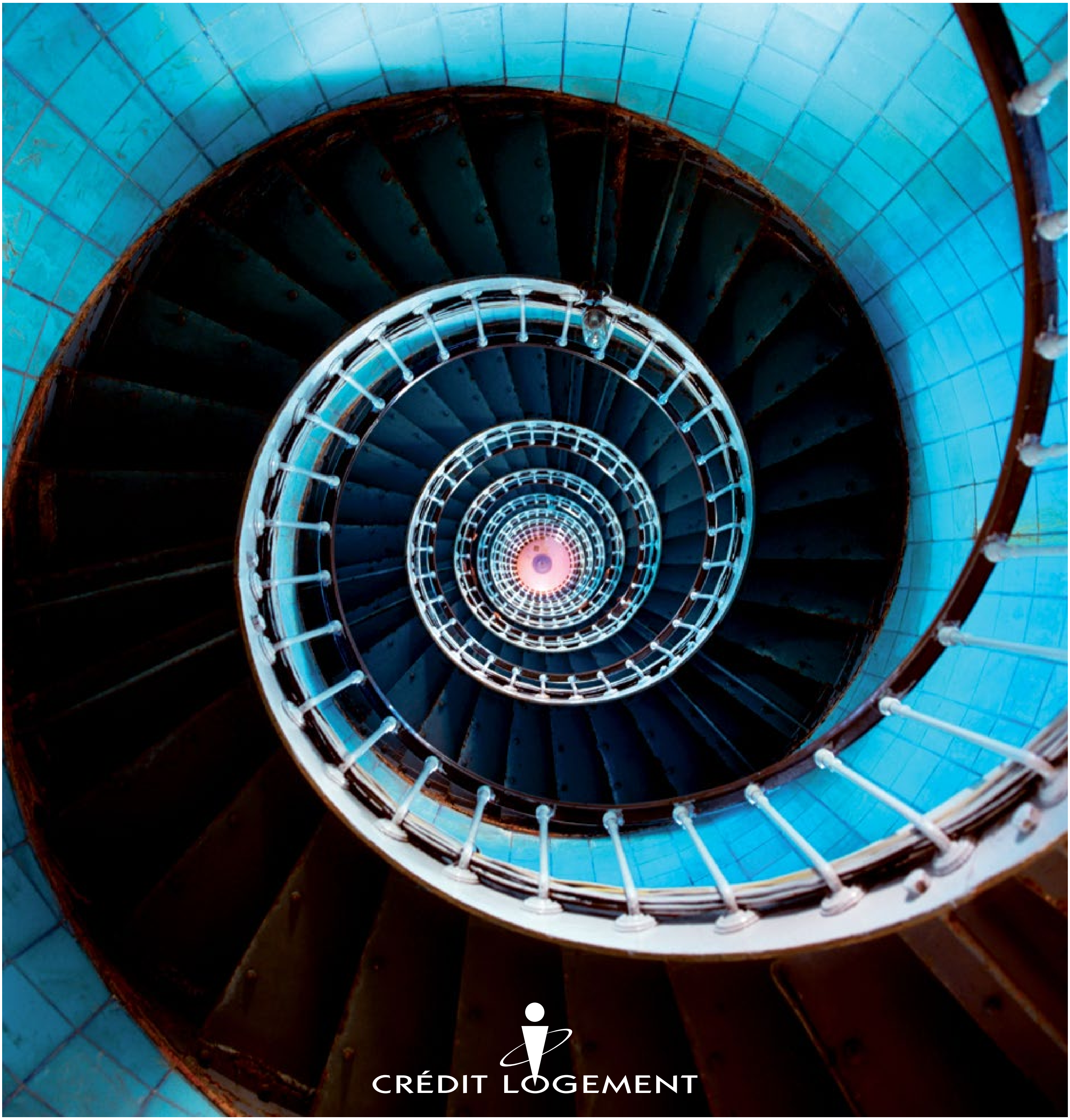
2012

ANNUAL REPORT CRÉDIT LOGEMENT



CRÉDIT LOGEMENT PROFILE

INTRODUCTION

Crédit Logement is a financial company and a credit institution that guarantees loans intended to finance housing for individuals, in the form of a joint and several guarantee. These are presented by its bank partners, which are also mainly its shareholders.

The Crédit Logement financial guarantee is based on the principle of pooling risk, implemented by each borrower participating in a mutual guarantee fund.

More than 6.5 million borrowers have already benefited from the intervention of Crédit Logement, thus allowing them to finance their property purchases without mortgages.

CRÉDIT LOGEMENT'S SERVICES

The guarantee

As soon as the bank has signed a partnership agreement, Crédit Logement provides an expertise led by professionals who are specialised in analysing property risk for individuals.

The guarantee agreement is obtained in less than 48 hours and may even be obtained in real time thanks to the IT links used by Crédit Logement and its risk-analysis expert system.

The formalities are simple, because the Crédit Logement guarantee is formalised only by a private agreement.

Collection

As well as the guarantee intended to cover the risk of final loss, Crédit Logement also manages collection. Crédit Logement therefore offers a complete service to its partners.

Crédit Logement's actions are carried out by reconciling two objectives: keeping commitments secure and, in the interests of all parties (lender, borrower and guarantor) avoiding the pronouncement of events of default, which may lead to the court-ordered sale of sureties, which are often disastrous in financial terms.

THE ADVANTAGES OF THE CRÉDIT LOGEMENT GUARANTEE

Savings

The Crédit Logement guarantee fees are not a sunk cost. Only the guarantee commission is acquired by Crédit Logement in payment for its intervention. Part of what is paid by the borrowers to the mutual guarantee fund may be repaid to them, at the end of the loan or in the case of early repayment, after taking into account the overall risk on the guaranteed portfolio.

Flexibility

The guarantee is not linked to the asset for which the borrower has requested the loan. Therefore, the guaranteed loan may be transferred to a new acquisition, subject to a prior agreement from the bank which has granted the original loan and after that Crédit Logement confirmed the maintenance of its guarantee.

If the borrower wishes to sell their asset before the end of the loan, there are no release fees to be paid.

The guarantee is therefore adapted to new lifestyles. It promotes geographical and professional mobility, changes to the family circle and the management of assets.

Role as a buffer

In case of financial difficulties, Crédit Logement adopts an approach that encourages dialogue aiming to help customers towards resuming the payment of their loan instalments. All solutions are analysed amicably : postponing instalments, new repayment schedule, extending the duration of the loan,…

If it is impossible to return the loan to normal management, Crédit Logement supports the customer in selling their asset, offering an expertise that lets them sell their asset themselves at the market value. Crédit Logement takes legal collection actions only if a amicably solution cannot be reached.

By favouring amicably negotiation with borrowers in arrears, Crédit Logement limits disputes and manages to return nearly half of the loans that it guarantees to normal management.

Secure the market

The decision to grant the Crédit Logement guarantee is based on a set of criteria for ensuring the solvency of the borrower and his ability to repay.

By not restricting itself only to the value of the financed assets, which are subject to the uncertainties of the property market cycles, the Crédit Logement guarantee is a factor that dampens the effects of a downturn in the property market.

MESSAGE OF EXECUTIVE MANAGEMENT

Within a tough general economic picture and with toughened property tax rules, the French property market entered a corrective phase, returning to a level of production that was identical to 2009.

All property markets, whether new, existing or renovation, saw a drop in their activity. The improvement in loan conditions, with rates less than 3% offered by banks, was not sufficient to support the market.

Crédit Logement, which anticipated a drop of the activity in the residential market, had a financial year in accordance with its objectives.

With nearly 414,000 property transactions financed during the year, representing 52 billion euros in guarantees granted to support property loans distributed by the banks to their private customers, Crédit Logement confirmed the place that it occupies in the residential property market by guaranteeing more than one property loan out of three.

For 2012, the balance-sheet total stood at 9.9 billion euros, slightly up compared to 2011. Off-balance-sheet outstandings continued to grow, reaching nearly 233 billion euros on 31 December 2012.

In total, the profit for the financial year, after tax, depreciation and provisions, increased to reach 104.3 million euros.

These results show the highly suitable service offered by Crédit Logement to its partner banks : improved coverage of credit risk, support of property-loan experts to bank staff to enhance their analyses and take a second look at loan applications, quick decisions, and a total absence of final loss through completely taking charge of debt collection.

They also demonstrate the appropriate solution that the Crédit Logement guarantee provides for the requirements of borrowers: competitive guarantee cost through the repayment of part of the guarantee fees, quick implementation of the guarantee and therefore the loan, and it is possible to transfer the guaranteed loan to a new purchase without fees. Lastly, thanks to the priority given to dialogue and seeking privately-negotiated solutions in case of arrears, Crédit Logement plays a comprehensive role as a buffer by favouring loan-rearrangement solutions aiming to bring the loan back under normal management, avoiding forced sales as far as possible.

Responsive to the competition and professional in their daily tasks, Crédit Logement's teams must also be innovative. Although innovation primarily involves appropriate price proposals and broadening the range of services, it also involves developing partnerships in France and supporting partner banks in bordering countries, demonstrating that financial guarantees are appropriate in Europe, where mortgages are mainly used.

In an environment characterised by financial and economic uncertainties, the French property finance market should, at best, stabilise in 2013, and we may hope to see the beginnings of a recovery in 2014. Based on sound market financing fundamentals: low rates, mainly fixed rates loans, limited average duration (less than 30 years), practices that favour the solvency of borrowers, a market that has avoided financial innovations and is subject to strict legal supervision, France, which has a significant housing shortage, should not experience any property crisis.

For all these reasons, Crédit Logement is facing the future with confidence, ready to use its qualities, such as its professionalism and responsiveness, to overcome any potentiel difficulties. It is in difficult periods that a company demonstrates its soundness and ability to adapt. In 2013, as it has always done, Crédit Logement will continue its development to serve its partners and their customers.

MANAGEMENT BOARD

31 Décembre 2012

Monsieur Albert BOCLÉ,
Chairman,
Head of Strategy and Marketing
for Retail Banking Activities
of Société Générale
Monsieur Jean BOUYSSET,
Honorary Chairman.

Monsieur Yves MARTRENCHAR,
Honorary Chairman.

BNP PARIBAS,
represented by Philippe STOLTZ,
Head of Communication with Authorities,
Retail Banking in France.

CRÉDIT AGRICOLE SA,
represented by Olivier BELORGEY,
Chief Financial Officer.

LCL – LE CRÉDIT LYONNAIS,
represented by Olivier NICOLAS,
Institutional and Chief Financial Officer.

SOCIÉTÉ GÉNÉRALE,
represented by Alain BRUNET,
Head of Communication with Authorities,
Retail Banking in France.

CAISSE CENTRALE DU CRÉDIT MUTUEL,
(Groupe Crédit Mutuel – CIC) represented by
Marie-Christine CAFFET,
Director of the Development at
Confédération Nationale du Crédit Mutuel.

BPCE,
represented by Fabrice LABARRIÈRE
Director of Retail Banking for Caisse d'Épargne.

CRÉDIT FONCIER,
represented by Christophe PINAULT**,**
Deputy Chief Executive,
Head of Commercial Development.

SF2 - Groupe LA BANQUE POSTALE,
represented by Jean-Marc TASSAIN,
Head of Partnership Development.

HSBC France,
represented by François MOREAU,
General Secretary,
Deputy Head Retail and Private Banking.

Monsieur Éric PINAULT,
Chief Financial Officer and Risk
at Fédération Nationale du Crédit Agricole.

Madame Agnès de CLERMONT-TONNERRE,
Head of Administration of
LCL, Le Crédit Lyonnais.

Madame Dominique FIABANE
Head of Retail Banking in France for BNP Paribas.

STATUTORY AUDITORS

C.T.F.,
represented by Jean-Marie IDELON-RITON.

Deloitte & Associés,
represented by Sylvie BOURGUIGNON.

BOARD OF DIRECTORS

Jean-Marc VILON
Chief Executive Officer

Patrick LEPESCHEUX
Deputy Chief Executive Officer
Head of Production

Éric VEYRENT
Deputy Chief Executive Officer
Head of Administration and Finance

Éric EHRLER
Head of Human Resources

Bernard FENDT
Head of Risk

Franck FRADET
Head of Collection

Philippe LAINÉ
Head of Customer Relations

Catherine LANVARIO
Head of Communication

Michel LAVERNHE
Head of Information Systems

Claire de MONTESQUIOU
Head of Audit and Internal Control

Jean-François ROUSSEL
Head of Organization

KEY FIGURES AT DECEMBER 31, 2012

REGULATORY CAPITAL

8,17 billions euros,

MUTUAL GUARANTEE FUNDS

3,70 billions euros

GROSS ANNUAL PRODUCTION

52,58 billion euros
414 357 loans
for 298 549 transactions

OUTSTANDING GUARANTEE

232,87 billion euros
2 955 507 loans

WORKFORCE

270 employees

LONG-TERM RATING

Standard and Poor's : AA-
Negative Outlook

Moody's : Aa3
Stable
After Revue on 15 april 2013

Distribution of the capital at December 31, 2012

Private limited company with a share capital amouting to 1 259 850 270 euros

SHAREHOLDERS	A	TOTAL AMOUNT	%
BNP Paribas	**2 969 694**	**207 878 580**	**16,5003%**
Crédit Agricole	**2 969 592**	**207 871 440**	**16,4997%**
LCL - Le Crédit Lyonnais	**2 969 594**	**207 871 580**	**16,4997%**
Société Générale / Crédit du Nord	**2 970 599**	**207 941 930**	**16,5053%**
BPCE	**1 530 063**	**107 104 410**	**8,5014%**
Crédit Foncier	**1 258 022**	**88 061 540**	**6,9898%**
Crédit Mutuel / CIC	**1 709 743**	**119 682 010**	**9,4997%**
SF2 - Groupe La Banque Postale	**1 079 944**	**75 596 080**	**6,0004%**
HSBC France	**539 806**	**37 786 420**	**2,9993%**
Other Credit Institutions	**530**	**37 100**	**0,0029%**
Individuals	**274**	**19 180**	**0,0015%**
TOTAL	**17 997 861**	**1 259 850 270**	**100,0000%**

THE FRENCH RESIDENTIAL PROPERTY MARKET *

After two years of strong activity in the market for property loans to individuals, with 168.8 billion euros in 2010 and 161.6 billion euros in 2011, 2012, with 119.3 billion euros, returned to levels of activity that were seen in 2009.

The French residential property market therefore entered a corrective phase concerning sales volumes. In spite of very attractive and historically low rates (3.13% on average over 15 years and 3.40% on average over 20 years in December 2012) offered by the lending institutions, several cyclic and economic reasons explain this drop in activity in the market: the increase in unemployment, the drop in purchasing power, changes in public support to property ownership and the toughening of tax provisions concerning rental investment.

During the first half of 2012, the activity in the market for property loans to individuals dropped sharply, -30.9% on a sliding annual basis. The market for existing property alone dropped by 30.5% over the same period.

The second half-year did not see the usual seasonal recovery during the summer and in spite of an upturn seen at the end of the year in the market for new property, it was down by 20.8% on a sliding annual basis. The improvement seen in the market for new property in the 4th quarter 2012 was related to the announcement of the end of the "Scellier" scheme and the early implementations of property purchases with "zero-rate plus" loans.

Over the whole of 2012, production of housing loans dropped by 26.2% to stand at 119.3 billion euros of offers accepted, a level identical to that of 2009 (119.5 billion euros), and also to that of 2004, which stood at 118.7 billion euros.

Loans paid were estimated at more than 118.8 billion euros, against 145.6 billion euros in 2011.

*Source Property Loan Production Observatory (PLPO)

If we examine the structure of property production in 2012, we see that the market for existing property dropped by 25.3%, after a drop of 4.5% in 2011. The market downturn that began in the summer of 2011 continued with the abolition of the "zero-rate plus" loans and the deadlock in the re-sale market. The share of existing property in total production stood at 65.6% in 2012, against 65.9% in 2011 for production of 79.5 billion euros in 2012, against 106.5 billion euros one year earlier.

In spite of the upturn at the end of the year, the market for new property dropped a little quicker than the market with -29.1% in 2012, after -7.1% in 2011. With production that stood at 25.1 billion euros against 35.4 billion euros in 2011, the share of new property in the total was down and stood at 21.0%, against 21.9% in 2011.

The market for renovation dropped a little slower than the whole of the market with -25.3% in 2012, after +2.7% in 2011. There was a slight increase in its share in 2012, with 12.4% of the total against 12.2% one year earlier, and production of 14.8 billion euros against 19.7 billion euros in 2011.

The competitive loans sector is dragging the entire market down, with -26.9% in 2012 after -4.7% in 2011. Their share in the total market stood at 88.1% against 89.0% one year ago.

Production of zero-rate loans dropped rapidly with -52.3% in 2012 against +8.1% in 2011. Their share in the total market represents no more than 3.1%.

In a contracting market, the other components are benefiting from the drop in the competitive sector. This is the case for home-buyers' savings plans, which saw an increase in their share with +4.2% in 2012 against -14.5% in 2011.

During 2012, the average rate of loans in the competitive sector stood at 3.57% against 3.79% on average in 2011 and the average rate in the 4th quarter 2012 was 3.29%. Thus, between March 2012 and December 2012, rates dropped by 73 basis points.

The share of production at variable rates* is stable at 6.8% of the total, against 6.9% in 2011.

The average duration of loans stood at 17 years and 3 months, slightly down compared to 2011 (17 years and 8 months).

* Variable rate with maximum, therefore excluding packages with fixed monthly payments, but with option to extend the duration and excluding the package with fully-variable rates and durations.

CRÉDIT LOGEMENT

Crédit Logement, which expected a drop in activity in the residential market in 2012, has had a year that was in accordance with its forecasts.

Guaranteed production stood at 52.6 billion euros for 298,549 property transactions, representing a drop of 24.6% on the previous year (68.6 billion euros in 2011).

Net production, corresponding to the guarantees established during the same year, stood at 35.3 billion euros, down by 30.8% compared to 2011 (51.1 billion euros).

Crédit Logement thus retained its position in the market for property loans to individuals by guaranteeing nearly 30% of all housing loans, excluding renegotiation loans.

Market share that is still high

The last available study on the breakdown of the market for guarantees in France for 2011 (source OFL/ CSA and Despina model), expressed in amounts of loans distributed, gives a market share of 50.6% for financial guarantees (bank guarantee and insurance-companies guarantee) against 43.9% for mortgages.

