATIONAL PUBLIC SECTOR PORTFOLIO

INTERNATIONAL PUBLIC SECTOR (EXCLUDING SOVEREIGNS) AND LARGE PUBLIC SECTOR CORPORATIONS

At June 30, 2020, the IPS portfolio (excluding Sovereigns) and Large public sector Corporations remained stable at €4.3bn, down -€0.6bn compared with December 31, 2019, following various asset disposals and amortization of assets. Compagnie de Financement Foncier has stopped making new acquisitions in recent years.

BREAKDOWN OF EXPOSURES BY INTERNAL RATING ON INTERNATIONAL PUBLIC SECTOR AND LARGE PUBLIC SECTOR CORPORATIONS**

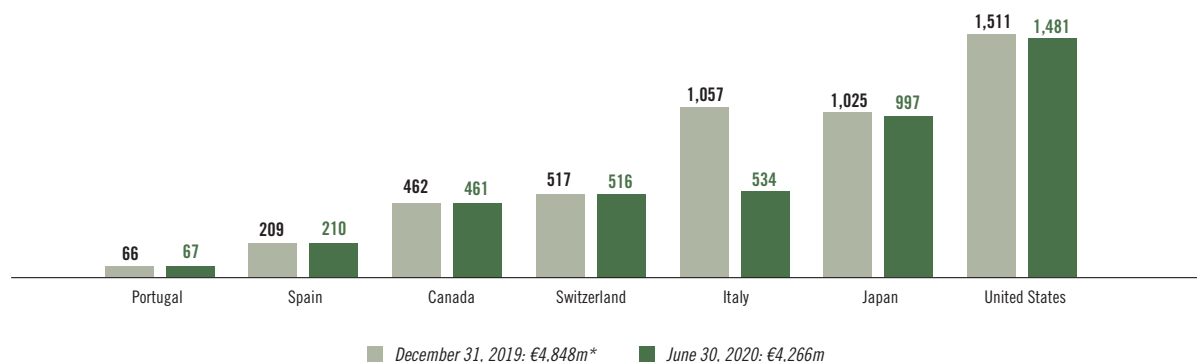


* Subsequent correction on December 31, 2019.

** Net carrying amount before taking swaps into account.

The average quality of internal ratings continues to be high.

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



* Subsequent correction on December 31, 2019.

** Net carrying amount before taking swaps into account.

The drop in exposures to Japan was due to the disposal of Jehdra and Tokyo Métropole shares.

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

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

INTERNATIONAL SOVEREIGN

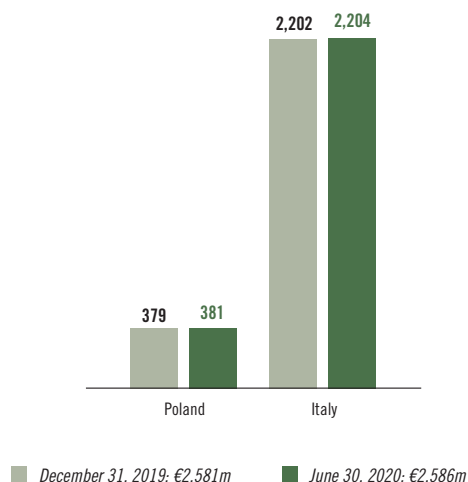
Following the disposals and repayments, Compagnie de Financement Foncier's residual exposure to sovereign issuers is concentrated on Italy and, to a lesser extent, on Poland. The variation of outstandings from one year to another is explained by exchange rate fluctuations as some of the exposures are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

BREAKDOWN OF EXPOSURES BY INTERNAL RATING OF SOVEREIGNS EXCLUDING FRANCE



Compagnie de Financement Foncier's whole International Sovereign portfolio is rated investment grade (rating \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 Italian government replaced the City of Rome on two securities for a total amount of €75m (nominal value).

The variation of outstandings from one year to another is explained by exchange rate fluctuations as some of the exposures are in foreign currencies and given the fact that the presentation is made on before swaps basis.

MONOLINE INSURERS ON EXPOSURES TO IPS, LARGE CORPORATES AND SOVEREIGNS

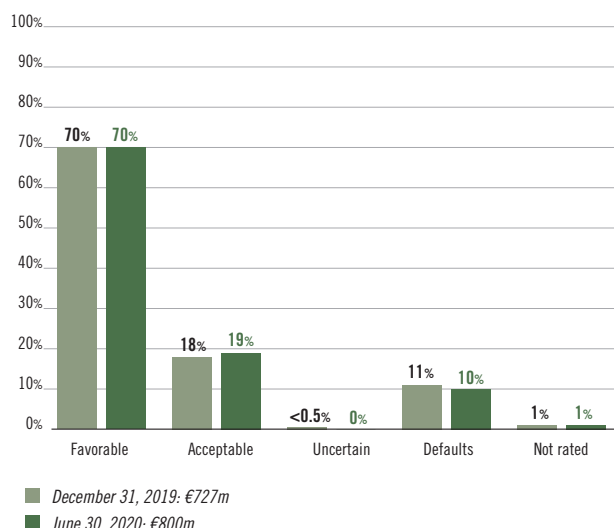
Compagnie de Financement Foncier has no direct exposures to monoline insurers but does have credit enhancements acquired from them for certain assets in the portfolio.

Thus, €1.39bn in outstandings in the portfolio is counter-guaranteed by the monoline insurers. For FGIC (€0.12bn), the deterioration of its creditworthiness means that its guarantee is less effective than at the outset (due to fact that the transaction's intrinsic credit rating is higher than that of the credit guarantor).

This is, however, not the case of Assured Guaranty Municipal Corp. (formerly FSA) and of Assured Guaranty Corp. (which took over CFIG), rated respectively AA/A2 and AA/A3 by S&P and by Moody's, which guarantees a total outstanding amount of €1.15bn in securities; or of National Public Finance Guarantee Corp. (formerly MBIA), rated Baa2 by Moody's, and which guarantees a total outstanding amount of €0.12bn in securities.

PRIVATE CORPORATES PORTFOLIO

At June 30, 2020, Private corporate outstandings sold and assigned amounted to €800m, with 89% 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, 2019. They consist mainly of short-term transactions with BPCE (€6.6bn). Compagnie de Financement Foncier also had an exposure to financial institutions benefiting from public authority guarantees, Swiss cantonal banks, as part of long-term loans from the former IPS activity.

5.2. Delinquency

5.2.1. COMPAGNIE DE FINANCEMENT FONCIER'S RISK HEDGING

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

| Risk exposure (in €m) | Gross exposures as of 06/30/2020 | | | | Gross exposures as of 12/31/2019 | | | |
|---|----------------------------------|--------------------|-----------------------------|---------------------------|----------------------------------|--------------------|-----------------------------|---------------------------|
| | Total balance sheet | Doubtful loan rate | Doubtful loan rate Assigned | Doubtful loan rate global | Total balance sheet | Doubtful loan rate | Doubtful loan rate Assigned | Doubtful loan rate global |
| A – Private Individuals' mortgage loans ^{(1) (2)} | 35,072 | 4.42% | 0.07% | 3.61% | 37,106 | 4.37% | 0.14% | 3.55% |
| B – Public sector | 24,922 | 0.01% | 0.00% | 0.00% | 24,586 | 0.02% | 0.03% | 0.02% |
| French public sector | 16,897 | <0.5% | 0.00% | <0.5% | 15,939 | <0.5% | 0.03% | <0.5% |
| ■ Social housing | 2,428 | <0.5% | 0.00% | <0.5% | 2,553 | <0.5% | 0.00% | <0.5% |
| ■ French local authorities (FLA) ⁽³⁾ | 11,443 | <0.5% | 0.00% | <0.5% | 11,143 | <0.5% | 0.04% | <0.5% |
| ■ Sovereign France | 3,026 | | | | 2,243 | 0 | 0 | 0 |
| Infrastructure project financing (IPF) | 1,174 | | | | 1,192 | 0 | 0 | 0 |
| International public sector | 6,851 | | | | 7,455 | 0 | 0 | 0 |
| ■ International public sector (IPS) | 3,836 | | | | 4,445 | 0 | 0 | 0 |
| ■ International Sovereign | 2,586 | | | | 2,581 | 0 | 0 | 0 |
| ■ Public sector large corporations | 429 | | | | 430 | 0 | 0 | 0 |
| C – Commercial mortgage exposures | 800 | 79.63% | 0.00% | 9.95% | 727 | 77.93% | 0 | 10.62% |
| D – Banking sector exposures | 7,215 | | | | 7,208 | 0 | 0 | 0 |
| Banks with sovereign guarantees or similar | 564 | | | | 552 | 0 | 0 | 0 |
| Other banks | 51 | | | | 56 | 0 | 0 | 0 |
| L. 211-38-VR ⁽⁴⁾ | 6,600 | | | | 6,600 | 0 | 0 | 0 |
| TOTAL RISK EXPOSURE (A+B+C+D) | 68,009 | 2.93% | 0.02% | 1.98% | 69,626 | 2.94% | 0.05% | 2.01% |
| Miscellaneous adjustments and other items ⁽⁵⁾ | 1,617 | | | | 1,891 | 0 | 0 | 0 |
| TOTAL | 69,626 | 2.83% | 0.02% | 1.94% | 71,517 | 2.83% | 0.05% | 1.96% |

(1) The "mortgage loans France" line item includes a limited amount of outstanding Dutch loans (€33m).

(2) Of which L. 211-38 Belgium for €801m (carrying amount).

(3) Of which €60m L. 211.38 with Caisses d'Épargne and €85m with Banques Populaires.

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

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

The overall doubtful loan rate was low at 1.9%.

For mortgages, the doubtful loan rate stayed at 3.6% at end-June 2020. The total doubtful mortgage exposure rate dropped from 10.62% to 9.95%.

5.2.2. RISK CHARGE OF COMPAGNIE DE FINANCEMENT FONCIER

| (in €m) | 06/30/2020 | 12/31/2019 |
|-------------------------------------|------------|-------------|
| Individual cost of risk (A) | -0.4 | 6.6 |
| Collective provisions (B) | 0.7 | 4.9 |
| Cost of risk (A+B) | 0.3 | 11.5 |
| Risk charge, net banking income (C) | -0.2 | 0 |
| NET (A+B+C) | 0.1 | 11.5 |

At June 30, 2020, Compagnie de Financement Foncier's risk burden grew by €0.1m. It included the cost of risk on an individual basis, down by -€0.4m, the cost of risk on a collective basis, up by €0.7m and the cost of risk recognized in net banking income, down by -€0.2m.

5.3. Risk mitigation technique

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, 57.45% of outstanding loans to private individuals are covered by a FGAS guarantee.

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

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

Loans covered by Crédit Logement were subject to a Basel III weighting of 50% until the third quarter of 2014. Since the 4th quarter of 2014, exposures guaranteed by Crédit Logement have been weighted at 35% following the decision of BPCE to harmonize the financial communication on the guaranteed exposures of all Groupe BPCE entities.

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

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

5.3.2. VALUATION AND PERIODIC REVIEW METHODS FOR REAL ESTATE ASSETS

The methodology remained unchanged in the 1st half of 2020.

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 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*.

At June 30, 2020, Compagnie de Financement Foncier issued €1.175bn in *obligations foncières* (covered bonds).

Furthermore, Compagnie de Financement Foncier has a number of potentially assignable assets that are eligible for the ECB's refinancing operations. At June 30, 2020, these outstandings amounted to nearly €9.5bn in nominal value, divided into:

- €6.7bn in Public sector loans;
- €2.8bn in securities.

In the 1st half of 2020, Compagnie de Financement Foncier did not use this financing facility.

6.2.2. LIQUIDITY RISK MONITORING

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

As explained in the 2019 Universal registration document, liquidity requirements are analyzed according to a combined static and dynamic approach. With the static approach, liquidity monitoring ensures that medium-term liquidity management does not concentrate liquidity requirements excessively over certain periods. The main indicator used is the static liquidity gap, depending on whether or not account is taken of Compagnie de Financement Foncier's capacity to raise liquidity over the next 20 years. The concentration of future bond maturities was also looked at.

The very prudent liquidity management policy is being continued in 2020. Other than regulatory requirements, Compagnie de Financement Foncier's ALM rules ensure that its exposure to liquidity risk remains very limited. They are managed using a system of internal limits and are monitored by the ALM and Liquidity Oversight Committee as well as by the Risk Executive Committee.

In particular, Compagnie de Financement Foncier is committed to dispose of sufficient short-term liquidity to cover its privileged debt repayment commitments for at least six months.

At June 30, 2020, Compagnie de Financement Foncier had available cash of €1.7bn on current accounts with the Banque de France.

It also had €6.65bn in replacement values, including investments, of which €6.6bn lent to BPCE with a term of less than two months and 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. INDICES AND COMPLIANCE WITH "LIMITS"

INTRADAY MONITORING

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

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

LIQUIDITY COVERAGE RATIO (LCR)

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

LIQUIDITY STRESS

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

- major stress at three months (maintenance of a proportion of new production and a proportion of the refinancing) and subject to limits: a check is thus done to verify whether the liquidity buffer covers all the cash needs subsequent to 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 1st half of 2020.

COMPLIANCE WITH THE PROVISIONS OF THE MAY 26, 2014 DECREE

180-DAY LIQUIDITY FORECAST

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

ASSET/LIABILITY MATCHING INDICATOR AND MATURITY GAP

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

In the 1st half of 2020, without restricting eligible assets within the requirements of the regulatory overcollateralization ratio, this limit was also respected.

In addition to these requirements, Compagnie de Financement Foncier undertook to ensure that the average duration of its assets does not exceed that of its total liabilities over a period of more than 24 months.

At June 30, 2020, this commitment was also honored.

COVERAGE PLAN FOR PRIVILEGED LIABILITIES

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

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

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

The management procedures remained unchanged in the 1st half of 2020. For more information, see Compagnie de Financement Foncier's 2019 Universal registration document (page 128).

6.3.2. INTEREST RATE RISK MONITORING

The interest rate risk monitoring remained unchanged in the 1st half of 2020. For more information, see Compagnie de Financement Foncier's 2019 Universal registration document (page 128).

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 1st half of 2020, the limits were respected.

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.

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

6.4. Monitoring foreign exchange risk

Foreign exchange risk monitoring remained unchanged in the 1st half of 2020.

