
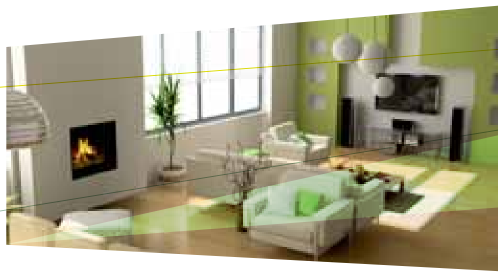
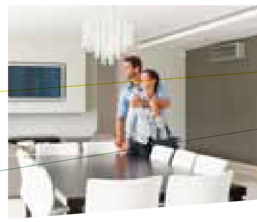

2010

Annual Report

CRÉDIT LOGEMENT

MESSAGE OF CHIEF EXECUTIVE OFFICER

A NEW DIMENSION

For its 35th anniversary, Crédit Logement set itself a new record. With 87.21 billion euros of guarantee agreements delivered during 2010, the previous record of 55.1 billion euros, which was reached in 2009, was decisively broken.

Another symbolic figure: outstandings on 31 December 2010 exceeded 200 billion to reach 201.9 billion euros exactly.

In crossing the 200 billion threshold by delivering more than 87 billion in guarantee agreements, Crédit Logement has quite clearly changed dimension.

Obviously, this change entails modifications in terms of organisation, process improvement and staffing.

87.21 billion represents a 58.4% increase compared to 2009, and also production multiplied by seven in 10 years.

And 201.9 billion represents seven times the outstandings that were booked on 31 December 2000.

The amount of guarantees implemented (which may be reconciled with the amount of loans disbursed by lending institutions) stood at 56.3 billion euros, up by more than 73% compared to 2009. This figure is growing even quicker than that representing the rise in gross production. It reflects an extraordinarily dynamic second half-year. It should be noted that Crédit Logement's performance is better than that of the market, as loans disbursed "only" increased by 41%.

One of the explanations for this phenomenon lies in the size of repurchases of loans, which, in production over the year, represented 20% by number and 18% by amount, against only 7% in 2009. Of course, these repurchases were motivated, or at least facilitated, by interest rate levels that are the lowest since the 1950s. By reducing monthly repayments, these interest rates boosted the whole of the property market. In particular, they gave solvency to first-time-buyer clients who, otherwise, would not have been able to purchase property.

The other factors that greatly contributed to promoting a strong market were:

- during the whole of 2010, the tax advantages related to the rental market ("Scellier" arrangement) and also the quicker-than-expected resumption of purchase-resale transactions, demonstrating the renewed confidence of buyers;
- in the second half, with a marked acceleration in the 4th quarter, government announcements concerning the modification or abolition of tax measures on 31 December, particularly income-tax reductions, led to a real bonanza effect.

As an example, in 2010, guarantees covering loans buy to let loans represented 23% by amount and 25% by number of Crédit Logement's gross production, against 7 to 8% usually.

Together, purchases of "rental" credit and loans represented 41% of gross production and therefore contributed to the change in dimension.

To illustrate this change even more tangibly, it is only necessary to compare the average numbers of transactions received and processed each year over the last few years, either directly by the expert system or by the teams of credit analysts when the latter does not automatically give agreement.

For 2010, the number was 2,527, to be compared with the 1,721 transactions received on average each day in 2009 and 1,397 received in 2008.

Obviously, this exceptional activity is reflected in Crédit Logement's financial results, which with after-tax net profit of 87 million euros, are up by 12.3% compared to 2009, if we do not include the exceptional capital gain of 63 million euros before tax that was booked in 2009 and which was due to a partial repurchase of subordinated notes.

Crédit Logement's change in dimension is also expressed by the growing number of debts managed by the Collection Department. The growth in outstandings naturally generates a larger number of cases. But the acceptance of defaults has also accelerated due to the effects of the economic crisis, which were clearly perceptible from the 1st quarter 2009. 2010 saw an overall 38% increase compared to 2009. The beginnings of a change were seen from the end of 2010, with the number of cases accepted stabilising. This slowdown trend has since been confirmed.

The fact remains that more than 8,000 cases were under management at the end of March 2011, and the size of this stock is another demonstration of Crédit Logement's new dimension.

To cope with this growing workload, Crédit Logement has implemented various measures that cover organisation, the continuation of process industrialisation, and staffing.

Firstly, the teams have been expanded, particularly those of the Production and Collection departments. The Organisation, Administration and Finance, and Risk departments have also been expanded, although in a more selective manner. These reinforcements were both quantitative and qualitative.

Following the sudden death of Claude Morandeau, the deputy CEO, in August 2010, the Management Committee was reorganised and two deputy CEOs were designated at the end of September.

This decision entailed a change of organisation, which is now constructed around three divisions. Certain entities (Audit and Internal Control, Human Resources, Communication and the Legal Department) remain under the direct supervision of the Chief Executive Officer. The others have been placed under the supervision of the Deputy CEOs, who also retain their prior functions, respectively those of Chief Production Officer and Chief Financial Officer.

In parallel, Crédit Logement has continued the improvement of its processes, for example by using the flexibility offered by the "compensation" engine, which was added to its expert system at the beginning of 2010. This system compensates elements related to solvency with others relating to margin and vice versa, with the aim of immediately delivering an automatic agreement.

The introduction of a new software package for processing collection on behalf of third parties, and its gradual extension to own-account collection, has also started to bear fruit by improving the efficiency of the work of the collection analysts.

Recurring work with the partners of Crédit Logement to improve the acquisition channels of guarantee requests, and for controlling risks by returning specific information which is periodically provided to them, have also contributed to improved processing and greater control of the risks generated by this large production.

Crédit Logement has also taken action to improve the quality of employees through its training initiatives, going far beyond its legal obligations in this respect.

Such marked development requires ongoing work to improve the monitoring of risks. This led to the reorganisation of the "risks function" and the improvement of the systems for internal control and for monitoring equity. It should be noted that in this area, in June 2010, Crédit Logement was able to exercise calls for all of the securitisation transactions still in force and for the "LT2" subordinated notes for an amount of 1,350 million euros.

Lastly, as it has become essential in its business, Crédit Logement must be capable of very quickly resuming the processing of files addressed to it in case a significant operational risk becomes reality. A change of operator for the IT disaster-recovery plan and for the business-continuity plan, and the change in processes for the resumption plan used by the main facilities-management operator, now allow an almost instantaneous switch of production, avoiding any long shutdown (mirroring systems).

Business in 2011 will doubtless be below that of 2010, which will probably remain quite exceptional.

However, the first months of 2011 continue to be very dynamic, with more than 20 billion in guarantees already granted at the end of March.

In any case, 2011 should confirm the change in dimension of Crédit Logement, which, once more, will endeavour to provide the best service quality to its partners throughout the year.