It should be stressed that financial guarantees are now the most widespread form of guarantee, both amongst borrowers on low incomes and those who are more affluent. Thus, in 2011, 40.5% of borrowers on low incomes used financial guarantees against 38.1% using mortgages; while 59.9% of affluent borrowers used financial guarantees against 32.5% using mortgages.

During 2012, this same observatory estimated an increase in the market share of financial guarantees, with 54.1% of the amount of loans distributed, while mortgages only concerned 39.9% of the total.

COMMITMENTS DURING THE YEAR

414,357 guarantee agreements were delivered during the year, representing 298,549 transactions (loans assigned to a plan for financing a given project) for a gross commitment amount of 52.6 billion euros.

This result expresses the high rate of use of the Crédit Logement guarantee by its bank partners, and also the fact that this guarantee is perfectly adapted to the expectations and behaviour of borrowers.

Three transactions out of four received a guarantee agreement on the day of their reception and almost all loan applications were analysed no later than the following day.

This performance is largely due to powerful computerised links, and, to a significant extent, the result of the involvement of staff in the Production Department providing a high-quality service to customers.

The average amount of transactions guaranteed stood at 176,231 euros, against 173,398 in 2011, representing an increase of 1.6% over one year.

68% of the amounts of transactions guaranteed concern property projects carried out in the market for existing property, against 66% in 2011.

New property (acquisition and construction) represented 21% of the amounts guaranteed (respectively 13% and 8%), identical to 2011.

The share of rental investment dropped by more than 4% to stand at 18% of the total amount.

Refinancing of loans dropped again, representing only 7% of the amounts guaranteed and 8% of the number of transactions, against respectively 9% and 11% for 2011.

Loans in the competitive sector represented 92% of the amounts guaranteed and the share of bridging loans in this sector was slightly up, standing at 8% of amounts guaranteed.

Loans of durations going up to 20 years inclusive represented 82% of the total number of loans guaranteed during the year, while loans with a duration greater than 25 years represented only 1%.
Borrowers aged 35 or less make up 40% of the beneficiaries of Crédit Logement's guarantees, almost identical to the data seen during 2011. The percentage of non-executive employees remained stable at 42% of the total.

Borrowers with income less than or equal to three times the minimum wage represented 31% of the total number.

DEBT COLLECTION

As a guarantee that is alternative to a mortgage and intended to cover the risk of final loss, the service offered by Crédit Logement also includes the management of debt recovery.

2012 was a year in which economic activity slowed down. The property market saw a significant drop in the number of transactions and unemployment continued to grow. In correlation, there was an increase in the number of cases of personal reorganisation pursuant to the law on household over-indebtedness.

In order to anticipate and support market developments, the Collection Department has developed its organisation, with the establishment of a team dedicated to the relationship with banks when guarantees are claimed on loans, and the implementation of a collection extranet, which will be made available to partner banks during 2013, to facilitate the financial handling of their cases.

The collection of guaranteed debt

On 31 December 2012, the number of loans managed stood at 13,108, representing an increase of 22.5% compared to 2011.

The relationship between loans returned to normal management and inputs for the year stood at 49%. This rate represents the debts for which staff in the Collection Department have found, in consultation with the borrowers and the bank, a solution to resume paying the instalments, thus allowing the loan to return to a normal management cycle.

In spite of difficult economic circumstances, this percentage demonstrates the stated intention of Crédit Logement to give priority to negotiating amicable repayment solutions.

Collection stood at 93.8 million euros and financial claims for the benefit of lenders stood at 204.9 million euros.

Collection on behalf of third parties

Based on its experience in collecting property loans, Crédit Logement has developed, over more than 15 years, a service for the collection of debts that it has not guaranteed.

During 2012, 2,404 new debts were assigned to Crédit Logement and during the same period, 1,976 debts were discharged, demonstrating the ability of the collection teams to efficiently manage the assigned debt (+29% compared to 2011).

The amount of debt managed on 31 December 2012 stood at 296.3 million euros for 6,745 debts (+7% compared to 2011) and recovery stood at 44.5 million euros.

CUSTOMER RELATIONS

Customer-relationship channels

Crédit Logement is developing day-to-day local relationships with the networks of its partner banks.

The Customer Service team took care of 206,000 calls and 45,000 emails. The interface role that it plays with the teams of experts from the Production and Collection Departments meant that it was able to provide efficient solutions to the various requests from its banking partners.

In addition, the Crelog.com extranet was used heavily, as witnessed by the 388,000 connections and 300,000 letters downloaded.

The commercial teams present on the ground with the bank staff provided information and raised awareness within the networks on all of the risk topics and their developments.

For the sixth consecutive year, Crédit Logement's teams hosted a stand at the Paris property exhibition. This enabled them to dialogue with a large number of borrowers who were sent by the banks that were present or who were seeking information, and with all of the property professionals and players who were present: bankers, property developers, builders and estate agents.

The partner satisfaction survey

In spring 2012, Crédit Logement carried out its fourth satisfaction survey. More than 900 partners in branches or back offices were questioned about Crédit Logement's services.

The results of the survey, which were presented to Crédit Logement's partners, showed a particularly high rate of satisfaction of 99%. To confirm this excellent result, Crédit Logement has chosen to implement a quality-improvement plan.

Crelog Infos

The first issue of the e-magazine "CRELOG Infos", dedicated to Crédit Logement's partners, was distributed to 14,000 contacts and was favourably received. The purpose of this magazine is for Crédit Logement to share information on news subjects with its partners and to communicate useful information about Crédit Logement.

Market share

In difficult economic circumstances, characterised by a significant drop in volumes and an increase in risk, Crédit Logement has established itself as the market leader and reference. Its unique expertise, the extent of its services and its automated processes make Crédit Logement an essential player.

The product range and innovation

In 2012, Crédit Logement continued its work on innovating in its product range and diversifying its business. Its aim is to meet the expectations of its partners, to support their development in France and in Europe and to test other ways of exercising its know-how.

CRELOG Recouvrement: the debt collection service

The Crédit Logement debt-collection service is broken down into 2 services.

CLR Immo: collection of property debts not guaranteed by Crédit Logement.
CLR Enchères: auction support, with possible re-marketing of property assets.

CLR IMMO and Enchères mean that it is possible to partially or totally outsource the management of debt collection. They therefore strengthen lenders' collection teams at a competitive cost.

Against a background of increased risk, various partners of Crédit Logement, who wished to benefit from its expertise and know-how, carried out opportunity studies on CLR's services during 2012.

International business

Crédit Logement's French model must be able to cope with different and less favourable mortgage environments.

Three years after its launch, the Swiss service was assessed positively.

An offer was introduced intended for Belgian non-resident customers investing in France. Subscribed by two partner institutions, the first requests for guarantees were received in December 2012.

Prepared in cooperation with the Luxembourg subsidiary of a French partner, a Luxembourg cross-border offer will be introduced in spring 2013 and will target the French community working in Luxembourg and investing in France.

IT AND ORGANISATION

As part of the constant improvement of business processes, the IT projects carried out in 2012 mainly covered :

- new links for exchanging computerised data with partners (EDI and web services);
- new functionalities in the Crelog.com extranet;
- developments and optimisations to the computerised system for analysing guarantees;
- optimisation of collection activities;
- new key-performance-indicator reports for monitoring activity, taken from the decision-making system.

It is also important to stress that all technical projects implemented concerning :

- strong authentication at the workstation and in applications;
- rationalisation by virtualising infrastructure;
- renewing the local network architecture;
- supervising critical applications;
- monitoring reliability indicators within a services agreement;
- new "Multi-IS", "Business Process Management" and "Traceability" architectures;

have enhanced the security of the data system, improved the quality and reliability of the service and prepared for future developments, while ensuring better cost control.

In order to include projects intended to cover the requirements and objectives targeted in terms of productivity, continuity, security and compliance, Crédit Logement has updated its programme of developments to be made to the information system over the next 3 years.

Aware of the importance of project management in the efficient conduct of projects to develop the information system and for application maintenance, Crédit Logement has enhanced its Organisation Department and its working processes in project mode with customers (internal and partners) and the Information Systems Department.

In particular, the Organisation Department managed a large organisation study on development in the area of collection. This study led to the introduction of several implementation projects, particularly the preparation of a "collection extranet" pilot site (using the Crelog.com infrastructure), and changes to the organisation of the Collection Department's teams, separating the activities of handling litigation from those of collection. In the production area, a large project to overhaul workstations was initiated with the teams from the Production Department and Customer Services.

In charge of maintaining the coherence of the documentation describing the organisation of Crédit Logement, the Organisation Department is particularly committed to adapting this documentation to the various organisational changes introduced at the end of 2012.

BALANCE SHEET MANAGEMENT

Market transactions undertaken from 2004, with the aim of optimising the structure of the balance sheet and regulatory capital, continued to produce their effects in 2012. The more difficult economic environment and the still-uncertain regulatory prospects nevertheless influenced the management of these market transactions.

Issues of Tier One and Tier Two subordinated notes

Several issues of subordinated notes were made between November 2004 and May 2007 and a new Lower Tier two (LT2) issue, resulting from a restructuring operation, was made in February 2011. In 2012, a partial redemption took place on a Tier One transaction.

In Tier One, the ongoing transactions are as follows:

- an issue of innovative perpetual deeply subordinated notes of November 2004, held in Tier One for 259.2 million euros, for which the first possible date for exercising the early redemption option was December 2009 and which was the subject of partial redemption in the market of 190.7 million during the first half of 2012;an issue of non-innovative perpetual deeply subordinated notes of March 2006, held in Tier One for 800 million euros, for which the first possible date for exercising the early redemption option was March 2011.

In Tier Two:

- an issue of redeemable subordinated notes, of 500 million euros, maturing in 2021, with no early redemption option, at a fixed rate of 5.454%, stemming from the restructuring in 2011 and the issue of 450 million euros that dated from 2006,
- the other issue, of LT2 redeemable subordinated notes issued in 2007 with 900.1 million euros outstanding on 31 December 2012, included a first early redemption clause in June 2012, which was not exercised. The coupon therefore now benefits from the contractual increase that this issue included.

CASH MANAGEMENT

Cash is composed of two main parts:

- "Conventional" cash stemming from equity loans and shares, reinvested directly with capital contributors according to predetermined conditions, since the abolition of category B shares by the shareholders' meeting of 9 May 2012;

- available cash, which include investments made possible by all other sources of cash, particularly the mutual guarantee fund and commissions collected in advance, as well as issued subordinated notes.

Cash is managed by a committee in charge of cash management and overall interest rate and liquidity risk. The committee comprises five experts from five shareholder institutions, Crédit Logement's Management Committee, the manager of the Risk Management function and the Financial Department. This committee submits to the Board of Directors, after review, the table of counterparty limits and defines the rates and liquidity policies to be implemented, which will also be validated by the Board. It also approves budgetary targets and checks that they are met.

An investment committee, composed of Crédit Logement's members of the treasury committee, directs operational management and monitors its implementation by the Financial Department.

The principles chosen for the management of available cash are mainly based on the matching of assets and liabilities with the same time frame, to optimise the immunisation of the income statement to short term rates, while taking into account the results of stress tests which, in particular, allow the maintenance of appropriate liquidity levels in all circumstances.

Thus, on 31 December 2012, investment (excluding reinvestment of bond issues) of cash in fixed-rate term deposits (of initial maturity greater than 5 years) stood at 1.6 billion euros, while medium-term investments (between 1 year and 5 years) stood at 450 million euros. The rest of the available cash, namely 1.2 billion euros, is invested for less than one year, or in less than one year putable investments, or in mutual funds strictly limited to the money market.

These investments are mainly made in the form of term deposits, but in 2011, Crédit Logement invested in three covered bonds ("obligations à l'habitat") as part of a first diversification of its investments, for an overall amount, on 31 December 2012, of 119 million euros, securities that were classified as investments, given the intention of Crédit Logement to keep them until maturity.

Furthermore, the cash of the subordinated notes were also invested in the medium-term, on deposit or in securities, with the objective of reducing the cost of these issues, while keeping the issue and the investments strictly matched until the potential first call date of the issue. At the end of 2012, only the deposit investments remained.

The reinvestment of the cash of subordinated issues, not redeemed early at their first call date, has been extended to a short term maturity to allow exercise of the call when its becomes possible.

AUDIT AND INTERNAL CONTROL

The Audit and Internal Control Department was reorganised in 2012 with the establishment of two separate services:

- a Periodic Monitoring and Audit Service, which is responsible for implementing a long-term audit plan brought down from 6 years to 3 years;
- an Ongoing Monitoring and Compliance Service, which coordinates the Quality Control Teams in the Departments and checks compliance.

This new organisation meets the requirements of article 6 of CRBF 97-02, which stipulates that companies that it covers must have separate staff dedicated to ongoing monitoring and periodic monitoring.

The Manager of Audit and Internal Control is hierarchically attached to the Management Committee and reports to it at monthly meetings of the Internal Control Committee.

All of the work carried out by the Audit and Internal Control Department is also the subject of a half-yearly presentation bringing together the members of the Audit Committee and staff in the Audit and Internal Control Department.

Periodic Monitoring and Audit

The long-term audit plan was continued in 2012. In particular, there were audits covering the Collection Department, the Organisation Department, the mutual guarantee fund, cash flows from receipts and disbursement, the management of computer configuration and authorizations.

The internal rating systems covering credit risk and liquidity risk were also the subject of an annual review.

All of the recommendations stemming from audits are recorded in a database that is monitored monthly for priority 1 recommendations and half-yearly for the whole of the database.

A part from monitoring recommendations internally issued, the Audit and Internal Control Department also monitored the recommendations of the inter-bank inspection task group, which did its work in 2011 and concluded that internal governance was of good quality, as was the system for controlling and monitoring risk.

Ongoing Monitoring and Compliance

Ongoing monitoring covers all of Crédit Logement's departments, with dedicated persons responsible for checks in the main areas of activity (Commitments, Collection, Information System, Risk and Finance) within Quality Control Teams. Each year, an effort is made to improve the objectives for the control plans according to newly-identified risks.

Compliance contributes to respect for legislative and regulatory provisions, professional and ethical standards, and the policies of the Board of Directors and the Management Committee. Crédit Logement has an ethics charter distributed to the whole of the institution and communicated when new staff join the company. Other than recurring work on money-laundering, the other compliance checks mainly cover updates to the procedures reference system, the processing of complaints, compliance with provisions on professional confidentiality and those of the French data-protection act, and the control of essential outsourced activities.

RISK MANAGEMENT

Credit risk in the retail banking business: portfolio of guarantees

By decision of the Prudential Supervision Authority dated 24 April 2007, Crédit Logement was granted the right to use its own internal rating system for calculating its regulatory capital (Pillar1).

This system applies to transactions guaranteed since 1 May 1994. It leads to the segmentation into 21 classes of homogenous risk, segmented across probability of default (PD), loss in case of default (LGD) and exposure to default (EAD).

For the axis of segmentation of the default probability at one year (PD), Crédit Logement does not have sufficient updated information on changes to the behaviour of borrowers between the moment of granting the guarantee and the moment of ascertaining default by the counterparty. The technique chosen was that of the construction of a conferred score, which has been shown to predict the level of probability of default over one year (PD) for the entire lifetime of the guaranteed transaction.

For the loss in case of default (loss given default - LGD) segmentation, Crédit Logement has prepared a model from the statistical analysis of correlations between the observed rate of loss and a number of variables selected from economic and/or business criteria.

For the exposure to default (EAD) segmentation, a Conversion Factor to Equivalent Credit (CFEC) of 100% is applied to the guarantees set up. A rate of conversion to off-balance-sheet, modelling the rate of establishment at one year, is applied to guarantees delivered but not yet paid, for which Crédit Logement is only potentially at risk.

Also, as Crédit Logement's guarantee is exclusive to any other guarantee, Crédit Logement does not consider any risk-mitigation technique.

Our internal rating system has been operational since June 2005. All new transactions are automatically scored using guarantee analysis tools and assigned to a class of risk. The system of delegation of authority that we have implemented takes into account the internal rating assigned to define the categories of decision-makers who are empowered to grant the guarantee.

All of the work and reporting done by the Risk Management Department is reported every month to the Risks Policy Committee, which is overseen by the Management Committee.

Within the framework of the internal rating model, the Risk Management Department implements an ongoing-monitoring plan, which provides a half-yearly check on its level of performance. In accordance with regulations, the Audit and Internal Control Department also performs an annual review.

The calculation of the regulatory capital requirement (Pillar1), and the report of the result of checks, both ongoing and periodic, are presented to the Audit Committee, acting by delegation from the Board of Directors.

For the 2012 financial year, the Risk Management Department made no changes to the internal rating model.

On 31 December 2012, this internal rating system was applicable to a default exposure of 249.9 billion euros, which breaks down into 240.1 billion euros of guarantees implemented and 9.8 billion euros of guarantees not yet implemented.

At this same date, the average default probability of the portfolio reached 0.25%. It is up by 0.01 point this year compared to 2011. However, since the end of 2009, the average default probability of the portfolio is down by nearly 3 basis points, representing a decrease of 9.8%.

The ability of the Collection and Legal Department to return delinquent loans to normal management, or to quickly take the required protective measures for transactions in default, leads to an estimate of the average LGD of the portfolio, on output from the model, of 13.5% of the exposure at default. It is up by 0.3 points compared to 2011. The effect of the contraction in the residential property market observed between mid-2008 and mid-2009 has therefore faded. The significant drop in the sales of property during this period led to more events of default. This automatically had the effect of increasing the LGD. The LGD calculated for these transactions is constructed to be higher than that calculated for transactions that may be returned to normal management. However, the resumption in the increase in the price of property has increased the potential estimated recovery on these transactions. The average LGD for the portfolio has therefore stabilised at a level oscillating around 13.5% since the end of 2010.

Given the regulatory provisions, an additional prudent margin is applied to this with a counter-cyclical aim, providing a "down-turn" LGD which was set at 30% on 31 December 2012. The average LGD used for calculating the Pillar 1 capital is therefore around 17.5%.

Given these parameters, the Risk Weighted Assets of the portfolio stood at 20.5 billion euros, corresponding to a weighting of 8.82%, up by 0.45 points compared to 2011.

On 31 December 2012, the minimum regulatory capital for Pillar 1 stood at 1.6 billion euros, bearing in mind that nearly 20% of this requirement, namely 416 million euros, corresponded to the regulatory increase intended to be applied to the LGD to obtain a "down-turn" LGD.

The mutual guarantee fund, constituted to cope with the guarantee portfolio's credit risk, represents more than twice the amount of the regulatory capital requirement (Pillar1) for this portfolio. The equity capital, the reserves and the mutual guarantee fund represent more than 3 times this same requirement.

