



ANNUAL REPORT 2011

MESSAGE OF EXECUTIVE MANAGEMENT

In spite of a general economic context that strongly worsened in 2011, the property market once again remained very dynamic.

With more than 68 billion euros of guarantees granted in support of property loans extended by the banks to their retail clientele, representing nearly 396,000 property transactions, Crédit Logement is confirming the place that it occupies in the residential property market by guaranteeing more than one property loan in three.

For 2011, the total balance sheet stood at 9.88 billion euros and this development is mainly the consequence of the strengthening of the company's equity capital, and particularly the increase in the mutual guarantee fund. Off-balance-sheet outstandings saw an annual net increase of nearly 11%, to reach 224 billion euros.

In total, the profit for the financial year, after tax, depreciation and provisions, increased to stand at 88.5 million euros.

Once again in 2011, Crédit Logement therefore had an excellent year, which consolidates its place as one of the major players in the market for residential property financing.

This success is related to the great suitability of the service that it offers to partner banks: improved coverage of credit risk, the support of experts in property loans at the service of operators, who consolidate their analysis and take a second look at the loan application, speed of decision-making, total absence of final loss and full handling of debt collection.

The Crédit Logement guarantee also perfectly meets the requirements and behaviour of borrowers: competitive cost through the repayment, at the end, of part of the guarantee expenses, speed of setting up the guarantee and therefore the loan, option to transfer the guaranteed loan to a new purchase without fees. Lastly, thanks to the priority given to dialogue and the search for privately-negotiated solutions in case of arrears, Crédit Logement fully plays a role of buffer by favouring solutions aiming to bring loans back into normal management and avoiding, as far as possible, forced sales.

Crédit Logement's teams, through their professionalism and organised effort, set out to be responsive, efficient and innovative at the service of partners and customers.

Innovation also involves the increasing automation of processes and links with partners, and improving the risk-analysis rules.

It also involves broadening the product range in France and also supporting partner banks in bordering countries.

These developments contribute to demonstrating the benefits and appropriateness of the financial guarantee in Europe, where mortgages are still mainly used.

In an environment characterised by economic and financial difficulties and uncertainties, the market for financing French property will contract in 2012, and this movement will be amplified by the overhaul of various measures to support housing. France should avoid a property crisis because market financing is based on healthy fundamentals, low rates, the great majority of loans at fixed rates, restrained average durations, practices that favour the solvency of borrowers, and a market that has remained apart from financial innovations and that is subject to a high degree of legal supervision.

Under more difficult circumstances, Crédit Logement may rely on the powerful round table composed of the large French banks making up its capital, and can also count on the responsiveness and professionalism of its teams. Thus, the soundness of the company and its system, which are unanimously recognised, allow Crédit Logement to face the future with confidence.



Distribution of the capital at December 31, 2011

Private limited company with a share capital amounting to 1 253 974 758,25 euros
divided into 82 227 853 shares of 15,25 euros each

ACTIONNAIRES	NOMBRE D'ACTIONS			MONTANT TOTAL	%
	A	B	TOTAL		
BNP Paribas	319 890	13 249 020	13 568 910	206 925 877,50	16,5016%
Crédit Agricole	319 790	13 249 012	13 568 802	206 924 230,50	16,5015%
LCL - Le Crédit Lyonnais	319 790	13 249 020	13 568 810	206 924 352,50	16,5015%
Société Générale / Crédit du Nord	320 760	13 249 186	13 569 946	206 941 676,50	16,5029%
BPCE	165 118	6 824 726	6 989 844	106 595 121,00	8,5006%
Crédit Foncier	135 466	5 612 781	5 748 247	87 660 766,75	6,9906%
Crédit Mutuel / CIC	184 097	7 628 230	7 812 327	119 137 986,75	9,5008%
SF2 - Groupe La Banque Postale	116 369	4 817 878	4 934 247	75 247 266,75	6,0007%
HSBC France	58 334	2 407 360	2 465 694	37 601 833,50	2,9986%
Autres établissements de crédit	500	151	651	9 927,75	0,0008%
Personnes physiques	249	126	375	5 718,75	0,0005%
TOTAL	1 940 363	80 287 490	82 227 853	1 253 974 758,25	100,0000%

MANAGEMENT BOARD

31 Décembre 2011

Monsieur Jean BOUYSET,
Honorary Chairman.

Monsieur Yves MARTRENCAR,
Honorary Chairman.

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

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

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

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

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

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

HSBC France,
represented by Pierre ANTRAYGUES,
Director of Strategy and Customer Groupe PFS.

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

Monsieur Christian CERRETANI,
Chief Financial Officer
at Fédération Nationale du Crédit Agricole,
Head of Finance, Tax, Risk and Legal Dpt.

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

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

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

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

Didier LIOULT

Head of Operational Risks

Claire de MONTESQUIOU

Head of Audit and Internal Control

Michel PHILIPPE **

Head of Organization

* He succeeded Gabriel BENOIN
from 2nd January 2012

** Replaced by Jean-François ROUSSEL
In March 2012

KEY FIGURES AT DECEMBER 31, 2011

REGULATORY CAPITAL

8,25 billions euros,

MUTUAL GUARANTEE FUNDS

3,52 billions euros

GROSS ANNUAL PRODUCTION

68,61 billion euros
632 740 loans
for 395 931 transactions

OUTSTANDING GUARANTEE

223,98 billion euros
2 871 518 loans

WORKFORCE

254 employees

LONG-TERM RATING

Standard and Poor's : AA-
Negative Outlook

Moody's : Aa2
Under Revue

THE FRENCH RESIDENTIAL PROPERTY MARKET *

Throughout 2011, the production of property loans, excluding loan repurchases, stood at 161.60 billion euros*, against 168.80 billion euros in 2010.

There was therefore a slight drop of 4.3%, with sustained activity in the first and last quarters of 2011.

In the first quarter of 2011, production stood at 42.07 billion euros, against 33.16 billion euros in 2010 during the same period. In the past, such activity has never occurred in a first quarter.

As for the last quarter of 2011, it played out identically to that of 2010, where borrowers wished to take full advantage of the Scellier arrangement and secondary purchasers had anticipated the end of the TEPA tax credit.

With the announcement, for 2012, of a change to the Scellier arrangement and the restriction of the "zero-rate loan plus" to new housing units alone, the fourth quarter of 2011 saw the same scenario repeat itself and borrowers, once again, brought forward the implementation of their property projects. We estimate these advance transactions at 6.5 billion euros in loans for total production of 36.4 billion euros in the fourth quarter of 2011.

In spite of this, the market for property loans continued to drop during the fourth quarter, with -6.7%. Admittedly, the downward movement slowed, since the drop was more pronounced during the third quarter, with -9.1%.

* Source Property Loans Production Observatory (OPCI)*. The analyses of the OPCI are net of loan repurchases, which incidentally are assessed at a little less than 10% of the total amount over 2011.

The fundamental trend is indeed of a general drop in the market for property loans, due to the general economic environment: worsening of the employment market, risks to purchasing power, supply of loans shaken by the sovereign debt crisis and destabilised by the implementation of the regulatory reforms stemming from the Basel III and CRD4 projects.

Loans granted are estimated at more than 146 billion euros, against 138 billion euros in 2010.

If we examine the structure of property production, the market for new property seems to have demonstrated less vitality than that for other markets. With production standing at 35.39 billion euros, against 38.08 billion euros in 2010, the share of new property dropped, standing at 21.9%, against 22.6% a year ago.

The market for existing property also saw a drop in production throughout the year. Its share in the whole dropped slightly to 65.9%, against 66.1% in 2010, for production of 106.47 billion euros in 2011, against 111.50 billion euros in 2010.

The market for existing property, like that for new but in a more pronounced manner, was transformed, with a rapid increase in personal contributions and less intense use of loans.

The market for renovation continued to make progress. With production of 19.74 billion euros, against 19.22 billion euros a year ago, it increased its share in the whole with 12.2%, against 11.4% in 2010.

Loans from the competitive sector, which until then had driven the entire market, saw a significant drop in their production, with -4.7% in 2011, against +45.4% in 2010. Also, their share in the whole of the market stood at 89.0%, against 89.4% a year ago.

Production of zero-interest loans continued to progress with +8.1% against +43.5% in 2010.

Concerning home-ownership savings-plan loans, their production is still down with -14.5% in 2011, after -46.4% in 2010. Their share in the whole of production is only 0.9%, the lowest since 1998.

In 2011, the average rate of loans granted by the competitive sector was 3.81%, versus 3.41% in 2010.

The share of floating rate* production is stable at 6.9% of the whole against 6.1% in 2010.

The average period of loans stood at 17 years and 9 months, against 16 years and 8 months in 2010, and the average amount borrowed was 152,000 euros, against 161,997 euros a year earlier.

CRÉDIT LOGEMENT

In this environment, Crédit Logement, which had anticipated a drop in activity in the residential property market in 2011, had a financial year in accordance with its forecasts.