Crédit Logement is organising itself so that, in 2011 and in the years to come, it remains an essential player in the French property market, contributing to its dynamism and to controlling the risks that it can generate.

CRÉDIT LOGEMENT

Distribution of the capital at December 31, 2010

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

SHAREHOLDERS	NUMBER OF SHARES			TOTAL AMOUNT	%
	A	B	TOTAL		
BNP Paribas	319 790	13 249 020	13 568 810	206 924 352,50	16,5015%
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	261 656	10 840 276	11 101 932	169 304 463,00	13,5014%
Crédit du Nord	58 134	2 408 910	2 467 044	37 622 421,00	3,0003%
BPCE	165 118	6 824 614	6 989 732	106 593 413,00	8,5005%
Crédit Foncier	135 466	5 612 781	5 748 247	87 660 766,75	6,9906%
Crédit Mutuel	96 896	4 014 862	4 111 758	62 704 309,50	5,0004%
CIC	87 201	3 613 368	3 700 569	56 433 677,25	4,5004%
SF2 - Groupe La Banque Postale	116 269	4 817 821	4 934 090	75 244 872,50	6,0005%
HSBC France	58 334	2 407 360	2 465 694	37 601 833,50	2,9986%
Other Credit Institutions	1 570	263	1 833	27 953,25	0,0022%
Individuals	349	183	532	8 113,00	0,0007%
TOTAL	1 940 363	80 287 490	82 227 853	1 253 974 758,25	100,0000%

MANAGEMENT BOARD

31 Décembre 2010

Monsieur Jean BOUYSSET,
Honorary Chairman.

Monsieur Yves MARTRENCHAR,
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 AGRICOLE SA,
represented by Olivier NICOLAS,
Chief Financial Officer.

LCL – LE CRÉDIT LYONNAIS,
represented by Michel MOREL,
Head of Retail Banking.

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

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

BPCE,
represented by Christine FABRESSE
Head of Retail Banking.

CRÉDIT FONCIER,
represented by Christophe PINAULT**,**
Deputy Chief Executive ,
Sales Development in France.

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

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

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

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

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

STATUTORY AUDITORS

C.T.F.,
represented by Christophe LEGUÉ.

Deloitte & Associés,
represented by Sylvie BOURGUIGNON.

BOARD OF DIRECTORS

Gabriel BENOIN
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

KEY FIGURES AT DECEMBER 31, 2010

REGULATORY CAPITAL
8,21 milliards d'euros,
including 3,03 billion euros in
mutual guarantee fund
(included into shareholder's equity)

GROSS ANNUAL PRODUCTION
87,31 billion euros
743 937 loans
for 535 094 transactions financed

OUTSTANDING GUARANTEE
201,93 billion euros
2 652 478 loans

WORKFORCE
233 personnes

LONG-TERM RATING
Standard and Poor's : AA
Moody's : Aa2

THE FRENCH RESIDENTIAL PROPERTY MARKET

(Source Property Loans Production Observatory (OPCI)

2010 was the year in which the market for property loans to individuals recovered.

The improvement in credit conditions explains this market recovery. Rates in the competitive sector have never previously been so low. Furthermore, borrowers have benefited from particularly tempting public provisions: the doubling of the 0% loan, tax reductions for interest on loans, Scellier arrangement, etc.

The first three months of 2010 saw strong progress and although production usually drops at the end of the year, the 4th quarter 2010 was surprising for the strength of the market. It is true that the 4th quarter 2009 had already distinguished itself in the same way.

Other than the dynamism observed in the previous quarters, a large share of borrowers anticipated the implementation of their projects before the end of 2010. Investors wished to take full advantage of the Scellier arrangement and secondary purchasers anticipated the end of the TEPA tax credit. It even appears that first-time buyers in zones B2 and C made economic calculations leading them to prefer the zero-rate loan associated with the tax reduction to the "zero-rate loan plus" which would not be marketed until the beginning of 2011.

Over the whole of the year, the production of housing loans (excluding repurchases of loans) increased by 41.1% to stand at 168.57 billion euros of offers accepted, against 119.45 billion euros in 2009, thus returning to the high levels of 2006 and 2007.

Loans granted are estimated at over 138 billion euros, versus 109 billion in 2009.

It should be stressed that the developments to the French residential property market analysed by the OPCI are, a priori, net of credit repurchases, which are also valued at about 10% of the total amount.

By examining the structure of property production in 2010 (excluding repurchases), we notice that the market for existing property has shown remarkable vitality. For this, it benefited from the recovery of the resale market and, in its wake, the return of affluent clients who were waiting for price increases to become well established before returning to the market (most reselling beforehand).

The market for existing property had a very strong increase in its production with +48.6% in 2010, against -19.3% in 2009. With 107.77 billion euros of production in 2010 (almost identical to that of 2007) against 72.54 billion euros in 2009, the share of existing property in overall production therefore increased to stand at 63.9%, against 60.7% in 2009.

The market for new property benefited from the dynamism of private rental investment driven by the "Scellier" arrangement, the recovery of first-time purchasing supported by the recovery plan and the end of deadlock in the resale market. However, the market for new property was less dynamic than that of other markets. With production standing at 41.57 billion euros against 33.29 billion euros in 2009, the share of new property dropped, to stand at 24.7%, against 27.9% in 2009.

The market for renovation also made progress. With production of 19.22 billion euros against 13.62 billion euros a year ago, it consolidated its market share, representing 11.4%, as in 2009.

Loans in the competitive sector, which at the beginning of the crisis pulled the entire market downwards, enjoyed a spectacular revival with +45.2% in 2010! In the whole of the market, their share climbed to 89.4%, against 87.0% a year ago.

In contrast, due to the low level of rates in the competitive sector, loans granted under home-buyers savings schemes fell again, to represent only 1% of the whole.

Production of zero-rate loans, which were boosted by the provisions of the recovery plan, also grew rapidly and their share in the whole was 4.3%.

In 2010, the average rate of loans granted by the competitive sector was 3.41%, versus 4.12% in 2009. However, the movement that reduced average interest rates by 190 basis points between November 2008 and November 2010 ended at the end of 2010 and average rates in January 2011 stood at 3.47%.

The share of floating rate* production is stable at 6.1% of the whole against 6.2% in 2009. The average period of loans was 16 years and 8 months against 17 years and 8 months in 2009, and the average amount borrowed was 161,997 against 141,000 a year earlier.

* capped variable rate, therefore excluding formulas with fixed monthly instalments, but with the possibility of longer terms for loans and excluding the formula with no limits in interest rates and term.

In this extremely favourable environment, Crédit Logement has had an excellent year and its level of gross production has again beaten a historical record.

With 87.29 billion euros guaranteed, Crédit Logement increased its production by 58.36% compared to the previous year (55.12 billion euros in 2009).

Net production, corresponding to the guarantees put in place during the same year, amounted to 56.30 billion euros, up 73.3% compared to 2009 (32.48 billion euros in 2009).