A part from the exchange value in Euros of the exposure to default of loans guaranteed in Switzerland, of 49.5 million euros, the credit risk for the guarantee portfolio comes exclusively from the French market for financing residential property. This concentration is taken into account in the credit-risk management strategy and is not currently perceived by the institution as a high risk. Crédit Logement's risk selection criteria are primarily based on the ability of borrowers to repay their loans and only secondly on the value of the loan being financed, or on the whole of the borrower's assets. Also, Crédit Logement's production is essentially made with general banks in a non-speculative property market for individuals, for which the unitary amount of loans, mainly at fixed rates, ensures good risk dispersion.

Also, during the process of calculating internal capital (Pillar 2), Crédit Logement wondered about the relevance of the correlation coefficient of 15% used by the formula for calculating regulatory capital for the "retail mortgage" curve. The latter may be considered 10 times higher than would be required by observing the loss history of the portfolio, with a confidence interval of 99.975%.

To conclude, over 2012, the credit risk for the retail bank business, measured by the internal rating system, remained very stable at a low level.

Operational risks

Due to its size, its single-product business, its low risk profile and its governance choices, Crédit Logement has opted for the "standard" method to cover its specific risks.

Amongst those that have been known since the beginning, the greatest risks remain those related to IT, its hosting and the security of the information systems.

Two specific committees regularly monitor these risks, with the Management Committee being informed by a report on the monitoring of security indicators.

Crédit Logement has established arrangements for collecting and measuring events related to operational risk, on a basis that is essentially declaratory, with quarterly monitoring. 38 risk events were declared during 2012 (against 24 in 2011), essentially related to the information system. These were classified as incidents of little gravity, below the significant threshold of 30,000 euros used by the institution.

Beyond the strictly financial and regulatory approach, Crédit Logement is taking advantage of this process to improve its processes and make them more reliable. In 2012, it again carried out actions that included intrusion tests, education on protecting confidential documents and the gradual installation of computer network segmentation.

The host for the fallback site for the Business Continuity Plan (BCP) covers the unavailability of premises and all of the local network, which functions using mirroring.

The objective set by the Management Committee is to ensure, within 24 hours of the occurrence of unavailability, the continued processing of guarantee requests and, in the following days, the continued processing of debt collection and accounts.

These arrangements are tested twice a year and are operational. Technical tests on the backup platform were supplemented by tests directly carried out by users to ensure the correct functioning of business applications.

The continuity of the service supplied by contractors (particularly the facilities management of the central site, application hosting, extranet,…) is the subject of a contractual guarantee in the form of Disaster Recovery Plans.

These disaster recovery plans rely on backup sites that are geographically separate from the contractors' main sites and are the subject of annual technical tests checked by Crédit Logement.

The capital requirement for operational risk (Basel II Pillar 1) stood at 32.6 million euros on 31 December 2012.

The management of liquidity risk and the liquidity ratio

Crédit Logement's liquidity risk is very specific, since the business of guaranteeing residential loans generates liquidity. The liquidity risk can therefore only arise from a missmatch between its policy of investing this liquidity and the requirements resulting from its business as a guarantor.

For the management of this liquidity risk, a stress test was developed regarding the loss experience of the portfolio of guarantees. This is applied as long as it remains sufficiently conservative based on the latest risk parameters. At the end of 2012, this extreme stress scenario included a deterioration of the risk parameters which would lead to multiplying the expected losses on sound debt by more than five at the peak of stress on healthy outstandings and to recovery delays for certain liquid assets (money-market mutual funds and ECB-eligible securities).

Crédit Logement makes liquid investments under the restriction that its gap under extreme stress is still positive (liquid resources greater than used) and also keeps abundant cash at less than one year.

Crédit Logement's internal model for managing liquidity risk, which is mainly based on this extreme crisis scenario and on several liquidity indicators at various timescales (day, month, quarter) was validated in May 2011 by the Prudential Supervision Authority.

Management of the overall interest-rate risk

Crédit Logement's objective is first to manage its liquidity risk and then to minimise its overall interest rate risk, made up in particular of a long-dated resource, the mutual guarantee fund, and investments made under liquidity stress scenarios.

Its net interest margin, composed exclusively of the margin on the management and investment of its regulatory capital, which includes the mutual guarantee fund, is therefore sensitive essentially to variations in rates, its margin being greater when rates are high, although low rates are more favourable to the business of guaranteeing property loans.

To hedge this structural exposure to interest rates, in 2012, Crédit Logement contracted interest-rate swaps classified as macro hedging.

Also, as already mentioned, with the agreement of the treasury committee and after validation by the special and combined shareholder meetings as of 9 May 2012, Crédit Logement modified the conventional interest rate amortisation of the shares, following the conversion of B shares to ordinary shares.

The agreement is now to linearly amortise the shares over 10 years, but by introducing this agreement at a third over a period of three years, bearing in mind that the replacement of this resource by liquid assets takes place over one year.

To cover this new interest rate exposure, Crédit Logement has entered into 420 million euros of transactions, also classified as macro hedging, at different maturities corresponding to a third of the overall share resource.

Crédit Logement measures and manages its interest-rate risk with an overall rate gap, which can gauge the impact of an interest rate stress scenario, both on its net interest margin, and on the Net Present Value of its balance sheet (NPV). In particular, the regulatory stress test of a 200 bp change of the whole yield curve is applied and a limit has been set for the sensitivity of the NPV to this stress. On 31 December 2012, the sensitivity of the NPV over ten years in the event of a 200 bp drop in interest rates was 5.6% of the share capital after taking into account the macro-hedging swaps.

Market risk, counterparty risk and other risks

At the end of 2012, Crédit Logement no longer had any instruments classified as isolated open positions.

Two specific committees regularly monitor these risks and the Management Committee is informed via reporting tools and security indicators.

Under the scheme for tax aide to investment in French overseas departments, in 2009, Crédit Logement invested 8.9 million euros in shares in an SCI (real-estate company) in New Caledonia to build and lease a programme for social housing. This investment is covered by cash collateral of an equivalent amount, constituted by the other partner in the SCI, guaranteeing this partner's promise to repurchase shares in the SCI in future. The value of the shares on the balance sheet on 31 December 2012 has been brought to the amount of the cash collateral guaranteeing this repurchase, namely 6.3 million euros. These shares were reclassified as marketable securities on 31 December 2012.

A part from this investment, the two subsidiaries described below and two other historical investments of less than 50,000 euros combined, Crédit Logement possesses no shares and therefore has no risk related to them.

INTERNAL CAPITAL VALUATION PROCESS

In 2012, various actions were carried out aiming to improve and secure the process of calculating Crédit Logement's internal capital :

- the resources and the operational capabilities of the Risks Function were improved;
- the cross-company list of risks was updated and improved;
- the Board of Directors validated the strategy for management through the establishment of strategic limits and alert thresholds, monitored by measurement indicators, for which the monitoring indicators for the various risks to which it is exposed must never be exceeded;
- review and update of the methodologies for modelling the calculation for the internal capital requirement necessary to cover the credit risk, both from the guarantee portfolio and the cash investment portfolio, to bring them up-to-date and improve them;
- update to the "Pillar 2" dossier, to be sent to the French supervisor.

With regard to the methodologies proposed by the CEBS, whose duties have been taken over by the EBA, in the *"Guidelines on the Application of the Supervisory Review Process under Pillar 2"* and in relation to the principle of proportionality laid down by the French regulator, Crédit Logement has determined its position on each of the risks to which the institution is exposed.

Approach used to measure internal capital

The approach adopted by Crédit Logement combines a structured method including the development of internal management models for the credit risk and a simple method for the other risks. The overall level of internal capital calculated for covering all risks is obtained by adding the results obtained for each of the risks listed. Crédit Logement therefore uses no correlation or compensation effect between the various risks.

Credit risk for the guarantee portfolio

In the internal approach, coverage of the expected risk on the guarantee portfolio is done not over one year but over the lifetime of the guarantee portfolio. Furthermore, for reasons of prudence, unexpected losses are calculated based on a stressed correlation coefficient corresponding to the coefficient used for the guarantee portfolio following a crisis of a magnitude comparable to the one in Spain.

Credit risk for the investment portfolio

Within its internal model, Crédit Logement measures the credit risk for the investment portfolio by including the concentration risk that is related to it. To reduce this risk, a project to collateralise investments with its main counterparties should be put in place during the first half of 2013.

Market risk

Crédit Logement has no market risk (no trading portfolio, no active management of financial instruments or products).

Operational risk

The internal approach aims to check that regulatory capital covers the residual risk of the major risk events that have been identified. If this is not the case, the unexpected risk is measured by the impact that a major risk event could generate.

Liquidity risk

Liquidity gaps and the portfolio of liquid assets are examined under an extreme stress scenario to check that Crédit Logement can honour all of its commitments, even in this case.

Interest-rate risk

The risk is measured based on the sensitivity of the Net Present Value of its balance sheet and net banking income (at 12 months and 24 months) to a variation in rates. If this sensitivity remains low, this risk does not require any additional capital.

Risk of structural change

A revaluation of the Swiss franc compared to the euro would cause an increase in the exposure to default of the guarantee portfolio covering loans in Swiss francs to cross-border workers who have purchased homes in France, and therefore to the Pillar 1 regulatory capital requirement relative to this portfolio. This possible change to the regulatory capital requirement is estimated using Crédit Logement's internal model.

Other risks

Concerning the "business risk", which groups all risks that could have a significant impact on the level of production (image risk, regulatory risk,…), Crédit Logement has summarised the study of its exposure to this risk by defining a scenario where its production drops by 50% and stays at this level for 10 years. Under this scenario and with the risk parameters at the end of 2012, using middle-of-the-range assumptions for the returns on its available cash, Crédit Logement remains profitable over the whole period.

Valuation of internal capital

On 31 December 2012, the amount of internal capital necessary to cover all of the risks to which the institution is exposed (expected and unexpected losses) stood at 1.9 billion euros.

SNC FONCIÈRE SÉBASTOPOL

The property company, of which Crédit Logement owns 99.9% of the share capital, auctions property seized within the framework of legal procedures to recover secured debt.

During 2012, SNC Foncière Sébastopol carried out seven new auctions and re-sold five assets.

At the end of 2012, eleven transactions were outstanding for a total net amount of 881,330 euros, including a provision for depreciation of 54,000 euros, against 482,513 euros on 31 December 2011.

The income statement shows a loss of 125,804 euros, coming mainly from interest related to the associated current account, a provision for the depreciation of stock and current management expenses. According to article 15 of the articles of association, this loss is directly booked as expenditure at the close of the financial year, by each partner in proportion to their rights.

CRÉDIT LOGEMENT ASSURANCE

Crédit Logement Assurance is an insurance company in which Crédit Logement holds 60% of the share capital.

The business of initially guaranteeing 1% residential loans distributed by the Inter-professional Accommodation Committees (CIL) was subject to no guarantee requests in 2012. No premium was issued during 2012 and the capital remaining due on the commitments delivered since the origin of the activity stood at 2,432,492 euros on 31 December 2012.

The income statement shows a net profit of 17,140 euros, against 17,470 euros a year earlier.

THE BALANCE SHEET

The balance sheet total on 31 December 2012 stood at 9.9 billion euros against 9.9 billion euros one year earlier, representing an increase of 0.40%.

OFF-BALANCE SHEET COMMITMENTS: OUTSTANDINGS

Crédit Logement's off-balance-sheet outstandings, representing capital remaining due for guarantees on the repayment of loans distributed by other institutions, is still growing and on 31 December 2012 had reached 232.9 billion euros against 224 billion euros on 31 December 2011.

The net annual increase was 8.9 billion euros, representing an increase of 3.97%, taking into account annual repayment and early redemption for 26.1 billion euros.

The solvency ratio at the end of the year

Crédit Logement's "Basel II" Pillar1 solvency ratio, established in accordance with the ordinance dated 20 February 2007, stood at 35.41% on 31 December 2012, against 38.78% on 31 December 2011.

The Pillar 2 ratio, taking into account the minimum lower limit of 80% applicable for weighting outstandings, stood at 8.58% on 31 December 2012, against 9.03% on 31 December 2011.

Changes to regulatory capital (according to regulation 90-02 modified)

Prudential capital went from 8.25 billion euros on 31 December 2011 to 8.17 billion euros on 31 December 2012, down by 83 million euros (-1%).

	31/12/2011	31/12/2012	Change
Equity capital on the liability side of the balance sheet	1,462,602	1,488,125	25,523
Funds for general banking risks	610	610	0
Mutual guarantee deposits (note A 9-1)*	3,492,560	3,674,213	181,653
Subordinated notes, limited to 15 or 25% of equity	1,250,000	1,059,258	-190,742
Deductions **	-823,519	-886,367	-62,848
CORE EQUITY CAPITAL	**5,382,253**	**5,335,839**	**-46,414**
Notes and subordinated loans (art. 4 c or d)	3,091,668	3,109,389	17,721
Mutual guarantee deposits on currency transactions	1,018	1,411	393
Deductions **	-222,265	-277,020	-54,755
ADDITIONAL EQUITY CAPITAL	**2,870,421**	**2,833,780**	**-36,641**
TOTAL REGULATORY CAPITAL (numerator)	**8,252,674**	**8,169,619**	**-83,055**
Weighted risks - advanced IRB method	18,687,913	20,449,888	
Weighted risks - standard method	1,924,125	1,898,250	
Other assets not corresponding to credit obligations	277,788	313,475	
Operational risk	391,538	407,825	
TOTAL BASEL II WEIGHTED RISKS (denominator)	**21,281,364**	**23,069,438**	**1,788,074**
Pillar 1 solvency ratio	**38.78%**	**35.41%**	
Ratio according to rules applicable to Crédit Logement	**9.03%**	**8.58%**	

* Excluding restatements, which are now shown in total on the "deductions" line

** Essentially performed according to the deduction rule "50% of core equity and 50% of additional equity", also reducing Tier One by the distributed income for the year and any ceiling for the mutual guarantee fund incorporated into Tier One.

Core equity capital (Tier One)

The total amount of core equity capital was 5.3 billion euros against 5.4 billion euros in 2011, representing a total reduction of 46 million euros:

- net increase in the mutual guarantee fund by 182 million euros, which stood at 3.7 billion euros at the end of 2012, against 3.5 billion euros in 2011;
- increase in expected losses deducted at 50% from Tier One;
- limitation on mutual guarantee fund held in Tier One.
- repurchased 191 million Tier One securities.

Additional equity capital (Tier Two)

This is additional equity capital, 100% or 50% of which can under some circumstances be added to Tier 1 equity for capital adequacy purposes.

The option for the early repayment of equity loans established in 2004, after the agreement of the Prudential Supervision Authority, was exercised in June 2012 for a total amount of 292 million and an additional call for equity loans was made in June 2012 for an overall amount of 301 million euros.

Deductions from regulatory capital

Half of the main deductions are subtracted from Tier One equity and the other half from Tier Two equity:

- holdings of shares and subordinated debt issued by entities active in the insurance business must be deducted from regulatory capital. The investment in Crédit Logement Assurance (non-consolidated subsidiary) is concerned for 1.8 million euros;
- as of 31 December 2012, expected losses related to credit risk in the retail segment stood at 551.2 million euros, against 441 million euros a year earlier;
- the limitation of the mutual guarantee fund to twice the core equity capital stood at 544.2 million euros on 31 December 2012, against 513.8 million euros on 31 December 2011 and is fully deducted from Tier One.

Conversion of category B preference shares

The Extraordinary General Meeting of 9 May 2012 decided to convert the shares of category B to ordinary shares, then to increase the capital by capitalisation of reserves, to increase the nominal amount of shares, going from 15.25 euros to 70 euros.

THE INCOME STATEMENT

Net banking income stood at 255 million euros against 206.8 million euros a year earlier, which equates to an increase of 23%.

This includes the following:

- recognised financial income relative to the available cash dropped by 1.3%, mainly due to the non-externalisation of unrealised capital gains on mutual funds in 2012;
- the net balance of financial income generated by conventional cash (reinvestment of equity capital in our account in each partner's books) increased because of the increase, at the end of 2011, in the reference index for investing funds coming from shares (1-year Euribor), these investments having continued until the end of 2012;
- the net balance of financial charges relative to subordinated notes, with the reinvestment of the resulting cash, affected the result of the financial year at 12.3 million euros against 17.4 million euros last year. Given the capital gain made on the repurchase of 191 million in Tier One subordinated notes, this item finally shows a positive margin of 46.1 million euros;
- income from guarantee transactions dropped by 18.4% to reach 84.9 million euros against 104 million euros in 2011. They represent 33.3% of net banking income, against 50.3% one year earlier.

The general expenses represented by general operating expenses and provisions for impairment and depreciation stood at an overall figure of 84.9 million euros, against 63 million euros in 2011, representing an increase of 34.8%, related particularly to the doubling of the systemic tax, which went from 16.5 million in 2011 to 36.6 million in 2012 and is based on regulatory capital requirements.

The other items changed as follows:

- personnel expenses, which include employee profit-sharing and bonus schemes, increased by 4.4%, related in particular to taking on additional staff in the Collection Department to cope with strongly-growing volumes. Remuneration allocated to all directors is given in appendix C1;
- other administrative fees were down by 8.6%. In accordance with article 446-6-1 of the French law on the modernisation of the economy, information relative to deadlines for payment to suppliers is given in the note in appendix A7.
- depreciation and impairment charges increased by 5.9%.

In terms of productivity, the operating ratio, meaning the relationship between general expenses and net banking income, stood at 33.3% against 30.5% the previous year.

As a result of these developments, gross operating income, before non-recurring income and expenses, corporate tax and regulatory provisions, stood at 169.6 million euros, up by 18% compared to the previous financial year.

The corporate tax charge stood at 60 million euros, instead of 50.7 million euros in 2011, and the net charge for regulatory provisions increased by 18% compared to the previous year.

In all, net profit for the financial year came to 104.3 million euros, against 88.5 million euros in 2011.

The return on equity reached 7.53% in 2012, against 6.44% in 2011.

PROSPECTS AND SIGNIFICANT EVENTS SINCE CLOSURE OF THE FINANCIAL YEAR

The 2013 budget was constructed assuming a drop in production of about 10%. However, the first months of 2013 have shown some dynamism in production, related in particular to repurchases of loans.