With 68.61 billion euros of production guaranteed for more than 395,000 property transactions financed, Crédit Logement saw a drop in its production of 21.4% compared to the previous year (87.31 billion euros in 2010), bearing in mind that the share of repurchases was divided by two in 2011, which explains a large part of the observed drop.

Net production, corresponding to the guarantees put in place during the same year, amounted to 51.05 billion euros, down by 9.3% compared to 2010 (56.30 billion euros in 2010).

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

Crédit Logement's off-balance-sheet outstandings, representing the capital remaining due for current guarantees, reached 223.98 billion euros on 31 December 2011, against 201.93 billion euros on 31 December 2010.

A market share in financial guarantees that is still high

The latest research available on the breakdown of the guarantee market in France for 2010 (source: OFL/CSA and Despina model), based on the amount of loans paid, indicates a 51.8% market share for guarantees (bank guarantees and guarantees from insurance companies) compared to a 42.5% market share for mortgages.

It should be noted that the use of financial guarantees is now widespread amongst borrowers. The guarantee is the form of surety that is most widespread amongst both borrowers with average income and amongst wealthy borrowers. As in 2004, the guarantee is even more widespread than the mortgage amongst borrowers with low incomes.

Thus, in 2010, 44.2% of borrowers on low incomes used the guarantee, against 38.7% who used mortgages, while 61.7% of wealthy borrowers used the guarantee, against 33.8% who used the mortgage.

For 2011, this same observatory estimates a stabilisation of market share for both forms of guarantee. The use of the financial guarantee concerned 51.3% of the total of property loans to individuals, while the use of mortgages stood at 43%.

NEW COMMITMENTS

More than 860,000 loans presented for Crédit Logement's guarantee were analysed in 2011. They gave rise to 632,740 guarantee agreements, representing 395,931 transactions for a gross commitment amount of 68.61 billion euros.

This result reflects the higher rate of use of Crédit Logement guarantees by its bank partners, and also the fact that Crédit Logement's guarantees are perfectly adapted to the current 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 day after the reception of the request.

This performance is largely the result of the involvement of staff in the Production Department in the quality of service provided to customers, and also the result of setting up high-performance computerised links and a computerised system for guarantee analysis.

The average amount of guaranteed transactions (loans assigned to the financing of a single project) was 173,000 euros, compared with 153,505 euros in 2010, reflecting a 6.8% year-on-year increase.

66% of the amounts of transactions guaranteed concerned property projects completed in the market for existing property.

New property represented 21% of the amount guaranteed, representing 14% for purchase and 7% for construction.

Thanks to the Scellier arrangement, investment for rental retained a significant share, with 22% of the total amount guaranteed, almost identical to the previous year.

17% of transactions guaranteed in 2011 benefited from a zero-rate + loan or an "Eco zero-rate" loan, representing +8% compared to 2010.

Loans in the competitive sector represented 87% of the amount guaranteed and the share of bridging loans in this whole increased, to stand at 7%, against 4% in 2010.

Repurchases of loans represented no more than 9% of the amounts guaranteed, against 18% in 2010 and 11% of the number of transactions, against 20% in 2010.

Loans of a period greater than 15 years concerned 56% of the amount guaranteed over the financial year and only 2% of these amounts had an original period greater than 25 years.

Borrowers aged 35 or less make up 40% of the beneficiaries of Crédit Logement's guarantees, almost identical to the data seen during 2010. The percentage of non-executive employees remained stable at 43% of the total.

Homebuyers with income less than or equal to three times the minimum wage still represented 30% of the total number of transactions guaranteed.

DEBT COLLECTION

A guarantee intended to cover the risk of final loss, the service offered by Crédit Logement also includes the management of debt collection.

2011 was a year of transition: economic transition through the growing impact, on debt collection, of the economic crisis and the slowdown in the property market in certain regions; and technological transition through the installation of a latest-generation debt management application.

Collection of guaranteed debt

On 31 December 2011, the number of loans managed stood at 10,699 for doubtful outstandings of 1.14 billion euros.

7,578 loans went into collection and 5,320 were exited. 65.5% of cases coming out of collection for the year concerned debts for which the staff in the Collection Department found, in consultation with borrowers and the bank, a solution for the resumption of payment of instalments, thus allowing the loan to return to a normal management cycle.

Under difficult circumstances, this figure reflects Crédit Logement's approach, which prioritises the search for privately-negotiated solutions.

Total debt collection increased by 8% compared to the previous year, to reach 99.8 million euros, more than 90% of which was re-credited to the mutual guarantee fund.

What is more, financial support to partner banks stood at 197.3 million euros.

Collection for third parties

Drawing on its experience with the collection of residential loans over more than ten years, Crédit Logement has developed a service for the collection of residential debts that it has not guaranteed.

During the 2011 financial year, 2,179 new loans were assigned to Crédit Logement, and during the same period, 1,530 loans were exited, demonstrating the ability of the debt-collection teams to efficiently manage the assigned debts (+45% compared to 2010).

On 31 December 2011, the amount of outstandings managed stood at 278.6 million euros for 6,280 debts.

Debt collection increased by 18%, to reach 51.58 million euros.

CUSTOMER RELATIONS

The residential property market remained dynamic in 2011. During the first half-year, activity was strongly supported by a wave of debt repurchases, then at the end of the year, by modifications made for 2012 to the Scellier arrangement, to the zero-rate loan plus and modifications to the taxation of property capital gain.

In this favourable context, Crédit Logement maintained its market share compared to 2010.

The transfer of risks makes Crédit Logement's guarantee products more attractive. Lenders are seeking improved coverage of their risks, an automated instruction process, the support of experts at the service of their operators, and an integrated litigation service.

Crédit Logement maintained good processing timeframes throughout the year, including during peaks in activity. Speed and clarity of the decision are key factors in the service.

Staff in the Customer Relationships Department provided sustained support to partner networks. The cocktail organised in Nantes for partners of the company was a great success. This event was the occasion for Crédit Logement to pursue its discussions with the 300 participants who were present.

For the fifth consecutive year, Crédit Logement organised a stand at the property exhibition in Paris. Located in the "banks area", Crédit Logement's teams were able to have discussions with a large number of borrowers sent by the banks who were present, or who sought information before planning a purchase. The wealth of information collected allowed Crédit Logement to improve its understanding of the expectations of borrowers. This was also a privileged moment for discussions with all players and professionals in property who were present: bankers, property developers, builders and estate agents.

Acquisition channels for guarantee requests

New Electronic Document Interchange (EDI) links were deployed during 2011. Thus, more than 78% of transactions presented for the Crédit Logement guarantee transit by this channel. New connections are already programmed for 2012.

Crelog.com, the production extranet, is used as a main channel for data acquisition or as a supplement to the EDI for specific transactions. It is used by 90 partners and has allowed the transmission of more than 100,000 guarantee requests, representing 20% of all guarantee requests sent to Crédit Logement. 15 additional partners used the services of this channel in 2011.

Client-relationship channels

The Customer Service smoothly took charge of more than 250,000 calls and 50,000 e-mails. The teams were able to maintain good availability (92% of calls taken) throughout the year, including during the period of intense activity at the start and end of the year.

Crelog.com was a high-performance solution in customer relationships. More than 440,000 connections were recorded and 660,000 pages viewed. At a time when sustainable development is becoming increasingly important, download access was generalised to all mail and to guarantee-agreement letters.

Crelog.com was modernised at the end of 2011, offering users a new technical and graphical configuration, with improved user-friendliness. The new version was received very positively.

Pricing the financial guarantee

A new price structure has been applicable since the 1st December 2011. It consists of a slight increase in the participation in the mutual guarantee fund, partly repayable to the borrower at the end of the loan. The objective of this adjustment is to enhance Crédit Logement's risk coverage, while preserving the price competitiveness of the service. Remember that the notarial share of the cost of mortgages was also revalued at the beginning of 2011.

Properly anticipated and organised, the transition was conducted perfectly at the operational level.

A collection service: Crelog Recouvrement

In a context where claims are increasing, in 2011, Crédit Logement continued to promote its debt-collection service on behalf of third parties.

Crelog Recouvrement is broken down into two services:

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

Crédit Logement has acquired sound experience in debt collection. Crelog Recouvrement makes it possible for a lending institution to partially or totally outsource the management of its litigation, and to supplement and enhance the efficiency of its debt-collection system at a competitive cost.

In 2011, two new CLR Enchères partnership agreements were signed.

Crédit Logement is still in contact with several partner banks, which are examining the option of using the services of Crelog Recouvrement.

International expansion

The service that was designed in 2009, specifically for Switzerland, continued its development. Contacts are still ongoing with another Swiss bank on opportunities for cooperation.

Since the end of 2010, a new cross-border service was launched for the benefit of Belgian customers investing in France, and an opportunity study on the design of a guarantee service specific to Belgium is ongoing.

Negotiations are continuing with a Luxembourg subsidiary of a French partner, in order to define a new cross-border service for the benefit of Luxembourg customers, which is still being studied.

These projects have the advantage of supporting partners of the company in their developments in Europe, while adapting the Crédit Logement guarantee service to different regulatory environments.