The internal limit for regulating Compagnie de Financement Foncier's foreign exchange position has been renewed for 2020.

This limit was obeyed for the 1st half of the year.

For more information, see Compagnie de Financement Foncier's 2019 Universal registration document (page 129).

6.5. Monitoring settlement risk

Settlement risk monitoring remained unchanged in the 1st half of 2020.

For more information, see Compagnie de Financement Foncier's 2019 Universal registration document (page 129).

7. OPERATING RISKS

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

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

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

Compagnie de Financement Foncier's operating risk management, limited to the Institutional Relations Department activities, relies on Crédit Foncier's system according to Groupe BPCE rules. These operational risks are specifically mapped and presented to the Operating Risks Committee every quarter. No incident related to Compagnie de Financement Foncier was detected at June 30, 2020.

7.1. General management

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

Operational risk management is part of groupe Crédit Foncier's Risk Department. It is managed by a specialized unit that is separate from operating activities and attached to the Compliance and Permanent Control Division. This unit reports to Compagnie de Financement Foncier's executive bodies and those responsible for controlling Compagnie de Financement Foncier.

7.3. Management environment

7.3.1. MANAGEMENT NETWORK

Operational risk oversight and management is delegated to the managers of various divisions. Each manager relies on a network of representatives coordinated by a Risk Manager, with a functional link to the Compliance and Permanent Control Division. The network of Risk Officers was reviewed in June 2020 to take into account the growth of Crédit Foncier.

7.3.2. METHODS AND TOOLS

The risk approach is based on three key elements that are part of an iterative, interactive method:

- mapping of operational risk events: identification and assessment by each business line of its vulnerability to the main operational risks, updated whenever processes or the organizational structure changes, and in any case at least once a year;
- reporting incidents in a dedicated database: feeding the incident database by the management network as and when such incidents occur and evolve; monitoring of corrective action plans; analysis of changes in risk exposures and resulting losses;
- implementation of Key Risks Indicators for the main risk areas, warning when incidents are likely to enter a critical phase.

For calculating capital adequacy requirements, groupe Crédit Foncier currently applies the Basel III standard approach.

7.4. Organization of the Contingency and Business Continuity Plan (CBCP)

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

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. Insurance

As Compagnie de Financement Foncier's servicer, Crédit Foncier insures the risks relating to its activity. Under service agreements with Compagnie de Financement Foncier, it provides insurance-related services on behalf of Compagnie de Financement Foncier. As a result, Compagnie de Financement Foncier benefits

from insurance policies subscribed by BPCE primarily covering the following risks:

- IT fraud and malicious acts and subsequent losses arising out of banking operations;
- professional civil liability;
- civil liability of senior executives and corporate officers.

7.7. Legal risks

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

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 Code of Construction and Housing.

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 a proliferation of civil and criminal legal actions initiated by both the legal representatives and the Company Director on behalf of the companies in its group:

- application for an appraiser's report (ongoing appeal proceedings);

- application to extend the court-ordered liquidation to groupe Crédit Foncier;
- civil liability action;
- private prosecution for bankruptcy and complicity in bankruptcy. The Criminal Court ordered a full acquittal. However, the Public Prosecution Service and the co-liquidators appealed this decision;
- in addition, the Crédit Foncier loan declared as a liability has been contested. An appeal has been made against the order admitting the loan.

The aim of these actions is to try to call into question Crédit Foncier's loan fees and hold Crédit 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.

The Compliance and Permanent Control Division is organized into three separate units: compliance and ethics, on the one hand, financial security on the other and, finally, permanent control since the 1st quarter of 2020. 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. General management

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

It enables a permanent overview:

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

- the control of non-compliance risks is divided between:

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

Specific action plans are drawn up by the operational units to address dysfunctions identified during audits or revealed by recurrent operational risk incidents. These action plans are monitored by the Permanent Control and Compliance Officers of the departments concerned. 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.

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

The Institutional Relations Department, in particular, is responsible for monitoring activities outsourced to Crédit Foncier. The Compliance and Permanent Control Division of Crédit Foncier manages the implementation of the guidelines of the European Banking Authority relating to outsourcing in compliance with Groupe BPCE's policy. In this context, the governance and supervision of outsourcing are reinforced with the creation of a key outsourcing post entrusted to the Director of Organization and Transformation and the creation of an outsourcing committee.

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

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

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

In application of the Volcker Rule, the Compliance and Permanent Control Division completed the final certification phase for Compagnie de Financement Foncier. In particular, the draft Senior Management Report, which describes the advanced compliance program, was validated by the Volcker Committee and its Board of Directors. All sub-certifications of Compagnie de Financement Foncier were sent to Groupe BPCE for the Group's final certification.

INVESTMENT SERVICES

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

Financial ethics standards incorporate market abuse regulatory measures pursuant to Regulation 596/2014 of the European Parliament, both regarding closely related persons and permanent insiders. An internal procedure circulated to all employees lists their obligations. In parallel, the persons concerned receive an individual reminder of each blackout period during which securities may not be purchased or sold.

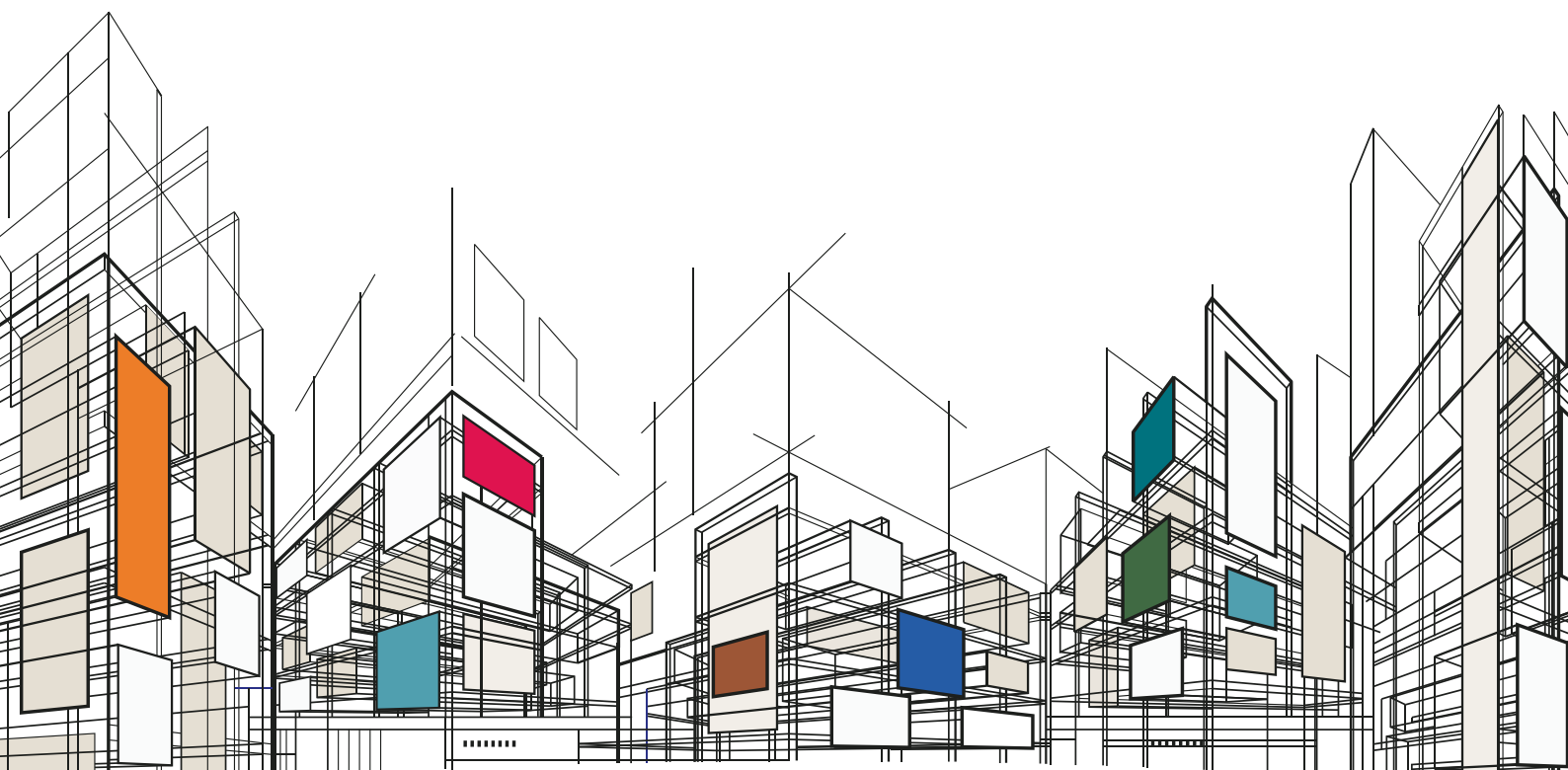
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FINANCIAL STATEMENTS

Income statement *(in thousands of euros)*

| | Notes | 06/30/2020 | 06/30/2019 | 12/31/2019 |
|--|-------|----------------|----------------|----------------|
| Interest and similar income | 1 | 933,650 | 1,058,221 | 2,027,376 |
| Interest and similar expenses | 1 | -855,192 | -931,794 | -1,837,690 |
| Net interest margin | | 78,458 | 126,427 | 189,686 |
| Fees and commissions income | 2 | 19,160 | 19,236 | 42,279 |
| Fees and commissions expenses | 2 | -400 | -830 | -2,090 |
| Net gains or losses on trading book transactions | 3 | -19 | 10 | -212 |
| Other banking income | 4 | 9 | 67 | 1,376 |
| Other banking expenses | 4 | -2,570 | -1,816 | -3,831 |
| Net banking income | | 94,638 | 143,092 | 227,208 |
| Payroll costs | 5 | 0 | 0 | -49 |
| Taxes and other contributions | 5 | -3,046 | -3,899 | -3,674 |
| External services and other expenses | 5 | -50,411 | -34,726 | -76,199 |
| Amortization | | 0 | 0 | 0 |
| General operating expenses | | -53,457 | -38,625 | -79,922 |
| Gross operating income | | 41,181 | 104,467 | 147,286 |
| Cost of risk | 6 | 336 | 10,930 | 11,487 |
| Operating income | | 41,517 | 115,397 | 158,773 |
| Gains or losses on fixed assets | 7 | 20,047 | 0 | 9,930 |
| Income before tax | | 61,564 | 115,397 | 168,703 |
| Non-recurring income | | 0 | 0 | 0 |
| Income tax | 8 | -22,650 | -39,811 | -57,425 |
| NET INCOME | | 38,914 | 75,585 | 111,278 |
| Earnings per share* <i>(in €)</i> | | 0.25 | 0.48 | 0.70 |
| Diluted earnings per share <i>(in €)</i> | | 0.25 | 0.48 | 0.70 |

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

Balance sheet *(in thousands of euros)*

ASSETS

| | Notes | 06/30/2020 | 06/30/2019 | 12/31/2019 |
|--|-------|-------------------|-------------------|-------------------|
| Cash and amounts due from central banks | | 1,705,000 | 1,522,831 | 1,564,443 |
| Treasury bills and equivalent | 9 | 3,227,782 | 3,273,503 | 3,236,924 |
| Loans and receivables due from credit institutions repayable on demand | 10 | 22,808,326 | 24,339,076 | 23,067,067 |
| ■ <i>Sight deposit</i> | | 51,305 | 52,393 | 56,372 |
| ■ <i>Term deposits</i> | | 22,757,020 | 24,286,683 | 23,010,695 |
| Customer transactions | 11 | 36,714,677 | 39,196,882 | 37,626,531 |
| ■ <i>Other facilities granted to customers</i> | | 36,714,677 | 39,196,882 | 37,626,531 |
| Bonds and other fixed-income securities | 9 | 3,473,632 | 4,587,341 | 4,093,758 |
| Equity interests and other long-term investments | | 0 | 0 | 0 |
| Intangible asset and property, plant and equipment | | 0 | 0 | 0 |
| Other assets | 12 | 57,360 | 27,944 | 102,017 |
| Accrual accounts | 13 | 1,579,467 | 1,795,776 | 1,771,111 |
| TOTAL ASSETS | | 69,566,245 | 74,743,352 | 71,461,851 |

LIABILITIES

| | Notes | 06/30/2020 | 06/30/2019 | 12/31/2019 |
|--|-------|-------------------|-------------------|-------------------|
| Amount due to central banks | | 0 | 0 | 0 |
| Due to credit institutions | 14 | 4,139,273 | 7,240,317 | 4,436,533 |
| ■ <i>Sight deposit</i> | | 0 | 0 | 2,827 |
| ■ <i>Term deposits</i> | | 4,139,273 | 7,240,317 | 4,433,706 |
| Customer transactions | | 0 | 0 | 0 |
| ■ <i>Sight deposit</i> | | 0 | 0 | 0 |
| Debt securities | 15 | 59,418,030 | 61,014,153 | 60,515,318 |
| ■ <i>Interbank market instruments and negotiable debt securities</i> | | 0 | 150,487 | 151,288 |
| ■ <i>Bond issues (obligations foncières)</i> | | 59,418,030 | 60,863,666 | 60,364,030 |
| Other liabilities | 16 | 892,203 | 1,159,757 | 1,124,247 |
| Accrual accounts | 17 | 1,958,318 | 2,137,993 | 2,137,320 |
| Provisions | 18 | 12,575 | 8,617 | 30,226 |
| Subordinated debts | | 0 | 0 | 0 |
| Reserve for general banking risks | | 20,000 | 20,000 | 20,000 |
| Equity excluding reserve for general banking risks | 19 | 3,125,845 | 3,162,515 | 3,198,207 |
| ■ <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> | | 132,117 | 126,553 | 126,553 |
| ■ <i>Regulated provisions and investment subsidies</i> | | 0 | 0 | 0 |
| ■ <i>Retained earnings</i> | | 74,352 | 79,914 | 79,914 |
| ■ <i>Income to be allocated</i> | | 0 | 0 | 0 |
| ■ <i>Net income for the period</i> | | 38,914 | 75,585 | 111,278 |
| TOTAL LIABILITIES | | 69,566,245 | 74,743,352 | 71,461,851 |

Off-balance sheet *(in thousands of euros)*

| | Notes | 06/30/2020 | 06/30/2019 | 12/31/2019 |
|--|-----------|-------------------|-------------------|-------------------|
| TOTAL COMMITMENTS GIVEN | | | | |
| Financing commitments | | 651,556 | 1,403,986 | 1,179,725 |
| ■ Commitments given to credit institutions | 20 (20.1) | 0 | 0 | 0 |
| ■ Commitments given to credit customers | 20 (20.1) | 651,556 | 1,195,982 | 1,179,725 |
| Guarantee commitments | | 206,620 | 208,003 | 211,484 |
| ■ Commitments given to credit institutions | 20 (20.1) | 0 | 0 | 0 |
| ■ Other securities pledged as collateral | 20 (20.1) | 206,620 | 0 | 211,484 |
| Commitments on securities | | 0 | 0 | 0 |
| ■ Other commitments given | 20 (20.1) | 0 | 0 | 0 |
| TOTAL COMMITMENTS RECEIVED | | | | |
| Financing commitments | | 24,562,600 | 26,624,374 | 25,230,739 |
| ■ Commitments received from credit institutions | 20 (20.2) | 2,701,214 | 2,689,580 | 2,696,386 |
| ■ Other assets received as collateral from the Group | 20 (20.2) | 21,861,386 | 23,934,794 | 22,534,353 |
| Guarantee commitments | | 33,587,110 | 38,114,339 | 35,125,289 |
| ■ Commitments received from credit institutions | 20 (20.2) | 5,936,786 | 7,135,361 | 6,058,419 |
| ■ Commitments received from customers | 20 (20.2) | 27,650,324 | 30,978,979 | 29,066,870 |
| Commitments on securities | | 0 | 0 | 0 |
| TOTAL RECIPROCAL COMMITMENTS | | | | |
| ■ Sale and purchase of foreign currencies | 21 | 12,094,897 | 14,434,334 | 13,243,043 |
| ■ Other financial instruments | 21 | 56,210,882 | 56,802,618 | 56,361,929 |

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

Notes to the annual separate financial statements of Compagnie de Financement Foncier

1. GENERAL FRAMEWORK

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

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

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

A 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 Banques Populaires or a Caisse d'Épargne default.