Through article 19 of the law concerning the Public Investment Bank, the French parliament authorised the government to legislate by decree to create the status of "Société de Financement" (financial institutions), which would concern French financial institutions that do not receive "repayable public funds", which would include Crédit Logement. These "Société de financement" would not be subject to CRD4 and would be subject to national regulation, which should nevertheless, according to declarations by the French authorities, converge towards rules comparable to those of CRD4.

PROPOSALS FOR THE ALLOCATION OF INCOME

Distributable profit of 104,291,371.11 euros breaks down as follows :

• the net profit for the year	€104,277,810.11
• increased by retained earnings in credit from the previous year for	€13,561.00

The following allocation is proposed:

• legal reserve	€5,213,890.51
• general reserve	€37,346,632.93
• dividends assigned to shares	€52,193,796.90
• retained earnings	€9,537,050.77

The intended distribution thus stands at 52.2 million euros against 84.1 million euros the previous financial year, representing a drop of 38%, which should allow:

- the distribution of a dividend of €2.90 per share;
- an increase in the company's equity capital of 52 million euros.

In accordance with the law, the allocation of earnings and the distribution for the three previous financial years is mentioned in the third resolution that is presented.

Other specific resolutions proposed

As BPCE's appointment as director is expiring, its renewal is proposed for a period of six years.

Lastly, the new budget for attendance fees allocated to directors according to the breakdown determined by the board meeting of 3 April 2013 will be subject to decision.

RESOLUTION 1

The General Meeting, after having heard the reading of the reports from the Board of Directors and statutory auditors on the corporate accounts, and the reading of the Chairman's report established in accordance with article L.225-37 of the French Commercial Code on procedures for internal control and risk management established by the company and the functioning of the Board of Directors, and that of the report from the statutory auditors on this document, and after having taken note of all documents which, according to the legislation in force, must be communicated to shareholders, approves the accounts and the balance sheet for the thirty-eighth financial year ending on 31 December 2012 as they are presented in all their parts.

The General Meeting expressly acknowledged to the Board of Directors that the aforementioned documents were drawn up in accordance with the provisions set out in Articles L 232-1 and thereafter of the French Commercial Code, Article 25 of Decree 82-1020 dated 29 November 1983, and Regulation 91-01 dated 16 January 1991 issued by the Committee on Banking and Financial Regulations, and gives the directors discharge with respect to their duties for the financial year.

RESOLUTION 2

The General Meeting, after hearing the Special Statutory Auditors' Report on Operations, governed by Articles L 225-38 and L 225-40 of the French Commercial Code, hereby acknowledges this report and ratifies all of the operations indicated therein.

RESOLUTION 3

The General Meeting hereby approves the proposed allocation of income submitted.

Net profit for the year eligible for allocation, amounting to EUR 104 291 371,11 is composed of :

- Net profits for the year 104 277 810,11 €
- Plus carrying forward of positive balance from previous year 13 561,00 €

We propose the following allocation :

- Legal reserve 5 213 890,51 €
- General reserve 37 346 632,93 €
- Dividends allocated to shares 52 193 796,90 €
- Retained earnings 9 537 050,77 €

On this basis, the payout amounts to EUR 52,19 million, as compared to EUR 84,11 million the previous fiscal year, a decrease of 38% giving dividends amounting to 2.90 € by share.

As a reminder, it is stated that, for the three previous fiscal years, total earnings per share came out at :

	Dividend	
Fiscal year 2009		
A share	44,35	€
B share	0,34512710	€
Fiscal year 2010		
A share	37,35	€
B share	0,12722680	€
Fiscal year 2011		
A share	36,95	€
B share	0,15460460	€

RESOLUTION 4

The general meeting reappoints BPCE as a director for a six-year term of office ending after the general meeting convened to approve the financial statements for the year ending 31 December 2018.

RESOLUTION 5

The general meeting definies that the director's attendance fee will amount to 40 300 euros, and will be distributed according to the rules defined by the general meeting, dated 3rd april 2013.

RESOLUTION 6

The General Meeting gives full powers to the bearer of excerpts from or copies of these minutes to perform all legal formalities.

STATUTORY AUDITORS REPORT

ON THE ANNUAL FINANCIAL STATEMENTS

To the shareholders,

In fulfilment of the assignment entrusted to us by your General Meeting, we present our report on the financial year ending 31 December 2012, on:

- the audit of Crédit Logement's annual financial statements as they are attached to the present report;
- explanations of our assessments;
- the specific information and checks specified by the law.

The annual financial statements were adopted by the Board of Directors. It is our duty to express an opinion on these statements on the basis of our audit.

I. Opinion on the annual financial statements

We have performed our audit according to the professional standards applicable in France. These standards require the performance of checks to provide reasonable assurance that the annual financial statements do not contain significant discrepancies. An audit consists of checking, by sample investigation or through other selection methods, the elements justifying the amounts and information shown in the annual financial statements. It also consists of assessing the accounting principles followed, the significant estimates accepted and the overall presentation of the financial statements. We consider that the information that we have collected is sufficient and appropriate to form the basis of our opinion.

We certify that, with regard to French accounting rules and principles, the annual financial statements are in order and honest and give a true image of the result of the transactions in the elapsed financial year and the financial situation and assets of the company at the end of this year.

II. Substantiation of assessment

In application of the provisions of article L. 823-9 of the French Commercial Code relative to the substantiation of our assessment, we bring the following items to your attention.

Test on value

The "non-performing loans" note in the appendix explains that when it is ascertained that the debt is not recoverable, any amount remaining due is deducted from the mutual guarantee fund. As part of our assessment of the significant estimates used for accounts closure, we examined the control system relative to the identification and monitoring of risks for the guarantee business, the assessment of risks of non-recovery and their coverage by the mutual guarantee fund.

The "securities portfolio" note in the appendix (accounting methods and principles) explains the methodology used to value the securities portfolios (marketable securities, investment securities and equity securities) and to constitute any necessary depreciation.

As part of our examination of the significant estimates used for closing the accounts, we examined the system for monitoring and examining these securities, leading to assessment of the necessary level of depreciation.

The assessments thus made come within the framework of our audit of the annual financial statements as a whole and have therefore contributed to forming our opinion expressed in the first part of this report.

III. Specific checks and information

In accordance with the professional standards applicable in France, we have also carried out the specific checks specified by the law.

We have no comment to make on the honesty and coherence with the annual financial statements of the information given in the Board of Directors' management report and in the documents sent to shareholders concerning the financial situation and the annual financial statements.

Paris and Neuilly sur Seine, 9 April 2013

Statutory Auditors

C.T.F. Jean-Marie IDELON-RITON	Deloitte & Associés Sylvie BOURGUIGNON

HUMAN RESOURCES DATA

The activity of the Human Resources Department has been very sustained during 2012 to support the development of Crédit Logement.

All the figures mentioned in this report exclude corporate officers and auxiliary staff in holiday periods.

Employment and remuneration

Crédit Logement is established in the heart of Paris. Nearly 100% of its workforce is composed of people living in Paris and the near Paris area.

The monthly average workforce increased by 6% for permanent contracts and temporary staff are used at a stable level. The part-time workforce represents 11% of the overall workforce.

The total workforce of Crédit Logement present on 31 December 2012 was 273 employees including 267 on permanent contracts and 6 on temporary contracts:

- 85 women executives for 84 men;
- 73 non-executive women (including 44 supervisory staff) for 31 men (including 18 supervisory staff).

The breakdown of the workforce by age range is as follows:

Detailed breakdown of Crédit Logement's workforce

	Less than 30 years		Between 30 and 39 years		Between 40 and 49 years		Over 50 years		Total
	Men	Women	Men	Women	Men	Women	Men	Women	
Employees	2	6	8	14	3	7	0	2	42
Supervisory staff	3	9	10	15	5	16	0	4	62
Executives	1	7	26	27	30	37	27	14	169
Total	6	22	44	56	38	60	27	20	273

There were even more permanent-contract hires this year, with 21 new hires. The rate of induction (still present after 3 months in the company) was 100%.

In 2012, there were no dismissals. The departures were for retirement, end of temporary contracts and termination by mutual agreement.

Collective variable remuneration (profit-sharing and bonus schemes) is up, at 2,044,000 euros, representing +7.3% compared to 2011. Also, Crédit Logement has established an employee share-ownership plan and a collective retirement plan and the amounts invested by staff are topped up in a way that is highly advantageous.

The gross payroll costs for the year were 13,538,956 euros, up by 7.2%.

In 2012, an individual employee report was also presented to each of the company's staff members having at least 6 months of seniority.

Employees benefited from health insurance and death/disability insurance for an annual overall amount of 1,077,000 euros, up by 13% compared to 2011.

Work organisation

In its employment policy, Crédit Logement :

- makes every endeavour to meet requests for part-time work and 29 staff work part time, representing nearly 11% of the total workforce;
- has decided to pay for staff absences of up to 3 days per year in the case of sick children (the law provides for the absence but not the payment of the days);
- encourages promotion and internal transfers. 23 employees were promoted and 10 were transferred internally. The qualifying training arrangements that have been running since 2011, known as the "professionalisation period", which allow certain employees to obtain banking qualifications in partnership with the French Centre for Banking Training, was renewed in 2012;
- has signed a collective company agreement with its union representatives to establish telecommuting. Several staff benefit from this under the agreement on senior staff;
- applies a working period of 35 hours weekly to be performed over 5 working days within "mobile" and "fixed" time periods. The concept of a "fixed time period" implies the obligation to be present at the place of work during this period and allows staff to manage their working time during the mobile time periods.

A new software package for time management was installed, together with software for managing training in partnership with AGEFOS, the organisation responsible for providing professional training.

Also, each year, Crédit Logement promotes the employment of young people by making use of auxiliary staff in holiday periods, particularly between June and September and sometimes during the holidays in early November, the end of the year, in winter or at Easter. These are young high-school or other students, aged at least 16 years.

Management/employee relationships

The various representative bodies within Crédit Logement are: the works council, staff representative, Health, Safety and Working Conditions Committee and union delegates. The meetings are monthly and quarterly, meaning that a sustained and frequent employee/management dialogue can be maintained.

Crédit Logement encourages employee/management dialogue and the negotiation of collective agreements with its union delegates and takes into account health and safety aspects within these negotiations (examples: senior staff agreements and telecommuting). The management and the union delegates have signed six company collective agreements over the last year and a half.

Equal opportunities agreement

The principle of parity between men and women implies the absence of any discrimination based on sex in the conditions for access to jobs or places of work at all levels, to remuneration, to professional orientation and training.

In accordance with the law dated 9 November 2010 reforming pensions, a company collective agreement was signed by the CGT and SNB-CFE-CGE unions on 16 December 2011, on equal opportunities for women and men. This agreement aims to facilitate the assessment of differences in the situations of women and men in the company and to implement the necessary measures to correct any inequalities. Given the specifics of Crédit Logement, this agreement is focused on actions in the areas of training and remuneration.

On 31 December 2010, the phase of aligning the minimum salaries of women on the minimum basic salaries by coefficient was finished. Crédit Logement has maintained its commitment; each year, an analysis is performed that compares the basic minimum salaries between women and men, by coefficient, and presented to the unions during the obligatory annual negotiations. A report is written, each year, in the "unique document".

Senior staff agreement

The law on social security funding (article 87) for 2009 obliged companies to conclude an agreement in favour of keeping senior staff in employment or, in the absence of an agreement, to establish action plans on this topic.

Crédit Logement has negotiated and signed a "senior" action plan for this purpose and has set itself an objective of encouraging "maintenance in employment" covering the following areas for action:

- anticipating the development of professional careers;
- improving working conditions and preventing situations of hardship;
- developing skills, qualifications and access to training;
- adapting ends of careers and the transition between employment and retirement.

An agreement was signed on 2 November 2011 and a report, produced each year, is inserted into the "unique document".

Agreement on telecommuting

This agreement was signed as part of the "senior" agreement, particularly relating to the actions intended to keep employees aged 55 years and over in employment. Crédit Logement is committed to improving working conditions and preventing situations of hardship in this category of personnel. This organisation mode can only be open for jobs or activities that are compatible with this form of work. Telecommuting from home is voluntary.

The agreement was signed on 16 December 2011 for an indeterminate period. The requests made in 2012 were accepted.

Agreement on access conditions and use of the intranet and email by the representative unions within Crédit Logement

Signed on 2 November 2011 for a period of 3 years, this agreement specifies the conditions for the provision, functioning and use of dedicated areas in Crédit Logement's intranet portal for the benefit of representative trade unions, and of email.

Agreement on profit-sharing and bonus schemes

A profit-sharing agreement signed between the Management Committee and the Works Council was established in 1982. It was subject to various amendments imposed by the legislation in force and the latest one was concluded on 20 June 2012 between the Management Committee and the Works Council for 3 years, from 2012 to 2014.

Likewise, a bonus scheme was signed on 20 June 2012 for a period of 3 years.

These two agreements concerned all employees of Crédit Logement having at least 3 months of seniority.

Health and safety

Supported by an external consultant approved by ANACT, in the second half of 2012, Crédit Logement carried out a survey on psycho-social risks. The results of this survey showed that 84% of staff were satisfied with their work and that very few of them were considering leaving the company. A detailed examination of the survey has led to an action plan being formalised, which will be implemented during 2013 in association with the management teams and all staff in the company.

The report on health, safety and working conditions is presented each year at the meetings of the Health, Safety and Working Conditions Committee and the Works Council.

In 2012, there were no work-related accidents but there were 6 accidents during travel, including 3 with medical leave of absence. Given that there were no work-related accidents, the frequency rate is nil and given that there was no medical leave of absence for work-related accidents, the rate of severity is also nil for 2012.

Our rates of absenteeism[1] were 3.42% for illness and 1.54% for maternity.

The health-insurance and death/disability insurance schemes were renegotiated with a new broker to provide equal services. No work-related illness occurred.

[1] The rates were calculated by taking the total number of working days affected by the absence related to the total number of working days worked by the average workforce

Crédit Logement organises blood-donation sessions with the French blood-donation institution, providing staff with a shuttle service to the place where the donation is made. Two sessions were organised in spring and autumn 2012, in which 43 donors participated.

Training

For this, Crédit Logement:

- commits more than 3% of its payroll expenditure to funding training for its employees, for a legal obligation of 0.9%,
- devotes 3,854 hours to training, including 1,995 hours for women and 1,859 hours for men, which breaks down as follows:
  - . 3,123 hours of vocational training;
  - . 381 hours under the Individual Training Entitlement scheme;
  - . 350 hours during the professionalisation period.

Equality of treatment

Crédit Logement:

- has been committed, since 2007, to equal minimum salaries by coefficient between women and men. Each year, this subject is examined during the obligatory annual negotiations and any corrections are made;
- has signed a collective company agreement with its union delegates on equal treatment for men and women aiming to facilitate the assessment of differences in situations between men and women and to implement the necessary measures to correct any inequalities. To this end, an analysis report is included in the unique annual report presented to the works council;
- has signed a collective company agreement with its union delegates on employing seniors and maintaining them in employment;
- has signed an agreement with AGEFIPH concerning the work of people who are recognised as being disabled. At each meeting organised by the Management Committee, Crédit Logement brings in a specialised sign-language interpreter for a member of staff who is deaf and dumb. This same interpreter is used during individual interviews organised with the staff member's manager (such as the annual assessment interview).

Promotion and compliance with the provisions of the fundamental agreements of the International Labour Organisation

Crédit Logement is a French company established only within France and therefore complies with French law. It applies the Employment Code in France and therefore complies with the provisions of the fundamental agreements of the ILO relative:

- to respect for freedom of association and of the right to collective negotiation;
- to the elimination of professional and employment discrimination;
- to the elimination of forced or obligatory labour;
- to the effective abolition of child labour.

OUR ENVIRONMENTAL RESPONSIBILITY

Due to the nature of its activity and the size of the company, Crédit Logement's environmental impacts are essentially the direct and immediate consequences of the functioning of its activities (property, travel, IT, paper, etc.).

Through its actions, Crédit Logement undertakes to control its direct environmental impacts and to take into account the environment in its activities. To participate in the fight against climate change within the company and to control the direct environmental impacts of its activity, Crédit Logement's objectives are to:
- control its energy consumption;
- rationalise the use of paper;
- recycle and sort its waste.

The Deputy Chief Executive in charge of Finance, IT, Risks and General Administration is responsible for coordinating Crédit Logement's actions in favour of the environment.

Given Crédit Logement's insignificant impact on the environment, no specific training and information actions are carried out amongst employees in matters of environmental protection.

Controlling its energy consumption

Energy consumption

Crédit Logement does not use renewable energy and consumes electricity only for all of its premises.

In order to reduce its electricity consumption, Crédit Logement has established the following actions:
- all of its washrooms have been fitted with movement-detector switches to reduce electricity consumption in buildings;
- spotlights have been gradually replaced by low-consumption bulbs;

- for 9 buildings, representing 22% of them, the R-22 fluid was replaced in 2011 and 2012 and only 7 buildings remain, for a total load of 10.6 kg, for which this system must be replaced. For these buildings, a new replacement campaign is planned in 2013;
- in 2012, the IT department also developed server virtualisation. So the number of physical servers was reduced by 68% (18 in 2012 against 56 in 2011), while the number of virtual servers increased by 32% (115 in 2012 against 87 in 2011).

Crédit Logement's total electricity consumption for 2012 was 1,137,151 kWh (1,084,088 kWh for the main building and 53,063 kWh for building 2) for a total surface of 5,904 m², representing 4,165 kWh / person.

Crédit Logement's main building of 5,404 m² has an energy label of E. Energy consumption will have to be reduced by at least 57% to reach class C, while building 2 of 500 m² already has an energy label of C and with an effort to reduce energy consumption by 30%, this building could obtain an energy label of B.

In comparison, Crédit Logement's energy consumption is equivalent to the consumption of 71 average households (1 household = 15,985 KWh/year).

Crédit Logement emitted 95.5 tonnes equivalent CO2 (teq CO2), representing 0.33 teq CO2/person, 95% of it coming from the main building. This calculation takes into account, and converts to tonnes equivalent CO2, the emissions of the 6 greenhouse gases concerned by the Kyoto protocol, related to energies consumed in buildings (heating, air conditioning, lighting, powering IT equipment, etc.).

Water consumption

Crédit Logement's water consumption for its two main buildings was 3,711 m^3 for 2012, against 2,863 m^3 of water for 2011, which represents a 30% increase and water consumption of 13.6 m^3 / person in 2012 against 11.3 m^3 / person in 2011. The increase in water consumption between 2011 and 2012 is mainly due to higher temperatures in 2012 than in 2011 over the summer period. In particular, Paris had a significant heatwave in August 2012, and July 2011 was the coldest over the last three decades (source Météo France). Crédit Logement must continue to raise awareness in this area to reduce water consumption.