IT AND ORGANISATION

For the Information Systems Department, the strategic project to incorporate the management of the collection of guaranteed debts within the same software package used for managing the recovery of debts on behalf of third parties was the subject of a large deployment to all staff in the Collection Department.

The two electronic document management systems associated with these collection activities were also merged into a single system.

Also, as part of the constant improvement of business processes, the projects carried out in 2011 on the information system mainly related to the deployment of:

- new links for exchanging computerised data with partners (EDI and web services);
- a modernised look-and-feel for the Crelog.com extranet, incorporating the new pricing and the dematerialisation of new letters;
- a new system for maintaining agreement, to optimise the processing of changes to cases that are already agreed;
- developments and optimisations to the computerised system for analysing guarantees;
- new functionalities necessary to the Swiss information system;
- new key-performance-indicator reports for monitoring activity, taken from the decision-making system.

The first work concerning the application of the SEPA reform required the migration of all exchange protocols for bank dealings with all partners.

The technical projects implemented for rationalisation through virtualisation of infrastructure, for supervising critical applications and for generalising new technical architectures for backup sites, have increased the security of the information system and enhanced the quality and availability of the service, while ensuring improved 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 three years.

Lastly, it should be stressed that the Information Systems Department has contributed to an environmental approach by deploying solutions for significantly reducing:

- energy consumption (reduced number of servers, light workstations, automatic shutdown in case of non-use,...);
- the use of paper and consumables (dematerialisation and electronic document management, printing on front and back,...).

Crédit Logement has strengthened the Organisation Department, which controlled and contributed to the project to optimise the organisation of the company and which continued the work of updating the procedures reference system.

Other than running projects, the Organisation Department has made a particular effort in strengthening relationships with partners' project managers.

As part of a continuous process of improvement of the EDI systems and the Crelog.com extranet, the work carried out optimised the processing of loan requests. Crédit Logement was therefore able to improve the quality of the service, while keeping the size of the company's workforce under control.

HUMAN RESOURCES MANAGEMENT

During the year, the Human Resources Department was very active in supporting the development of Crédit Logement. The average monthly workforce increased by 10% for permanent contracts and the use of temporary staff is still at a high level. Part-time staff still represent 10% of the company's overall staff.

For Crédit Logement, 2011 was a year in which there was much negotiation and signature of collective bargaining agreements:

- agreement concerning the work of older staff;
- agreement relative to the conditions for access to and use of the intranet by the unions;
- agreement on telecommuting;
- agreement on professional equality between men and women;
- establishment of an examination of situations of hardship in the company.

In 2011, investment in training represented more than 3% of the payroll expenditure, for an obligation of 0.9%. In this context, more than 4,000 hours of training were given to 75% of staff.

The diploma course, which was established in 2010, was extended in 2011.

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 2011. 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 carried out in February 2011.

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 450 million euros, for which the first possible date for exercising the early redemption option was December 2009;
- 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, a new issue, related to a restructuring operation on an old issue, was launched:

- an exchange offer was made to bearers of shares of the perpetual upper tier two transaction of April 2006 of 450.3 million of outstandings and met with great success: investors responded favourably at 98.5% to obtain new redeemable LT2 subordinated notes, maturing in 2021, at a fixed rate of 5.454%, representing an issue margin of 190 bp on the reference swap. An additional subscription brought the new issue to 500 million euros. Given the low amounts not contributed to the original issue, they were redeemed in July 2011;
- the other issue, still existing, of redeemable subordinated notes LT2 issued in 2007 for 1 billion euros, maturity 10 years, for which outstandings were 900.1 million euros on 31 December 2011 after partial repurchase and cancellation of notes in March 2009, contains an early redemption clause, with coupon increase in June 2012.

CASH MANAGEMENT

Cash is composed of two main parts:

- "conventional" cash stemming from subordinated borrowings and B shares, reinvested directly with capital contributors according to predetermined conditions;
- available cash, which groups investments made possible by all other sources of cash, particularly the mutual guarantee fund and commissions collected early, 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, Risk Management Department and Financial Department. It approves counterparty limits and agrees on the interest rate and liquidity policies to be implemented. It also approves budgetary targets and ascertains 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 2011, investment (excluding reinvestment of bond issues) of cash in fixed-rate term deposits (of initial maturity greater than 5 years) stood at 1.43 billion euros, while medium-term investments (between 1 year and 5 years) stood at 712 million euros, the rest of the available cash, namely 1.23 billion euros, being invested for less than one year or in mutual funds strictly limited to the money market.

Furthermore, the funds from issues of subordinated notes were also invested over the medium-term, on deposit or in securities, with an 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. The securities acquired within this framework have been classified since 2007 as investment securities, given the intention of Crédit Logement to hold them until their maturity, concomitant with calls relating to underlying market transactions.

The reinvestment of Tier One issues, not redeemed early at their first call date, were given a short-term extension to allow exercise of the call when this becomes possible.

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

AUDIT AND INTERNAL CONTROL

The Audit and Internal Control Department coordinates the first and second-level ongoing controls that are carried out by the operational departments, implements periodic checks through what are known as "third-level" controls and carries out audits and compliance checks. The Head of Audit and Internal Control is hierarchically attached to the Management Committee, to which it reports at monthly internal control committee meetings.

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.

The 2011 financial year was notable for an inter-bank inspection assignment launched by an engagement letter upon request of the Chairman of the Board of Directors. This assignment took place over a period of ten weeks, from 11 May to 12 July 2011, and brought together ten inspectors from the general inspectorates of BNP Paribas, Crédit Agricole and Société Générale, representing total work of 500 man/days.

At the end of its work, the inspection assignment concluded that the internal governance, the control system and the risk monitoring system were of good quality. Nevertheless, avenues for improvement were identified, leading to the issue of recommendations for which implementation is scheduled over 18 months and for which monitoring has been assigned to the Audit and Internal Control Department.

Following on from this work, the Audit and Internal Control Department updated its charter on audit and control, which was presented to the Audit Committee and communicated to the Board of Directors. This charter emphasises the objectives of internal control and the rules and responsibilities of the various players in matters of internal control, audit and compliance.

Checks

Ongoing monitoring covers all departments of Crédit Logement, with dedicated persons in charge of second-level controls in the main areas of business (commitments, collection and finance). Each year, an effort is made to improve the objectives for the control plans according to newly-identified risks.

Third-level controls are carried out by a team from the Audit and Internal Control Department covering all Departments, making use of the specific expertise of its staff.

Audits

The long-term audit plan was continued in 2011, although streamlined because of the inter-bank assignment. Of particular note was an audit covering the functioning of the computer system for guarantee analysis.

All of the audit recommendations, including the recommendations of the inter-bank inspection assignment, are recorded in a database, which is monitored monthly for recommendations of priority 1 and half-yearly for the whole of the database.

Compliance

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.

In 2012, the internal control system will be improved still further, with the creation of teams dedicated to ongoing controls at the Risk Management Department and the Information Systems Department, and the team of auditors at the Audit and Internal Control Department will be strengthened.

Credit risk in the retail mortgage business

By decision of the Prudential Supervision Authority's Inspection dated 24 April 2007, Crédit Logement was granted the right to use its own internal rating system for calculating its regulatory capital (Pillar 1).

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 simple 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 conversion factor modelling the rates of implementation over one year is applied to guarantees delivered and not yet paid, for which Crédit Logement is only potentially at risk.

Also, as Crédit Logement's guarantee is an alternative to any other guarantee that the lender can benefit from, Crédit Logement does not factor in 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 (pillar 1), 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 2011 financial year, the Risk Management Department made no changes to the internal rating model.

On 31 December 2011, this internal rating system was applicable to a default exposure of 241.9 billion euros, which breaks down into 229.3 billion euros of guarantees implemented and 12.6 billion euros of guarantees not yet implemented.

On 31 December 2011, the average default probability of the portfolio was 0.24%. For the second consecutive year, it is down by 0.015 points this year compared to 2010. Since the end of 2009, the average default probability of the portfolio has dropped by nearly 4 basis points, representing 13.8%.

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, has led to an average LGD estimate for the portfolio of 13.2% of the exposure at default. It is therefore down by 0.6 points compared to 2010. 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.

Given these parameters, the Risk Weighted Assets of the portfolio stood at 18.7 billion euros, corresponding to a weighting of 8.37%, down by 0.22 points compared to 2010 and 0.68 points since the end of 2009.

On 31 December 2011, the minimum regulatory capital for Pillar 1 stood at 1.5 billion euros, bearing in mind that nearly 20% of this requirement, namely 379 million euros, corresponded to stress applied to cope with the maximum unfavourable development observed on loss in case of default.

The mutual guarantee fund, constituted to cope with the guarantee portfolio's credit risk, represents more than 2.3 times the amount of the regulatory capital requirement (pillar 1) for this portfolio. The equity capital, the reserves and the mutual guarantee fund represent more than 3.3 times this same requirement.