2. SIGNIFICANT EVENTS OF THE 1ST HALF OF 2020

2.1 COMMERCIAL ACTIVITY

During the 1st half of 2020, Compagnie de Financement Foncier acquired €790m in loans from Crédit Foncier including related receivables, plus €22m 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 €15,446.5m at June 30, 2020. The same facility was also granted to BPCE SA, amounting to €6,600m at June 30, 2020 excluding related receivables. Total loans granted were collateralized for €21,861.4m.

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 €875m.

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 €6,649.07m 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 €1,175m of *obligations foncières* in the 1st 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 2020.

2.2 EARLY REPAYMENTS

The overall rate of early repayments and renegotiations of loans to individuals stood at 12.1%. The asset outflows linked to early repayments amounted to €1,246m 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 -€8.3m over the period;
- the collection of prepayment penalties from individual customers of €17.2m; as a reminder, according to the agreement on services rendered by Crédit Foncier, one third of these penalties is transferred to the latter;
- the impact of renegotiation fees for approximately €1.8m.

In the 1st half of the year, the rate of early repayments on Corporate accounts was 0.6%, down compared with the 1st half of 2019 rate of 1.2%.

2.3 BUYBACK OF OBLIGATIONS FONCIÈRES (FRENCH LEGAL COVERED BONDS)

During the 1st half of 2020, Compagnie de Financement Foncier did not buy back any *obligations foncières*.

2.4 ASSETS DISPOSALS

Favourable market conditions made it possible in early 2020 to finalize the asset disposals initiated at the end of 2019. At June 30, it generated a positive result of €20m, which was recorded under "Gains and losses on fixed assets".

This sale contributes to an objective of improving the breakdown by geographical region and business sector of the outstandings and is therefore registered in the cases provided for by the accounting regulations.

2.5 TAXES

In accordance with the consolidated tax agreement signed with Crédit Foncier, Compagnie de Financement Foncier recognized tax income of €21.4m vis-à-vis its parent company due to its tax loss. In addition, a deferred tax charge of -€44m was recognized, bringing income tax to a total charge of -€22.7m.

3. POST-BALANCE SHEET EVENTS

No subsequent event liable to have a significant impact on the June 30, 2020 financial statements occurred between the closing date and July 24, 2020, the date on which the Board of Directors approved the financial statements.

4. COVID

The rapid spread of the Covid-19 pandemic has led to a worsening of the global economic situation, which is affecting many industries.

As early as March 15, 2020 prior to the announcement of lockdown in France, the French Banking Federation (FBF) stated that all French banks were mobilized to support their customers, in particular merchants, professionals and small and medium-sized enterprises, who could face difficulties resulting from the expansion of the Covid-19 epidemic, potentially impacting their activities temporarily.

Against this backdrop, Groupe BPCE is committed to serving its professional and corporate customers experiencing cash flow difficulties by actively implementing the economic support measures decided by the French government:

- deferment of credit repayments for businesses without penalties or additional costs;
- the distribution of State guaranteed loans.

The effects of the health crisis on the Groupe BPCE consolidated financial statements are described in the paragraphs below.

4.1 ECONOMY SUPPORT MEASURES

The measures taken to support the economy in the 1st half of 2020 are described below.

4.1.1 STATE GUARANTEED LOANS

A State guaranteed loan (*Prêt garanti par l'Etat*, or PGE) is a support mechanism put in place pursuant to Article 6 of the amended finance law No. 2020-289 of March 23, 2020 and the Order of the Minister of the Economy and Finance of March 23, 2020 granting the State guarantee to credit institutions and finance companies starting March 16, 2020 by the French government to meet the cash requirements of companies impacted by the Covid-19 health crisis. A PGE must meet the eligibility criteria common to all institutions that distribute this loan as defined by law.

Crédit Foncier de France, and therefore Compagnie de Financement Foncier as well, given the strategic shifts implemented in 2019, have not granted any PGEs. Groupe Crédit Foncier's professional and corporate customers were referred to the Group's other institutions when necessary.

4.1.1.1 Deferral of credit repayments (moratoriums) and other restructurings

Against the backdrop of the Covid-19 crisis, Groupe BPCE decided to grant its merchant, professional, SME and large corporate customers concessions in various forms (temporary suspension of payments, rescheduling, renegotiation) to help them overcome the temporary cash flow difficulties caused by the crisis.

GENERAL MEASURES

As soon as confinement was announced in France, the two networks of Groupe BPCE Banques Populaires and Caisses d'Épargne generally offered their professional customers and SMEs belonging to well-identified business sectors an extension of their loan payments, including principal and interest, for a period of six months. Subsequently, other generalized measures were granted to specific sectors of activity such as tourism, hotels and restaurants. Compagnie de Financement Foncier participated in these measures.

The conditions of these moratoriums are part of the general moratorium provisions set forth in Article 10 of the EBA Guidelines (EBA/GL/2020/02) published on April 2, 2020.

Pursuant to this text, the granting of broadly based moratoriums on outstanding corporate loans with no specific conditions for granting them to counterparties that were not in financial difficulty before the Covid-19 crisis is not in itself an indicator of a significant deterioration in the counterparty's credit risk.

As a result, the implementation of a general moratorium granted as part of economic support measures during the Covid-19 crisis to overcome a temporary liquidity crisis does not automatically result in the automatic downgrading to Status 2 (or Status 3) of loans that were classified as Status 1 before the Covid-19 health crisis.

INDIVIDUAL MEASURES

In addition, Groupe BPCE has provided individualized support to its customers, granting them various forms of concessions (moratoriums, debt rescheduling or other modification of loan conditions), the terms of which were set on the basis of the customer's individual situation.

When such a concession is granted, a specific analysis is carried out to identify whether there are signs that, on that date, the counterparty is having financial difficulties. If any indicators are present, the outstanding amount is downgraded to Status 2, which entails an adjustment of its provisioning level.

Moratoriums granted by group institutions are generally billed at the original interest rate of the loan, which means that interest continues to accrue for the duration of the moratorium. At the end of the moratorium, the interest is included in the loan principal and repaid over the remaining term of the loan (which was extended due to the moratorium). In that case, the moratorium does not imply a loss of cash flow for the bank. No income statement impact is therefore recognized. In practice, the granting of moratoriums alone does not result in derecognition of the loan insofar as it does not significantly affect the net economic value of the loan.

As of June 30, 2020, 5,400 loans on Compagnie de Financement Foncier's balance sheet representing €15m in maturities (including €0.5m granted to small and medium-sized enterprises) were granted moratoriums. The length of the moratorium can be up to 12 months for the tourism, hotel and restaurant sectors.

4.1.2 IMPAIRMENT OF CREDIT RISK

The health crisis has spread to the real economy, with significant repercussions for many sectors of activity in the affected areas and the disruption of supply chains due to the closure of industrial and commercial companies in the 1st half of 2020. The Group referred to the various press releases published by the ESMA, EBA, ECB and IASB for the accounting principles applicable during the Covid-19 crisis, in particular the provisioning model.

At this stage, Compagnie de Financement Foncier has not recognized any material or specific impact in the income statement in connection with the Covid-19 crisis, thanks in particular to the protection mechanisms in place with its parent company Crédit Foncier de France.

4.1.3 MARKET VALUE OF FINANCIAL ASSETS IMPACTED BY THE HEALTH CRISIS

Given the effects of the Covid-19 health crisis on the financial markets, the valuation of certain products was affected in the 1st half of 2020 by the lack of liquidity in the markets. Compagnie de Financement Foncier has no exposure to these assets.

5. ACCOUNTING PRINCIPLES AND METHODS

5.1 PRESENTATION AND VALUATION METHODS

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

5.2 CHANGES IN ACCOUNTING METHODS

No changes were made to the accounting policies used to prepare the financial statements for the 1st half of 2020.

The texts adopted by the Accounting Standards Authority and mandatory in 2020 do not have a significant impact on the institution's individual financial statements.

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

5.3 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.

5.4 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.

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 2020. The amount of contributions paid by Compagnie de Financement Foncier for the period represented €9.7m, of which €7.2m was recognized as expenses and €2.5m 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 €12.7m as of June 30, 2020.

NOTES TO THE FINANCIAL STATEMENTS

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NOTE 1 INTEREST AND SIMILAR INCOME AND EXPENSES

INTEREST AND SIMILAR INCOME – FEES AND COMMISSIONS

Interest and similar fee and commission income is recognized in the income statement on a prorata basis.

The Group has elected the following option with regard to negative interest:

- when the yield on an asset is negative, it is presented in the income statement as a reduction in interest income;
- when the yield on a liability is positive, it is presented in the income statement as a reduction in interest costs.

Fees and commissions for granting or acquiring a loan are treated as additional interest and spread over the effective life of the loan on a prorata basis according to the outstanding principal amount.

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.

| | 06/30/2020 | | | 06/30/2019 | 12/31/2019 |
|---|----------------|-----------------|-----------------|-----------------|-----------------|
| (in €k) | Income | Expenses | Net | Net | Net |
| Interbank transactions | 68,213 | -26,364 | 41,849 | 80,714 | 122,664 |
| Interest on Central Bank accounts | | -4,208 | -4,208 | -1,513 | -5,147 |
| Interest on current accounts 2019 version | 5 | -37 | -32 | -87 | -143 |
| Interest on forwards | 66,777 | -20,823 | 45,954 | 89,631 | 132,818 |
| 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 | 1,008 | 0 | 1,008 | 1,550 | 3,089 |
| Contingent liabilities and commitments | 0 | | 0 | 0 | 0 |
| Other interest income and expenses | 0 | 0 | 0 | 0 | 0 |
| Hedging transactions (netting) | 423 | -1,296 | -873 | -8,866 | -7,953 |
| 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 |
| Customer transactions | 395,772 | -29,205 | 366,567 | 408,990 | 799,367 |
| Interest on demand deposits, term deposits and regulated savings accounts | | 0 | 0 | 0 | 0 |
| Interest on loans to customers | 372,995 | 0 | 372,995 | 416,446 | 816,692 |
| Interest on subordinated loans | 0 | | 0 | 0 | 0 |
| Interest on doubtful loans | 19,899 | | 19,899 | 21,895 | 41,779 |
| Amortization of additional loans fees (CRC regulation 2009-03) | 2,791 | | 2,791 | 2,105 | 4,709 |
| Interest on ABS cash collateral | 0 | | 0 | 0 | 0 |
| Other interest income and expenses | 88 | -1,365 | -1,278 | -1,965 | -3,775 |
| Income on financing and guarantee commitments | 0 | | 0 | 0 | 0 |
| Hedging transactions (netting) | 0 | -26,655 | -26,655 | -29,620 | -59,075 |
| Hedged losses on receivables | | -265 | -265 | -486 | -2,114 |
| Non-hedged losses on receivables | | -764 | -764 | -29 | -554 |
| Net changes in provisions* | | -155 | -155 | 645 | 1,704 |
| Finance lease transactions | 0 | 0 | 0 | 0 | 0 |
| Securities portfolio transactions | 440,573 | -700,499 | -259,925 | -259,689 | -506,949 |
| 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 | 150,149 | | 150,149 | 164,866 | 336,827 |
| Amortization of discounts/premiums on held-to-maturity securities | 0 | -18,101 | -18,101 | -18,191 | -36,983 |
| Interest on medium-term notes (BMTN) issued | | -321 | -321 | -938 | -1,739 |
| Interest on certificates of deposits issued | | 0 | 0 | 0 | 0 |
| Interest on mortgage notes issued | | -20,000 | -20,000 | 0 | 0 |
| Interest and expenses on bond issuances | | -662,077 | -662,077 | -726,545 | -1,408,950 |
| Interest on doubtful securities | 0 | | 0 | 0 | 0 |
| Hedging transactions (netting) | 290,424 | 0 | 290,424 | 321,120 | 603,897 |
| Losses on non-recoverable receivables | | 0 | 0 | 0 | 0 |
| Net changes in provisions | 0 | | 0 | 0 | 0 |
| Subordinated debts | 0 | 0 | 0 | 0 | 0 |
| 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 |
| Other interest and similar income and expenses | 29,092 | -99,124 | -70,033 | -103,589 | -225,395 |
| Income on debt securities | 9,124 | | 9,124 | 6,771 | 14,680 |
| Fees on credit derivatives | | 0 | 0 | 0 | 0 |
| Commitments received/given on securities | 0 | -2,528 | -2,528 | -1,393 | -2,714 |
| Other interest income and expenses | 0 | 0 | 0 | -48 | -48 |
| Hedging transactions (netting) | 0 | -96,596 | -96,596 | -108,779 | -217,438 |
| Net changes in provisions | 19,967 | 0 | 19,967 | -139 | -19,874 |
| TOTAL INTEREST AND SIMILAR INCOME AND EXPENSES | 933,650 | -855,192 | 78,458 | 126,427 | 189,686 |

* Net impact on customer interest listed in 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) | 06/30/2020 | 06/30/2019 | 12/31/2019 |
|---|---------------|---------------|---------------|
| Commissions on interbank and cash transactions (Net) | -1 | -4 | -11 |
| Income | 0 | 0 | 0 |
| Expenses | -1 | -4 | -11 |
| Commissions on transactions with customers (Net)* | 19,156 | 19,233 | 42,276 |
| Income | 19,156 | 19,233 | 42,276 |
| Expenses | 0 | 0 | 0 |
| Commissions on securities transactions (Net) | -511 | -389 | -884 |
| Income | 0 | 0 | 0 |
| Expenses | -511 | -389 | -884 |
| Other commissions (Net) | 116 | -434 | -1,192 |
| Income | 4 | 3 | 3 |
| Expenses | 112 | -437 | -1,195 |
| Income | 19,160 | 19,236 | 42,279 |
| Expenses | - 400 | -830 | -2,090 |
| NET FEES AND COMMISSIONS | 18,760 | 18,406 | 40,189 |

* 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 8.3% of outstanding loans in the 1st half of 2020.