Rationalising the use of paper

To optimise the installed base of printing equipment and lead to a drop in paper consumption, Crédit Logement has established procedures for saving paper:

- printers are configured, by default, to print on both sides;
- the use of digital media is being developed;
- the scanning of paper documents is being developed;
- 2,500 copies of the 2011 annual report were printed on Satimat Green recycled paper. According to the service provider's environmental calculator, the use of recycled paper reduced the environmental impact by 416 kg of material sent to landfill and 38 kg of CO_2, equivalent to 676 kg of wood.
- electronic greetings cards are sent as well as paper cards. Electronic greetings cards have been in place for more than 3 years at Crédit Logement and paper greetings cards carry the "eco" label.

These various actions led to an 18.4% reduction in the number of sheets of paper used (printing and reprographics) between 2011 and 2012, with 3.65 million sheets of paper used in 2012 against 4.47 million in 2011, representing 13,370 sheets per person in 2012 against 17,599 in 2011, representing a 24% drop in consumption per person.

For sending letters informing borrowers of the repayment of the returnable share of the mutual guarantee fund, Crédit Logement uses a service-provider involved in a process of responsible development: paper from responsibly-managed forests is used (PEFC, FSC) and eco-labelled, maximum use is made of envelopes that meet the same criteria as the paper, waste is sorted and recycled and climatic solidarity actions are undertaken to compensate for CO_2 emission rates that are difficult to reduce. The total number of pages sent in 2012 was 214,017, down by 15% compared to the 252,532 that were sent in 2011.

Recycling and sorting

IT equipment

IT equipment that has reached its "end of life" is subject to a specific processing policy and is resold to a broker.

Recyclable waste

Recyclable waste is recovered by the Paris local authority, which empties a 760 litre container twice a week for the main building, which represents 790 hectolitres of recyclable waste per year.

Since 2010, Crédit Logement has placed receptacles for water bottles and cans on each floor where a bottled water distributor is installed. There are therefore 8 receptacles installed for recycling cans and water bottles. The energy that can be saved by recycling an aluminium can could provide enough electricity to power a computer for 2 hours or a 100 W bulb for 4 hours.

Environmental indicators

Due to its activity and its low environmental impact, Crédit Logement has not established specific indicators on the following topics:

- prevention of environmental risks and pollution: Crédit Logement's activity is non-polluting;
- determination of provisions and guarantees for environmental risks;
- prevention, reduction or reparation of discharges to the air, water or the ground that seriously affect the environment;
- consideration of noise nuisance and any other form of pollution specific to an activity;
- use of soil;
- adaptation to the consequences of climate change: Crédit Logement has not identified any impact of climate change on its activity;
- protection of biodiversity.

Summary

NUMBER OF OCCUPANTS LISTED on 31 December 2012	273
Water consumption (m^3)	3,711
Total energy consumption (kWh/year)	1,137,151
Total energy consumption per occupant (kWh/person)	4,165
Consumption as an equivalent number of households	71
Number of sheets of paper per person	13,370
Total CO2 emissions (teq CO2)	95.5
CO2 emissions per person (t)	0.33

Crédit Logement's societal commitments

Due to compliance with French law, Crédit Logement does not need to establish specific actions relative to the protection of human rights.

Impact on neighbouring and local populations

Established in the heart of Paris, Crédit Logement encourages its employees to come to work using the public transport system in the Paris area, thanks to the immediate proximity of the inter-modal public transport hub (Châtelet-Les Halles). Crédit Logement generates a positive impact for shopkeepers and restaurants in the district.

Thus, the Works Council has developed partnerships with certain local shopkeepers and museums to provide staff with benefits and shopkeepers with the patronage of employees of Crédit Logement.

Also, in order to limit the noise or olfactory nuisance for local residents related to employees' work breaks, Crédit Logement has established the following actions:

- regular reminders to staff on the discomfort caused by standing on pavements too near to buildings (e.g.: tobacco odours rising);
- ashtrays have been placed on the pavement.

Corporate sponsorship

In 2012, Crédit Logement again wished to associate itself, by a donation, with the actions carried out by several associations acting in the public interest through humanitarian and social aims.

After having undertaken, at the beginning of the year, to aid the association "Together against leukaemia" to help patients and their families, then at the end of the year using greeting cards published for the benefit of the "Fondation de France" – projects to aid vulnerable people, development (research, culture and training) and the environment – Crédit Logement chose 5 associations in 2012 :

- Les Restos du Cœur : voluntary assistance to impoverished people, particularly concerning food, through access to free meals and by actions to help their social and economic inclusion
- Les Petits Frères des Pauvres : support to people mainly over 50 years old, suffering from solitude, poverty, social exclusion and serious illnesses
- The French Red Cross : helps to fight poverty and is a non-profit-making organisation that works in the health, social, medical/social and training fields
- Enfance et Partage : recognition, promotion and defence of children's rights, in France and throughout the world, against all forms of mistreatment, whether they are physical, psychological or sexual
- Le Rire Médecin : encourages hospitalised children to take part in recreational activities with clowns.

A message was passed internally to all staff allowing them to submit public-interest associations that they care about in particular.

Relationships with suppliers and subcontractors

Crédit Logement pays great attention to choosing its suppliers and subcontractors. In its purchasing policy, Crédit Logement works only with European suppliers and subcontractors and analyses responses to calls for tenders, taking into account the social and environmental clauses mentioned by the suppliers and subcontractors.

For example, the subcontractor who sends the monthly dispatches of mutual guarantee fund letters has established a specific process concerning responsible development.

Prevention of corruption

In accordance with law n° 90-614 dated 12 July 1990, the manager of the Audit Department has written administration instructions and a training manual on the fight against money-laundering, funding terrorism and corruption.

The manager of Audit and Internal Control is also responsible for updating this documentation.

The law n° 2006-64 dated 23 January 2006 on fighting terrorism established a procedure for freezing the assets of individuals or legal entities that commit, or try to commit, acts of terrorism. Decree n° 2009-104 dated 30 January 2009 extends this procedure to the case of international financial sanctions decided in application of resolutions adopted by the United Nations Security Council or acts applying the treaty on the European Union. Measures to freeze assets may only concern individuals or legal entities that commit, facilitate or participate in acts of terrorism. These asset-freeze measures announced by the ministry responsible for the economy are set for a period of six months renewable with no time limit. These decrees published in the Official Journal are binding as soon as they are published. The measure is enforceable against creditors and third parties who may claim rights to the assets concerned. As soon as it receives the information, the Audit Department examines the details and is responsible for declaring the assets frozen to the ministry of the economy.

Lastly, Crédit Logement, which is subject to French law, complies with the obligations of the ILO concerning the prevention of corruption.

A process to serve customers of Crédit Logement

Crédit Logement has set itself the objective of satisfying borrowers and also its partners. Crédit Logement has therefore put the following actions in place in order to achieve this objective :

- With partners :
  - regular satisfaction surveys are completed by bank partners to measure service quality;
  - commercial events in the form of quizzes (e.g.: introduction of the new version of Crelog.com) or challenges.

- With borrowers :
  - priority is given to seeking friendly solutions in case of financial difficulties;
  - participation in the National Property Exhibition and publication in the Today newspaper;
  - Crédit Logement/CSA Observatory: the Observatory on Financing Residential Markets was born of the synergy between Professor Michel Mouillart, the CSA Institute and Crédit Logement. The analyses performed by the Crédit Logement/CSA Observatory – Observatory on Financing Residential Markets – are based on an average of more than 16,000 transactions per month, meaning that the Observatory receives annual data based on nearly 200,000 new transactions. It allows all players to learn the recent trends in financing the residential property market;
  - *Initio* scale: proposed when one of the parties to the application is aged between 18 and 36 years old inclusive: payment of the guarantee commission is deferred to the end of the loan and deducted from the repayable share of the mutual guarantee fund, which reduces the initial cost of the guarantee for younger borrowers;
  - telephone and email assistance for borrowers;
  - the details of the ASF mediator are provided on the Internet site in case of any complaints;
  - frequently asked questions and their answers are available on the Internet site.

Certificate of presence and limited assurance report from one of the statutory auditors on the social, environmental and societal information presented in the management report

For the attention of the Management Committee,

Following the request made to us in our capacity as statutory auditors of Crédit Logement, we present our report on the social, environmental and societal information presented in the management report established for the financial year ending on 31 December 2012, in application of the provisions of article L.225-102-1 of the French commercial code.

Obligations of the company

The Board of Directors of Crédit Logement is obliged to establish a management report including the social, environmental and societal information specified in article R.225-105-1 of the French commercial code (hereafter the "information"), established in accordance with the reference texts used (the "reference texts") by the company and available upon request from the company's head office.

Independence and quality control

Our independence is defined by the regulations, the profession's code of ethics and the provisions specified in article L.822-11 of the French commercial code. Also, we have established a system of quality control that includes documented procedures and policies aiming to ensure compliance with ethical rules, professional standards and the applicable laws and regulations.

Obligations of the statutory auditors

Based on our work, it is our responsibility:

- to certify that the required information is present in the management report or, in case of omission, is explained in application of the third paragraph of article R.225-105 of the French commercial code and decree n°2012-557 dated 24 April 2012 (certificate of presence);
- to express limited assurance concluding that the information presented, in all significant aspects, is honest sincerely in accordance with the reference texts used (Limited assurance report).

To assist us in performing our work, we have called upon experts in corporate social responsibility.

1. Certificate of presence

We have conducted the following work in accordance with the professional standards applicable in France:

- we have compared the Information presented in the management report with the list specified by article R.225-105-1 of the French commercial code;
- in the case were certain information was omitted, we have checked that the explanations were supplied in accordance with the provisions of decree n°2012-557 dated 24 April 2012.

Based on this work, we certify that the management report contains the required information.

2. Limited assurance report

Nature and extent of work

We have performed our work in accordance with ISAE 3000 (International Standard on Assurance Engagements) and the professional doctrine applicable in France. We used the following checks to obtain limited assurance that the information does not contain significant discrepancies likely to compromise its accuracy, in all significant aspects, in accordance with the reference texts. A greater degree of assurance would have required more extensive verification work.

We performed the following work:

- we determined that the reference texts were appropriate concerning their relevance, comprehensiveness, neutrality, clarity and reliability, taking into account, if applicable, the best practices of the sector;
- we checked that Crédit Logement had established a process for collecting, compiling, processing and checking to ensure that the Information was comprehensive and coherent. We took note of the procedures for internal control and risk management relative to preparing the Information. We conducted interviews with those responsible for social and environmental reporting;

- we selected the information to be tested[2] and determined the nature and extent of the tests, taking into account their importance with regard to the social and environmental consequences related to the activity and characteristics of the company and to its societal commitments.
    - Concerning the quantitative information that we considered the most important, we have:
        - carried out interviews to check that procedures were correctly applied;
        - implemented detailed tests based on sampling, consisting of checking the calculations made and reconciling the data from substantiating documentation.
    - Concerning the qualitative information that we considered most important, we carried out interviews and reviewed associated document sources to corroborate this information and assess its accuracy.
- for the other published information, we assessed its accuracy and coherence in relation to our knowledge of the company and, if applicable, by interviews or by consulting document sources.
- lastly, if applicable, we assessed the appropriateness of the explanations concerning the absence of certain information.

Conclusion

Based on our work, we found no significant discrepancies likely to call into question the fact that the information is presented accurately, in all significant aspects, in accordance with the reference texts.

Neuilly sur Seine, 9 April 2013

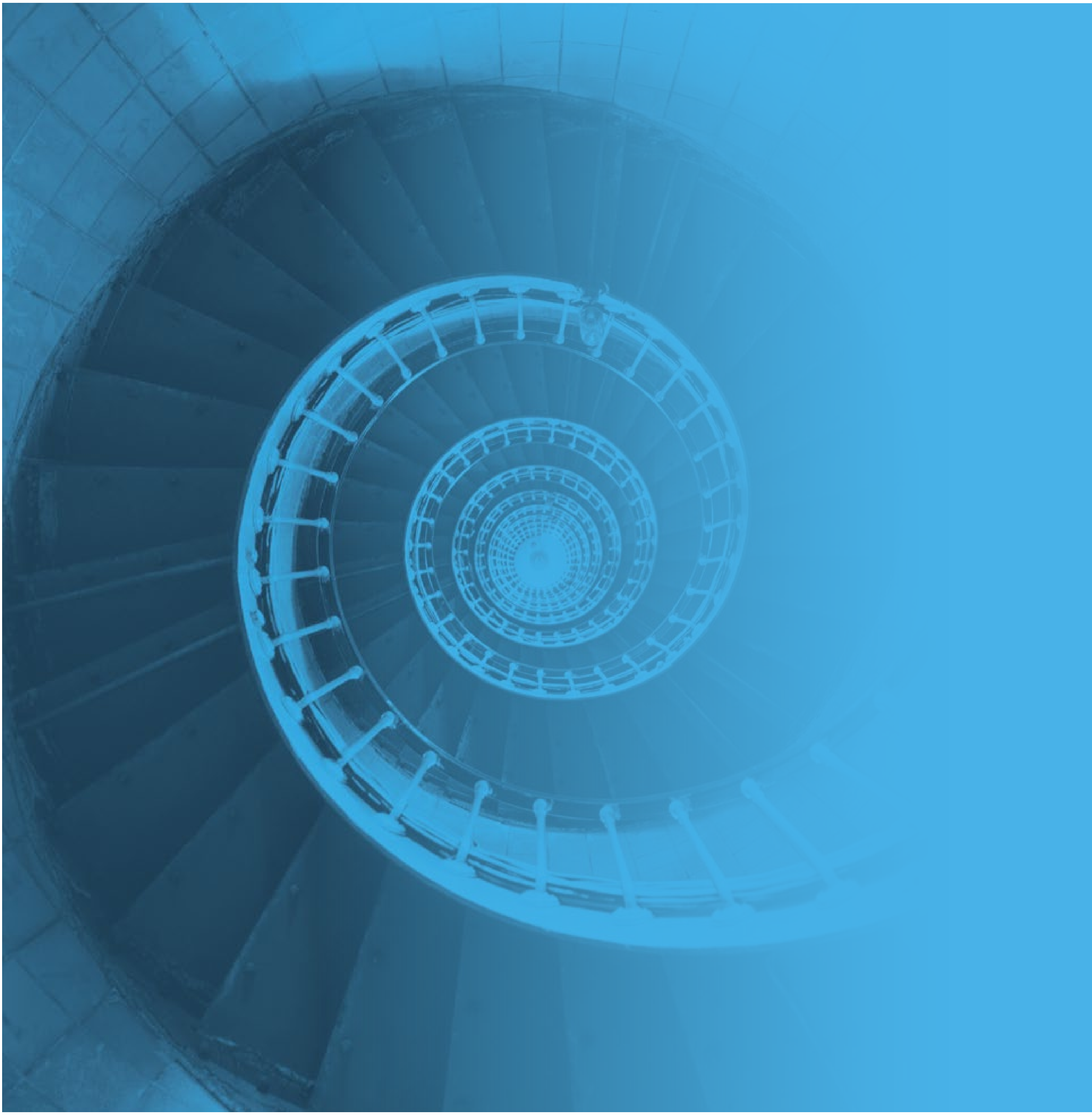
The statutory auditors

Deloitte & Associés
Sylvie BOURGUIGNON

* Workforce on 31 December, breakdown by sex, age range, type of contract, socio-professional category, full-time/part-time; number of permanent hires; number of dismissals; number of promotions and transfers; number of work-related accidents; frequency of work-related accidents; rates of severity of work-related accidents; rates of absenteeism for illness and maternity; number of hours of training; electricity consumption; CO2 emissions; water consumption; paper consumption.

Financial Report

THE DECEMBER 31, 2012



BALANCE SHEET
AT DECEMBER 31, 2012
in thousand euros

	2012	2011	Notes
CASH, CENTRAL BANKS, CCP	**222**	**221**	
DEPOSITS ON CREDIT INSTITUTIONS	**8 680 325**	**8 530 218**	A1
On sight	195 915	348 640	
Term	8 484 410	8 181 578	
CUSTOMER TRANSACTIONS	**588 045**	**482 542**	A3
Other customer loans	464	493	
Customer deposits allocated		2	
Bad debt	587 581	482 047	
BONDS AND OTHER FIXED-INCOME SECURITIES	**122 190**	**372 710**	A4-1
SHARES AND OTHER VARIABLE-INCOME SECURITIES	**203 696**	**203 582**	A4-1
EQUITY INTERESTS AND OTHER LONG-TERM SECURITIES	**34**	**48**	A4-1
INTERESTS IN AFFILIATED COMPANIES	**2 757**	**2 362**	A4-2
INTANGIBLE FIXED ASSETS	**4 051**	**4 141**	A5
TANGIBLE FIXED ASSETS	**13 282**	**13 216**	A5
OTHER ASSETS	**2 224**	**3 079**	A6
ACCRUALS	**304 560**	**269 138**	A6
TOTAL ASSETS	**9 921 386**	**9 881 257**	
Customer guarantee commitments	**232 869 959**	223 976 184	A12-1
COMMITMENTS GIVEN	**232 869 959**	**223 976 184**	

	2011	2011	Notes
CUSTOMER TRANSACTIONS	**18 516**	**22 022**	A7
OTHER LIABILITIES	**21 858**	**24 535**	A7
ACCRUALS	**485 721**	**475 515**	A7
DEPRECIATIONS FOR RISK AND EXPENSES	**409**	**412**	A8
SUBORDINATED DEBT	**7 906 146**	**7 895 529**	
Mutual guarantee deposits	3 703 143	3 518 671	A9-1
Subordinated borrowings	1 709 239	1 691 518	A9-3
Accrual on borrowings	9 612	9 320	A9-3
Surbordinated securities	2 459 408	2 650 150	A9-3
Accruals on subordinated securities	24 744	25 870	A9-3
FUNDS FOR GENERAL BANKING RISKS	**610**	**610**	A9-2
SHAREHOLDERS' EQUITY	**1 488 126**	**1 462 603**	
Capital	1 259 850	1 253 975	A9-4
Reserves	70 931	72 380	A9-4
Regulatory provisions	53 053	47 699	A9-2
Retained earnings	14	34	
Earnings for the year	104 278	88 515	
TOTAL LIABILITIES	**9 921 386**	**9 881 226**	
Guarantee commitments received from credit institutions	3 424 643	3 256 598	A11
COMMITMENTS RECEIVED	**3 424 643**	**3 256 598**	

PROFIT AND LOSS ACCOUNT
AT DECEMBER 31, 2012
in thousand euros

	2012	2011	Notes
Interest income	270 213	210 790	B1
Interest expenses	-103 513	-112 626	
Income from variable-income securitie	21	16	B2
Commission (income))	84 889	104 048	B3
Commission (expenses)	-1 105	-1 731	
Income on marketable securities	1 404	3 612	B4
Other banking operating income	3 284	3 185	B5
Other banking operating expenses	-186	-526	
NET BANKING INCOME	**255 007**	**206 768**	
General operating expense	-81 717	-59 973	B6
Allowances for depreciation and amortisation on tangible and intangible fixed assets including equity securities	-3 242	-3 060	B7
OVERHEADS	**-84 959**	**-63 033**	
GROSS OPERATING INCOME	**170 048**	**143 735**	
Gains on long terms investments and changes in provisions	-426	3	B8
INCOME BEFORE TAX	**169 622**	**143 738**	
Non-recurring income/loss			
Corporate income tax	-59 990	-50 684	B9
Movements in the reserve for general banking risk and regulatory provisions	-5 354	-4 539	B10
NET INCOME FOR THE YEAR	**104 278**	**88 515**	

NOTES TO THE FINANCIAL STATEMENTS

I - PRESENTATION OF THE ACCOUNTS

The rules applied for drawing up Crédit Logement's financial statements are based on principles adopted by the French national accounting board (Comité de Réglementation Comptable, CRC), on the regulation of the French banking and financial regulations committee (Comité de la Réglementation Bancaire et Financière, CRBF) and the instructions of the Prudential Supervision Authority's Inspection (Autorité de Contrôle Prudentiel) relative to the drawing up and publication of individual annual financial statements for institutions.