In 2009, Crédit Logement extended the scope of its operations to guaranteeing property loans denominated in Swiss francs granted in Switzerland by banks established in that country for the benefit of borrowers of Swiss nationality or those from countries within the European Economic and Monetary union who are living in Switzerland. This extension began operation on 1st September 2009. On 31 December 2011, the equivalent value in euros of the exposure to default of loans guaranteed in this respect was 36 million euros. Prudential equity capital, calculated according to the standard method for this new production, stood at 2.2 million euros.

Excluding this new development, the guaranteed portfolio's credit risk 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. Effectively, 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 portfolio. 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.

The portfolio's average default probability of 0.24% is obtained by breaking down the exposures into various risk classes. Nearly 50% of the portfolio is classified in the lowest class of risk (default probability over one year of about 0.09%).

The average LGD of the portfolio (excluding stress Pillar 1, all classes of LGD combined) is 13.2%. Only 2.74% of transactions in the guarantee portfolio have an LGD greater than 13.8%.

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 Crédit Logement's portfolio, with a confidence interval of 99.975%.

To conclude, over 2011, the credit risk for the retail bank business, measured by the internal rating system, remained very stable at a low level.

Operational risks

Because of its size, its mono-product activity, its low risk profile, and its governance choices, Crédit Logement has opted for the "standard" method to cover its specific risks.

Among those identified since the beginning, the greatest risks remain those related to IT, its hosting and the security of information systems.

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

Crédit Logement has implemented a system for collecting and measuring risk events based mainly upon declarations, with quarterly monitoring.

In total, 24 risk events were declared in 2011 (against 15 in 2010), essentially related to the information system. These were qualified as incidents of little gravity, given their short duration. A single event was qualified as a human risk, for an amount of 312,300 euros.

Going beyond the strictly financial and regulatory approach, Crédit Logement took advantage of this process to improve its processes and increase their reliability. In 2011, it carried out actions including intrusion tests on the Crelog.com extranet, awareness-raising on the protection of confidential documents and the gradual implementation of the segmentation of the IT network.

Crédit Logement's IT system is based on three components:

- a system provided by a specialised company under a facilities-management contract;
- a local network;
- an extranet application hosted by a contractor outside Paris.

The host for the fallback site used for the Business Continuity Plan covers the unavailability of premises or the whole of the local network, functioning through 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 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 regulatory capital requirement for operational risk (Basel II pillar 1) stood at 31.3 million euros on 31 December 2011.

Market risk, counterparty risk and other risks

In 2011, no new macro hedging rate swap transaction was undertaken since those carried out at the end of 2008 and the beginning of 2009, for an overall swap, as the receiver of a fixed rate, of 100 million euros.

However, covered securities acquired within the framework of diversification of the investment policy were hedged by micro-hedging swaps.

The swaptions remained the only instruments classified as isolated open positions. Those established in 2010 matured in 2011 without reaching their exercise price and Crédit Logement therefore booked the collected premium to income. In 2011, Crédit Logement again sold two swaptions maturing in 2012 for a notional amount of 100 million euros.

The market value of these derivative products not classed as hedges is below the minimum that would trigger the application of the regulations on market risk and Crédit Logement holds no other trading securities.

Crédit Logement manages no means of payment for third parties and therefore has no specific counterparty risk, other than its credit risk.

At the end of 2009, Crédit Logement purchased shares in a real-estate company (SCI) in New Caledonia for 8.91 million euros, with the aim of building and renting under a social-housing programme as part of the regime providing tax benefits for investment in French overseas municipalities. Cash collateral, constituted by the other partner of the SCI, a semi-public low-cost housing company, guarantees the future repurchase of shares in the SCI by this company. The value of the securities on the balance sheet on 31 December 2011 was reduced to the amount of the cash collateral guaranteeing their repurchase, namely 6.2 million euros.

Other than this investment, the two subsidiaries described hereafter and two other historical shareholdings with an aggregate value of less than 50,000 euros, Crédit Logement has no equities and therefore no "equities" risk.

"ICAAP" PROJECT: IMPLEMENTING THE INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS

During 2011, Crédit Logement applied its process for assessing its internal capital, developed at the end of 2008. The adopted methodology takes into account Crédit Logement's risk profile and consists of relying firstly on the regulatory requirements of Pillar 1, supplemented by an analysis of the concentration risk and of significant risks not covered by the Pillar 1 of the capital adequacy ratio (in particular liquidity risk, overall interest rate risk and business risk).

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 an imbalance 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 2011, 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 through recovery time for certain liquid assets (money-market mutual funds and ECB-eligible securities).

* ICAAP - Internal Capital Adequacy Assessment Process

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 short rates, its margin being greater when short rates are high, although low rates are more favourable to the business of guaranteeing property loans.

To hedge this structural exposure to short-term interest rates, at the end of 2008 and the beginning of 2009, Crédit Logement entered into two interest-rate swaps of 50 million euros as the receiver of a fixed rate, classified as macro hedging. The goal is eventually to hedge the long-term interest rate gap via such hedging transactions, but only if fixed long-term interest rate levels are high enough for the transaction to be profitable in the long term. Given the level of long rates in 2010 and 2011, no new hedging transaction has been carried out since.

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 2011, the sensitivity of the NPV over ten years in the event of a 200 bp drop in interest rates was 11.40% of the share capital after taking into account the macro-hedging swaps.

Other risks not covered by Pillar 1

Concerning business risk, which includes all risks that could have a significant impact on the level of production (image risk, regulatory risk, etc.), 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 2011, using middle-of-the-range assumptions for the returns on its available cash, Crédit Logement remains profitable over the whole period.

Furthermore, the supplementary studies conducted regarding Pillar 1 risks, including in particular the consequences of an extreme stress at the operational risk level (destruction of the main operations building) and the application of a rating methodology to measure the concentration of the guarantee portfolio, allow us to conclude that the capital requirements defined within the framework of Pillar 1 properly cover all the risks that Crédit Logement might face on a one-year timescale.

INFORMATION ON THE BUSINESS OF SUBSIDIARIES AND CONTROLLED COMPANIES

SNC FONCIÈRE SÉBASTOPOL

The property company, of which Crédit Logement owns 99.90% of the share capital, auctions property seized within the framework of legal procedures to recover secured debt.

During 2011, SNC Foncière Sébastopol carried out seven new auctions and re-sold three assets.

At the end of 2011, nine transactions were outstanding for a total net amount of 482,513 euros, including a provision for depreciation of 71,000 euros, against 456,237 euros on 31 December 2010.

The income statement shows a loss of 104,364 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) continued during 2011 with one CIL.

The amount of premiums issued in 2011 dropped, representing 264 euros against 8,473 in 2010.

The income statement shows a net profit of 17,470 euros, against 22,893 euros a year earlier. This level of earnings is explained by the extremely reduced level of activity during 2011.

ACCOUNTS FOR THE FINANCIAL YEAR

THE BALANCE SHEET

The balance-sheet total on 31 December 2011 was 9.88 billion euros, against 9.48 billion euros a year earlier, representing an increase of 4.22%. This development essentially reflects the strengthening of the company's equity capital, and particularly the increase in the mutual guarantee fund.

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 2011 had reached 223.98 billion euros against 201.93 billion euros on 31 December 2010.

The net annual increase was 22.05 billion euros, representing an increase of 10.91%, taking into account annual amortisation and early redemption for 29.17 billion euros.

The solvency ratio at the end of the year

Crédit Logement's Basel II pillar 1 solvency ratio, established in accordance with the ordinance dated 20 February 2007, stood at 38.78% on 31 December 2011, for a minimum regulatory ratio under pillar 1 of 8%.

However, following an announcement by the Basel Committee in July 2009, the minimum floor of 80% applicable for weighting outstandings continued during 2011. Thus, the ratio applicable to Crédit Logement stood at 9.03% on 31 December 2011, against 9.94% on 31 December 2010.

Change in regulatory capital requirement (pursuant to regulation 90-02 amended)

Prudential equity capital went from 8.21 billion euros on 31 December 2010 to 8.25 billion euros on 31 December 2011, an increase of 42 million euros (+0.49%).

	31/12/2010	31/12/2011	Evolution
Equity capital booked as liability on balance sheet	1,452,235	1,462,602	10,367
Funds for general banking risks	610	610	
Mutual guarantee deposits (Note A 9-1)*	3,202,639	3,492,560	289,921
Subordinated notes, limited to 15 or 25% of equity	1,250,000	1,250,000	
Deductions **	-550,088	-823,519	-273,431
CORE EQUITY CAPITAL	5,355,396	5,382,253	26,857
Notes and subordinated loans (art. 4 c or d)	3,030,810	3,091,668	60,858
Mutual guarantee deposits on currency transactions	419	1,018	599
Deductions **	-175,948	-222,265	-46,317
TIER 2 REGULATORY CAPITAL	2,855,281	2,870,421	15,140
TOTAL REGULATORY CAPITAL (numerator)	8,210,677	8,252,674	41,997
Weighted risks - advanced IRB model	17,325,488	18,687,913	
Weighted risks - standard method	1,801,650	1,924,125	
Other assets not corresponding to credit obligations	223,475	277,788	
Operational risk	373,525	391,538	
TOTAL BASEL II WEIGHTED RISKS (denominator)	19,724,138	21,281,364	1,557,226
Pillar 1 solvency ratio	41.63%	38.78%	
Ratio according to rules applicable to Crédit Logement	9.94%	9.03%	

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

** Essentially performed according to the rule concerning the 50% deduction of core equity capital and 50% of additional equity capital, Tier One must be reduced by the fully-distributed result of the financial year and any limitation on the mutual guarantee fund.