Thus, Crédit Logement confirms the share that it represents in the market for property loans to individuals by guaranteeing more than 30% of all housing loans, excluding renegotiation loans.

Crédit Logement's off-balance-sheet outstandings, representing the capital remaining due for current guarantees, reached 201.93 billion euros on 31 December 2010, against 167.61 billion euros on 31 December 2009.

Still high market share

The latest research available on the breakdown of the guarantee market in France for 2009 (source: OFL/CSA and Despina model), based on the number of transactions completed, indicates a 56.8% market share for guarantees (bank guarantees and guarantees from insurance companies) compared to a 37.3% market share for mortgages. Expressed in the amount of loans distributed, it is generally comparable and stands at 53.2% for guarantees against 40.8% for mortgages.

For 2010, this same observatory estimates a stabilisation of market share for both forms of guarantee.

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.

NEW COMMITMENTS

934,666 loans were examined by Crédit Logement, resulting in 743,658 guarantee agreements, representing 534,846 transactions financed for a gross commitment amount of 87.29 billion euros.

A new record for Crédit Logement, which represents a 58% increase by amount, 43% by number of loans and 44% by number of transactions guaranteed.

This is therefore more than 2,500 transactions presented each day, on average throughout the year, for Crédit Logement's guarantee, against 1,721 in 2009.

This sustained rate of business nevertheless resulted in three applications out of four receiving a guarantee agreement in less than 48 hours. This performance is the fruit of the implementation of powerful IT links and a computerised system for guarantee analysis. For a significant share, it is also the result of the commitment of staff in the Production Department to the quality of service provided to clients.

The average amount of guaranteed transactions (loans assigned to the financing of a single project) was 153,505 euros, compared with 148,455 euros in 2009, reflecting a 3.4% year-on-year increase.

57% of the amounts of transactions guaranteed concerned property projects completed in the market for existing property, even though these can be mortgaged.

New property represented 22% of the amount guaranteed, representing 15% for purchase and 7% for construction.

The share of rental investment stood at 23% of the total amount, identical to the previous year.

Repurchases of loans increased strongly to represent 18% of amounts guaranteed and 20% of the number of transactions against 7% for each of these in 2009.

Loans in the competitive sector represented 93% of the amount guaranteed and the share of bridging loans in this whole remained stable, standing at 4%.

58% of the amounts guaranteed during the year concerned loans with a maturity greater than 15 years.

Borrowers aged 35 or less make up 41% of the beneficiaries of Crédit Logement's guarantees, almost identical to the data seen during 2009. The percentage of non-executive employees remained stable at 44% of the total.

Homebuyers earning three times the minimum wage or less represented 30% of the total number.

DEBT COLLECTION

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

2010 continued the trend of 2009, but at the end of the year, the beginnings of a change were observed. Unemployment and instances of individuals borrowing excessively continued to increase. However, at the same time, the number of insolvent companies decreased. Likewise, the market for property sold to individuals recovered with a resumption of sales and prices increasing in practically all areas.

Support to borrowers in the phase covering the search for a negotiated solution continued throughout the year.

In spite of a period of sustained activity, the professionalism of the staff in the Collection Department meant that they were able to provide more personalised support. The process is mainly concentrated on exploration and analysis of the situation of each defaulting borrower, with priority given to the search for privately-negotiated solutions.

Collection of guaranteed debt

7,484 default transactions were being managed on 31 December 2010, representing an increase of 38% compared to the previous year, and the amount of transactions classified as in default increased to reach 870 million euros.

7,534 loans (+15% compared to 2009) went into collection, including 5,929 requests for acceptance from partner banks of Crédit Logement.

During the same period, 5,205 loans (+15% compared to 2009) were no longer categorised as bad loans requiring collection.

195.16 million euros from the mutual guarantee fund was used for financial support. In return, total collection increased strongly by 69.5%, which allowed the mutual guarantee fund to be re-credited with 84.89 million euros.

571 bridging loans were managed in collection for a total amount of 86.6 million euros. These loans now represent 6.73% of the total number of loans managed in litigation and 11.20% of the total amount. Over the year, the share of bridging loans in default stabilised, declining significantly during the 4th quarter 2010.

These were bridging loans whose term of repayment exceeded 24 months and for which no solution could be found to extend or restructure them.

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.

Thus, during 2010, 2,183 new debts were addressed to Crédit Logement, representing 8% more than in 2009, and 1,069 were resolved, demonstrating the ability of the collection teams to efficiently manage the assigned debts.

The total number of debts under management stood at 5,624 for a total risk managed of 238.8 million euros.

Collection increased by 41.5% compared to 2009 to reach 43.27 million euros, against 30.59 million euros the previous year.

CUSTOMER RELATIONS

Market share

The residential property market was particularly dynamic in 2010. In this favourable context, Crédit Logement strongly increased its market share compared to 2009. The level reached, and the magnitude of this increase, are historic.

Collaborative work with all partners of Crédit Logement is increasing. It is important to note that for the first time in many years, the use of Crédit Logement's guarantees by the large mutual networks is significantly increasing, in spite of the competition from their own guarantee companies.

Crédit Logement's guarantee services are the most comprehensive and efficient on the market. The extent of the areas in which it works, its unique expertise, the automation of its processes and the level of services that it provides are finding increasing success with lenders who are looking for better coverage of their risks, the support of experts at the service of their operators and an integrated litigation service.

Crédit Logement's proven ability to maintain good processing deadlines throughout the year has strengthened the dynamics of networks, which have increased their demand for Crédit Logement's guarantees.

The implementation, at the end of 2010, of the law on French Covered Bonds (Obligations à l'Habitat) has also strengthened Crédit Logement's competitive advantage in the particularly sensitive subject of refinancing. This law creates a new legal compartment of covered bonds, open without limitation to guaranteed loans. Crédit Logement's rating, AA by Standard and Poor's and Aa2 by Moody's, allows an excellent weighting of guaranteed outstandings refinanced via these instruments.

Acquisition channels for guarantee requests

In 2010, a large mutual company decided to generalise the use of Electronic Data Interchange for the whole of its network. This will very significantly increase the number of partners using EDI but, above all, it will increase the performance of Crédit Logement's processes.

In addition to EDI, more than 100,000 guarantee requests (+20%) were sent during the year by the 70 partners who make daily use of Crelog.com, the production extranet.

This second guarantee-request acquisition channel allows not only the provision of an automatic and immediate agreement in 70% of cases, but also allows Crédit Logement's letter of agreement to be produced locally by the partner, which is an essential factor in accelerating the process for the benefit of borrowers.

Client-relationship channels

The high level of production has strongly increased daily exchanges between Crédit Logement and its partners' networks.

Customer Services have endeavoured throughout the year to provide information and advice and prioritise urgencies in continuous cooperation with Crédit Logement's business teams.