NOTE 3 GAINS/LOSSES ON TRADING PORTFOLIO TRANSACTIONS

ACCOUNTING POLICIES

Gains or losses on trading book transactions combine:

- gains or losses on balance sheet and off-balance sheet transactions on transaction securities;
- 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) | 06/30/2020 | 06/30/2019 | 12/31/2019 |
|--|------------|------------|-------------|
| Gains on currency and arbitrage transactions | -19 | 10 | -212 |
| 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 |
| NET GAINS/LOSSES ON TRADING BOOK TRANSACTIONS FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS | -19 | 10 | -212 |

NOTE 4 OTHER BANKING INCOME AND EXPENSES

ACCOUNTING POLICIES

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

| | 06/30/2020 | | | 06/30/2019 | 12/31/2019 |
|--|------------|---------------|---------------|---------------|---------------|
| (in €k) | Income | Expenses | Net | Net | Net |
| Transfers of expenses and income, reallocated expenses | 0 | 0 | 0 | 0 | 0 |
| Other banking income and expenses* | 9 | -2,570 | -2,561 | -1,749 | -2,455 |
| Other operating income and expenses | 9 | -118 | -109 | 66 | 1,375 |
| Additions to and reversals from provisions for other operating income and expenses | 0 | -2,452 | -2,452 | -1,815 | -3,830 |
| TOTAL | 9 | -2,570 | -2,561 | -1,749 | -2,455 |

* Details

| | | | | | |
|---|----------|---------------|---------------|---------------|---------------|
| Other banking income and expenses | 9 | -2,570 | -2,561 | -1,750 | -2,455 |
| ■ <i>Transfers to exceptional gains</i> | 0 | | 0 | 0 | 1,234 |
| ■ <i>Other operating income</i> | 9 | | 9 | 67 | 142 |
| ■ <i>Losses on deferred interests and variable rate loans</i> | | 0 | 0 | 0 | 0 |
| ■ <i>Transfers to exceptional losses</i> | | 0 | 0 | 0 | 0 |
| ■ <i>Other operating expenses</i> | | -118 | -118 | -1 | -1 |
| ■ <i>Additions to provisions</i> | | -2,452 | -2,452 | -1,815 | -3,830 |

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) | 06/30/2020 | 06/30/2019 | 12/31/2019 |
|--|----------------|----------------|----------------|
| PAYROLL COSTS | 0 | 0 | -49 |
| Wages and salaries ⁽¹⁾ | 0 | 0 | -49 |
| 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 |
| OTHER ADMINISTRATIVE EXPENSES | -53,457 | -38,625 | -79,873 |
| Taxes and other contributions | -3,046 | -3,899 | -3,674 |
| CET (local business tax) and CVAE (tax on company value added) | -15 | -1,768 | -1,060 |
| Social solidarity contribution | -2,859 | -1,628 | -2,279 |
| Other taxes | -172 | -503 | -334 |
| Contribution to the supervision expenses of the French Prudential Supervision and Resolution Authority (ACPR) ⁽²⁾ | | | |
| Systemic banking risk tax | | | |
| Contributions to Single Resolution Fund | | | |
| Management fees to ECB | | | |
| Charges/reversals of provisions for tax disputes | 0 | 0 | 0 |
| External services | -50,411 | -34,726 | -76,199 |
| Leasing | 0 | 0 | 0 |
| External services provided by the Group | -40,871 | -26,622 | -60,009 |
| Contribution to the supervision expenses of the French Prudential Supervision and Resolution Authority | -324 | -354 | -708 |
| Systemic banking risk tax | 0 | 0 | 0 |
| Contributions to Single Resolution Fund | -7,224 | -5,996 | -11,992 |
| Management fees to ECB | -719 | -653 | -1,347 |
| Fees, subcontracting and services | -1,157 | -951 | -1,890 |
| Advertising | -102 | -61 | -106 |
| 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 | -15 | -90 | -147 |
| 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 |
| Other expenses | 0 | 0 | 0 |
| Transfers of expenses | 0 | 0 | 0 |
| OPERATING EXPENSES | -53,457 | -38,625 | -79,922 |

(1) The total amount of remuneration received by governing bodies at December 31, 2019 amounted to €49k. 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 its banking contributions in outside services.

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) | 06/30/2020 | | | 06/30/2019 | 12/31/2019 |
|---|----------------|---------------|---------------|---------------|----------------|
| | Expenses | Income | Net | Net | Net |
| Net additions/reversals on held-to-maturity securities | 0 | 0 | 0 | 0 | 0 |
| Net additions/reversals on securities transactions | 0 | 0 | 0 | 0 | 0 |
| Net additions/reversals on customer transactions | -7,518 | 12,114 | 4,596 | 12,386 | 26,383 |
| Impairment of customer transactions* | | | | | |
| Impairment of customer transactions on doubtful loans* | -7,518 | 11,430 | 3,912 | 8,747 | 21,438 |
| Impairment of customer transactions on performing loans* | 0 | 684 | 684 | 3,620 | 4,926 |
| Provisions for counterparty risks on performing loans | 0 | 0 | 0 | 0 | 0 |
| Other provisions for contingencies and charges | 0 | 0 | 0 | 19 | 19 |
| Losses/recoveries on customer transactions | -6,510 | 2,250 | -4,260 | -1,456 | -14,896 |
| Losses on irrecoverable loans and receivables covered by provisions | -251 | 0 | -251 | -911 | -7,940 |
| Losses on irrecoverable loans and receivables not covered by provisions | -3,596 | 0 | -3,596 | -4,189 | -5,927 |
| Recoveries of bad debts written off | 0 | 2,250 | 2,250 | 4,174 | 5,220 |
| Legal fees and litigation | -2,663 | 0 | -2,663 | -530 | -6,249 |
| Losses/recoveries on other transactions | 0 | 0 | 0 | 0 | 0 |
| Losses on the covered irrecoverable loans and receivables | 0 | 0 | 0 | 0 | 0 |
| COST OF RISK | -14,028 | 14,364 | 336 | 10,930 | 11,487 |

* In the context of the financial statements closed 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) | 06/30/2020 | 06/30/2019 | 12/31/2019 |
|---|---------------|------------|--------------|
| Capital gains or losses on disposals of long-term securities | 10,500 | 0 | 0 |
| Capital gains or losses on disposals of held-to-maturity securities | 9,547 | 0 | 9,930 |
| Additions for impairment on held-to-maturity securities | 0 | 0 | 0 |
| Reversals for impairment on held-to-maturity securities | 0 | 0 | 0 |
| GAINS OR LOSSES ON OTHER ASSETS | 20,047 | 0 | 9,930 |

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, 2020, Compagnie de Financement Foncier recognized a total tax expense of €22.65m.

| (in €k) | 06/30/2020 | 06/30/2019 | 12/31/2019 |
|--|----------------|----------------|----------------|
| Tax expense components | | | |
| Current tax expenses (income) ⁽¹⁾ | 21,440 | -21,020 | -49,415 |
| Deferred tax liabilities (income) ^{(1) (2)} | -44,090 | -18,791 | -8,010 |
| Provisions for deferred taxes | 0 | 0 | 0 |
| Provisions for risks or for tax litigations | 0 | 0 | 0 |
| TOTAL | -22,650 | -39,811 | -57,425 |
| Breakdown of deferred taxes for the period | | | |
| Termination swap balance | -15,213 | -15,324 | -28,622 |
| Client provisions including credit risk provisions | -5,911 | -173 | 6,183 |
| Provisions for investment securities | | | |
| Other temporary differences | -22,966 | -3,294 | 14,429 |
| TOTAL | -44,090 | -18,791 | -8,010 |

(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 €296k recorded on the liabilities method for the 1st half of 2020.

NOTE 9 TREASURY NOTES, 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) | 06/30/2020 | | | 06/30/2019 | | | 12/31/2019 | | |
|--|-------------------------------|-----------------------------|------------------|-------------------------------|-----------------------------|------------------|-------------------------------|-----------------------------|------------------|
| | 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 | 3,171,526 | 3,171,526 | 0 | 3,211,204 | 3,211,204 | 0 | 3,193,197 | 3,193,197 |
| Related receivables | 0 | 56,256 | 56,256 | 0 | 62,298 | 62,298 | 0 | 43,727 | 43,727 |
| Subtotal | 0 | 3,227,782 | 3,227,782 | 0 | 3,273,503 | 3,273,503 | 0 | 3,236,924 | 3,236,924 |
| Bonds* | 0 | 3,428,118 | 3,428,118 | 0 | 4,524,265 | 4,524,265 | 0 | 4,040,232 | 4,040,232 |
| Interbank market instruments (mortgage notes)* | 0 | | 0 | 0 | | 0 | 0 | | 0 |
| Negotiable debt securities | 0 | | 0 | 0 | | 0 | 0 | | 0 |
| Securitization units* | | 0 | | | 0 | | | 0 | |
| Related receivables | 0 | 45,514 | 45,514 | 0 | 63,076 | 63,076 | 0 | 53,526 | 53,526 |
| Subtotal | 0 | 3,473,632 | 3,473,632 | 0 | 4,587,341 | 4,587,341 | 0 | 4,093,758 | 4,093,758 |
| Doubtful loans and securities including related receivables | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| GROSS AMOUNTS | 0 | 6,701,415 | 6,701,415 | 0 | 7,860,843 | 7,860,843 | 0 | 7,330,682 | 7,330,682 |
| Impairment on fixed-income securities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NET AMOUNTS | 0 | 6,701,415 | 6,701,415 | 0 | 7,860,843 | 7,860,843 | 0 | 7,330,682 | 7,330,682 |

* Of which:

| | 06/30/2020 | 06/30/2019 | 12/31/2019 |
|--|------------------|------------------|------------------|
| Listed securities | 6,299,186 | 7,362,893 | 6,932,936 |
| Unlisted securities | 300,458 | 372,576 | 300,494 |
| TOTAL EXCLUDING RELATED RECEIVABLES | 6,599,644 | 7,735,469 | 7,233,430 |

Listed securities are normally available securities denominated in euros that are eligible for 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 €7,900.57m at June 30, 2020, excluding related receivables.

Unrealized capital gains on held-to-maturity securities amounted to €1,411.77m at June 30, 2020, before swaps. At December 31, 2019, unrealized capital gains on held-to-maturity securities amounted to €1,557.81m, before swaps.

Unrealized capital losses on held-to-maturity securities amounted to €110.84m at June 30, 2020, before swaps. At December 31, 2019, unrealized capital losses on held-to-maturity securities amounted to €103.81m, before swaps.

The Company did not reclassify any securities to the "Held-to-maturity securities" portfolio either during the 2019 fiscal year or in previous years.

NOTE 9 A SOVEREIGN RISK

At June 30, 2020, the net exposures of the Compagnie de Financement Foncier sovereign risk in these countries are:

| Held-to-maturity securities (in €m) | 06/30/2020 | | | 06/30/2019 | | | 12/31/2019 | | |
|--|-----------------|----------------|-------------------|-----------------|----------------|-------------------|-----------------|----------------|-------------------|
| | Carrying amount | Market value | Value after swap* | Carrying amount | Market value | Value after swap* | Carrying amount | Market value | Value after swap* |
| Italy | 2,234.9 | 2,908.9 | 1,710.5 | 2,178.6 | 2,662.2 | 1,564.6 | 2,172.4 | 2,819.9 | 1,747.9 |
| Poland | 380.4 | 462.0 | 552.6 | 375.7 | 450.7 | 297.7 | 378.0 | 457.8 | 315.3 |
| TOTAL | 2,615.3 | 3,370.9 | 2,263.1 | 2,554.3 | 3,112.9 | 1,862.3 | 2,550.4 | 3,277.7 | 2,063.2 |

* 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, 2020 are presented below:

| | Residual maturity | | |
|--------------|-------------------|--------------------------|----------------|
| | < 8 years | > 8 years and < 10 years | > 10 years |
| Italy | 1,042.0 | 38.5 | 1,014.0 |
| Poland | 174.1 | 0.0 | 206.3 |
| TOTAL | 1,216.1 | 38.5 | 1,220.4 |

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 RECLASSIFICATION OF FINANCIAL ASSETS

| (in €k) | Gross 12/31/2018 | Acquisitions | Disposals/ Redemptions* | Reclassifi- cations | Current change | Currency differences | Gross 12/31/2019 | Acquisitions | Disposals/ Redemptions* | Reclassifi- cations | Current change | Currency differences | Gross 06/30/2020 |
|-----------------------------|---------------------|--------------|----------------------------|------------------------|-------------------|-------------------------|---------------------|--------------|----------------------------|------------------------|-------------------|-------------------------|---------------------|
| Held-to-maturity securities | 7,735,365 | 0 | -354,159 | | -243,843 | 96,066 | 7,233,429 | 0 | -523,719 | | -115,766 | 5,700 | 6,599,644 |
| TOTAL | 7,735,365 | 0 | -354,159 | | -243,843 | 96,066 | 7,233,429 | 0 | -523,719 | | -115,766 | 5,700 | 6,599,644 |
| Related receivables | 101,494 | | | | -4,241 | 0 | 97,253 | | | | 4,518 | 0 | 101,771 |
| TOTAL | 7,836,859 | 0 | -354,159 | 0 | -248,084 | 96,066 | 7,330,681 | 0 | -523,719 | 0 | -111,248 | 5,700 | 6,701,414 |

* 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 CHANGE IN HELD-TO-MATURITY SECURITIES

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.