Core equity capital (Tier One)

The total amount of core equity capital was 5.38 billion euros, versus 5.36 billion euros in 2010, representing a total increase of 27 million euros:

- the mutual guarantee fund increased significantly, by 290 million euros, to 3.49 billion euros at the end of 2011, against 3.20 billion euros in 2010;
- increase in expected losses deducted at 50% from Tier One;
- limitation on mutual guarantee fund held in Tier One.

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 subordinated loans established in 2003, after the agreement of the Prudential Supervision Authority, was exercised in June and December 2011 for a total amount of 689 million and an additional call for subordinated borrowings was made in June and December 2011 for an overall amount of 692 million euros.

Deductions from regulatory capital

Half of the main deductions are now 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. Our shareholding in Crédit Logement Assurance (a non-consolidated subsidiary) falls into this category. The corresponding amount is 1.83 million euros;
- as of 31 December 2011, expected losses related to credit risk in the retail segment stood at 441 million euros, against 348.5 million euros a year earlier;
- the limitation of the mutual guarantee fund to twice the core equity capital stood at 513.8 million euros on 31 December 2011, against 288.1 million euros on 31 December 2010 and is fully deducted from Tier One.

Budget for capital increase available to the Board of Directors

An Extraordinary General Meeting held on 19 February 2010 authorised the Board of Directors to increase the capital by 600,000,000 euros in one or more tranches between then and 19 February 2012. This budget was not used during 2010 or 2011.

THE INCOME STATEMENT

Net banking income stood at 206.66 million euros against 181.22 million euros a year earlier, which equates to a drop of 14%.

This includes the following:

- financial income recognised relative to the cash available dropped by 0.16%, mainly due to externalisation of unrealised capital gains on mutual funds that were smaller in 2011;
- the net balance of financial income generated by conventional cash (reinvestment of equity capital in our account in our partner's books) increased strongly because of the increase in the reference index for investing funds raised via the B shares (1-year Euribor);
- the net balance of financial charges relative to subordinated notes, with the reinvestment of the resulting cash, affects the result of the year at 17.4 million euros against a negative margin of 25.6 million euros the previous year;
- income from guarantee contracts increased by 9% and reached 104.1 million euros, versus 95.5 million euros in 2010. It represented 50.3% of net banking income, against 52.7% a year earlier.

General expenses, which include general operating expenses and depreciation charges, reached an overall amount of 62.9 million euros, against 44.6 million euros in 2010, representing an increase of 41.2%.

The various sub-items changed as follows:

- personnel charges, which include employee profit-sharing and incentive schemes, increased by 14.4%, related in particular to hiring in the Production and Collection Departments to cope with strongly-growing volumes. Remuneration allocated to all directors is given in appendix C1;
- taxes increased by 15.3 million euros (+166%), essentially due to the establishment of the systemic-risk bank tax, for which the minimum requirements in regulatory capital imposed by the prudential regulator serve as the basis;
- other administrative expenses increased by 3.9%. 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 appendix A7;
- depreciation and impairment charges were down by 10.4%.

In terms of productivity, the operating ratio, meaning the relationship between general expenses and net banking income, stood at 30.5% against 24.6% 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 143.7 million euros, up by 5.2% compared to the previous financial year.

The corporate tax charge stood at 50.68 million euros, instead of 45.2 million euros in 2010, and the net charge for regulatory provisions increased by 3.8% compared to the previous year.

In all, net profit for the financial year came to 88.5 million euros, against 87.1 million euros in 2010.

After paying the dividend on the B shares, the ratio of net profit to shareholders' equity (A shares), including reserves and funds for general banking risks, showed an after-tax return on equity of 50.8%, against 54.5% in 2010

Taking into account all shareholders' equity (A and B shares, reserves, etc.), the return on equity was 6.44% in 2011, versus 6.37% in 2010.

PROSPECTS AND EVENTS SINCE CLOSURE OF THE FINANCIAL YEAR

The 2012 budget was constructed assuming a drop in production of about 20%, and the first months of 2012 confirmed a certain drop in production, nevertheless compared to a beginning of 2011 that was atypical, due to the high proportion of repurchases.

Crédit Logement appointed a consultant bank to repurchase, in the market, with the authorisation of the Prudential Supervision Authority, part of the Tier One issue of 450 million issued in December 2004, in order to provide the market with a minimum of liquidity.

However, while waiting for clarification of the applicable regulatory framework, Crédit Logement did not request the agreement of the General Secretariat of the Prudential Supervision Authority to exercise the redemption options on the two issues of Tier One notes.

PROPOSALS FOR THE ALLOCATION OF INCOME

Net profit for the year eligible for allocation, amounting to 88,548,524.73 euros, is composed of:

- | | |
|--|----------------|
| - net profits for the year | €88,514,711.96 |
| - plus retained earnings brought forward from previous year of | €33,812.77 |

The following allocation is proposed:

- legal reserve	€4,425,735.60
- dividends allocated to Category A shares	€71,696,412.85
- dividends allocated to Category B shares	€12,412,815.28
- retained earnings	€13,561.00

The intended distribution thus stands at 84.11 million euros against 82.68 million euros the previous year, representing an increase of 1.7%, which should allow the distribution of the following dividends per share:

- €36.95 per Category A share,
- €0.15460460 per Category B share.

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.

Also, as the appointment of Société Générale as director is expiring, we propose its renewal for a period of six years.

Likewise for Ms Dominique FIABANE, whose appointment as director expires following the present General Meeting.

Lastly, given Mr Christian CERRETANI's resignation as director, the board meeting of 29 March 2012 co-opted Mr Eric PINAULT, Financial and Risk-Management Director of the Fédération Nationale du Crédit Agricole, to his position.

Accordingly, we request your ratification of this co-option.

RESOLUTIONS SUBMITTED

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-seventh financial year ending on 31 December 2011 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 88 548 524,73 is composed of :

- Net profits for the year	88 514 711,96 €
- Plus carrying forward of positive balance from previous year	33 812,77 €

We propose the following allocation :

- Legal reserve	4 425 735,60 €
- Dividends allocated to Category A shares	71 696 412,85 €
- Dividends allocated to Category B shares	12 412 815,28 €
- Retained earnings	13 561,00 €

On this basis, the payout amounts to EUR 84,11 million, as compared to EUR 82,68 million the previous fiscal year, soit une baisse of 1.73 %, and includes the following dividends:

- € 36,95 per Category A share,
- € 0,15460460 per Category B share.

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

Dividend

Fiscal year 2008

A share	21,50	€
B share	0,4880878	€

Fiscal year 2009

A share	44,35	€
B share	0,34512710	€

Fiscal year 2010

A share	37,35	€
B share	0,12722680	€

RESOLUTION 4

The general meeting reappoints Société Générale as a director for a six-year term of office ending further to the general meeting convened to approve the financial statements for the year ending 31 December 2017.

RESOLUTION 5

The general meeting reappoints Mrs Dominique FIABANE as a director for a six-year term of office ending further to the general meeting convened to approve the financial statements for the year ending 31 December 2017.

RESOLUTION 6

The general meeting ratifies the appointment of Mr Éric PINAULT as director, made by the board of directors at its 29 mars 2012 meeting, to replace Mr Christian CERRETANI, who resigned.

Consequently, Mr Éric PINAULT's term shall come to an end after the general meeting convened to approve the accounts of the financial year 2016, when the resigning director's mandate ends.