The balance sheet, income statement and notes have been drawn up in accordance with the general provisions of CRC Regulation 2000-03 dated July 4, 2000 relative to individual financial statements for companies governed by the French accounting and financial regulations committee (Comité de la Réglementation Comptable et Financière) – regulation ratified by the decree of November 10, 2000 (official gazette dated December 11 and 12, 2000).

The items making up assets, liabilities and off-balance-sheet commitments expressed in foreign currency are recorded and valued according to the principles of the French Banking and Financial Regulation Committee 89-01 and 90-01 supplemented by instruction 94-05.

Transactions in foreign currencies are valued based on prices on the date of closure of the financial year. Gains or losses that occur are booked to the income statement.

No change in accounting methods took place during 2012.

II - ACCOUNTING PRINCIPLES AND METHODS

ASSETS

DEPOSITS ON CREDIT INSTITUTIONS

Deposits are broken down in the notes as follows :

- on sight or term;
- based on the residual duration.

CUSTOMER CREDIT

Other customer loans

They represent loans granted to the company's salaried staff, and come in two types :

- capped loans for a maximum period of three years;
- zero-rate cash advances for the mutual guarantee fund due in relation to the surety for one or more residential loans for the duration of the loans guaranteed.

Bad debt

This item includes all amounts settled in connection with unpaid instalment (principal and interest), penalties, event of default and any collection costs and fees for which Crédit Logement has been subrogated as per its right as initial lender and those required to launch collection proceedings (expenses and fees). Where relevant, if it has been established that the debt cannot be recovered, the amount still due is withdrawn from the mutual guarantee fund in accordance with the regulations of the said fund.

In accordance with the opinion of the National Accountancy Council (Conseil National du Crédit) n° 2002-04 dated 28 March 2002 on the accounting treatment of credit risk in companies coming under the financial regulations committee (Comité de la Réglementation Bancaire et Financière, CRBF), bad debts have been divided according to the following categories :

- doubtful debts;
- compromised doubtful debts.

The definition of each category retained is described at the end of this note under off-balance sheet commitments. On account of the existence of the mutual guarantee fund, which covers the loss ratio for the guarantee portfolio on residential loans, such bad debt is not provisioned.

SECURITY PORTFOLIO

We differentiate between three types of securities :

- marketable securities;
- investment securities;
- equity securities and interests in affiliated companies.

The presentation of the portfolio in statements for publication is broken down into the following categories:

- government securities and assimilated;
- bonds and other fixed-income securities;
- shares and other variable-income securities;

- equity interests and other long-term security holdings;
- interests in affiliated companies.

Marketable securities

According to the amended Article 5 of CRBF Regulation 90-01, marketable securities are fixed or variable-income securities that are recognized neither as trading securities, nor as investment securities, nor among the securities described in chapter 3 bis of said Regulation (trading securities, other long-term securities, shareholdings and shares in associated undertakings).

These securities are booked at their acquisition date for their acquisition price, net of costs and accrued interest. Securities are withdrawn based on the FIFO method.

At each year-end, the cost price of securities bearing interest is increased or decreased as relevant in order to factor in interest from the difference between the nominal rate for the security applied to the redemption value and the negotiated rate applied to the acquisition price. For other securities, the cost price is the acquisition price.

However, it should be noted that an error was corrected by transferring SCI Martawi shares amounting to 6.192 million euros from the investment portfolio to marketable securities with no impact on the income statement. To facilitate comparability, the asset-side of the 2011 balance-sheet was consequently re-stated.

At year-end, the value of the securities is retained for the lowest of the following two values: cost price or market value. If the market value is lower than the cost price, the unrealised capital losses are booked as valuation allowances. Unrealised capital gains are not recorded.

Investment securities

According to Article 7 of CRBF Regulation 90-01, investment securities are fixed-income securities that the company intends to hold through to maturity and that it has made a commitment, at the time of acquisition, to finance through permanent resources.

They are subscribed with the manifest intention and ability to hold them until maturity. These securities must not be subject to any existing restriction, legal or other, which may be likely to call into question the intention to hold them until the securities mature. The classification as investment securities is no obstacle to their designation as items covered against interest-rate risk.

They are booked at their redemption value. The discounts or premiums are amortised or spread over the residual life of the securities, according to the straight-line method. The book value of securities is thus gradually adjusted to their redemption value. The interest relating to these securities is booked to the income statement in the section "Other interest and equivalent income".

For securities that have been reclassified from the "marketable securities" category, they are recorded at their acquisition price and the depreciation booked previously is written back over the residual term of the securities concerned. The intention to hold them to maturity must be clear, and they must also be covered by permanent resources in order to finance them through to their maturity.

At each year-end, the cost price of securities is increased or decreased as relevant in order to factor in interest from the difference between the nominal interest rate for the security applied to the redemption value and the rate negotiated applied to the acquisition price. If the market value is lower than the acquisition value adjusted for depreciation and write-backs linked to the difference between the acquisition cost and the redemption value of the security, no valuation allowances are booked.

An allowance for depreciation is booked if there is a strong probability that the institution will not keep the securities until maturity due to new circumstances, for example, when the impairment of the quality of the issuers' signature might compromise the redemption at maturity, in which case the depreciation is classified as the cost of risk. Unrealised capital gains are not recorded.

Equity securities

In accordance with Article 9 ii of Regulation 90.01, the heading for “equity securities and interests in affiliated companies” groups together securities whose long-term ownership is considered to be useful for the company's activity. Such securities are recorded on the balance sheet at their acquisition value.

Investments of a financial nature in companies that may be included within the scope of consolidation are considered as associated interests.

When the going concern value is lower than the acquisition value, any unrealised capital losses are booked through provisions. Unrealised capital gains are not recorded. The going concern value is determined based on a number of economic criteria (estimated net assets, profitability and outlook for profitability, cost price, revalued net position, etc.).

This section includes the partnership certificates which were reclassified from the "intangible assets" item to this item, in accordance with the terms of the information letter BAFI 2007-1.

FIXED ASSETS

Pursuant Regulation 2002-10 and 2004-06 of the CRC, accounting rules have been in effect with regard to asset definition, valuation and depreciation since 1 January 2005.

Our establishment opted for the so-called “forward-looking” simplification measure instituted by Article 17 of Regulation 2004-06.

Tangible fixed assets involving buildings have been divided using the simplified re-allocation method, by component, based on the relevant net accounting values on January 1st, 2005.

The change in method has no impact, whether on net assets or tax income. An inventory of the components was drawn up with the assistance of an external firm. Fully depreciated capital assets are not restated.

The fully-depreciated fixed assets were not included. Taking into account the nature of our fixed assets relating to buildings, only four components have been used, namely :

- structural components;
- Roof / front;
- technical equipment;
- fixture and fittings.

The depreciations are shown hereafter :

Depreciations	Method	Period
ASSETS UNDER CONSTRUCTION	NA	
INTANGIBLE FIXED ASSETS		
Lease	N/A	
Software	Straight-line	1, 3, 4 or 5 years
TANGIBLE FIXED ASSETS		
Land	N/A	
Buildings	Straight-line	150 years from 01/01/1945
Roof/front	Straight-line	30 years
Vehicules	Straight-line	4 years
Office equipment	Straight-line or diminishing balance	5 years
Technical equipment	Straight-line	10 years
Furniture	Straight-line	5 to 10 years
Computer equipment	Diminishing balance	3, 4 or 5 years
Technical equipment	Straight-line	20 years
Fittings and fixtures	Straight-line	10 years

ACCRUALS AND OTHER ASSETS

Deferred expenses

These are composed mainly of the costs and expenses arising from the issue of deeply subordinated securities. The expenses are settled during the year in which the transaction is put in place and are spread in accounting terms over a period of up to five years, on a prorata basis, which matches the early exist option available on each operation. From the tax standpoint, the expenses actually paid out are deducted and the expenses allocated to each fiscal year are factored back in.

Income to be received

At the end of 2006, a new guarantee product was implemented with a different tariff structure. The special characteristic relates to the postponement of the payment of the guarantee commission to the release of the guarantee and the collection of the fee is settled against the mutual guarantee fund released commission by deduction from the share repayable from the mutual guarantee fund at the end of guarantee.

ON THE LIABILITY SIDE

TRANSACTIONS WITH THE CLIENTELE

GUARANTEE DEPOSITS RECEIVED

In 2009, under the tax regime to aid investment in French overseas municipalities, shares in a real-estate company (SCI) in New Caledonia were purchased.

In order to ensure the repurchase of the securities in 2017, a cash collateral account with capitalised interest was set up by the other partner in the SCI, a semi-public low-cost housing company, thus underwriting the promise by this company concerning the repurchase of shares in the SCI. Each year, the value of securities on the balance sheet is adjusted to the balance of the cash collateral account.

Other amounts due

These include sums payable to customers, either for the mutual guarantee return fund, overpayments received on equity interests, or sums whose allocation is still being determined.

The sums payable under the mutual guarantee return fund, owed to borrowers whose loans have been completed, according to information unchallenged by the lending banks, held by Crédit Logement and for which the banks cannot find the original borrowers, are listed under “Other Amounts Due – Segregation.

OTHER LIABILITIES

They comprise amounts due that can be broken down as follows:

- sums to be paid back for the collection activity on behalf of third parties, which are unavailable in light of the collection and payback periods;
- sums due to suppliers (invoices for overheads or fixed assets);
- sums due to staff and employee profit-sharing linked to the company's growth;
- tax and social security liabilities.

Payment deadlines for suppliers: in accordance with article L.441-6 paragraphs 8 and 9 of the French Commercial Code, the settlement deadline for amounts due is fixed either at the 30th day following the date of reception of goods or execution of the requested service, without exceeding 45 days from the end of the month, or 60 days from the date of issue of the invoice. The balance of accounts payable, distributed by payment due date, is shown in the appendix.

ACCRUALS - LIABILITIES

Pre-booked income

In response to the continuous guarantee service as practiced by our company, guarantee commissions are allocated to earnings based on a constant equal to the total amount of commissions acquired for a contract, divided by the duration of the loan expressed in years, multiplied by a factor F, factoring in adjustments for the first and final year.

This formula makes it possible to respect the principle of adequacy between the staggered allocation rate for commissions and the commitment rate for expenses attributable to the transactions in question.

Deferred income concerns guaranteed files on which the guarantee commission is payable as soon as the loan is put in place by the lender.

Prepaid income concerns guaranteed files on which the guarantee commission is payable at the end of the loan. The receivable concerning the guarantee commission is recorded as an asset under “income receivable” and the collection will be made by deducting against the returnable share of the mutual guarantee fund at the normal or early term of the loan.

RESERVE FOR RISKS AND EXPENSES

In addition to reserve on option, they include reserves for litigation, compensation risks, damages and fees for legal proceedings resulting from ongoing proceedings or those subject to appeal.

A reserve is booked:

- if the company has actual commitment in relation to a third party on the date of closure;
- and if, on the date of closure, it is probable that the company will have to withdraw resources for the benefit of this third party, without at least an equivalent service from the third party after the date of closure;
- and if it is possible to reliably estimate this resource withdrawal.

SUBORDINATED DEBT

Mutual guarantee deposits

According to CRBF Regulation 2000-03 of July 4, 2000 relative to individual summary documents, mutual guarantee deposits are grouped together under “subordinated debt”.

The guarantee system used by Crédit Logement is based on the principle of mutualisation, as reflected in the financial participation of each borrower in a mutual guarantee fund intended to take the place of any borrower who defaults on loan repayments, partially for unpaid instalments and totally when an event of default has been pronounced.

In accordance with mutual guarantee fund regulations, the participation of each borrower may be returned after Crédit Logement's commitment has been released on a pro rata of the fraction not used by the legal department in connection with the defaulting borrowers.

A new version of the mutual guarantee fund regulations has been put in place for all files secured after April 2, 2000. The main changes concern the factoring in of the risk of non-repayment conservatively valued for all files participating in the fund (ex ante provisioning) on the one hand, and the expected rate of recovery on bad debt on the other.

Subordinated borrowings

The subordinated borrowings granted to the company by its shareholders meet the conditions stipulated in Article 4c of CRBF Regulation 90-02 and can be taken into consideration for supplementary capital up to 100% of the core capital.

These subordinated borrowings are undated, but may be paid back after eight years solely on the initiative of the borrower, subject to the prior agreement of the Prudential Supervision Authority's Inspection (Autorité de Contrôle Prudentiel) – ACP).

Subordination conditions

Interest is payable in arrears on a yearly basis on June 30 or December 30 of each year at the "LIVRET DE DEVELOPPEMENT DURABLE" rate. However, the company may, if its financial position required it in order to be able to pursue its activity, and after having deferred payment of interest due for deeply subordinated securities, postpone payment of this interest, which may be allocated, along with the principal, to cover any losses recorded by the company, after such losses have been covered by the deeply subordinated securities.

SUBORDINATED SECURITIES

These various issues were carried out in accordance with article L228-97 of the Commercial Code (Code de Commerce), with law n° 2003-706 dated 1st August 2003 and with article 2 of rule 90-02 dated 23/02/1990 of the Committee for Financial and Banking Regulation (Comité de la Règlementation Bancaire et Financière, CRBF). In the event of the company's liquidation, the nominal liabilities will be paid back in line with the seniority of the debt : first, unsecured debt, then "lower" Tier Two debt, then "upper" Tier Two, and lastly Tier One.

Undated deeply subordinated bond issue, with no step-up clause (Tier One) - FR0010301713.

16,000 undated deeply subordinated securities of 50,000 € nominal were issued on 16 March 2006 and can be taken into account in core shareholder's equity (Tier One), up to a limit of 25% of this core shareholder's equity.

They include :

- an early repayment option, at the exclusive initiative of the issuer, which can be exercised quarterly from 16 March 2011, providing that prior agreement has been obtained from the Prudential Supervision Authority's Inspection (ACP).

- a clause taking them from fixed-rate remuneration to variable rate, applicable to holders of these securities after 16 March 2011 and are quoted on the Luxembourg market.

Subordination conditions
The interest is payable annually at the end of each term expiring on 16 March of each year, at the fixed rate of 4.604% until 16 March 2011 and quarterly at the end of each term at the euribor 3 month rate plus 115 bp. However, the company may, if its financial situation requires it for the continuation of its business, postpone the payment of the said interest, this being able to be assigned, together with the principle, for inclusion in any losses sustained by the company.

In accordance with the limits specified in the issue notice, a partial early repurchase of 190 742 notes took place in March 2012, followed by the cancellation of the said notes, thus leaving a balance of 259 258 securities remaining in circulation.

Undated deeply subordinated securities (Lower Tier One) - FR0010128736.

450 000 undated deeply subordinated securities were issued with a par value of 1 000 euros on 2 November 2004 and may be taken into account in the core capital, for up to 15% of the said capital.

They include :

- an early repayment option on the issuer's sole initiative, which may be exercised on a quarterly basis from 15 December 2009 onwards, subject to the prior agreement of the Prudential Supervision Authority's Inspection.
- a clause for a 100 bp step-up payable to holders of the said securities after 15 December 2014, and are listed on the Luxembourg Stock Exchange.

Subordination Conditions
Interest is payable in arrears, on a quarterly basis, on 15 March, 15 June, 15 September and 15 December of each year, based on the Euribor 3-month rate plus 60 bp through to 15 December 2014 and 160 bp over the 3-month Euribor thereafter. However, the company may, if its financial position so requires in order for it to continue operations, postpone payment of the said interest, which may be allocated, along with the principal, to cover any losses recorded by the company.

Dated bond issue (Lower Tier 2) - FR0010469858).

20 000 dated subordinated bonds were issued with a par value of EUR 50 000 on 15 June 2007, in line with Article 2 of Regulation 90-02 dated 23 February 1990 of the Prudential Supervision Authority's inspection, and can be taken into account in the Tier 2 capital, for up to 50% of the core capital.

They include :

- an early repayment option on the issuer's sole initiative, which may be exercised on a quarterly basis from 15 June 2012 onwards, subject to the prior agreement of the Prudential Supervision Authority's Inspection.

- a clause for a 50 bp step-up payable to holders of the said securities after 15 June 2012, until their maturity date, on 15 June 2017, and are listed on the Luxembourg Stock Exchange. Interest is payable in arrears, on a quarterly basis, on 15 March, 15 June, 15 September and 15 December of each year, based on the Euribor 3-month rate plus 20 bp through to 15 June 2012 and 70 bp over the 3-month Euribor thereafter.

Subordination Conditions

However, the company may, if its situation requires it to allow it to continue its business, after having postponed payment of interest relating to subordinated securities and to equity loans, postpone payment of the said interest, this being able to absorb any loss that the company may sustain.