The personalisation of the customer relationship, either through the first contact or after transfer to a business expert, is one of the key elements in the satisfaction of Crédit Logement's partners.

Customer Services smoothly handled more than 294,000 calls (+31%) and 66,000 e-mails (+69%). The teams were able to maintain a high level of availability (92% of calls accepted) throughout the year, including during the intense period of activity at the end of the year.

The Crelog.com system is also a tool for managing the customer relationship, which offers an increasingly wide range of functionalities: simulation tools, looking up guarantee applications in progress, news and general information. At a time when sustainable development is becoming increasingly important, the dematerialisation of letters has been generalised, with all of Crédit Logement's letters being accessible for download.

This channel has had growing success, with more than 394,000 connections recorded for 546,000 pages displayed, representing an increase of 28% compared to 2009.

Building on this success, a new CRELOG.com is under development. More comprehensive and easier to use, it will be launched in autumn 2011.

A collection service: CRELOG Recouvrement

During 2010, in a riskier market environment, Crédit Logement widely promoted its collection services on behalf of third parties.

CRELOG Recouvrement is broken down into three services:
- CLR Immo: collection of property debts not guaranteed by Crédit Logement;
- CLR Conso+: collection of consumer loans associated with guaranteed property loans;
- CLR Enchères: auction support, with possible re-marketing of property assets.

Backed by more than 10 years of experience, CRELOG Recouvrement provides an efficient solution for lenders, for the collection of all or part of their property debts. Simple to implement, it provides the benefit of Crédit Logement's know-how and effectiveness at a controlled cost.

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

International innovation

The service designed in 2009 specifically for Switzerland, in partnership between Crédit Logement and Crédit Agricole Financement Suisse, was quickly successful.

Production received and guaranteed in 2010 outperformed expectations and the rate of production is continuing to increase. Contacts are ongoing with Swiss banks that would also like to offer this service.

At the end of 2010, a new cross-border service for Belgian customers was designed. This, aimed at non-residents of Belgian nationality investing in France, should be launched in spring 2011.

Also, Crédit Logement has been requested by the Luxembourg subsidiaries of French partners to define a new cross-border service for the benefit of customers in Luxembourg.

IT AND ORGANISATION

For the Information Systems Department, regulatory projects such as the application of the SURFI reform and the application of new arrangements for accessing files from the Banque de France required the implementation of:

- increased optimisation and the automation of new processes;
- a review of most data-exchange protocols;
- a new version of the regulatory reporting system.

To support the company's strategic challenges and the strong development of production, other projects implemented in 2010 on the information system mainly covered the deployment of:

- new links for exchanging computerised data with partners (EDI and web services);
- new functionality for all partners using the Crelog.com extranet, which will enable us to accelerate its deployment, continue the dematerialisation of letters and streamline costs;
- developments and optimisations to the computerised system for analysing guarantees;

- new functionalities necessary to the Swiss information system.

The harmonisation project for the software to manage the collection of guaranteed debt, with the solution already implemented for managing the collection of debt on behalf of third parties, is currently undergoing an in-depth acceptance phase before being able to be deployed in 2011.

It should be stressed that the work performed to virtualise infrastructure and implement new technical architectures for the backup sites has enhanced the security of the information system and improved the reliability of the service, while ensuring that costs are kept under control.

With the end of the programme that was launched in 2003 to overhaul the information system, a decision was taken to carry out a study at the end of 2010 aiming to define the main challenges for the information system over a three-year timeframe. This process resulted in a preliminary draft strategy involving the establishment of an action plan based on a "continuity scenario" listing all projects accepted according to two criteria (functional and technical) with, for each, the objectives covered in terms of productivity, sustainability and security/compliance.

Aware of the importance of project management in the conduct and effectiveness of IT projects and application maintenance, Crédit Logement has strengthened its Organisation Department and is in the process of defining an optimised process of managing its projects.

Other than running projects, the Organisation Department has made a particular effort in strengthening relationships with partners' project managers. As part of a process of continuous improvement of EDI, these exchanges have optimised the processing of applications. Faced with the significant increase in its production, Crédit Logement has therefore been able to maintain the quality of its service while controlling its staffing levels.

Responsible for maintaining the coherence of the documentation that describes Crédit Logement's organisation and procedures, the Organisation Department paid special attention to adapting this documentation to the new organisation that was implemented at the beginning of October 2010.

HUMAN RESOURCES MANAGEMENT

Crédit Logement's human resources department broadly supported the company's high level of activity throughout 2010 by managing additional human resources.
At the same time, the company's workforce increased by more than 10%. The volume of part-time staff is still at a high level, representing 12% of the total workforce.

The bodies representing personnel in the company, the employee-representative committee and personnel representatives, were renewed for four years and the Health, Safety and Working Conditions Committee was renewed for two years.

This year again, the training budget represented more than 3% of payroll expenditure, compared to the legal requirement of 0.9%. Over 4,000 hours of training were provided to 60% of employees.

More than 12% of employees benefited from the individual training entitlement, for a volume of 650 hours of training.

Training curricula leading to diplomas have been established through the "professionalisation period" scheme and through the partnership with the Bank Training Centre so that certain employees can obtain the "BP" and "BTS" banking qualifications.

In June 2010, Crédit Logement and the employee-representative committee signed a new amendment to its profit-sharing agreement allowing the application of an exceptional formula to the formula for calculating the profit-sharing reserve.

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 2010. However, some have been repaid early at the call dates specified in these transactions, while others have been maintained.

Synthetic securitisation programme

Four of the six synthetic securitisation transactions, known in the market under the name of French Residential Assets or FRA and performed between 2004 and 2006, were still current at the beginning of 2010.

The first two transactions were repaid in March 2009 and the four remaining transactions were repaid in June 2010, with the agreement of the General Secretariat of the Prudential Supervision Authority.

At the end of 2010, Crédit Logement therefore retained no securitised outstandings and the cash collateral accounts related to these transactions were fully repaid.

Issues of Tier one and Tier two subordinated notes

Several issues of subordinated notes were made between November 2004 and May 2007 and were still current on 31 December 2010.

In Tier One:

- in November 2004, an issue of innovative deeply subordinated notes, held in Tier One for 450 million euros, for which the first possible date for exercising the early redemption option was December 2009;
- In March 2006, an issue of non-innovative deeply subordinated notes, held in Tier One for 800 million euros.

In Tier Two:

- In April 2006, an issue of undated subordinated notes for 500 million, held in Upper Tier Two, for which 450.3 million euros were outstanding on 31 December 2010 after partial repurchase and cancellation of notes in March 2009;
- lastly, in May 2007, an issue of redeemable subordinated notes for 1 billion euros, with a 10-year maturity, held in Tier Two, for which 900.1 million euros were outstanding on 31 December 2010 after partial repurchase and cancellation of notes in March 2009.