RESOLUTION 7

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 2011, 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 anomalies. 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 :

- 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, 5 April 2012

Statutory Auditors

C.T.F.
Jean-Marie IDELON-RITON

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BALANCE SHEET
AT DECEMBER 31, 2011
in thousand euros

	2011	2010	Notes		2011	2010	Notes
CASH, CENTRAL BANKS, CCP	221	203		CUSTOMER TRANSACTIONS	22 022	20 170	A7
DEPOSITS ON CREDIT INSTITUTIONS	8 530 218	8 410 024	A1	OTHER LIABILITIES	24 535	10 010	A7
On sight	348 640	382 129		ACCRUALS	475 515	429 283	A7
Term	8 181 578	8 027 895		DEPRECIATIONS FOR RISK AND EXPENSES	412	941	A8
CUSTOMER TRANSACTIONS	482 542	380 094		SUBORDINATED DEBT	7 895 529	7 563 736	
Other customer loans	493	485	A3	Mutual guarantee deposits	3 518 671	3 231 534	A9-1
Customer deposits allocated	2	3		Subordinated borrowings	1 691 518	1 680 360	A9-3
Bad debt	482 047	379 606		Accrual on borrowings	9 320	6 961	A9-3
BONDS AND OTHER FIXED-INCOME SECURITIES	372 710	250 131	A4-1	Subordinated securities	2 650 150	2 600 450	A9-3
SHARES AND OTHER VARIABLE-INCOME SECURITIES	197 390	201 399	A4-1	Accruals on subordinated securities	25 870	44 431	A9-3
EQUITY INTERESTS AND OTHER LONG-TERM SECURITIES	6240	6 128		FUNDS FOR GENERAL BANKING RISKS	610	610	A9-2
INTERESTS IN AFFILIATED COMPANIES	2 362	2 293	A4-1	SHAREHOLDERS' EQUITY	1 462 603	1 452 235	
INTANGIBLE FIXED ASSETS	4 141	4 163	A4-2	Capital	1 253 975	1 253 975	A9-4
TANGIBLE FIXED ASSETS	13 216	12 543	A5	Reserves	72 380	68 027	A9-4
OTHER ASSETS	3 079	4 612	A5	Regulatory provisions	47 699	43 159	A8-2
ACCRUALS	269 107	205 395	A5	Retained earnings	34	17	
			A6	Earnings for the year	88 515	87 057	
			A6				
TOTAL ASSETS	9 881 226	9 476 985		TOTAL LIABILITIES	9 881 226	9 476 985	
Customer guarantee commitments	223 976 184	201 926 748	A12-1	Guarantee commitments received from credit institutions	3 256 598	2 977 395	A11
COMMITMENTS GIVEN	223 976 184	201 926 748		COMMITMENTS RECEIVED	3 256 598	2 977 395	

PROFIT AND LOSS ACCOUNT
AT DECEMBER 31, 2011
in thousand euros

	2011	2010	Notes
Interest income	210 790	195 772	B1
Interest expenses	-112 626	-118 765	
Income from variable-income securities	16	24	B2
Commission (income))	104 048	95 469	B3
Commission (expenses)	-1 731	-2 831	
Income on marketable securities transactions	3 499	8 919	B4
Income on marketable negotiation transactions		1	B5
Other banking operating income	3 186	2 762	B6
Other banking operating expenses	-526	-130	
NET BANKING INCOME	206 656	181 221	
General operating expense	-59 973	-41 282	B7
Allowances for depreciation and amortisation on tangible and intangible fixed assets including equity securities	-2 948	-3 289	B8
OVERHEADS	-62 921	-44 571	
GROSS OPERATING INCOME	143 735	136 650	
Gains on long terms investments and changes in provisions	3	1	B9
INCOME BEFORE TAX	143 738	136 651	
Non-recurring income/loss			
Corporate income tax	-50 684	-45 221	B10
Movements in the reserve for general banking risk and regulatory provisions	-4 539	-4 373	B11
NET INCOME FOR THE YEAR	88 515	87 057	

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 2010.

However, it should be noted,

- that the Accounting Regulatory Committee's rule 2009-03, application of which is obligatory from 1 January 2010, which relates to commissions received by lending institutions and covers the determination of an effective internal rate, is not applicable in Crédit Logement's guarantee business in the absence of the concept of interest rates;
- that the French Accounting Standards Authority's regulation ANC 2010-04, (relative to transactions between affiliated parties and off-balance-sheet transactions), application of which became obligatory on 1 January 2010, and which relates to transactions between affiliated parties (covering significant transactions which were not concluded at normal market conditions, and the information to be supplied in appendix relative to off-balance-sheet

transactions) is not applicable for Crédit Logement because appropriate information is already presented in appendix to the transactions covered by this regulation.

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.

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.).

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
<hr/> ASSETS UNDER CONSTRUCTION		
	NA	
<hr/> INTANGIBLE FIXED ASSETS		
Lease	N/A	
Software	Straight-line	1, 3, 4 or 5 years
<hr/> TANGIBLE FIXED ASSETS		
Land	N/A	
Buildings	Straight-line	150 years from 01/01/1945
Roof/front	Straight-line	30 years
Vehicles	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 Réglementation 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.

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.

Undated subordinated bond issue (upper Tier Two) - FR0010306597.

10,000 undated subordinated securities of 50,000 € nominal were issued on 5 April 2006 and can be taken into account in shareholder's equity (Tier two), up to a limit of 100% of basic shareholder's equity.

They include :

- an early repayment option, at the exclusive initiative of the issuer, which can be exercised quarterly from 5 April 2011, providing that prior agreement has been obtained from the Prudential Supervision Authority's Inspection.
- a clause from fixed-rate remuneration to variable basis, applicable to holders of these securities after 5 April 2011 and are quoted on the Luxembourg market.

Subordination conditions

The interest is payable annually at the end of each term expiring on 5 April of each year, at the fixed rate of 4.247% until 5 April 2011 and quarterly at the end of each term at the euribor 3 month rate plus 125 bp. 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 be included in any loss that the company may sustain.

In March 2009, in accordance with the limits specified in the issue notice, a partial early repurchase of 994 notes took place, followed by the cancellation of the said notes. No other transaction took place in 2010.

In 2011, an exchange offer was made, with the new issue dated 16 February 2011. On 16 February 2011, 8,938 securities were contributed to the exchange and the 65 remaining securities were early repurchased on 5 July 2011 following a call from the issuer.

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 23/02/1990 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

The share capital is split into two categories of fully paid-up shares (A and B) with a par value of 15.25 EUR each. The rights granted to each category of securities are as follows:

Distribution of profits (Clause 18 of the bylaws)

First of all, the sum required to cover the preferential and cumulative dividend for priority Category B shares is deducted from the income to be distributed. This amount is equal to the net income after tax for cash remuneration corresponding to the amount of each Category B shareholder's interest, in addition to 0.33% of the total par value of the said shares.

Any sum that the general meeting decided to carry forward to the next financial year or allocate for the creation of any extraordinary reserve, contingency or other funds with a special appropriation or not is then deducted from the surplus, as relevant. Lastly, the balance may only be shared out between all ordinary Category A shares.

In the event of sums drawn against the reserves being distributed, priority Category B shares will also be allocated a sum equal to 0.33% of the total amount to be distributed in this way, with the balance to be shared out exclusively between Category A shares.

The general meeting, reviewing the financial statements for the year, may grant to each shareholder, the option to get 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 undated 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.

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.

By nature, the credit risk on the sale of options is limited to the amount of the premium to be received.

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

NOTES

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	1 555 430	1 486 058	1 437 997	4 050 733	8 530 218
Sight debt	347 837				347 837
Term debt	1 175 000	1 448 000	1 437 000	4 050 733	8 110 733
Related debt	32 593	38 058	997		71 648
CUSTOMER DEBT	482 079	96	169	198	482 542
Other customer loans	32	96	169	196	493
Ordinary accounts receivable				2	2
Bad debt	482 047				482 047
BONDS AND OTHER FIXED-INCOME SECURITIES	179	251 895	71 100	49 536	372 710

NOTE A 2 - DEPOSITS BREAKDOWN

	Affiliated companies	Equity interests	Other companies	Individuals	Total
DEPOSITS ON CREDIT INSTITUTIONS		8 452 417	77 801		8 530 218
DEPOSITS ON CUSTOMERS				482 542	482 542
BONDS AND OTHER FIXED-INCOME SECURITIES		91 165	281 545		372 710

NOTE A 3 - CUSTOMERS LOANS

NOTE A 3-1 - CHANGE IN OUTSTANDING CUSTOMER LOANS

	31/12/2010	Releases	Repayments	Debt write-offs	31/12/2011
Cash loans - loans to company staff	485	410	402		493
Customer deposits allocated	3		1		2
Bad debt	379 606	197 264	91 402	3 421	482 047
TOTAL	380 094	197 674	91 805	3 421	482 542

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	493				493
Customer deposits allocated	2				2
Bad debt			482 047	476 523	482 047
TOTAL	495		482 047	476 523	482 542

NOTE A 4 - SECURITIES PORTFOLIO

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

Issued by public bodies	Acquisition value			Market or net asset value	Redemption value
	Other issuers				
	Listed	Unlisted	Total		
BONDS AND OTHER FIXED- INCOME SECURITIES					
Bonds	370 636		370 636	370 692	370 000
Tradable debt securities					
Related debt	2 074		2 074	2 074	
INVESTMENT SECURITIES	372 710		372 710	372 766	370 000
Obligations					
Interest accruals					
MARKETABLE SECURITIES					
SHARES AND OTHER VARIABLE-INCOME SECURITIES					
Capitalization UCITS	197 390		197 390	218 540	
MARKETABLE SECURITIES	197 390		197 390	218 540	
Equity interests and other long-term securities		8 955	8 955	6 240	
Allowances on depreciations		-2 715	-2 715		
Interests in affiliated companies		2 362	2 362	2 362	
EQUITY INTERESTS		8 602	8 602	8 602	
TOTAL SECURITIES PORTFOLIO	570 100	8 602	578 702	599 908	

(1) No trading or investment portfolio has been set up.