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.

Reclassifications 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 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 provided for 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 (ANC).

Since regulation No. 2008-17 of the CRC replaced by regulation No. 2014-07 of French National Accounting Standards Authority (ANC) 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 1st half of 2020 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.

The security received is recorded in the balance sheet under accounting. 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 AND RECEIVABLES

Doubtful loans and receivables consist of all outstanding amounts, whether or not due and guaranteed or otherwise, where at least one commitment made by the debtor has involved a known credit risk, classified as such on an individual basis. A risk is considered to be "known" when it is probable that the Group will not collect all or part of amounts owed under the terms of the commitments made by the counterparty, notwithstanding any guarantee or surety provided.

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

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) | 06/30/2020 | 06/30/2019 | 12/31/2019 |
|--|-------------------|-------------------|-------------------|
| Demand loans to credit institutions | 51,305 | 52,393 | 56,372 |
| Current accounts with overdrafts | 51,305 | 52,393 | 56,372 |
| Overnight loans | 0 | 0 | 0 |
| Unallocated items (demand) | 0 | 0 | 0 |
| Related receivables | 0 | 0 | 0 |
| Term loans to credit institutions | 22,757,020 | 24,286,683 | 23,010,695 |
| Term accounts and loans | 563,817 | 540,277 | 552,098 |
| Loans guaranteed under L. 211-38 (described in greater detail in note 10 A) | 22,189,717 | 23,737,398 | 22,452,198 |
| Securities bought under repurchase agreements | 0 | 0 | 0 |
| Subordinated loans and participating loans | 0 | 0 | 0 |
| Related receivables | 3,487 | 9,008 | 6,399 |
| Doubtful loans and receivables | 0 | 0 | 0 |
| GROSS AMOUNT OF TERM LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS | 22,808,326 | 24,339,076 | 23,067,067 |
| Impairment of doubtful loans | 0 | 0 | 0 |
| Impairment of doubtful loans | 0 | 0 | 0 |
| NET AMOUNT OF TERM LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS | 22,808,326 | 24,339,076 | 23,067,067 |
| Breakdown of term accounts (Group/non-Group) | | | |
| Term accounts and loans | | | |
| ■ of which Group transactions | 0 | 0 | 0 |
| ■ of which non-Group transactions | 563,817 | 540,277 | 552,098 |
| Secured receivables | | | |
| ■ of which Group transactions | 22,189,717 | 23,737,398 | 22,452,198 |
| ■ of which non-Group transactions | 0 | 0 | 0 |
| Related receivables | | | |
| ■ of which Group transactions | 3,487 | 9,008 | 6,399 |
| ■ of which non-Group transactions | 0 | 0 | 0 |
| Group receivables | 22,193,204 | 23,746,406 | 22,458,597 |
| Non-Group loans | 563,817 | 540,277 | 552,098 |
| TOTAL | 22,757,020 | 24,286,683 | 23,010,695 |
| Breakdown of demand accounts (Group/non-Group) | | | |
| Demand accounts and loans | | | |
| ■ of which Group transactions | 51,265 | 52,101 | 53,615 |
| ■ of which non-Group transactions | 40 | 291 | 2,757 |
| 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 |
| Group receivables | 51,265 | 52,101 | 53,615 |
| Non-Group loans | 40 | 291 | 2,757 |
| TOTAL | 51,305 | 52,393 | 56,372 |

NOTE 10 A

BREAKDOWN OF OUTSTANDING TERM LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS

| (in €k) | 06/30/2020 | | | 06/30/2019 | 12/31/2019 |
|---|-------------------|------------|-------------------|-------------------|-------------------|
| | Gross amount | Impairment | Net amount | Net amount | Net amount |
| Term loans | | | | | |
| Refinancing of subsidized residential property | 0 | | 0 | 0 | 0 |
| Refinancing of unsubsidized residential property | 0 | | 0 | 0 | 0 |
| Public entities | 563,817 | | 563,817 | 540,277 | 552,098 |
| Other loans to credit institutions* | 22,193,204 | | 22,193,204 | 23,746,406 | 22,458,597 |
| Doubtful term loans | | | | | |
| NET AMOUNT OF TERM LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS | 22,757,020 | 0 | 22,757,020 | 24,286,683 | 23,010,696 |
| * 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 | 15,446,500 | | 15,446,500 | 15,658,500 | 15,698,500 |
| Loans guaranteed by local authority receivables pursuant to L. 211-38, with BPCE, Caisses d'Épargne and Banques Populaires | 143,217 | | 143,217 | 1,478,898 | 153,698 |
| Related and other receivables | 3,487 | | 3,487 | 9,008 | 6,399 |
| TOTAL | 22,193,204 | 0 | 22,193,204 | 23,746,406 | 22,458,597 |

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 amount in the balance sheet. It is written back in net interest income in the income statement over the life of the loan using a yield-to-maturity approach.

A restructured loan may be reclassified as performing when the new payment due dates are respected. When a loan that has been reclassified becomes overdue, regardless of the restructuring terms agreed, the loan is downgraded to doubtful.

DOUBTFUL LOANS AND RECEIVABLES

Doubtful loans and receivables consist of all outstanding amounts, whether or not due and guaranteed or otherwise, where at least one commitment made by the debtor has involved a known credit risk, classified as such on an individual basis. A risk is considered to be “known” when it is probable that the Group will not collect all or part of amounts owed under the terms of the commitments made by the counterparty, notwithstanding any guarantee or surety provided.

Notwithstanding regulation No. 2014-07 of the French National Accounting Standards Authority, doubtful loans are identified, particularly in cases of loans which have been overdue for over three months, in accordance with the events of default defined in Article 178 of Regulation (EU) No. 575/2013 of the European Parliament of June 26, 2013 on prudential requirements for credit institutions.

Loans to local authorities are classified as doubtful loans when past due over three months.

Doubtful loans are considered to be irrecoverable when full or partial collection is deemed to be highly unlikely and a write-off is considered. 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.

DEPRECIATION

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 | | | Write-downs ⁽⁴⁾ | | | Net amounts | | |
|---|----------------------------------|-------------------|-------------------|--------------------------------|------------------|------------------|----------------------------|---------------|---------------|-------------------|-------------------|-------------------|
| | 06/30/2020 | 06/30/2019 | 12/31/2019 | 06/30/2020 | 06/30/2019 | 12/31/2019 | 06/30/2020 | 06/30/2019 | 12/31/2019 | 06/30/2020 | 06/30/2019 | 12/31/2019 |
| Current accounts with overdrafts | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Facilities granted to customers | 35,426,513 | 37,780,998 | 36,291,997 | 1,347,998 | 1,494,946 | 1,398,681 | 59,834 | 79,062 | 64,147 | 36,714,677 | 39,196,882 | 37,626,531 |
| Loans to financial customers | 236,202 | 237,868 | 236,903 | 0 | 0 | 0 | 0 | 0 | 0 | 236,202 | 237,868 | 236,903 |
| Export credits | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Short-term credit facilities ⁽¹⁾ | 904,983 | 510,576 | 457,273 | 0 | 0 | 0 | 84 | 104 | 90 | 904,899 | 510,473 | 457,183 |
| Equipment loans ⁽²⁾ | 5,935,301 | 5,425,791 | 5,937,134 | 34 | 327 | 3,192 | 737 | 881 | 3,742 | 5,934,598 | 5,425,237 | 5,936,584 |
| Home loans | 28,259,107 | 31,496,240 | 29,572,418 | 1,345,973 | 1,492,303 | 1,393,279 | 59,001 | 78,049 | 60,303 | 29,546,079 | 32,910,494 | 30,905,394 |
| Other customer loans | 2,135 | 2,717 | 2,140 | 47 | 65 | 47 | 12 | 29 | 12 | 2,170 | 2,753 | 2,175 |
| Unallocated amounts | 0 | 21 | 0 | | | | | | | 0 | 21 | 0 |
| Related receivables | 88,785 | 107,785 | 86,129 | 1,944 | 2,251 | 2,163 | | | | 90,729 | 110,036 | 88,292 |
| GENERAL ⁽³⁾ | 35,426,513 | 37,780,998 | 36,291,997 | 1,347,997 | 1,494,946 | 1,398,681 | 59,833 | 79,062 | 64,147 | 36,714,677 | 39,196,882 | 37,626,531 |

Restructured loans amounted to €475.5m at June 30, 2020, of which €126.2m 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 €904.98m at June 30, 2020, versus €457.3m at December 31, 2019.

(2) Equipment loans are loans to local authorities.

(3) Customer loans eligible for refinancing with the Central Bank amounted to €2.4bn at June 30, 2020 in outstanding capital. This amount represents €1.8bn after haircut and overcollateralization constraints.

(4) Write-downs on customer loans include, on the one hand, write-downs on doubtful debts for €51.87m and, on the other hand, write-downs due to significant increases in credit risk on performing loans for €7.96m.

NOTE 11 A 1 IMPAIRMENT AND PROVISIONS FOR CREDIT RISKS

| (in €k) | 12/31/2018 | Reclassification | Additions | Reversals | 12/31/2019 | Reclassification | Additions | Reversals | Reversals used | 06/30/2020 |
|---|---------------|------------------|---------------|----------------|---------------|------------------|--------------|----------------|----------------|---------------|
| Impairment of assets | | | | | | | | | | |
| Customer loans and due from credit institutions ^{(1) (2)} | 92,196 | 0 | 71,874 | -99,923 | 64,147 | 0 | 9,243 | -13,555 | | 59,835 |
| Provisions recognized as liabilities | | | | | | | | | | |
| Customer loans and due from credit institutions and provisions on securities ⁽³⁾ | 698 | | 0 | -38 | 660 | | 0 | -135 | | 525 |
| TOTAL | 92,894 | 0 | 71,874 | -99,961 | 64,807 | 0 | 9,243 | -13,690 | 0 | 60,360 |

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

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

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

NOTE 11 A 2 PREMIUMS/DISCOUNTS ON ACQUIRED RECEIVABLES

| (in €k) | 12/31/2018 | Reclassifi- cation – Repayment | Additions | Spreading | 12/31/2019 | Reclassifi- cation – Repayment | Additions | Spreading | 06/30/2020 |
|---|-----------------|--------------------------------------|--------------|----------------|-----------------|--------------------------------------|---------------|----------------|-----------------|
| Due from credit institutions | | | | | | | | | |
| Premiums | 9,530 | | 0 | -9,530 | 0 | | 0 | 0 | 0 |
| Discounts | | | | | | | | | |
| Net | 9,530 | | 0 | -9,530 | 0 | | 0 | 0 | 0 |
| Customer loans | | | | | | | | | |
| Performing loans and receivables | | | | | | | | | |
| Premiums | 951,863 | -7,619 | 107,103 | -193,749 | 857,598 | -3,018 | 38,368 | -86,977 | 805,971 |
| Discounts | -1,439,443 | 9,761 | -98,743 | 152,389 | -1,376,036 | 4,547 | -4,265 | 75,424 | -1,300,330 |
| Doubtful loans and receivables | | | | | | | | | |
| Premiums | 43,339 | 7,619 | | -14,256 | 36,702 | 3,018 | | -5,172 | 34,548 |
| Discounts | -35,560 | -9,761 | | 12,308 | -33,013 | -4,547 | | 4,780 | -32,780 |
| Net | -479,801 | 0 | 8,360 | -43,308 | -514,749 | 0 | 34,103 | -11,945 | -492,591 |
| TOTAL | -470,271 | 0 | 8,360 | -52,838 | -514,749 | 0 | 34,103 | -11,945 | -492,591 |

NOTE 12 OTHER ASSETS

| (in €k) | 06/30/2020 | 06/30/2019 | 12/31/2019 |
|--|---------------|---------------|----------------|
| Options bought | 0 | 0 | 0 |
| Securities settlement accounts | 0 | 0 | 0 |
| Other debtors | 57,360 | 27,944 | 102,017 |
| Deposits on collateralization transactions | 0 | 0 | 0 |
| Other deposits and guarantees ⁽¹⁾ | 12,686 | 10,137 | 10,137 |
| Tax consolidation receivables ⁽²⁾ | 44,192 | 0 | 0 |
| Other non-trade receivables | 482 | 17,807 | 91,880 |
| Special bonus account | 0 | 0 | 0 |
| TOTAL | 57,360 | 27,944 | 102,017 |

(1) As of June 30, 2020, this item includes mainly the guarantee deposits for the years 2015-2020 set up within the framework of the Single Resolution Fund amounting to €12,685k.