The Lower Tier Two issue of 1.5 billion euros, dating from June 2005, for which 1.35 billion euros was still current on 1 January 2010, was repaid early at its first possible call date in June 2010, with the agreement of the General Secretariat of the Prudential Supervision Authority.

CASH MANAGEMENT

In 2002, the Board of Directors wanted what is known as "available" cash, meaning that coming in particular from the mutual guarantee fund and prepaid security deposit fee income, to be managed more aggressively, as opposed to what is known as "conventional" cash coming from subordinated loans stock and B shares, which is reinvested directly with the capital contributors according to predetermined terms.

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

The implementation of these principles 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.

Since 2002, the cash generated by the production contributed by the shareholdings has been invested with a long-term view, assuming severe stress tests regarding liquidity.

As of 31 December 2010, the long-term investment of available cash (with an initial term of more than 5 years) in fixed-rate term deposits amounted to 1.284 billion euros, while medium-term investments (between 1 and 5 years), stood at 672 million euros, the rest of the available cash being invested for less than one year or in mutual funds strictly limited to the money market. The structured deposits remaining on 31 December 2009, with guaranteed capital at maturity, indexed on long-term bonds, were repaid in December 2010.

Furthermore, the funds raised with the issue of subordinated notes have also been invested over the medium term, with the aim 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.

Concerning the reinvestment of these issues, the variable-rate securities acquired have been classified as investment securities since 2007, given Crédit Logement's intention to hold them until the call of the underlying market transactions. However, this portfolio was significantly reduced in 2010, going from 1.105 billion euros on 31 December 2009 to 250 million euros on 31 December 2010, the maturity dates of part of these notes falling on the call date of the Lower Tier Two issue of June 2010. The replacement of the Tier One issue, not repaid early at the end of 2009, was given a short-term extension to allow exercise of the call when this becomes possible.

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.

All of the work is the subject of a half-yearly presentation bringing together the members of the audit committee and staff from the Audit and Internal Control Department. Monthly internal control committee meetings are also held with the management committee.

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 2010. In particular, there was an audit covering guarantee requests and on the management of the hardware and software installed base.

2010 was also notable for the review of the internal model for managing liquidity risk under the Prudential Supervision Authority's process of approval of the advanced approach to liquidity risk.

Lastly, the annual audit of the internal ratings system covered the review of risks constituting pillar 2 of Basel II.

RISK MANAGEMENT

During 2010, the Chief Risk Officer was appointed manager of the institution's risks function. In this respect, he now supervises all of Crédit Logement's risks.

Credit risk in the retail mortgage business

By decision of the Prudential Supervision Authority dated 24 April 2007, Crédit Logement was granted the right to use its own internal rating system for calculating its regulatory capital (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 done by the Risk Department is reported on a monthly basis to the Risks Policy Committee, which is overseen by the Management Committee.

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

During 2010, the Risk Management Department made two changes to the model:

- the correction recommended by the Audit and Internal Control Department following its 2009 annual review of the default classification of transactions composing a bridging loan in default;
- the modification of the timeframe for estimating the CFEC applied to secured loans that are not yet implemented. This was changed from two years to one year to make it more coherent with that for calculating equity capital and better capture the latest trends on changes to rates of implementation.

On 31 December 2010, this internal rating system was applicable to a default exposure of 221.6 billion euros, which breaks down into 207.1 billion euros of guarantees implemented and 14.5 billion euros of guarantees not yet implemented.

The estimate of the portfolio's average probability of default (PD) was 0.26% on 31 December 2010. It is therefore down by 0.034 points compared to 2009. The increase observed since mid-2007 slowed from the first half of 2010. The final quarter of 2010 was marked by a trend reversal that should remain at least over the beginning of 2011.

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 13.8% of the exposure at default, representing an increase of 2 points compared to 2009. This increase was one of the effects of the contraction of the residential property market observed between mid-2008 and mid-2009. 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. Also, as the potential for collection on these transactions has dropped, the LGD is likely to follow an increasing trend, at least over the coming year.

Given these estimates, the Risk Weighted Assets of the portfolio stood at 17.3 billion euros, corresponding to a weighting of 8.59%, down by 0.46 points. The total regulatory capital requirement for the guarantee portfolio under pillar 1 (bearing in mind, for Crédit Logement, expected and unexpected losses and after taking into account stress) stood at 1.735 billion euros. The minimum regulatory capital requirement (only unexpected losses) was 1.39 billion euros. Nearly 20% of this requirement, representing 275 million euros, corresponds to the stress applied to the LGD.

The mutual guarantee fund, constituted to cope with the portfolio's credit risk, represents more than 1.8 times the amount for the total regulatory capital requirement (pillar 1) and 2.3 times that of the regulatory requirement. The equity capital, the reserves and the mutual guarantee fund represent nearly 2.7 times the amount of the total requirement and more than 3.3 times that of the regulatory requirement.

In 2009, Crédit Logement extended the scope of its operations to guaranteeing property loans 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 made its operational debut on 1 September 2009, as of 31 December 2010. The equivalent value in euros of the exposure to default (EAD) of loans guaranteed in this respect was 15.1 million euros. Prudential equity capital, calculated by dispensation according to the standard method for this new production, stood at 0.90 million euros.

Excluding this new and very small development, the credit risk is totally concentrated on the French residential property financing market. This concentration is taken into account in the credit-risk management strategy and is not currently perceived by the institution as a high risk: selection criteria based primarily on the ability of the borrower to repay and secondly on the value of the asset or the borrower's overall assets. Furthermore, it should be stressed that the market for property purchased by individuals is non-speculative, that the unitary amounts provide a high dispersion of risk, that the loans are overwhelmingly at fixed rates and that a large part of Crédit Logement's production is made with generalist banks.

The portfolio's average default probability (PD) of 0.26% 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 (PD) over one year of about 0.09%).
The average LGD of the portfolio of 13.80% (excluding pillar 1 stress scenarios) is obtained by assigning more than 97% of the portfolio's transactions to a class of LGD less than 14.5%.

Furthermore, when the capital requirement (under Pillar 2) was calculated, a study was conducted to ascertain the relevance for Crédit Logement's retail banking portfolio of the 0.15 correlation coefficient assumed in the formula to calculate the regulatory capital requirement of the retail mortgage curve. This last may be considered as 2 to 3 times higher than would be required by observing historical losses in the portfolio.

To conclude, over 2010, the credit risk for the retail bank business, measured by the internal rating system, remained practically stable at a low level.

Operational risks

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

Among those identified since 2005, the most important risks remain those related to IT, its hosting and the security of information systems.

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

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

In total, 15 risk events were declared in 2010 (against 9 in 2009), essentially related to the information system. These were qualified as incidents of low severity due to their short duration and a combined potential financial impact that was low with no final loss.

Going beyond the strictly financial and regulatory approach, Crédit Logement took advantage of this process to improve its processes and increase their reliability, and in 2010 it carried out actions including conducting vulnerability tests, raising the awareness of all personnel concerning the protection of information and updating the list of the most important risks by business departments.