NOTE A 4 – 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	1,18	2 581	86	-14	30	30
CRÉORD	2,82	54	121	-1	14	14
SCI MARTAWI	99,99	8 570		-386	8 907	6 192
SUBSIDIARIES AND OTHER LONG TERM HOLDINGS					8 955	6 240
Other securities						
Crédit Logement Assurance	60,00	3 050	445	23	1 830	1 830
SNC Foncière Sébastopol	99,90	15		-54	15	15
Advances and associated current accounts						
SNC Foncière Sébastopol					448	517
INTERESTS IN AFFILIATED COMPANIES					2 293	2 362

* Figures at 31/12/10 before allocation of earnings for the year

** Following French Central bank Bafi letter 2007-1, "Certificat d'association" have been reclassified on this line.

*** Figures at 31/12/09

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	22 673	2 045	-6	24 712	4 141
Assets under construction	1 665	1 258	-500	2 423	2 423
Software and licenses	21 008	787	494	22 289	1 718
TANGIBLE FIXED ASSETS	32 476	1 721	-376	33 821	13 216
Assets under construction	261	1 267	-146	1 382	1 382
Land	2 909			2 909	2 909
Structural components	5 394	18		5 412	3 708
Roof / Front	2 078			2 078	973
Transport equipment	114		-16	98	76
Office equipment	422	17	-83	356	83
Club Affaires equipment and tools	68			68	7
Office furniture	1 442	39	15	1 496	340
Club Affaires furniture	123			123	44
Computer equipment	3 052	194	-170	3 076	370
Fixture & fittings an rental premises	10 772	16		10 788	554
Fixture & fittings an building	2 526	104	22	2 652	1 126
Technical equipment	3 315	66	2	3 383	1 644
TOTAL	55 149	3 766	-382	58 533	17 357

DEPRECIATION OR PROVISIONS	Gross value at year-start	Charges	Writte backs	Gross value at year-end
INTANGIBLE FIXED ASSETS	18 510	2 067	-6	20 571
Software and licenses	18 510	2 067	-6	20 571
TANGIBLE FIXED ASSETS	19 933	993	-321	20 605
Land				
Structural components	1 658	46		1 704
Roof / Front	1 003	102		1 105
Transport equipment	54	36	-68	22
Office equipment	296	60	-83	273
Club Affaires equipment and tools	58	3		61
Office furniture	1 110	46		1 156
Club Affaires furniture	77	2		79
Computer equipment	2 608	268	-170	2 706
Fixture & fittings an rental premises	10 131	103		10 234
Fixture & fittings an building	1 358	168		1 526
Technical equipment	1 580	159		1 739
TOTAL	38 443	3 060	-327	41 176

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

NOTE A 6 - OTHER ASSETS AND ACCRUALS

	31/12/2010	31/12/2011		31/12/2010	31/12/2011
Deposit guarantee fund	37	36	P and L adjustment on financial instruments		2 150
Deposits and sureties given	101	140	Loss to amortize on financial instruments		493
Deposit on option - swaptions		950	Pre-paid expenses	406	342
Tax and social security receivables	3 048		Deferred expenses	924	2 747
Debtors (staff)	68	64	Accrued revenue on guarantee	202 694	261 160
Other debtors (customers)	1 292	1 851	Accruals on interest rate swap	1 334	2 197
Other debtors	66	37	Other accruals	33	9
			Other funds transfer to be charged	4	9
Other assets	4 612	3 078	Accruals	205 395	269 107

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

	31/12/2010	31/12/2011
Cash collateral received	6 080	6 192
Term deposit	3	2
Other amounts due - Confined amounts	14 087	15 827
Due to customer	20 170	22 021

	31/12/2010	31/12/2011		31/12/2010	31/12/2011
Premium on options sold	1 495	1 045	Cashed in advance income on guarantee	275 412	279 607
Tax and social security liabilities	2 106	8 281	Accrued income on guarantee	153 776	192 758
Accounts payable – miscellaneous (staff)	1 832	2 550	Accruals on interest rate swap	95	2 021
Accounts payable – miscellaneous (suppliers)	1 965	1 593	Profit to spread over life time on financial instruments		1 129
Staff liabilities	1 386	1 440	Other accruals		
Other payables	1 226	9 626			
OTHER LIABILITIES	10 010	24 535	ACCRUALS	429 283	475 515

Accounts payable schedule

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

	< 30 days	Within 30 and 60 days	> 60 days	Total
Accounts payable as at 31/12/2011	385	22		407
Accounts payable as at 31/12/2010	617	22		639

NOTE A 8 - RESERVES

	31/12/2010	Allowance	Allowance used	Profit	31/12/2011
Reserve for dispute		412			412
Reserve on options	941			-941	
TOTAL	941	412		-941	412

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	3 289 716	499 604	-209 358	3 579 962
Use of mutual guarantee fund to cover write of guarantee funds	-58 182	-3 421	312	-61 291
Mutual guarantee funds in balance sheet liabilities	3 231 534	496 183	-209 046	3 518 671
Deduction of forecast mutual guarantee funds due and not demutualised	-28 476		3 383	-25 093
Deduction from mutual guarantee funds on foreign ccy transactions	-419	-599		-1 018
Mutual guarantee fund to be incorporated into Tier one	3 202 639	495 584	-205 663	3 492 560

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	43 159	4 539		47 698
Funds for general banking risks	610			610
TOTAL	43 769	4 539		48 308

NOTE A 9-3 – SUBORDINATED DEBT

	Issue date	Due date	31/12/2010		31/12/2011	
			Amounts	Associated debt	Amounts	Associated debt
UNDATED DEEPLY SUBORDINATED BORROWINGS	30/06/2003 30/12/2003 30/06/2004 30/06/2005 30/12/2009 30/12/2010 30/06/2011 30/12/2011		406 207 282 866 292 189 117 352 194 284 387 462		292 189 117 352 194 284 395 579 415 186 276 928	
TOTAL SUBORDINATED BORROWINGS			1 680 360	6 961	1 691 518	9 320
SUBORDINATED SECURITIES	Issue/Due date	Number of titles				
5-year "no-call" perpetual bonds Code ISIN FR 0010128736	02/11/2004 indeterminated	450 000	450 000	346	450 000	431
5-year "no-call" perpetual bonds Code ISIN FR 0010301713	16/03/2006 indeterminated	16 000	800 000	29 365	800 000	915
5-year "no-call" perpetual bonds Code ISIN FR 0010306597	05/04/2006 called on 07/2011	9 006	450 300	14 199		
5-year "no-call" perpetual bonds Code ISIN FR 0010469858	15/05/2007 15/06/2017	18 003	900 150	521	900 150	691
5-year "no-call" perpetual bonds Code ISIN FR 0011000231	16/02/2011 16/02/2011	5 000			500 000	23 833
TOTAL SUBORDINATED SECURITIES			2 600 450	44 131	2 650 150	25 870
TOTAL SUBORDINATED DEBT			4 280 810	51 392	4 341 668	35 190

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 %
- BPCE et Crédit Foncier	15,50 %			
The share capital (fully paid-up) comprises: - 1 940 363 Category A shares, - 80 287 490 Category B shares with a preferential dividend.	31/12/2010	Increase/ allocation	Reduction/ allocation	31/12/2011
	29 590			29 590
	1 224 385			1 224 385
	1 253 975			1 253 975
Legal reserve	38 136	4 353		42 489
General reserve	29 891			29 891
Reserve on long-term capital gains				
TOTAL	68 027	4 353		72 380

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

	31/12/2010	31/12/2011		31/12/2010	31/12/2011
Credit institutions	87 561	71 648	Subordinated debt	51 392	35 190
Interests in affiliated companies	5	4	Other liabilities: tax and social security		
Bonds and other fixed-income securities	131	2 074	liabilities	2 106	8 281
Other assets : tax pay back	3 048		Other accruals :		
Other accruals			. On financial instrument	96	2 021
. on guarantee	202 694	261 160			
. on suppliers	33	9			
. On financial instrument	1 334	2 196			
Accrued revenue	294 806	337 091	Expenses due and accrued	53 594	45 492
Other accruals :			Other accruals :		
. Issue expenses to amortize	924	2 747	. sureties with INITIO tariff	153 776	192 758
. on suppliers	406	342	. sureties with CLASSIC tariff	275 412	279 607
PRE-PAID EXPENSES	1 330	3 089	Pre-booked income	429 188	472 365

NOTE A 11 - OFF-BALANCE SHEET COMMITMENTS RECEIVED

	31/12/2010	Changes	31/12/2011
Counter-guarantees received (from our shareholders or not) relative to the commitment to reconstitute the mutual guarantee fund	2 977 395	279 203	3 256 598
TOTAL	2 977 395	279 203	3 256 598

NOTE A 12 - OFF-BALANCE SHEET COMMITMENTS GIVEN

NOTE A 12 - 1 - CHANGE IN COMMITMENTS GIVEN

Guarantee commitment customer order	31/12/2010	Put in place	Depreciation	Matured	31/12/2011
. guarantee for individual residential loans	201 926 748	50 872 566	-14 725 594	-14 097 550	223 976 170
. financial guarantee		14			14
TOTAL	201 926 748	50 872 580	-14 725 594	-14 097 550	223 976 184