In accordance with the limits specified in the issue notice, a partial early repurchase of 1997 notes took place in March 2009, followed by the cancellation of the said notes, thus leaving a balance of 18,003 securities remaining in circulation.

Dated bond issue (lower Tier Two) – FR 0011000231

5,000 dated subordinated bonds were issued with a par value of 100,000 euros on 16 February 2011, in accordance with Article 2 of Regulation 90-02 dated 23 February 1990 of the Committee for Financial and Banking Regulation, and can be taken into account in additional equity capital (Tier 2), for up to 50% of the core capital.

They are quoted on the Luxembourg market. The interest is payable quarterly in arrears on 16 February of each year, at a fixed rate of 5.454 %.

On 16 February 2011, an issue of 8,938 undated bonds (upper Tier Two) - FR 0010306597 were contributed to the exchange for 446.9 million euros, the balance being subscribed up to 53.1 million euros.

Subordination Conditions

However, the company may, if its situation requires it to allow it to continue its business, after having postponed payment of interest relating to subordinated securities and to equity loans, postpone payment of the said interest, this being able to absorb any loss that the company may sustain.

REGULATORY PROVISIONS

A provision for risks relating to medium and long-term credit operations is booked in accordance with the French general tax code (Code Général des Impôts, CGI), Article 39-1-5, Paragraph 9 and Appendix IV Articles 2 to 3 ii. The allocation is equal to 5% of the book profit for each year.

FUNDS FOR GENERAL BANKING RISKS

The booking of a provision for general banking risks, as provided for under Article 3 of the CRBF Regulation 90-02, is intended to cover general risks linked to the banking activity.

The fund for general banking risks includes general provisions that have not been booked to cover various expenses or likely risks and that are clearly identified.

The amounts retained are net of tax in accordance with the conditions of Article 9 of CRBF Regulation 90-02.

SHARE CAPITAL

In accordance with the combined general meeting of shareholders dated 9 May 2012, it was decided to convert the Category B shares to ordinary shares, then to increase the capital from retained earnings to bring the nominal amount of a share to €70. Henceforth, the equity capital was composed of 17,997,861 ordinary shares of €70 each, fully paid up. These new shares were issued value date on 1rst January 2012. The entitlements conferred by each share are fixed as follows.

Distribution of profit according to article 18 of the Articles of Association:

"From the distributable profit, deductions are made for any amount that the general meeting may decide to carry over to the following financial year or assign to the creation of any extraordinary reserve, contingency fund or other fund, whether with special assignment or not.

The general meeting, reviewing the financial statements for the year, may grant to each shareholder the option to receive all or part of the dividend or interim dividends to be paid out in cash or shares."

OFF-BALANCE SHEET COMMITMENTS

FINANCIAL GUARANTEES

The guarantee offered by Crédit Logement is implemented within the framework of contracts of services and signed in the form of bank guarantees in the context of an auction. It is booked for an amount representing a maximum of 10% of the amount of the upset price, without the amount of this guarantee being able to be less than 3,000 euros.

The guarantee is valid for an undatet period and expires, according to the case:

- on the day of the auction, with the purchase by a third party other than the guaranteed party;
- the date of payment of the auction price and associated fees, in the case where the purchase is for the benefit of guaranteed party.

Crédit Logement provides bank guarantees for the benefit of the ordering district court and on behalf of its customer and books this guarantee in its off balance sheet.

Guarantee commitments for customers

The guarantee offered by Crédit Logement, “la caution solidaire” to cover residential loans granted to retail customers, is booked for the amount of capital still due by the borrowers at the end of each year.

In accordance with Notice 2002-03 issued by the national accounting board on March 28, 2002 relative to the accounting treatment of credit risk in companies governed by the banking and financial regulations committee, commitments relative to deposit agreements given have been broken down into the following categories as of this year:

- healthy outstanding guarantee ;

- healthy outstanding guarantee for restructured loans;
- doubtful guarantee;
- compromised doubtful guarantee;
- doubtful outstandings by contagion.

Outstanding guarantee has been segmented based on the following criteria:

- healthy outstanding guarantee: all loans that do not fulfil the conditions for bad debts;
- healthy outstanding guarantee for restructured loans: commitments that have been restructured at non-market conditions. They have been identified and must remain in this category through to their final instalment, except for in cases of failure to comply with the terms and conditions set; in this way, the transfer will be made directly into the category for compromised doubtful debt;
- doubtful guarantee : all commitments with a recognised credit risk in the following cases:
    - existence of one or more outstanding payments covering a period of at least three months;
    - knowledge of a deteriorated financial position for a counterparty, including without any outstanding payments recorded previously;
    - existence of contentious proceedings relative to a dispute between the institution and the counterparty.

  The conditions for a return to healthy outstanding debt are only justified if regular payments have resumed for the amounts corresponding to the initial contractual instalments.

- compromised doubtful guarantee : this category includes the following commitments:
    - any commitments that have remained doubtful for one year and for which no reclassification as healthy outstanding guarantee is likely, or when an event of default is pronounced;
    - any failure to comply with the instalments and due dates set as part of a restructuring (restructured healthy guarantee).

- Doubtful by contagion. The classification of a counterparty into one of two categories of doubtful guarantee automatically results in all of the guarantee and commitments relating to this counterparty being given an identical rating.

The instalments unpaid before the guarantee claim, which represents three unpaid instalments, are incorporated into the off-balance-sheet guarantee commitments. The method applied for calculating this amount is to obtain, from our main partners, rates of arrears at one month, two months and three months, and using a prudent approach, to apply the maximum rates obtained to the entire sound off-balance-sheet outstandings.

GUARANTEE COMMITMENTS RECEIVED

Mutual guarantee fund reconstitution commitment

Commitment given by Crédit Logement's shareholders and/or partners on a prorata of their guaranteed commitments to reconstitute the mutual guarantee fund in the event of the latter being used up. This commitment is updated on a half-yearly basis.

COMMITMENTS RECEIVED ON THE SECURITIES PORTFOLIO

These are commitments received from credit institutions. They guarantee a historic market value or initial amount invested in mutual fund units or tradable debt securities indexed and/or structured on specific underlying assets.

Commitments to forward financial instruments

Principles for recording and analysing the transaction

Transactions on forward financial instruments outstanding at the date of closure are shown in the off-balance-sheet commitments. Transactions on forward financial instruments covering interest rates and foreign exchange are recorded in accordance with the provisions of regulations n° 88-02 and n° 90-15 of the Committee for Financial and Banking Regulation.

Although they do not figure in the publishable off-balance-sheet, the amounts are booked in the off-balance-sheet accounts for their notional amount, and are detailed in the note appendix A13. They represent the volume of transactions and not the risks that are associated with them.

For commitments on interest rate instruments, the amounts are recognised for the notional of the contracts.

When each transaction is established, the category of position is immediately assigned, namely:

Isolated opened positions. Contracts classified in the portfolios of isolated opened positions are valued at the lowest of the acquisition price or their market value. Unrealised capital gains are not booked and unrealised capital losses are subject to provision for risk only if there is a counterparty risk.

Micro-hedging transactions. For transactions qualified as macro-hedging, the expenses and income relative to the forward financial instruments used, assigned from the outset to an item or to a consistent set of identified items, are recognised in the results symmetrically with the recognition of income and expenses on the items hedged.

Macro-hedging transactions. For transactions qualified as micro-hedging, the expenses and income are booked on a pro rata basis to the income statement.

The adjustments recognised at the conclusion of a contract are booked to the income statement over the lifetime of the contract. In case of termination or assignment of a contract, or its replacement by another contract, the adjustments recognised are immediately booked to the income statement. They are depreciated on a pro rata basis for macro hedging and micro-hedging transactions.

The expenses and income are booked on a pro rata basis to the income statement. The counterpart to this entry is booked to the accruals-liabilities accounts until the date of collection or disbursement of the funds.

The valuation rules are defined in the compensation master agreement to which the transaction is attached, according to the generally-applicable rules in the markets.

If the difference is negative, it is the subject:

- either of a provision for expenses if the operation is outside the master agreement,
- or of a margin call at the specified dates if the transaction is attached to a contract for collateral.

  In this case, if the margin call is insufficient, given the call threshold or the date of calculation other than the date of closure, as a precaution, an additional provision may be made.

Firm transactions on interest-rate instruments

Hedging transactions

With the aim of making the results insensitive to short rates, Crédit Logement has decided to contract hedging swaps (seller variable/buyer fixed rate), commonly called interest-rate swaps. They are booked according to the categories specified in article 2 of regulation n° 90-15 and in accordance with the provisions of regulations n° 88-02 and 90-15 and of instruction n° 94-04.

Optionnal transactions – Options on rate swaps (European options)

The instruments are traded in the seller position on an over-the-counter market (not considered equivalent to an organised market) in accordance with the provisions of regulations n° 88-02 and 90-15. They are classified in the category of isolated opened positions.

The premium is maintained on the balance sheet until the maturity of the option and when the option matures, it is immediately booked to the result.

On the closure date, the options are valued:
- the unrealised losses observed in relation to the market value are reserved;
- the unrealised gains are not booked.

Credit risk reduction mechanism

This covers the risk of financial loss if the counterpart to a financial instrument fails to fulfil their contractual obligations.

To reduce this risk, Crédit Logement has opted to establish "framework" collateral contracts on derivative products signed with bank counterparts, which nets exposures and establishes regular margin calls (cash deposits), which reduces real exposure.

EMPLOYEE BENEFITS

Commitments relating to end-of-career benefits and the supplementary pension scheme for executive staff (collective supplementary pension insurance policy with defined benefits covering all executive staff under certain conditions) are covered by collective funds managed by an insurance company.

Crédit Logement pays a contribution to these funds on a regular basis, with the difference between the actuarial value of such commitments and the value of the funds managed by the insurance company not provisioned in Crédit Logement's accounts.

BASIS FOR CONSOLIDATION

In accordance with the regulatory provisions in force, the companies that are not considered to be significant are not included in the basis of consolidation. In this context, the following companies are not consolidated: Crédit Logement Assurance, SNC Foncière Sébastopol and SCI Martawi.

As such, Crédit Logement does not draw up consolidated financial statements.

III – NOTES

Notes A: information on the balance sheet and off-balance sheet items

Notes B: information on income statement

Notes C: other informations

NOTE A - INFORMATION ON THE BALANCE SHEET AND OFF-BALANCE SHEET ITEMS (in thousand euros)

NOTE A 1 - DEBT AND BREAKDOWN BY PERIOD LEFT TO RUN

	< 3 months	3 months to 1 year	1 to 5 years	> 5 years	Total
CREDIT INSTITUTIONS	**1 296 643**	**1 454 611**	**1 964 167**	**3 964 904**	**8 680 325**
Sight debt	195 809				195 809
Term debt	1 070 000	1 418 000	1 953 000	3 964 904	8 405 904
Related debt	30 834	36 611	11 167		78 612
CUSTOMER DEBT	**587 618**	**91**	**146**	**190**	**588 045**
Other customer loans	37	91	146	190	464
Bad debt	587 581				587 581
BONDS AND OTHER FIXED-INCOME SECURITIES		**1 900**	**70 705**	**49 585**	**122 190**

NOTE A 2 - DEPOSITS BREAKDOWN

	Affiliated companies	Equity interests	Other companies	Individuals	Total
DEPOSITS ON CREDIT INSTITUTIONS		8 641 738	38 587		8 680 325
DEPOSITS ON CUSTOMERS				588 045	588 045
BONDS AND OTHER FIXED-INCOME SECURITIES		91 225	30 965		122 190

NOTE A 3 - CUSTOMERS LOANS

NOTE A 3-1 - CHANGE IN OUTSTANDING CUSTOMER LOANS

	31/12/2011	Releases	Repayments	Debt write-offs	**31/12/2012**
Cash loans - loans to company staff	493	243	272		464
Bad debt	482 047	204 918	92 562	6 732	587 581
TOTAL	**482 540**	**205 161**	**92 924**	**6 732**	**588 045**

No provisions have been booked on this debt at 31/12/08

NOTE A 3-2 - CREDIT RISK: BREAKDOWN BY CATEGORY OF OUTSTANDINGS

	Healthy debt	O/w, restructured healthy	**Bad debt**	O/w, compromised bad	**Total outstanding debt**
Cash loans - loans to company staff	464				464
Bad debt			587 581	583 184	587 581
TOTAL	**464**		**587 581**	**583 184**	**588 045**

NOTE A 4 - SECURITIES PORTFOLIO

NOTE A 4-1 - BREAKDOWN OF SECURITIES PORTFOLIO (*)

Issued by public bodies	Acquisition value Other issuers Listed	Unlisted	Total	Market or net asset value	Redemption value
BONDS AND OTHER FIXED-INCOME SECURITIES					
Bonds	120 290		120 290	134 142	120 000
Related debt	1 900		1 900	1 900	
INVESTMENT SECURITIES	**122 190**		**122 190**	**136 042**	**120 000**
SHARES AND EQUITY RELATED SECURITIES					
Money funds	197 389		197 389	219 767	
Other securities**		8 907	8 907	6 307	
Allowance for depreciation		-2 600	-2 600		
Marketable securities	**197 389**	**6 307**	**203 696**	**226 074**	
Investment in non related companies		34	34	34	
Investment in related companies		2 757	2 757	2 757	
INVESTMENT SECURITIES		**2 791**	**2 791**	**2 791**	
TOTAL SECURITIES PORTFOLIO	**319 579**	**9 098**	**328 677**	**364 907**	

(*) No trading or investment portfolio has been set up.
(**) Securities initialy classified as investment securities (note A 4-2). They were reclassified as marketable securities as of 31st december 2012.

NOTE A 4 –2 – EQUITY INTERESTS AND INTERESTS IN AFFILIATED COMPANIES

	% interest	Share capital	Shareholders' equity other than capital *	Income at 31/12/2009	Gross inventory value	Net inventory value
Other long terme securities						
"Certificat d'association fonds de garantie des dépôts"					4	4
Other securities						
Sté de Développement de l'Habitat Coopératif - SDHC	1,04	2 927	64	2	30	30
SUBSIDIARIES AND OTHER LONG TERM HOLDINGS					**34**	**34**
OTHER SECURITIES						
Crédit Logement Assurance	60,00	3 050	467	14	1 830	1 830
SNC Foncière Sébastopol	99,90	15		-104	15	15
ADVANCES ANS ASSOCIATED CURRENT ACCOUNTS						
SNC Foncière Sébastopol					448	517
INTERESTS IN AFFILIATED COMPANIES					**2 293**	**2 362**

* Figures at 31/12/11 before allocation of earnings for the year

NOTE A 5 - FIXED ASSETS

GROSS FIXED ASSETS	Gross value at year-start	Acquisitions	Sales or Internal transfers	Gross value at year-end	Net value at year-end
INTANGIBLE FIXED ASSETS	**24 712**	**2 129**	**34**	**26 875**	**4 051**
Assets under construction	2 423	1 154	-2 205	1 372	1 372
Software and licenses	22 289	975	2 239	25 503	2 679
TANGIBLE FIXED ASSETS	**33 821**	**1 507**	**-723**	**34 605**	**13 282**
Assets under construction	1 382	826	-563	1 645	1 645
Land	2 909			2 909	2 909
Structural components	5 412		67	5 479	3 726
Roof / Front	2 078			2 078	871
Transport equipment	98	56		154	95
Office equipment	356	21	-4	373	69
Club Affaires equipment and tools	68	7	-2	73	12
Office furniture	1 496	14	-174	1 336	306
Club Affaires furniture	123			123	42
Computer equipment	3 076	299	52	3 427	457
Fixture & fittings an rental premises	10 788	3	-393	10 398	153
Fixture & fittings an building	2 652	142	329	3 123	1 404
Technical equipment	3 383	139	-35	3 487	1 593
TOTAL	**58 533**	**3 636**	**-689**	**61 480**	**17 333**

DEPRECIATION OR PROVISIONS	Gross value at year-start	Charges	Writte backs	Gross value at year-end
INTANGIBLE FIXED ASSETS	**20 571**	**2 253**		**22 824**
Software and licenses	20 571	2 253		22 824
TANGIBLE FIXED ASSETS	**20 605**	**989**	**-271**	**21 323**
Land				
Structural components	1 704	49		1 753
Roof / Front	1 105	102		1 207
Transport equipment	22	37		59
Office equipment	273	42	-11	304
Club Affaires equipment and tools	61	2	-2	61
Office furniture	1 156	43	-169	1 030
Club Affaires furniture	79	2		81
Computer equipment	2 706	268	-4	2 970
Fixture & fittings an rental premises	10 234	81	-70	10 245
Fixture & fittings an building	1 526	193		1 719
Technical equipment	1 739	170	-15	1 894
TOTAL	**41 176**	**3 242**	**-271**	**44 174**

All fixed assets are exclusively used to carry out Credit Logement activity.