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, in the premises at 50 boulevard de Sébastopol, made up of virtualised servers;
- an extranet application hosted by a contractor in the inner Paris suburbs.

The Business Continuity Plan covers the unavailability of premises or the whole of the local network, while the continuity of service supplied by contractors is the subject of contractual guarantees in the form of Disaster Recovery Plans, which are based on backup sites that are geographically separate from the contractors' main sites.

Technical tests on the backup platform were supplemented by tests directly carried out by users to ensure the correct functioning of business applications.

Following a call for tenders, a new host for the IT Disaster Recovery Plan, an essential component of the Business Continuity Plan, was chosen at the end of the year. The quality of service and the time for switching to the backup site were improved, with both information systems functioning using mirroring.

The regulatory capital requirement for operational risk (Basel II pillar 1) stood at 29.8 million euros on 31 December 2010.

Market risk, counterparty risk and other risks.

In 2010, 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.

In 2010, Crédit Logement sold a notional amount of 150 million euros in swaptions at one year, receiving a fixed rate. The options sold in 2009 were not exercised by the counterparty upon expiry in 2010 and Crédit Logement therefore recorded the initial premium as income.

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 2010 was reduced to the amount of the cash collateral guaranteeing their repurchase, namely 6.1 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: I MPLEMENTING THE IN TERNAL CAPITAL ADEQ UACY AS SESSMENT PROCESS

During 2010, 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).

To assess liquidity risk, a stress test was developed regarding the loss experience of the portfolio of guarantees. This is applied every year as long as it remains sufficiently conservative based on the latest risk parameters. At the end of 2010, 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.

The goal is to ascertain that Crédit Logement can meet its commitments, partly thanks to its mutual guarantee fund, and continue answering the calls on guarantees of its partners.

When measuring and managing its overall interest rate risk, Crédit Logement takes into account this strong constraint on liquidity. It has developed an overall interest rate gap model to 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 200bp change of the whole yield curve is applied and a limit has been set for the sensitivity of the NPV to this stress: maximum variation of 12% of NPV, over a timeframe of 10 years, in relation to Core Tier One regulatory capital (excluding mutual guarantee fund). On 31 December 2010, the sensitivity of the NPV over 10 years in the event of a 200bp drop in interest rates was 7.97% of the share capital after taking into account the macro-hedging swaps.

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 2010, 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 appear to cover all the risks that Crédit Logement might face on a one-year horizon.

The management of liquidity risk and the liquidity ratio

Crédit Logement's liquidity risk is very specific, since its business of guaranteeing residential loans generates liquidity and 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.

To avoid risk, Crédit Logement has set itself the target of always maintaining a positive liquidity gap (liquid sources of funds exceeding applications of funds), even under Pillar 2 stress tests.

Crédit Logement also keeps ample cash at less than one year and current cash representing at least three quarters of disbursements from the mutual guarantee fund.

However, the new French one-month liquidity standard, which applies a weighting of 2.5% to the guarantees given, without taking into account the type of guarantee and the real liquidity requirement that these guarantees may generate at one month, is inapplicable to Crédit Logement's business model.

As allowed by the regulations, Crédit Logement has developed an internal model for managing its liquidity, which is in the process of validation 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, and capitalising on the overall interest-rate gap built into pillar 2, 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, Crédit Logement carried out no new hedging transactions.

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 2010, SNC Foncière Sébastopol carried out two new auctions and re-sold four assets.

At the end of 2010, five transactions were outstanding for a total net amount of 456,237 euros, including a provision for depreciation of 3,000 euros, against 782,462 euros on 31 December 2009.

The income statement shows a loss of 54,402 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 2010 with one CIL.
The amount of premiums issued in 2010 increased, representing 8,473 euros against 5,949 in 2009.

The income statement shows a net profit of 22,893 euros, against 21,589 euros a year earlier. The drop in earnings is explained by trading that remained slow during 2010.

ACCOUNTS FOR THE FINANCIAL YEAR

THE BALANCE SHEET

The balance-sheet total on 31 December 2010 was 9.48 billion euros, against 11.81 billion euros a year earlier, representing a reduction of 19.73%. This drop is essentially related to calls exercised on securitisation transactions, subordinated loans and LT2 notes.

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 2010 had reached 201.93 billion euros against 167.61 billion euros on 31 December 2009.

The net annual increase was 34.32 billion euros, representing an increase of more than 20.5%, taking into account annual amortisation and early redemption for 24.84 billion euros.

The new capital adequacy ratio and the floor applicable during the transitional period

Crédit Logement's Basel II pillar 1 solvency ratio, established in accordance with the ordinance dated 20 February 2007, stood at 41.63% on 31 December 2010, 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 2010 and should also continue in 2011. Thus, the "floor" ratio for the transitional period stood at 9.94% on 31 December 2010 against 8.18% on 31 December 2009.

Change in regulatory capital requirement (pursuant to regulation 90-02 amended by the order dated 20 February 2007)

Prudential shareholders equity went from 10.17 billion euros on 31 December 2009 to 8.21 billion euros on 31 December 2010, a decrease of 1.96 billion euros (-19.27%).

This drop of 1.96 billion euros broke down as follows.

	31/12/2009	31/12/2010	Evolution
Shareholders' equity booked on the balance sheet	1,474,569	1,452,235	-22,334
Funds for general banking risks	610	610	
Mutual guarantee deposits (Note A 8-1)*	2,843,554	3,202,639	359,085
Subordinated notes, limited to 15 or 25% of equity	1,250,000	1,250,000	
Deductions **	-239,681	-550,088	-310,407
CORE SHAREHOLDERS' EQUITY	**5,329,052**	**5,355,396**	**26,344**
Notes and subordinated loans (art. 4 c or d)	4,964,254	3,030,810	-1,933,444
Deductions **	-118,547	-175,948	-57,401
TIER 2 REGULATORY CAPITAL	**4,845,707**	**2,854,862**	**-1,990,845**
TOTAL REGULATORY CAPITAL (numerator)	**10,174,759**	**8,210,258**	**-1,964,501**
Weighted risks - advanced IRB model	13,882,913	17,325,488	
Weighted risks - standard method	2,340,288	1,801,650	
Other assets not corresponding to credit obligations	146,088	223,475	
Operational risk	360,188	373,252	
TOTAL BASEL II WEIGHTED RISKS (denominator)	**16,729,477**	**19,724,145**	**2,994,663**
European solvency ratio (before transitory floor)	**60.82%**	**41.63%**	
European solvency ratio taking into account transitory floor	**8.18%**	**9.94%**	

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

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

Core shareholders' equity (tier one)

The total amount of core shareholders' equity was 5.36 billion euros, versus 5.33 billion euros in 2009, representing a total increase of 26 million euros:

- The mutual guarantee fund increased significantly, by 360 million euros, to 3.20 billion euros at the end of 2010, against 2.84 billion euros in 2009;
- increase in expected losses deducted at 50% from Tier One;
- limitation on mutual guarantee fund held in Tier One.