(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) | 06/30/2020 | 06/30/2019 | 12/31/2019 |
|--|------------------|------------------|------------------|
| Collection accounts | 25 | 2 | 18 |
| Deferred expenses | 187,530 | 220,894 | 201,995 |
| Issue and redemption premiums on fixed income securities | 187,530 | 220,894 | 201,995 |
| Other deferred expenses | 0 | 0 | 0 |
| Prepaid expenses | 950,503 | 1,060,514 | 997,505 |
| Termination balances of paid swaps to be amortized | 942,555 | 1,053,703 | 997,505 |
| Other prepaid expenses | 7,948 | 6,811 | 0 |
| Accrued income | 295,354 | 325,930 | 391,627 |
| Accrued interest on swaps | 294,864 | 325,930 | 391,137 |
| Other accrued income | 490 | 0 | 490 |
| Other accrual accounts – assets | 146,056 | 188,437 | 179,966 |
| Cash in domiciliation | 0 | 1,585 | 0 |
| Deferred tax assets | 134,457 | 167,766 | 178,547 |
| Currency adjustment accounts | 0 | 0 | 0 |
| Other accrued income* | 11,599 | 19,087 | 1,419 |
| TOTAL | 1,579,467 | 1,795,776 | 1,771,111 |

* 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 (on demand 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) | 06/30/2020 | 06/30/2019 | 12/31/2019 |
|--|------------------|------------------|------------------|
| Due to credit institutions – on demand ⁽¹⁾ | 0 | 0 | 2,827 |
| Current accounts of credit institutions | 0 | 0 | 2,827 |
| Demand loans from credit institutions | 0 | 0 | 0 |
| Other amounts due to credit institutions | 0 | 0 | 0 |
| Related payables | 0 | 0 | 0 |
| Due to credit institutions – at maturity ⁽²⁾ | 4,139,273 | 7,240,317 | 4,433,706 |
| Term deposits and loans | 3,464,798 | 6,088,874 | 3,518,020 |
| Values sold under repurchase agreements | 0 | 0 | 0 |
| Securities sold under repurchase agreements | 673,490 | 1,150,488 | 914,343 |
| Related payables | 985 | 955 | 1,343 |
| TOTAL | 4,139,273 | 7,240,317 | 4,436,533 |
| (1) Details on due to credit institutions – on demand (Group/non-Group) | 0 | 0 | 2,827 |
| Of which Group | 0 | 0 | 0 |
| ■ Other amounts due to credit institutions | 0 | 0 | 0 |
| ■ Demand loans from credit institutions | 0 | 0 | 0 |
| ■ Related payables | 0 | 0 | 0 |
| Of which non-Group | 0 | 0 | 2,827 |
| ■ Other amounts due to credit institutions | 0 | 0 | 2,827 |
| (2) Details on due to credit institutions – at maturity (Group/non-Group) | 4,139,273 | 7,240,317 | 4,433,706 |
| Of which Group | 4,139,273 | 7,240,248 | 4,433,721 |
| ■ Term deposits and loans | 3,465,783 | 6,089,760 | 3,519,378 |
| ■ Securities sold under repurchase agreements | 673,490 | 1,150,488 | 914,343 |
| Of which non-Group | 0 | 68 | -15 |
| ■ Term deposits and loans | 0 | 68 | -15 |
| ■ 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 |
| Subtotal due to Group credit institutions | 4,139,273 | 7,240,248 | 4,433,721 |
| Subtotal due to non-Group credit institutions | 0 | 68 | 2,812 |
| TOTAL | 4,139,273 | 7,240,317 | 4,436,533 |

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 2020.

| (in €k) | 06/30/2020 | 06/30/2019 | 12/31/2019 |
|--|-------------------|-------------------|-------------------|
| Negotiable debt securities | 0 | 150,000 | 150,000 |
| Related payables | 0 | 487 | 1,288 |
| Negotiable debt securities and related payables | 0 | 150,487 | 151,288 |
| <i>Obligations foncières</i> | 58,861,401 | 60,276,205 | 59,719,859 |
| Related payables | 556,629 | 587,462 | 644,170 |
| <i>Obligations foncières</i> and related payables | 59,418,030 | 60,863,666 | 60,364,030 |
| TOTAL | 59,418,030 | 61,014,153 | 60,515,318 |

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) | 06/30/2020 | 06/30/2019 | 12/31/2019 |
|--|----------------|------------------|------------------|
| Options sold | 0 | 0 | 0 |
| Other creditors | 851,293 | 1,117,977 | 1,082,867 |
| Deposits on collateralization transactions | 709,074 | 966,163 | 829,668 |
| Margin calls on repurchase agreements | 0 | 0 | 0 |
| Trade payables* | 37,372 | 40,556 | 30,238 |
| Tax consolidation liabilities ⁽¹⁾ | 0 | 9,386 | 17,676 |
| Other fiscal and social debts | 2 | 1 | 47 |
| Other payables accounts | 3,494 | 3,775 | 104,701 |
| Special bonus account | 101,351 | 98,097 | 100,537 |
| Allocated public funds ⁽²⁾ | 40,910 | 41,780 | 41,380 |
| TOTAL | 892,203 | 1,159,757 | 1,124,247 |

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

(2) Of which subsidized sector

* Pursuant to provisions of Article D4 41-4 of the French Commercial Code, the breakdown of the amount of the suppliers invoices received and not settled at the closing date is as follows:

| 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 (in thousands of euros incl. Sales Tax) | 0 | - | - | - | 0 |
| Percentage of the total amount of the year purchases (TTC) | 0.00% | - | - | - | 0.00% |
| Number of invoices | 0 | - | - | - | 0 |

NOTE 17 ACCRUAL ACCOUNTS – LIABILITIES

| (in €k) | 06/30/2020 | 06/30/2019 | 12/31/2019 |
|---|------------------|------------------|------------------|
| Collection accounts | 1 | 3 | 1 |
| Unearned income | 888,029 | 1,024,603 | 968,283 |
| Subsidies on loans for low-income households (PAS) and former interest-free loans (PTZ) | 12,742 | 20,589 | 16,598 |
| Balances of swaps received to be amortized | 780,578 | 941,105 | 858,239 |
| Other unearned income | 94,709 | 62,909 | 93,446 |
| Accrued expenses | 157,306 | 193,699 | 153,989 |
| Accrued interest on derivatives (swaps) | 151,687 | 188,949 | 144,960 |
| Other accrued expenses | 5,619 | 4,750 | 9,029 |
| Other accrual accounts | 912,982 | 919,689 | 1,015,047 |
| Currency adjustment accounts* | 821,419 | 892,624 | 884,816 |
| Other items | 91,563 | 27,066 | 130,231 |
| TOTAL | 1,958,318 | 2,137,993 | 2,137,320 |

* 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 (ANC).

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

| (in €k) | 06/30/2020 | 06/30/2019 | 12/31/2019 |
|---|---------------|--------------|---------------|
| Provisions for counterparty risks | 525 | 802 | 660 |
| Provisions for counterparty risks on performing loans | 290 | 567 | 425 |
| Sectoral provisions | 0 | 0 | 0 |
| Provisions for execution risks on endorsements | 235 | 235 | 235 |
| Provisions for claims and litigation | 11,540 | 7,073 | 9,089 |
| Tax litigation | 0 | 0 | 0 |
| Other litigation | 11,540 | 7,073 | 9,089 |
| Other provisions | 510 | 742 | 20,477 |
| Other provisions* | 510 | 742 | 20,477 |
| TOTAL | 12,575 | 8,617 | 30,226 |

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

| Changes in the period (in €k) | Changes in 2020 | | | | | 06/30/2020 |
|---|-----------------|-----------|-----------|----------|---------------|------------|
| | 12/31/2019 | Additions | Reversals | | Other changes | |
| | | | Used | Not used | | |
| Provisions for counterparty risks | 660 | -135 | 0 | 0 | 0 | 525 |
| Provisions for counterparty risks on performing loans | 425 | -135 | 0 | 0 | 0 | 290 |
| Sectoral provisions | 0 | 0 | 0 | 0 | 0 | 0 |
| Provisions for execution risks on endorsements | 235 | 0 | 0 | 0 | 0 | 235 |
| Provisions for claims and litigation | 9,089 | 2,451 | 0 | 0 | 0 | 11,540 |
| Tax litigation | 0 | 0 | 0 | 0 | | 0 |
| Other litigation | 9,089 | 2,451 | 0 | 0 | 0 | 11,540 |
| Other provisions | 20,477 | -19,967 | 0 | 0 | 0 | 510 |
| Other provisions | 20,477 | -19,967 | 0 | 0 | 0 | 510 |
| TOTAL | 30,226 | -17,651 | 0 | 0 | 0 | 12,575 |

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 01/01/2019 | Allocation | Changes in capital and reserves | | Balance at 12/31/2019 | Allocation | Changes in capital and reserves | | Balance at 06/30/2020 |
|--|-----------------------|------------|------------------------------------|------------------|--------------------------|------------|------------------------------------|------------------|--------------------------|
| | | | 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 |
| Reserves | | | | | | | | | |
| ■ Legal reserve | 66,546 | 4,490 | | | 71,036 | 5,564 | | | 76,600 |
| ■ General reserve | 55,517 | | | | 55,517 | | | | 55,517 |
| ■ Regulated reserves | | | | | | | | | |
| of which: | | | | | | | | | |
| Regulated reserves for revaluation | | | | | | | | | |
| Special reserves for long-term capital gains | | | | | | | | | |
| Retained earnings | 84,404 | -4,490 | | | 79,914 | -5,562 | | | 74,352 |
| Net equity before net income for the year | 3,086,929 | | | | 3,086,929 | | | | 3,086,931 |
| Net income for the year before distributions | 89,784 | -89,784 | | | 111,278 | -111,278 | | | 38,914 |
| Equity after net income for the year | 3,176,713 | | | | 3,198,207 | | | | 3,125,845 |
| Dividends paid | | 89,784 | | | | 111,278 | | | |

| (in €k) | Opening 01/01/2019 | Allocation | Changes in provisions | | Balance at 12/31/2019 | Allocation | Changes in provisions | | Balance at 06/30/2020 |
|------------------------------------|-----------------------|------------|-----------------------|-----------|--------------------------|------------|-----------------------|-----------|--------------------------|
| | | | Additions | Reversals | | | Additions | Reversals | |
| Special revaluation provision | | | | | | | | | |
| Other regulated provisions | | | | | | | | | |
| Regulated provisions | | | | | | | | | |
| Equity before distributions | 3,176,713 | | | | 3,198,207 | | | | 3,125,845 |

| (in €k) | Opening 01/01/2019 | Allocation | Changes in the reserve for general banking risks (RGBR) | | Balance at 12/31/2019 | Allocation | Changes in the reserve for general banking risks (RGBR) | | Balance at 06/30/2020 |
|-----------------------------------|-----------------------|------------|---|-----------|--------------------------|------------|---|-----------|--------------------------|
| | | | Additions | Reversals | | | Additions | Reversals | |
| Reserve for general banking risks | 20,000 | | | | 20,000 | | | | 20,000 |
| TOTAL | 3,196,713 | | | | 3,218,207 | | | | 3,145,845 |

* Following the capital increase on September 15, 2015, share capital comprises 158,591,246 ordinary shares with a par 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

| | 06/30/2020 | | 06/30/2019 | | 12/31/2019 | |
|--|--|---|--|---|--|---|
| (in €k) | Loans authorized but not yet established | Amounts not drawn down on loans already partially established | Loans authorized but not yet established | Amounts not drawn down on loans already partially established | Loans authorized but not yet established | Amounts not drawn down on loans already partially established |
| FINANCING COMMITMENTS | 651,168 | 388 | 1,195,672 | 310 | 1,179,370 | 355 |
| Subsidized sector commitments | 0 | 0 | 0 | 0 | 0 | 0 |
| Unsubsidized sector commitments | 651,168 | 388 | 1,195,672 | 310 | 1,179,370 | 355 |
| Non-Group commitments | 651,168 | 388 | 1,195,672 | 310 | 1,179,370 | 355 |
| ■ Credit institutions | 0 | 0 | | | 0 | 0 |
| ■ Customers ⁽¹⁾ | 651,168 | 388 | 1,195,672 | 310 | 1,179,370 | 355 |
| Group commitments | 0 | 0 | 0 | 0 | 0 | 0 |
| GUARANTEE COMMITMENTS | 206,620 | 0 | 208,003 | 0 | 211,484 | 0 |
| Non-Group commitments | 206,620 | 0 | 208,003 | 0 | 211,484 | 0 |
| Other values used as collateral ⁽²⁾ | 206,620 | | 208,003 | | 211,484 | |
| COMMITMENTS ON SECURITIES | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL ⁽³⁾ | 858,176 | 0 | 1,403,986 | 0 | 1,391,209 | 0 |

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

| (in €k) | 06/30/2020 | 06/30/2019 | 12/31/2019 |
|--|------------|------------|------------|
| Permanent credit lines (outstanding transferred from Ixis CIB) | 651,168 | 1,143,605 | 1,127,303 |
| State housing savings accounts (primes d'épargne logement) | 0 | 52,067 | 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) | 06/30/2020 | 06/30/2019 | 12/31/2019 |
|-------------|------------|------------|------------|
| Securities | 149,769 | 145,783 | 151,926 |
| Receivables | 56,851 | 62,220 | 59,558 |

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) | 06/30/2020 | 06/30/2019 | 12/31/2019 |
|----------------------|------------|------------|------------|
| Doubtful commitments | 388 | 310 | 355 |

20.2 COMMITMENTS RECEIVED

| (in €k) | 06/30/2020 | 06/30/2019 | 12/31/2019 |
|---|-------------------|-------------------|-------------------|
| FINANCING COMMITMENTS | 24,562,600 | 26,624,374 | 25,230,739 |
| Non-Group commitments | 701,214 | 689,580 | 696,386 |
| Credit institutions ⁽¹⁾ | 701,214 | 689,580 | 696,386 |
| Group commitments | 23,861,386 | 25,934,794 | 24,534,353 |
| Repurchase guarantee | 0 | 0 | 0 |
| Credit institutions ⁽²⁾ | 2,000,000 | 2,000,000 | 2,000,000 |
| Other assets received as collateral from the Group ⁽³⁾ | 21,861,386 | 23,934,794 | 22,534,353 |
| GUARANTEE COMMITMENTS | 33,587,110 | 38,114,340 | 35,125,289 |
| Non-Group commitments | 32,657,920 | 36,236,022 | 34,136,935 |
| Credit institutions and similar institutions ⁽⁴⁾ | 5,045,349 | 5,300,926 | 5,109,315 |
| Customers ⁽⁵⁾ | 27,612,571 | 30,935,096 | 29,027,620 |
| Group commitments ⁽⁶⁾ | 929,190 | 1,878,318 | 988,354 |
| Credit institutions and similar institutions | 891,437 | 1,834,435 | 949,104 |
| Customers | 37,753 | 43,883 | 39,250 |
| COMMITMENTS ON SECURITIES | 0 | 0 | 0 |
| Other securities to be received | 0 | 0 | 0 |
| TOTAL | 58,149,710 | 64,738,714 | 60,356,028 |

(1) Non-Group financing commitments include a commitment received from the Banque de France in relation to the 3G (Gestion Globale des Garanties) pool, including an amount of €183.44m at June 30, 2020, compared with €175.34m at December 31, 2019.