To be noted : guarantee commitment delivered
but not yet in place at year end

28 325 557

22 860 003

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		1 174 266	10 567 388	211 939 637	223 976 170	
. financial guarantee					14	14
TOTAL	294 893	1 174 266	10 567 388	211 939 637	223 976 184	14

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	223 314 786	5 148	661 384	169 830	223 976 170
. financial guarantee	14				14
TOTAL	223 314 800	5 148	661 384	169 830	223 976 184

NOTE A 13 - TERM FINANCIAL INSTRUMENTS

OTC interest rate transactions	Notional amount	Premium on	Market value	Depreciation
. term transactions	220 000	NC	7 190	
. Options (option seller)	100 000	1 045	269	
TOTAL	320 000		7 459	

No transfer from one type to another in 2011

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)				100 000	100 000
. Options. Opened position : seller of options		100 000			100 000
		100 000	70 000	150 000	320 000

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

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

	31/12/2010	31/12/2011
Interest on demand deposit accounts	1 634	5 761
Interest on term deposit accounts (counterparty for subordinated borrowings)	22 088	29 966
Interest on term accounts for "cash from capital subscriptions, Category B shares"	9 414	13 098
Interest on term deposit accounts	149 831	147 545
Income on term financial instruments	4 151	5 789
Transactions with credit institutions	187 118	202 159
Loans to Crédit Logement staff	6	6
Interest on bad debt (interest for late payments on secured debt)	1 823	2 580
Transactions with customers	1 829	2 586
Interest income on marketable securities	1 732	
Produits d'intérêts sur titres d'investissements	5 093	6 045
Interest on bonds and fixed-income securities	6 825	6 045
TOTAL INTEREST INCOME AND ASSIMILATED	195 772	210 790
Interest or interest compensation	-21	
Interest on undated subordinated borrowings	-31 772	-35 406
Interest on deeply subordinated securities and synthetic securitisations	-85 832	-72 823
Interest on cash collateral	-110	-112
Expenses on investment security		-251
Interest on term subordinated borrowings	-1 030	-4 034
TOTAL INTEREST EXPENSES AND ASSIMILATED	-118 765	-112 626

NOTE B 2 - INCOME ON VARIABLE-INCOME SECURITIES

	31/12/2010	31/12/2011
Dividends received on equity securities		
Interest on the current account associated with SNC Foncière Sébastopol	24	16
TOTAL INCOME ON VARIABLE-INCOME SECURITIES	24	16

NOTE B 3 - COMMISSION (INCOME AND EXPENSES)

	31/12/2010	31/12/2011
Commission relative to off-balance sheet commitments given on residential loans	95 469	104 048
TOTAL COMMISSION (INCOME)	95 469	104 048
Banking commission and fees	-872	-696
Commission and fees on synthetic securitisations and subordinated securities	-1 959	-1 035
TOTAL COMMISSION (EXPENSES)	-2 831	-1 731

NOTE B 4 - INCOME ON INVESTMENT PORTFOLIO TRANSACTIONS AND ASSIMILATED

	31/12/2010	31/12/2011
Capital gains on marketable security disposals	5 352	768
Capital losses on marketable security disposals		
Income on interest rate option	1 610	1 790
Allowance for depreciation on securities	2 748	
Allowance for depreciation on options	-791	941
TOTAL INVESTMENT PORTFOLIO TRANSACTIONS	8 919	3 499

NOTE B 5 - CAPITAL GAIN ON TRADING PORTFOLIO

	31/12/2010	31/12/2011
Income on FX transactions	1	
TOTAL DES OPERATIONS SUR PORTEFEUILLE DE NEGOCIATION	1	

NOTE B 6 - OTHER OPERATING BANKING INCOME AND EXPENSES

	31/12/2010	31/12/2011
Third-party collection income (management and collection fees)	2 492	2 997
Ancillary income (Crédit Logement Assurance)	40	40
Other ancillary income	128	129
Other income	102	20
TOTAL OTHER OPERATING INCOME	2 762	3 186
SNC Foncière Sébastopol loss	-55	-104
Other expenses	-75	-422
TOTAL OTHER OPERATING EXPENSES	-130	-526

NOTE B 7 - GENERAL OPERATING EXPENSES

	31/12/2010	31/12/2011
Salaries and wages	-11 864	-13 311
Social security taxes	-5 123	-5 951
Salary-based taxes	-1 908	-2 119
Pension expenses	-1 411	-1 538
Performance-related bonus	-334	-465
Reserves on disputes	-1 386	-1 440
Employee profit-sharing		-383
Staff costs	-22 026	-25 207
Tax	-9 168	-24 431
Rentals	-577	-884
Transport	-94	-118
Other external services	-9 417	-9 304
Reserves on disputes		-29
External services	-10 088	-10 335
Other administrative costs	-19 256	-34 766
TOTAL GENERAL OPERATING EXPENSES	-41 282	-59 973

NOTE B 8 - DEPRECIATION AND ALORTISATION ON FIXED ASSETS INCLUDING EQUITY SECURITIES

	31/12/2010	31/12/2011
Other intangible fixed assets		
Software and licenses	-2 348	-2 067
Intangible fixed assets	-2 348	-2 067
Structural components	-46	-46
Roof / Front	-101	-102
Transport equipment	-29	-36
Office equipment	-48	-60
Club Affaires equipment and tools	-3	-3
Office furniture	-38	-46
Club Affaires furniture	-2	-2
Computer equipment	-326	-268
Fixture & fittings an rental premises	-161	-103
Fixture & fittings an building	-153	-168
Technical equipment	-144	-159
Tangible fixed assets	-1 051	-993
Allowance for depreciation on equity security	110	112
TOTAL	-3 289	-2 948

NOTE B 9 - INCOME OR LOSS ON CAPITALISED ASSETS

	31/12/2010	31/12/2011
Capital gains on fixed asset disposals	3	3
Capital losses on fixed asset disposals	-2	
TOTAL	1	3

NOTE B 10 - CORPORATE INCOME TAX

	31/12/2010	31/12/2011
On ordinary income	-44 781	-49 838
On unrealised capital gains on the securities portfolio	-440	-846
TOTAL *	-45 221	-50 684

* including corporate income tax instalments already paid

47 458

45 303

NOTE B 11 - CONTRIBUTIONS/RELEASES FOR GENERAL BANKING RISK FUNDS AND REGULATORY PROVISIONS

	31/12/2010	31/12/2011
Provisions for risks relating to medium and long-term transactions	-4 373	-4 539
TOTAL	-4 373	-4 539

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 *	35		
To all executives **	716	12	849
- fix compensation	555		
- variable compensation	124		
- fringe benefits and pension	37		

* No benefits and compensation paid to subsidiary during year 2011

** 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	156
Ancillary services	85

NOTE C 3 - AVERAGE STAFF BREAKDOWN BY LEVEL

	31/12/2010	31/12/2011
Executives*	1	2
Managers	134	145
Supervisors	54	65
Employees	44	42
TOTAL	233	254

* 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	4 456	Value of the collective funds managed externally	740
Present value of commitments	4 392	Present value of commitments	730
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	88 515
Retained earnings for the previous year	34
Income to be allocated	88 549
Breakdown of allocation	
- Legal reserve	4 426
- Dividends – A shares	71 696
- Dividends - B shares	12 413
- Retained earnings	14
TOTAL	88 549

FINANCIAL RESULTS

in thousand euros

	2007	2008	2009	2010	2011
Financial position at year-end					
Share capital	1 253 975	1 253 975	1 253 975	1 253 975	1 253 975
Number of shares issued					
. A shares	1 940 363	1 940 363	1 940 363	1 940 363	1 940 363
. B shares	80 287 490	80 287 490	80 287 490	80 287 490	80 287 490
Total earnings for effective operations					
Revenues (net of tax)	461 431	595 082	415 742	300 990	320 597
Earnings before tax, depreciation and provisions	124 959	137 210	196 955	137 983	146 157
Corporate income tax	38 105	44 987	62 479	45 221	50 684
Earnings after tax, depreciation and provisions	79 961	85 104	119 744	87 057	88 515
Profit distributed					
. A shares	43 852	41 718	86 055	72 473	71 696
. B shares	32 112	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	28,24	27,36	55,00	42,53	42,80
. B shares	0,40	0,49	0,35	0,13	0,16
Earnings after tax, depreciation and provisions					
. A shares	24,70	23,70	47,43	39,60	39,23
. B shares	0,40	0,49	0,35	0,13	0,15
Dividend per share					
. A shares	22,60	21,50	44,35	37,35	36,95
. B shares	0,3999577	0,4880878	0,3451271	0,1272268	0,1546046
Workforce					
Average headcount*	209	218	219	233	254
Payroll	9 664	10 174	10 424	11 864	13 311
Staff benefits	5 423	6 388	5 893	6 534	7 489

* without managing director