Additional shareholders' equity (tier two)

This is additional, first-level shareholders' equity, 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 2000, 2001 and 2002, after the agreement of the Prudential Supervision Authority, was exercised in June and December 2010 for a total amount of 994 million and additional subordinated loan of 387 million euros were obtained in December 2010.

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 1.829 million euros;
- as of 31 December 2010, expected losses related to credit risk in the retail segment stood at 348.5 million euros, against 233.1 million euros a year earlier;
- the limitation of the mutual guarantee fund to twice the core shareholders' equity, practically non-existent on 31 December 2009, stood at 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.

THE INCOME STATEMENT

Net banking income stood at 181.22 million euros against 226.33 million euros a year earlier, which equates to a drop of 19.93%.

This includes the following:

- portfolio financial income in relation to available cash increasing by 4.80% mainly because of a cautious investment policy combined with the volume effect of average invested amounts, while the level of market interest rates, particularly short rates, remained low throughout 2010;

- the net balance of financial income generated by conventional cash (reinvestment of shareholders' equity in our account in our partner's books) fell strongly (-101.01%) because of the drop 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 reinvestment of the cash stemming from them) and synthetic securitisation transactions impact the result of the year for 25.55 million euros against a positive margin of 27.88 million euros the year before related to the capital gain realised on the repurchase, for cancellation, of 10% of our Tier Two subordinated notes in 2009;
- income from guarantee contracts increased by 44.02% and reached 95.47 million euros, versus 66.29 million euros in 2009. It represented 52.7% of net banking income against 29.3% (or 40.6% excluding capital gains on the repurchase of notes) a year earlier.

General expenses, which include general operating expenses and depreciation charges, reached an overall amount of 44.57 million euros, against 38.10 million euros in 2009, representing an increase of 17%.

The various sub-items changed as follows:
- personnel charges, which includes employee profit-sharing and incentive schemes, increased by 11.41%, related in particular to hiring in the Production and Collection Departments to cope with strongly-growing volumes;
- the other administrative costs increased by 20.77%, mostly explained by the introduction, in 2010, of the contribution to the Prudential Supervision Authority's Inspection fees based on the minimum requirements for shareholders' equity on 31 December 2009;
- depreciation and impairment charges were down by 43.43% due to the provision for impairment of 2.94 million euros in 2009 made concerning the overseas investment transaction.

In terms of productivity, the operating ratio, meaning the relationship between general expenses and net banking income, stood at 24.59% against 16.83% the previous year (or 23.33% in the version corrected for the capital gain on the repurchase of notes made in 2009).

As a result of these developments, gross operating income, before non-recurring income and expenses, corporate tax and regulatory provisions, stood at 136.65 million euros, down by 27.40% compared to the previous financial year.

The corporate tax charge stood at 45.22 million euros, instead of 62.48 million euros in 2008, and the net charge for regulatory provisions dropped by 27.36% compared to the previous year.

In all, net profit for the financial year came to 87.06 million euros, against 119.74 million euros in 2009.

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 54.48%, against 70.41% in 2009.

Taking into account all shareholders' equity (A and B shares, reserves, etc.), the return on equity was 6.37% in 2010, versus 8.83% in 2009.

PROSPECTS AND EVENTS SINCE CLOSURE OF THE FINANCIAL YEAR

Guarantee production during the first quarter of 2011 continues to be very dynamic, but the increase in long rates and new regulatory restrictions imposed on banks, particularly concerning liquidity, could reduce production during the year.

Crédit Logement did not require the agreement of the General Secretariat of the Prudential Supervision Authority to exercise, in March 2011, the option for the early redemption of Tier One notes issued in March 2006 for an amount of 800 million euros.

On the other hand, Crédit Logement launched an exchange offer at par on Upper Tier Two notes, for outstandings of 450 million euros, issued in April 2006, which was a great success, allowing it to strengthen its shareholders' equity with a Lower Tier Two issue of 500 million euros maturing in February 2021.

PROPOSALS FOR THE ALLOCATION OF INCOME

Net profit for the year eligible for allocation, amounting to 87,073,941.27 euros is composed of:

- the financial year's net profit	€87,057,000.39
- plus retained earnings from the previous year	€16,940.88

The following allocation is proposed:

- legal reserve	€4,352,850.02
- dividends paid for Category A shares	€72,472,558.05
- dividends paid for Category B shares	€10,214,720.43
- retained earnings	€33,812.77

The intended distribution thus stands at 82.68 million euros against 113.76 million euros the previous year, representing a drop of 27.3%, which should allow the distribution of the following dividends per share:

- €37.35 per Category A share,
- €0.12722680 per category B share.

In accordance with the law, the distribution for the three previous financial years is mentioned in the third resolution.

The resolutions submitted to the Meeting approve the financial statements as presented and the proposed distribution.

Also, as the appointments, as directors, of BNP Paribas, LCL – Le Crédit Lyonnais-, Crédit Agricole SA, Ms Agnès de CLERMONT-TONNERRE and Mr Christian CERRETANI are expiring, the renewal of each of these appointments for a period of six years is proposed.

Furthermore, ratification is requested of the appointment of Mr Albert BOCLÉ, who was appointed at the Board meeting dated 27 May 2010 to replace Crédit du Nord, which resigned.

Furthermore, as this appointment expires following the present meeting, its renewal for a period of six years is proposed.

The same applies for the appointment, as director, of Ms Dominique FIABANE, who replaced Mr Yves MARTRENCHAR, who resigned, upon the decision of the Board meeting of 8 December 2010.

Lastly, as the appointment is expiring for one of Crédit Logement's incumbent statutory auditors, Cabinet Deloitte et Associés, and for the substitute Mr Alain PONS, appointed by the ordinary general meeting dated 18 April 2005 for six years, the renewal of Cabinet Deloitte et Associés is proposed, with Cabinet Béas acting as substitute statutory auditors for the same period.

Please note that this arrangement was submitted to the Prudential Supervision Authority and was agreed on 21 January 2011.

On closure of the financial year, the company's main shareholders were:	
BNP Paribas	16.50%
Crédit Agricole SA	16.50%
LCL - Le Crédit Lyonnais	16.50%
Société Générale/Crédit du Nord	16.50%
Crédit Mutuel/CIC	9.50%
BPCE	8.50%
Crédit Foncier	6.99%
SF2 - Groupe La Banque Postale	6.00%
HSBC France	3.00%

RESOLUTIONS SUBMITTED

RESOLUTION 1

The General Meeting, after hearing the reports of the Board of Directors and statutory auditors, and having taken note of all of the documents which, in accordance with the legislation in effect, must be provided to shareholders, hereby approves the financial statements and balance sheet for the 36th fiscal year, ended 31 December 2009, as presented in full.