(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) | 06/30/2020 | 06/30/2019 | 12/31/2019 |
|---|------------|------------|------------|
| ■ Guarantees received from Crédit Foncier for loans to French local authorities (L. 211-38) | 15,717,449 | 15,741,817 | 15,969,196 |
| ■ Guarantees received from BPCE SA as replacement values (L. 211-38 – RV) | 5,999,832 | 6,600,768 | 6,410,498 |
| ■ Guarantees received from Caisses d'Épargne, Banques Populaires and BPCE for loans to French local authorities (L. 211-38) | 144,105 | 1,592,208 | 154,659 |
| ■ Guarantees received from Crédit Foncier for mortgage notes | 0 | 0 | 0 |

(4) Mainly includes:

| | 06/30/2020 | 06/30/2020 | 12/31/2019 |
|--|------------|------------|------------|
| ■ Guarantees received from Crédit Logement rated Aa3 (Moody's) | 4,786,349 | 4,951,031 | 4,755,141 |
| ■ Guarantees received from Créserfi | 248,408 | 286,074 | 266,023 |

(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) | 06/30/2020 | 06/30/2019 | 12/31/2019 |
|---|------------|------------|------------|
| ■ Government guarantees on loans, mainly to the subsidized sector | 108,171 | 122,141 | 113,481 |
| ■ Guarantees from the SGFGAS on FGAS-eligible loans and covered by the government | 16,885,375 | 18,662,725 | 17,625,830 |
| ■ Mortgage guarantees for mortgage loans that are only covered by this guarantee | 7,313,131 | 8,767,346 | 7,929,066 |
| ■ Guarantees given by local authorities and other organizations | 709,854 | 788,448 | 757,388 |
| ■ Security enhancement guarantees given by governments | 1,085,153 | 1,059,646 | 1,075,448 |
| ■ Security enhancement guarantees received from insurance companies | 841,279 | 1,482,790 | 1,468,294 |

(6) The guarantee received from BPCE on securities amounting to €800m, no longer existed at end 2019.

NOTE 21 COMMITMENTS ON FORWARDS AND OPTIONS CONTRACTS

FOREIGN EXCHANGE TRANSACTIONS

Income and capital gains or losses on foreign exchange transactions are calculated in accordance with regulation No. 2014-07 of the French National Accounting Standards Authority (ANC).

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

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".

FUTURES CONTRACTS

Hedging, forward interest rate, foreign exchange and equity futures transactions are recognized in accordance with the provisions of regulation No. 2014-07 of the French National Accounting Standards Authority.

Commitments on these instruments are recorded as off-balance sheet items at the notional value of the contracts. At the balance sheet date, the amount recognized for these commitments represented the volume of the transactions open at the balance sheet date.

The instruments held by Compagnie de Financement Foncier are mainly interest rate or foreign exchange swaps, forward foreign exchange swaps and caps and floors. All these instruments are traded OTC (including transactions processed by clearing houses – LCH).

Compagnie de Financement Foncier has no binding contracts on any organized or other markets.

The accounting policies applied vary depending on the type of instrument and the original purpose of the transaction.

FORWARD TRANSACTIONS

Interest rate swaps and similar contracts (forward rate agreements, caps and floors) are classified according to their initial purpose, in the following categories:

- micro-hedging (specific transactions);
- macro-hedging (overall asset and liability management);
- speculative positions/isolated open positions;
- specialized management of a trading book.

Income and expenses on the first two categories are recognized in the income statements on a prorata basis.

Income and expenses on instruments used to hedge an item or a group of similar assets are recorded as profit or loss, symmetrically with the recognition of income and expenses on hedged items. Comprehensive income items of the hedging instrument are recognized in the same line item as income and expenses for hedged items, under "Interest and similar income" and "Interest and similar expenses". The "Gains/losses on trading book transactions" line item is used when the hedged items are included in the trading book.

Hedging swaps on loans are systematically reclassified under isolated open positions when the loan becomes doubtful.

Income and expenses on forward financial instruments used to hedge and manage the Company's overall interest rate exposure are recognized in the income statement on a prorata basis as "Interest and similar income" and "Interest and similar expenses". Unrealized gains and losses are not recognized.

Gains and losses on certain contracts qualified as isolated open positions are recorded in the income statement when the contracts are unwound or on a prorata basis depending on the nature of the instrument. Recognition of unrealized capital gains or losses is determined based on the type of market involved (organized, other markets considered as organized or over the counter):

- for over-the-counter options, unrealized mark-to-market losses are provided for at year-end. Unrealized gains are not recognized;
- instruments traded on organized markets or other markets considered as organized are continuously quoted and liquid enough to justify being marked to market. Unrealized gains are not recognized.

Compagnie de Financement Foncier does not have any trading book or isolated open position management contracts.

Termination balances or transfers are recognized as follows:

- transactions classified under specialized asset management or isolated open positions are recognized directly in the income statement;
- as to micro-hedging and macro-hedging, the closing balances are either amortized over the remaining life of the item formerly hedged or carried directly to profit or loss.

When a micro-hedged item is divested the termination balance of the associated swap and, where applicable, the unamortized termination balances are booked in profit or loss on the same line as that on which the gain or loss on the disposal of the hedged item is recognized.

OPTIONS

The notional amount of the underlying asset on which the option or forward contract is based is recorded by distinguishing between hedging contracts and contracts traded on the markets.

For transactions involving interest rate, foreign exchange or equity options, the premiums paid or received are recognized in a temporary account. At closing, these options are valued on the profit or loss in the case of products listed on an organized market or equivalent. For over-the-counter (OTC) options, provisions are recognized for capital losses but unrealized capital gains are not recognized. When an option is sold, repurchased or exercised, or when an option expires, the corresponding premium is recognized immediately in income.

Income and expenses for hedging instruments are recognized symmetrically with those corresponding to 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, 2020, Compagnie de Financement Foncier recognized no forward rate agreements on an isolated open position.

| | 06/30/2020 | | 06/30/2019 | | 12/31/2019 | |
|---|-------------------|---------------------------------|-------------------|---------------------------------|-------------------|---------------------------------|
| (in €k) | Euros | Other currencies ⁽²⁾ | Euros | Other currencies ⁽²⁾ | Euros | Other currencies ⁽²⁾ |
| OVER-THE-COUNTER MARKETS | | | | | | |
| Options (nominal amounts) | 1,111,574 | 0 | 1,308,122 | 0 | 1,171,573 | 0 |
| Hedging transactions (purchases) | | | | | | |
| ■ interest rate instruments | 1,111,574 | 0 | 1,308,122 | 0 | 1,171,573 | 0 |
| ■ foreign exchange instruments | | | | | | |
| ■ Other instruments | | | | | | |
| Other options | | | | | | |
| Options (fair value) | 1,007 | 0 | 0 | 0 | 877 | 0 |
| Forward transactions (nominal amounts) | 60,343,799 | 6,850,406 | 61,801,830 | 8,127,000 | 60,907,268 | 7,526,130 |
| Hedging transactions | | | | | | |
| ■ Interest rate instruments | 54,785,307 | 314,001 | 55,180,953 | 313,543 | 54,862,353 | 328,002 |
| ■ Foreign exchange instruments ⁽³⁾ | 5,558,492 | 6,536,405 | 6,620,877 | 7,813,457 | 6,044,915 | 7,198,128 |
| ■ Other instruments | 0 | 0 | 0 | 0 | 0 | 0 |
| Other transactions | | | | | | |
| Forward transactions (fair value) ⁽¹⁾ | 1,295,408 | -1,598,502 | 1,387,776 | -2,153,459 | 1,881,742 | -2,860,835 |
| Forward and options transactions | 61,455,373 | 6,850,406 | 63,109,953 | 8,127,000 | 62,078,842 | 7,526,130 |
| TOTAL ⁽²⁾ (NOMINAL AMOUNTS) | 68,305,779 | | 71,236,952 | | 69,604,972 | |
| TOTAL (FAIR VALUE) | -302,087 | | -765,683 | | -978,216 | |

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⁽¹⁾

| (in €k) | 06/30/2020 | 06/30/2019 | 12/31/2019 | 06/30/2020 Valuation of assets received as collateral ⁽²⁾ |
|--|-------------------|-------------------|-------------------|---|
| BALANCE SHEET | | | | |
| Asset items | | | | |
| Due from credit institutions | | | | |
| sight deposit | 51,265 | 52,101 | 53,615 | |
| term | 0 | 0 | 0 | |
| Term deposits guaranteed by repo securities | 22,193,204 | 23,746,406 | 22,458,597 | 21,861,386 |
| ■ Loans guaranteed by French local authority loans (SPT) under L. 211-38 | 8,375,717 | 9,524,398 | 7,940,698 | 8,395,807 |
| ■ to <i>Crédit Foncier</i> | 8,232,500 | 8,045,500 | 7,787,000 | 8,251,702 |
| ■ to <i>BPCE</i> | 0 | 1,320,000 | 0 | 0 |
| ■ to other Group entities | 143,217 | 158,898 | 153,698 | 144,105 |
| ■ Loans guaranteed by mortgage loans under L. 211-38 | 7,214,000 | 7,613,000 | 7,911,500 | 7,465,747 |
| ■ to individuals | 6,569,500 | 7,080,000 | 7,342,000 | 6,815,470 |
| ■ to Corporates | 644,500 | 533,000 | 569,500 | 650,277 |
| ■ Loans registered as replacement values under L. 211-38 | 6,600,000 | 6,600,000 | 6,600,000 | 5,999,832 |
| ■ to <i>BPCE</i> | 6,600,000 | 6,600,000 | 6,600,000 | 5,999,832 |
| ■ Related receivables | 3,487 | 9,008 | 6,399 | |
| Customer transactions | | | | |
| Receivables | 0 | 0 | 0 | |
| Transactions on securities | | | | |
| Bonds and other fixed-income securities | 0 | 58,740 | 63,520 | 0 |
| ■ Mortgage notes | 0 | 0 | 0 | 0 |
| ■ to <i>Crédit Foncier</i> | 0 | 0 | 0 | 0 |
| ■ Other fixed income securities | 0 | 57,554 | 60,494 | |
| ■ Related receivables | 0 | 1,186 | 3,027 | |
| Other assets ⁽²⁾ | | | | |
| Other debtors | 44,191 | 0 | 0 | |
| TOTAL ASSETS | 22,288,661 | 23,857,248 | 22,575,733 | 21,861,386 |
| Liabilities | | | | |
| Due to credit institutions | | | | |
| sight deposit | 0 | 0 | 0 | |
| term | 3,465,859 | 6,090,525 | 3,520,069 | |
| Securities sold under repurchase agreements | 673,566 | 1,151,252 | 915,034 | |
| Customer transactions | | | | |
| sight deposit | 0 | 0 | 0 | |
| Transactions on securities | | | | |
| Debt securities | | | | |
| Subordinated debts | 0 | 0 | 0 | |
| Other liabilities | | | | |
| Other creditors | 35,044 | 39,213 | 28,039 | |
| TOTAL LIABILITIES | 4,174,469 | 7,280,990 | 4,463,142 | |

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

06/30/2020

| Heading (in €k) | Australian \$ | Canadian \$ | US \$ | £ Sterling | Swiss Franc | Yen | Hungarian Forint | New Zealand \$ | Norwegian Krone | Danish Krone | TOTAL |
|--|------------------|----------------|-------------------|-----------------|-----------------|-----------------|---------------------|-------------------|--------------------|-----------------|-------------------|
| BALANCE SHEET | | | | | | | | | | | |
| Financial assets | 28 | 9 | 2,045,691 | 52,059 | 1,106,603 | 876,439 | 9 | 34 | 8,604 | 7 | 4,089,483 |
| Financial liabilities | 0 | 0 | 233,847 | 618,627 | 1,254,299 | 13,452 | | | 391,596 | | 2,511,821 |
| Balance sheet differential (I) | 28 | 9 | 1,811,844 | -566,568 | -147,696 | 862,987 | 9 | 34 | -382,992 | 7 | 1,577,662 |
| OFF-BALANCE SHEET | | | | | | | | | | | |
| Commitments received | 0 | 0 | 253,057 | 605,088 | 1,231,000 | 8,253 | | | 382,992 | | 2,480,390 |
| Commitments given | 0 | 0 | 2,064,887 | 38,506 | 1,081,416 | 871,206 | | | 0 | | 4,056,015 |
| Off-balance sheet differential (II) | 0 | 0 | -1,811,830 | 566,582 | 149,584 | -862,953 | 0 | 0 | 382,992 | 0 | -1,575,625 |
| TOTAL DIFFERENTIAL (I)+(II) | 28 | 9 | 14 | 14 | 1,888 | 34 | 9 | 34 | 0 | 7 | 2,037 |

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 POSITION

AS AT JUNE 30, 2020

| Heading (in €k) | Remaining maturity | | | | | Total ⁽²⁾ |
|---|--------------------|------------|------------|------------|------------|----------------------|
| | <3 months | 3M<D<6M | 6M<D<1Y | 1Y<D<5Y | > 5 years | |
| BALANCE SHEET | | | | | | |
| Financial assets ⁽¹⁾ | 7,459,860 | 971,154 | 2,010,343 | 15,605,093 | 38,600,702 | 64,647,152 |
| Due from credit institutions | 6,871,000 | 315,200 | 583,299 | 5,212,513 | 9,771,522 | 22,753,534 |
| Receivables from customers | 557,988 | 635,437 | 1,120,763 | 8,901,562 | 24,078,224 | 35,293,974 |
| Bonds and other fixed-income securities | 30,872 | 20,517 | 306,281 | 1,491,018 | 4,750,956 | 6,599,644 |
| Subordinated term loans | | | | | | |
| Financial liabilities | 4,230,296 | 3,712,575 | 4,153,685 | 22,175,411 | 28,727,722 | 62,999,689 |
| Amounts due to credit institutions | 2,701,952 | 586,493 | 754 | 6,048 | 843,041 | 4,138,288 |
| Due to customers | | | | | | |
| Debt securities: | 1,528,344 | 3,126,082 | 4,152,931 | 22,169,363 | 27,884,681 | 58,861,401 |
| ■ Retails certificates of deposit | | | | | | |
| ■ Interbank market securities | | | | | | |
| ■ Negotiable debt securities | 0 | 0 | 0 | 0 | 0 | 0 |
| ■ Bonds | 1,528,344 | 3,126,082 | 4,152,931 | 22,169,363 | 27,884,681 | 58,861,401 |
| ■ Other debt securities | | | | | | |
| Subordinated term debt | | | | | | |
| Balance sheet differential (I) | 3,229,564 | -2,741,421 | -2,143,342 | -6,570,318 | 9,872,980 | 1,647,463 |
| OFF-BALANCE SHEET | | | | | | |
| Commitments given | 0 | 0 | 651,168 | 0 | 0 | 651,168 |
| Commitments received | 183,440 | 0 | 0 | 2,000,000 | 0 | 2,183,440 |
| Off-balance sheet differential (II) | 183,440 | 0 | -651,168 | 2,000,000 | 0 | 1,532,272 |
| TOTAL DIFFERENTIAL (I)+(II) | 3,413,004 | -2,741,421 | -2,794,510 | -4,570,318 | 9,872,980 | 3,179,735 |
| Conditional positions | 0 | 0 | 6,049 | 30,024 | 1,075,500 | 1,111,573 |

(1) The financial assets of Compagnie de Financement Foncier include €5.2bn 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 2 periods.