NOTE A 6 - OTHER ASSETS AND ACCRUALS

	31/12/2011	31/12/2012		31/12/2011	31/12/2012
Deposit guarantee fund	36	37	P and L adjustment on financial instruments	19/11/1905	3 100
Deposits and sureties given	140	136	Currency adjustment		40
Deposit on option - swaptions	950		Loss to amortize on financial instruments	493	438
Tax and social security receivables			Pre-paid expenses	342	694
			Deferred expenses	2 747	2 292
Debtors (staff)	64	84	Accrued revenue on guarantee	261 160	295 668
Other debtors (customers)	1 851	1 723	Accruals on interest rate swap	2 197	2 292
Other debtors	37	244	Other accruals	9	25
			Other funds transfer to be charged	9	11
Other assets	**3 078**	**2 224**	**Accruals**	**269 107**	**304 560**

NOTE A 7 - AMOUNTS DUE TO CUSTOMERS - OTHER LIABILITIES AND ACCRUALS

	31/12/2011	31/12/2012
Cash collateral received	6 192	6 307
Term deposit	2	
Other amounts due - Confined amounts	15 827	12 209
Due to customer	**22 021**	**18 516**

	31/12/2011	31/12/2012		31/12/2011	31/12/2012
Premium on optims sold	1 045		Cashed in advance income on guarantee	279 607	273 398
Tax and social security liabilities	8 281	12 664	Accrued income on guarantee	192 758	209 543
Accounts payable – miscellaneous (staff)	2 550	2 661	Accruals on interest rate swap	2 021	2 014
Accounts payable – miscellaneous (suppliers)	1 593	2 804	Profit to spread over life time on financial instruments	1 129	727
Staff liabilities	1 440	1 830			
			Currency adjustment		40
Other payables	9 626	1 899	Other accruals		1
OTHER LIABILITIES	**24 535**	**21 858**	**ACCRUALS**	**475 515**	**485 723**

Accounts payable schedule

In accordance with article L.441-6-1 of Code de Commerce introduce by LME law

	< 30 days	Within 30 and 60 days	> 60 days	Total
Accounts payable as at 31/12/2012	1 189	63		**1 252**
Accounts payable as at 31/12/2011	385	22		**407**

NOTE A 8 - RESERVES

	31/12/2011	Allowance	Allowance used	Profit	31/12/2012
Reserve for dispute	412		-3		409
TOTAL	**412**		**-3**		**409**

NOTE A 9 - SHAREHOLDERS' EQUITY AND ASSIMILATED

NOTE A 9 -1 - MUTUAL SECURITY DEPOSITS

	Balance at year start	Incoming	Outgoing	Balance at year-end
Gross mutual guarantee fund	3 579 962	362 975	-172 065	3 770 872
Use of mutual guarantee fund to cover write of guarantee funds	-61 291	-6 718	280	-67 729
Mutual guarantee funds in balance sheet liabilities	**3 518 671**	**356 257**	**-171 785**	**3 703 143**
Deduction of forecast mutual guarantee funds due and not demutualised	-25 093	-2 426		-27 519
Deduction from mutual guarantee funds on foreign ccy transactions	-1 018	-393		-1 411
Mutual guarantee fund to be incorporated into Tier one	**3 492 560**	**353 438**	**-171 785**	**3 674 213**
Bad debt to recover	**-482 047**	**-204 918**	**99 384**	**-587 581**
Deduction forecast recovery on doubtful debt	**289 303**	**91 156**		**380 459**
Forecast losses on bad debt	**-192 744**	**-113 762**	**99 384**	**-207 122**
Mutual guarantee fund less expected losses on doubtful debt to recover	**3 299 816**	**239 676**	**-72 401**	**3 467 091**

NOTE A 9 -2 – FUNDS FOR GENERAL BANKING RISKS AND REGULATORY PROVISIONS

	Balance at year start	Charges for the year	Write-backs for the year	Balance at year-end
Regulatory provision for medium and long-term credit risks	47 699	5 354		53 053
Funds for general banking risks	610			610
TOTAL	**48 309**	**5 354**		**53 663**

NOTE A 9-3 – SUBORDINATED DEBT

	Issue date	Due date	31/12/2011 Amounts	31/12/2011 Associated debt	31/12/2012 Amounts	31/12/2012 Associated debt
UNDATED DEEPLY SUBORDINATED BORROWINGS	30/06/2004		292 189		-	
	30/06/2005		117 352		117 352	
	30/12/2009		194 284		194 284	
	30/12/2010		395 579		395 579	
	30/06/2011		415 186		415 186	
	30/12/2011		276 928		286 008	
	30/06/2012				300 830	
	30/12/2012					
TOTAL SUBORDINATED BORROWINGS			**1 691 518**	**9 320**	**1 709 239**	**9 612**
SUBORDINATED SECURITIES	Issue/Due date	Number of titles				
5-year “no-call” perpetual bonds Code ISIN FR 0010128736	02/11/2004 indeterminated	259 258	450 000	431	259 258	96
5-year “no-call” perpetual bonds Code ISIN FR 0010301713	16/03/2006 indeterminated	16 000	800 000	915	800 000	474
5-year “no-call” perpetual bonds Code ISIN FR 0010469858	15/05/2007 15/06/2017	18 003	900 150	691	900 150	331
5-year “no-call” perpetual bonds Code ISIN FR 0011000231	16/02/2011 16/02/2021	5 000	500 000	23 833	500 000	23 843
TOTAL SUBORDINATED SECURITIES			**2 650 150**	**25 870**	**2 459 408**	**24 744**
TOTAL SUBORDINATED DEBT			**4 341 668**	**35 190**	**4 168 647**	**34 356**

NOTE A 9 -4 - CHANGE IN CAPITAL AND RESERVES

The main shareholders can be broken down into shareholder groups incorporating the parent company and its subsidiaries

- Crédit Agricole et LCL le Crédit Lyonnais	33,00 %	- Crédit Mutuel et CIC	9,50 %
- BNP Paribas	16,50 %	- SF2 - Groupe La Banque Postale	6,00 %
- Société Générale et Crédit du Nord	16,50 %	- HSBC France	3,00 %
- Groupe BPCE et Crédit Foncier	15,50 %		

The share capital (fully paid-up) comprises:	31/12/2011	Increase/ allocation	Reduction/ allocation	31/12/2012
- 1 940 363 Category A shares,	29 590		-29 590	
- 80 287 490 Category B shares with a preferential dividend.	1 224 385		-1 224 385	
Following extraordinary board may 2012				
- 17 997 861 ordinary shares		1 259 850		
	1 253 975	**1 259 850**	**-1 253 975**	**1 259 850**
Legal reserve	42 489	4 426	-5 875	41 040
General reserve	29 891			29 891
TOTAL	**72 380**	**4 426**	**-5 875**	**70 931**

NOTE A 10 - AMOUNT OF RECEIVABLES OR PAYABLES ASSOCIATED WITH EACH ITEM ON THE BALANCE SHEET

	31/12/2011	31/12/2012		31/12/2011	31/12/2012
Credit institutions	71 648	78 612	Subordinated debt	35 190	34 356
Interests in affiliated companies	4	6	Other liabilities: tax and social security liabilities	8 281	12 664
Bonds and other fixed-income securities	2 074	1 900	Other accruals :		
Other assets : tax pay back			. On financial instrument	2 021	2 014
Other accruals					
. on guarantee	261 160	295 668			
. on suppliers	9	25			
. On financial instrument	2 196	2 292			
Accrued revenue	**337 091**	**378 503**	**Expenses due and accrued**	**45 492**	**49 034**
Other accruals :			Other accruals :		
. Issue expenses to amortize	2 747	2 292	. sureties with INITIO tariff	192 758	209 543
. on suppliers	342	694	. sureties with CLASSIC tariff	279 607	273 398
PRE-PAID EXPENSES	**3 089**	**2 986**	**Pre-booked income**	**472 365**	**482 941**

NOTE A 11 - OFF-BALANCE SHEET COMMITMENTS RECEIVED

	31/12/2011	Changes	31/12/2012
Counter-guarantees received (from our shareholders or not) relative to the commitment to reconstitute the mutual guarantee fund	3 256 598	168 045	3 424 643
TOTAL	**3 256 598**	**168 045**	**3 424 643**

NOTE A 12 - OFF-BALANCE SHEET COMMITMENTS GIVEN

NOTE A 12 - 1 - CHANGE IN COMMITMENTS GIVEN

Guarantee commitment customer order	31/12/2011	Put in place	Depreciation	Matured	31/12/2012
. guarantee for individual residential loans	223 976 170	35 125 721	-10 905 613	-15 326 413	232 869 865
. financial guarantee	14	94		-14	94
TOTAL	**223 976 184**	**35 125 815**	**-10 905 613**	**-15 326 427**	**232 869 959**
To be noted : guarantee commitment delivered but not yet in place at year end	22 860 003				19 974 356

NOTE A 12- 2 - BREAKDOWN BY TIME LEFT TO RUN

Guarantee commitment customer order	< 3 months	3 months to 1 year	1 to 5 years	> 5 years	TOTAL	O/w, affiliated companies
. guarantee for individual residential loans	361663	1 246 609	11 261 525	220 000 068	232 869 865	
. financial guarantee	94				94	94
TOTAL	**361 757**	**1 246 609**	**11 261 525**	**220 000 068**	**232 869 959**	**94**

NOTE A 12 - 3 - CREDIT RISK : BREAKDOWN BY CATEGORY OF OUTSTANDING DEBT

Guarantee commitment customer order	Healthy debt	O/w, restructured healthy	Bad debt	O/w, compromised bad	Total debt
. guarantee for individual residential loans	232 060 589	6 436	809 276	238 075	232 869 865
. financial guarantee	94				94
TOTAL	**232 060 683**	6 436	**809 276**	238 075	**232 869 959**

NOTE A 13 - TERM FINANCIAL INSTRUMENTS

OTC interest rate transactions	Notional amount	Premium on options	Market value (interest include)	Valur de marché (without interest)
Covered by FBF Framework	560 000	3 100	-1 348	-2 264
Not covered by framework	180 000		12 883	10 781
TOTAL	**740 000**	**3 100**	**11 535**	**8 517**

No transfer from one type to another in 2012

OTC interest rate transactions - by maturity	< 3 mois	3 mois à 1 an	1 an à 5 ans	> 5 ans	TOTAL
. micro hedge			70 000	50 000	120 000
. macro hedge (fix rate receivable)			140 000	480 000	620 000
TOTAL			**210 000**	**530 000**	**740 000**

NOTE B - INFORMATION ON PROFIT ANS LOSS ACCOUNT (in thousand euros)

NOTE B 1 - INTEREST INCOME AND ASSIMILATED - INTEREST EXPENSE AND ASSIMILATED

	31/12/2011	31/12/2012
Interest on demand deposit accounts	5 761	1 794
Interest on term deposit accounts (counterparty for subordinated borrowings)	29 966	33 075
Interest on term accounts for "cash from capital subscriptions, Category B shares"	13 098	18 110
Interest on term deposit accounts	147 545	201 919
Income on term financial instruments	5 789	6 932
Transactions with credit institutions	**202 159**	**261 830**
Loans to Crédit Logement staff	6	5
Interest on bad debt (interest for late payments on secured debt)	2 580	2 413
Transactions with customers	**2 586**	**2 418**
Interest income on marketable securities		
Produits d'intérêts sur titres d'investissements	6 045	5 965
Interest on bonds and fixed-income securities	**6 045**	**5 965**
TOTAL INTEREST INCOME AND ASSIMILATED	**210 790**	**270 213**
Interest or interest compensation		
Interest on undated subordinated borrowings	-35 406	-38 555
Interest on deeply subordinated securities and synthetic securitisations	-72 823	-58 526
Interest on cash collateral	-112	-114
Expenses on investment security	-251	-402
Interest on term subordinated borrowings	-4 034	-5 916
TOTAL INTEREST EXPENSES AND ASSIMILATED	**-112 626**	**-103 513**

NOTE B 2 - INCOME ON VARIABLE-INCOME SECURITIES

	31/12/2011	31/12/2012
Interest on the current account associated with SNC Foncière Sébastopol	16	21
TOTAL INCOME ON VARIABLE-INCOME SECURITIES	**16**	**21**

NOTE B 3 - COMMISSION (INCOME AND EXPENSES)

	31/12/2011	31/12/2012
Commission relative to off-balance sheet commitments given on residential loans	104 048	84 889
TOTAL COMMISSION (INCOME)	**104 048**	**84 889**
Banking commission and fees	-696	-708
Commission and fees on synthetic securitisations and subordinated securities	-1 035	-397
TOTAL COMMISSION (EXPENSES)	**-1 731**	**-1 105**

NOTE B 4 - INCOME ON INVESTMENT PORTFOLIO TRANSACTIONS AND ASSIMILATED

	31/12/2011	31/12/2012
Capital gains on marketable security disposals	768	
Income on interest rate option	1 790	1 290
Allowance for depreciation and reversal of depreciation	1 054	114
TOTAL INVESTMENT PORTFOLIO TRANSACTIONS	**3 612**	**1 404**

NOTE B 5 - OTHER OPERATING BANKING INCOME AND EXPENSES

	31/12/2011	31/12/2012
Third-party collection income (management and collection fees)	2 997	3 010
Ancillary income (Crédit Logement Assurance)	40	40
Other ancillary income	129	118
Other income	20	116
TOTAL OTHER OPERATING INCOME	**3 186**	**3 284**
SNC Foncière Sébastopol loss	-104	-126
Other expenses	-422	-60
TOTAL OTHER OPERATING EXPENSES	**-526**	**-186**

NOTE B 6 - GENERAL OPERATING EXPENSES

	31/12/2011	31/12/2012
Salaries and wages	-13 311	-13 473
Social security taxes	-5 951	-6 430
Salary-based taxes	-2 119	-2 085
Pension expenses	-1 538	-2 278
Performance-related bonus	-465	-215
Employee profit-sharing	-1 440	-1 830
Reserves on disputes	-383	
Staff costs	**-25 207**	**-26 311**
Tax	**-24 431**	**-46 039**
Rentals	-884	-960
Transport	-118	-132
Other external services	-9 304	-8 278
Reserves on disputes	-29	3
External services	**-10 335**	**-9 367**
Other administrative costs	**-34 766**	**-55 406**
TOTAL GENERAL OPERATING EXPENSES	**-59 973**	**-81 717**

NOTE B 7 - DEPRECIATION AND ALORTISATION ON FIXED ASSETS INCLUDING EQUITY SECURITIES

	31/12/2011	**31/12/2012**
Other intangible fixed assets		xx / xx
Software and licenses	-2 067	-2 253
Intangible fixed assets	**-2 067**	**-2 253**
Structural components	-46	-49
Roof / Front	-102	-102
Transport equipment	-36	-37
Office equipment	-60	-42
Club Affaires equipment and tools	-3	-2
Office furniture	-46	-43
Club Affaires furniture	-2	-2
Computer equipment	-268	-268
Fixture & fittings an rental premises	-103	-81
Fixture & fittings an building	-168	-193
Technical equipment	-159	-170
Tangible fixed assets	**-993**	**-989**
TOTAL	**-3 060**	**-3 242**

NOTE B 8 - INCOME OR LOSS ON CAPITALISED ASSETS

	31/12/2011	**31/12/2012**
Capital gains on fixed asset disposals	3	
Capital losses on fixed asset disposals		-418
Capital loss on fixed asset sale		-8
TOTAL	**3**	**-426**

NOTE B 9 - CORPORATE INCOME TAX

	31/12/2011	**31/12/2012**
On ordinary income	-49 838	-59 548
On unrealised capital gains on the securities portfolio	-846	-442
TOTAL *	**-50 684**	**-59 990**
* including corporate income tax instalments already paid	45 303	50 737

NOTE B 10 - CONTRIBUTIONS/RELEASES FOR GENERAL BANKING RISK FUNDS AND REGULATORY PROVISIONS

	31/12/2011	**31/12/2012**
Provisions for risks relating to medium and long-term transactions	-4 539	-5 354
TOTAL	**-4 539**	**-5 354**

NOTES C - OTHER INFORMATIONS (in thousand euros)

NOTE C 1 - TOTAL AMOUNT OF COMPENSATION FOR THE YEAR

	Compensation	Advances and loans	Engagements hors-bilan
To all administrative bodies *	39		
To all executives **	1 055	7	479
- fix compensation	522		
- variable compensation	116		
- prime exceptionnelle de départ	380		
- fringe benefits and pension	37		

* No benefits and compensation paid to subsidiary during year 2012

** variable compensation is determined by the board in accordance with performance with a maximum of :
25% fixed compensation for the CEO and 20% fixed compensation for deputy CEO

NOTE C 2 - TOTAL AMOUNT OF THE FEES OF THE STATUTORY AUDITORS FOR THE YEAR

	Fees
Statutory audit	145
Ancillary services	12

NOTE C 3 - AVERAGE STAFF BREAKDOWN BY LEVEL

	31/12/2011	31/12/2012
Executives*	2	2
Managers	145	145
Supervisors	65	61
Employees	42	44
TOTAL	**254**	**270**

* without managing Director

NOTE C 4 - OTHER SOCIAL COMMITMENTS OUTSOURCED AND NOT PROVISIONED

Commitments corresponding to services provided under the different systems are covered by collective funds managed externally.

Supplementary pension for managers		**Voluntary or compulsory retirement benefits**	
Value of the collective funds managed externally	3 627	Value of the collective funds managed externally	904
Present value of commitments	3 578	Present value of commitments	892
Collective supplementary pension insurance policy with defined benefits		Collective "end-of-career benefits" insurance policy	
Beneficiaries: all managers, subject to certain conditions		Beneficiaries: all company staff	

Rules and methods

. Updates are carried out for each contract type using the "unit cost per year of service" method based on global or individual data provided to an independent actuarial company.

. Total commitments are calculated for the total careers forecast for participants.

. Actuarial debt corresponds to commitments updated on the end date for each contract.

. End-of-year benefits will be paid out based on staff seniority and common law rules.

NOTE C 5 - "AD HOC" COMPANIES

At the close of accounts, there were no interests in "ad hoc" companies.

NOTE C 6 - PROPOSED ALLOCATION OF INCOME

Income for the year ended	104 278
Retained earnings for the previous year	14
Income to be allocated	**10 292**
Breakdown of allocation	
- Legal reserve	5 214
- Dividends – A shares	37 347
- Dividends - B shares	52 194
- Retained earnings	9 537
TOTAL	**104 292**

FINANCIAL RESULTS

in thousand euros

	2008	2009	2010	2011	**2012**
Financial position at year-end					
Share capital	1 253 975	1 253 975	1 253 975	1 253 975	**1 259 850**
Number of shares issued					
. A shares	1 940 363	1 940 363	1 940 363	1 940 363	**17 997 861**
. B shares *	80 287 490	80 287 490	80 287 490	80 287 490	
Total earnings for effective operations					
Revenues (net of tax)	595 082	415 742	300 990	320 597	**359 697**
Earnings before tax, depreciation and provisions	137 210	196 955	137 983	146 157	**172 747**
Corporate income tax	44 987	62 479	45 221	50 684	**59 990**
Earnings after tax, depreciation and provisions	85 104	119 744	87 057	88 515	**104 278**
Profit distributed					
. A shares	41 718	86 055	72 473	71 696	**52 194**
. B shares *	39 187	27 709	10 215	12 413	
Earnings per share for operations (in euros)					
Earnings after tax but before depreciation and provisions *					
. A shares	27,36	55,00	42,53	42,80	**6,27**
. B shares	0,49	0,35	0,13	0,16	
Earnings after tax, depreciation and provisions *					
. A shares	23,70	47,43	39,60	39,23	**5,79**
. B shares	0,49	0,35	0,13	0,15	
Dividend per share *					
. A shares	21,50	44,35	37,35	36,95	**2,90**
. B shares	0,4880878	0,3451271	0,1272268	0,1546046	
Workforce					
Average headcount**	218	219	233	254	**270**
Payroll	10 174	10 424	11 864	13 311	**13 473**
Staff benefits	6 388	5 893	6 534	7 489	**8 708**

* B shares converted in ordinary shares following the 9th of may 2012 general meeting

** without managing director

2012

RAPPORT ANNUEL

CRÉDIT LOGEMENT

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