Compagnie de Financement Foncier's cash flow statement is presented according to recommendation 2004-R-03 of the French National Accounting Council, relating to the format of company summary documents falling under the aegis of the French Banking and Financial Services Regulatory Committee.

It is drawn up using the indirect method: the profit for the year is restated from non-monetary items: depreciation and amortization for property, plant and equipment and intangible assets, net provisions for impairment, other movements without cash disbursements, such as accrued expenses and income. Cash flow related to operating, investment and financing transactions is determined by the difference between the items in the annual financial statements for the previous and the current fiscal years. Capital transactions without cash flow or without impact on profit or loss are neutral: payment of dividends in the form of shares, additions to a provision through allocation from retained earnings.

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

Operating activities include:

- the acquisition of eligible loans;
- the acquisition of securitization tranches and securities issued by public entities;
- the 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 demand deposits at the Banque de France, in post office accounts and with credit institutions.

25.2 CASH FLOW STATEMENT

| (in €k) | 06/30/2020 | 06/30/2019 | 12/31/2019 |
|--|------------------|------------------|------------------|
| Operating activities | | | |
| Net income for the year | 38,914 | 75,585 | 111,278 |
| Restatement of earnings related to operating activities | | | |
| Tangible and intangible fixed assets, excluding goodwill | | | |
| Net provisions charges/customers and credit institutions | -4,305 | -13,134 | -28,049 |
| Net provisions charges/available-for-sale securities | 0 | 0 | 0 |
| Net provisions charges/held-to-maturity securities | 0 | 0 | 0 |
| Net provisions charges/loans | -20,102 | 243 | 19,836 |
| Net gain on sale of fixed assets | | | |
| Other transactions without cash payments | -98,565 | 27,788 | 181,861 |
| Cash flows on loans to credit institutions and customers | 1,169,367 | 2,548,694 | 5,385,595 |
| Cash flows on securities available to sale | 0 | 0 | 0 |
| Cash flows on held-to-maturity securities | 658,967 | -50,005 | 322,725 |
| Cash flows on other assets | 78,561 | 25,058 | -40,562 |
| Cash flows on debts/credit institutions and customers | -296,902 | 638,873 | -2,165,299 |
| Net borrowing | -1,008,458 | -2,377,596 | -2,933,941 |
| Cash flows on other liabilities | -270,710 | 27,459 | 95,112 |
| Net cash flows used for operating activities | 246,767 | 902,965 | 948,556 |
| Investing activities | | | |
| Cash flows related to the sale of: | | | |
| ■ Financial assets | | | |
| ■ Tangible and intangible fixed assets | | | |
| Disbursements for the acquisition of: | | | |
| ■ Financial assets | | | |
| ■ Tangible and intangible fixed assets | | | |
| Net cash flows from other investment activities | | | |
| Net cash flows used for investment activities | | | |
| Financing activities | | | |
| Cash flows from share issuances | | | |
| Dividends paid | -111,277 | -89,783 | -89,783 |
| Net issuances of subordinated debt | | | |
| Other | | | |
| Net cash flows from financing activities | -111,277 | -89,783 | -89,783 |
| NET CHANGE IN CASH POSITION | 135,490 | 813,182 | 858,773 |
| Opening cash and cash equivalents | 1,620,815 | 762,042 | 762,042 |
| Closing cash and cash equivalents | 1,756,305 | 1,575,224 | 1,620,815 |
| Net | 135,490 | 813,182 | 858,773 |
| Cash: deposits at Banque de France | 1,705,000 | 1,522,831 | 1,564,443 |
| Due to credit institutions on demand* | 51,305 | 52,393 | 56,372 |
| TOTAL | 1,756,305 | 1,575,224 | 1,620,815 |
| * Of which: BPCE | 50,798 | 51,634 | 53,147 |

NOTE 26 CONSOLIDATION

In accordance with Article 4111-1 of Regulation No. 2014-07 of the French Accounting Standards Authority (ANC), Compagnie de Financement Foncier does not provide consolidated financial statements.

The separate financial statements of Compagnie de Financement Foncier are integrated into the consolidated financial statements of both Crédit Foncier and Groupe BPCE.

NOTE 27 REMUNERATION, ADVANCES

The “personnel 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 endeavors arising from the various OECD initiatives and summits and contribute to the fight against money laundering and terrorist financing.

At June 30, 2020, Compagnie de Financement Foncier had no activities or offices in non-cooperative countries.

STATUTORY AUDITORS' REPORT ON THE 2020 INTERIM FINANCIAL INFORMATION

Compagnie de Financement Foncier SA

Registered office: 19, rue des Capucines, 75001 Paris

Share capital: €2,537,459,936

Period from January 1, 2020 to June 30, 2020

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

To the Shareholders,

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

- the review of the accompanying condensed interim financial statements of Compagnie de Financement Foncier SA, for the six months ended June 30, 2020;
- the verification of the information contained in the interim management report.

These condensed interim financial statements are the responsibility of the Board of Directors on July 24, 2020, based on information available at that date in the evolving context of the COVID-19 crisis and difficulties in understanding its impacts and future prospects. Our role is to express a conclusion on these financial statements based on our review.

I - CONCLUSION ON THE FINANCIAL STATEMENTS

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

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

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

II - SPECIFIC VERIFICATION

We have also verified the information given in the interim management report on the condensed interim financial statements prepared on July 24, 2020 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 27, 2020

The Statutory Auditors
French original signed by

PricewaterhouseCoopers Audit
Emmanuel Benoist

KPMG S.A.
Xavier De Coninck

LEGAL INFORMATION

GENERAL INFORMATION

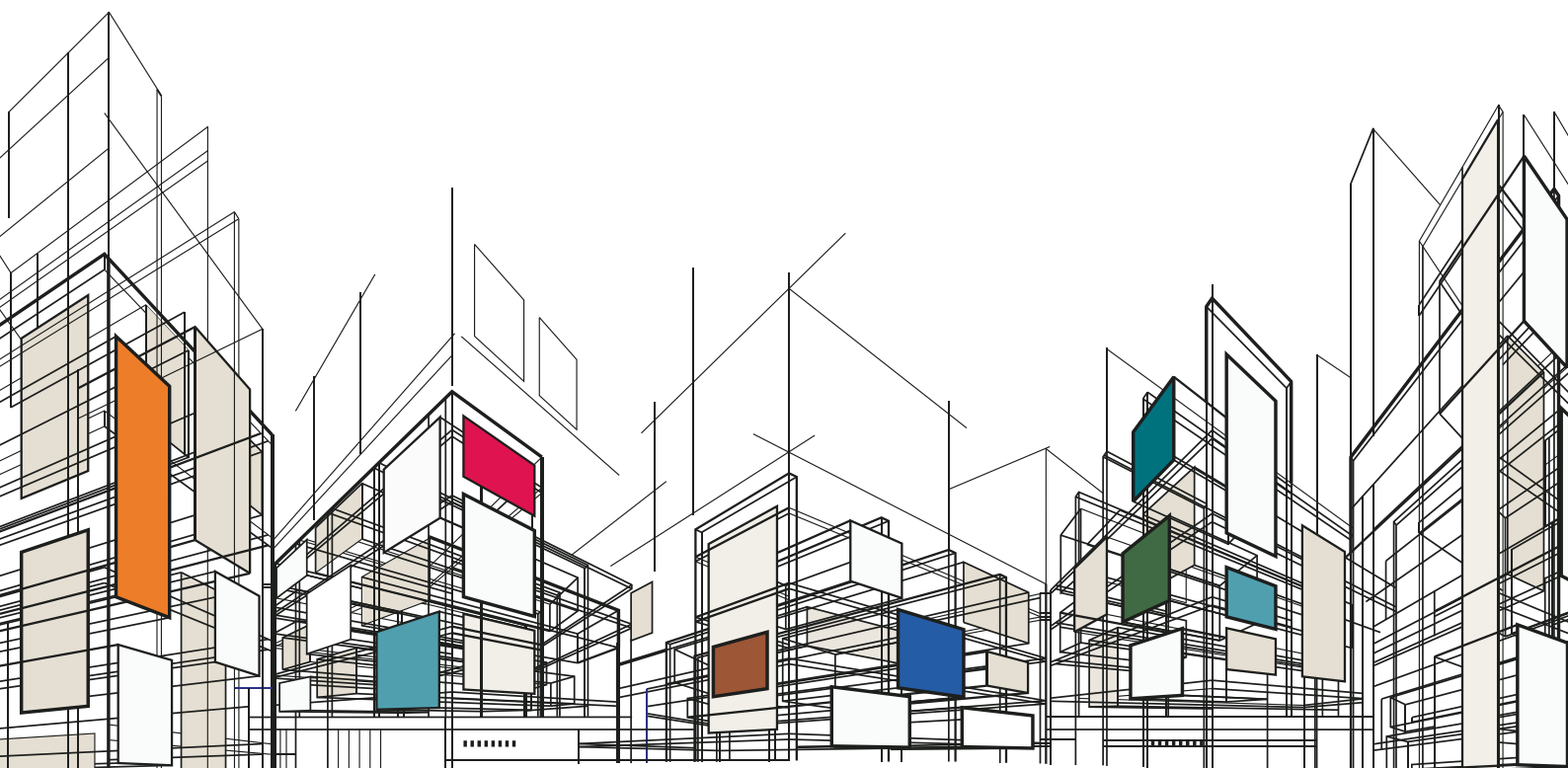
| | |
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PERSONS RESPONSIBLE FOR THE AMENDMENT TO THE UNIVERSAL REGISTRATION DOCUMENT AND FOR AUDITING THE FINANCIAL STATEMENTS

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CROSS-REFERENCE TABLE

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| Cross-reference table for the half-year Financial report | 103 |



GENERAL INFORMATION

Detailed general information is presented in the 2019 Universal registration document of Compagnie de Financement Foncier (pages 184 to 186).

Material contracts

As of the date of publication of this financial information, with the exception of the agreements referred to in the 2019 Universal registration document (page 198), Compagnie de Financement Foncier has not entered into any material contracts other than those entered into in the normal course of business.

Outlook for Compagnie de Financement Foncier

TRENDS

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

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

In a deteriorated economic environment due to Covid-19, no significant changes in the Company's financial or commercial position have occurred between July 24, 2020 – the date at which the Board of Directors closed the accounts – and the filing date of this Amendment to the 2019 Universal registration document.

Location of legal documents concerning the Company

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

Shareholders' Meeting

An Ordinary General Shareholders' Meeting was held on May 4, 2020. The proposed resolutions were approved in their entirety.

Capital

SHARE CAPITAL

At June 30, 2020, 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, 2020 | Number of shares | As a % |
|-------------------------------------|--------------------|---------------|
| Crédit Foncier | 158,591,245 | 100.00 |
| Director | 1 | not reported |
| TOTAL | 158,591,246 | 100.00 |

NATURAL OR LEGAL PERSONS THAT EXERCISE CONTROL OVER THE COMPANY

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

IMPROPER CONTROL

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

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 2019 Universal registration document

I certify, after having taken all reasonable measures to this purpose, that the information contained in this Amendment to the 2019 Universal registration document is, to the best of my knowledge, true to fact and that no information has been omitted that would change the interpretation of the information provided.

I certify that, to the best of my knowledge, the condensed financial statements for the previous half-year have been prepared in accordance with the applicable accounting standards and accurately represent the assets, financial situation and earnings of the Company and all of the entities within the scope of consolidation, and that the interim activity report it contains in pages 18 to 30 is an accurate representation of the material events that occurred in the first six months of the financial year, their impact on the financial statements, major related party transactions and a description of the primary risks and uncertainties in the remaining six months of the year.

Charenton-le-Pont, August 27, 2020

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 Annual 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

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.

ALTERNATES

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 2019 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 2019 Universal registration document filed with the Autorité des Marchés Financiers (AMF - French Financial Markets Authority) on March 27, 2020 under number D.20-0200, including the Annual financial report, available on the website of Compagnie de Financement Foncier: <https://foncier.fr/en/annual-reports/>

All documents incorporated by reference in this Amendment to the 2019 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 2019 Universal registration document filed with the AMF on August 27, 2020 | Page of the 2019 Universal registration document filed with the AMF on March 27, 2020 |
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In accordance with Article 19 of European Regulation No. 2017/1129 of the European Parliament and of the Council of June 14, 2017, the following information is incorporated by reference in this Amendment to the 2019 Universal registration document:

- 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 182 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 Statutory Auditors' report, presented on pages 111 to 159 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/>

- Compagnie de Financement Foncier's individual financial statements for the fiscal year ended December 31, 2017 and the Statutory Auditors' report, presented on pages 143 to 195 of the Registration document filed with the AMF on March 28, 2018 under number D. 18-0201.

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 80 to 95 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 65 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 Management report for the year ended December 31, 2017 presented on pages 79 to 99 of the Registration document filed with the AMF on March 28, 2018 under number D. 18-0201.

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

The Amendment to the 2019 Universal registration document can be consulted on the websites of the AMF (www.amf-france.org.com) and Compagnie de Financement Foncier (www.foncier.fr).

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

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