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 87 073 941,27 is composed of :

- Net profits for the year	80 057 000,39 €
- Plus carrying forward of positive balance from previous year	16 940,88 €

We propose the following allocation :

- Legal reserve	4 352 850,02 €
- Dividends allocated to Category A shares	72 472 558,05 €
- Dividends allocated to Category B shares	10 214 720,43 €
- Retained earnings	33 812,77 €

On this basis, the payout amounts to EUR 82,68 million, as compared to EUR 113,76 million the previous fiscal year, soit une baisse of 27.3 %, and includes the following dividends:

- € 37,35 per Category A share,
- € 0,12722680 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 2007		
A share	22,60	€
B share	0,3999577	€
Fiscal year 2008		
A share	21,50	€
B share	0,4880878	€
Fiscal year 2009		
A share	44,35	€
B share	0,34512710	€

RESOLUTION 4

The general meeting reappoints BNP Paribas 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 2016.

RESOLUTION 5

The general meeting reappoints LCL –Le Crédit Lyonnais 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 2016.

RESOLUTION 6

The general meeting reappoints Crédit Agricole SA 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 2016.

RESOLUTION 7

The general meeting reappoints Mrs Agnès de CLERMONT-TONNERRE 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 2016.

RESOLUTION 8

The general meeting reappoints Mr Christian CERRETANI 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 2016.

RESOLUTION 9

The general meeting ratifies the appointment of Mr Albert BOCLÉ as director, made by the board of directors at its 2 may 2010 meeting, to replace Crédit du Nord, which resigned.

Consequently, Mr Albert BOCLÉ's term shall come to an end after the general meeting convened to approve the accounts of the financial year 2010, when the resigning director's mandate ends.

RESOLUTION 10

The general meeting reappoints Mr Albert BOCLÉ 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 2016.

RESOLUTION 11

The general meeting ratifies the appointment of Mrs Dominique FIABANE as director, made by the board of directors at its 8 december 2010 meeting, to replace Mr Yves MARTRENCHAR, who resigned.

Consequently, Mrs Dominique FIABANE's term shall come to an end after the general meeting convened to approve the accounts of the financial year 2011, when the resigning director's mandate ends.

RESOLUTION 12

As the appointment of one of the statutory auditors, le Cabinet Deloitte & Associés, is expiring, the general meeting renews it for a period of six years.

The Cabinet Deloitte & Associés is registered with the Nanterre Company and Commercial Register under number 572 028 041 and its head office is in Neuilly sur Seine (92 200), 185 Avenue Charles de Gaulle.

The appointment of the Cabinet Deloitte & Associés will end at the close of the general meeting called to approve the financial statements for the year ending on 31 December 2016.

RESOLUTION 13

As the appointment of the deputy statutory auditor, Mr Alain PONS, is expiring, the general meeting also renews the Cabinet Béas, membre du réseau Deloitte, for a period of six years, replacing the Cabinet Deloitte & Associés in the cases specified by article L.823-1 of the French Commercial Code.

The SARL Béas is registered with the Nanterre Company and Commercial Register under number 315 172 445 and its head office is in Neuilly sur Seine (92 200), 7-9 Villa Houssay and is represented by Mrs Mireille BERTHELOT.

RESOLUTION 14

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 2010, 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, 8 April 2011

Statutory Auditors

C.T.F. Christophe LEGUÉ	Deloitte & Associés Sylvie BOURGUIGNON

BALANCE SHEET
AT DECEMBER 31, 2010
in thousand euros

	2010	2009	Notes
CASH, CENTRAL BANKS, CCP	**203**	**175**	
DEPOSITS ON CREDIT INSTITUTIONS	**8 410 024**	**9 958 666**	A1
On sight	382 129	345 791	
Term	8 027 895	9 612 875	
CUSTOMER TRANSACTIONS	**380 094**	**275 149**	A3
Other customer loans	485	456	
Customer deposits allocated	3	3	
Bad debt	379 606	274 690	
BONDS AND OTHER FIXED-INCOME SECURITIES	**250 131**	**1 121 509**	A4-1
SHARES AND OTHER VARIABLE-INCOME SECURITIES	**201 399**	**293 623**	A4-1
EQUITY INTERESTS AND OTHER LONG-TERM SECURITIES	**6 128**	**6 018**	A4-1
INTERESTS IN AFFILIATED COMPANIES	**2 293**	**2 617**	A4-2
INTANGIBLE FIXED ASSETS	**4 163**	**4 278**	A5
TANGIBLE FIXED ASSETS	**12 543**	**12 295**	A5
OTHER ASSETS	**4 612**	**1 125**	A6
ACCRUALS	**205 395**	**134 746**	A6
TOTAL ASSETS	**9 476 985**	**11 810 201**	
Customer guarantee commitments	201 926 748	167 607 777	A11-1
COMMITMENTS GIVEN	**201 926 748**	**167 607 777**	

	2010	2009	Notes
DEPOSITS FROM CREDIT INSTITUTIONS		**14 744**	
Term		14 744	
CUSTOMER TRANSACTIONS	**20 170**	**793 245**	A7
OTHER LIABILITIES	**10 010**	**26 326**	A7
ACCRUALS	**429 283**	**363 395**	A7
DEPRECIATIONS FOR RISK AND EXPENSES	**941**	**150**	A12
SUBORDINATED DEBT	**7 563 736**	**9 137 162**	
Mutual guarantee deposits	3 231 534	2 867 294	A8-1
Subordinated borrowings	1 680 360	2 263 804	A8-3
Accrual on borrowings	6 961	11 046	A8-3
Surbordinated securities	2 600 450	3 950 450	A8-3
Accruals on subordinated securities	44 431	44 568	A8-3
FUNDS FOR GENERAL BANKING RISKS	**610**	**610**	A8-2
SHAREHOLDERS' EQUITY	**1 452 235**	**1 474 569**	
Capital	1 253 975	1 253 975	A8-4
Reserves	68 027	62 040	A8-4
Regulatory provisions	43 159	38 786	A8-2
Retained earnings	17	24	
Earnings for the year	87 057	119 744	
TOTAL LIABILITIES	**9 476 985**	**11 810 201**	
Guarantee commitments received from credit institutions	2 977 395	19 991 681	A10
Guarantee commitments received from customers		1 173 812	A10
COMMITMENTS RECEIVED	**2 977 395**	**21 165 493**	

PROFIT AND LOSS ACCOUNT
AT DECEMBER 31, 2010
in thousand euros

	2010	2009	Notes
Interest income	195 772	347 412	B1
Interest expenses	-118 765	- 182 657	
Income from variable-income securitie	24	44	B2
Commission (income))	95 469	66 289	B3
Commission (expenses)	-2 831	- 3 622	
Income on marketable securities transactions	8 919	-2 898	B4
Income on marketable negotiation transactions	1		B5
Other banking operating income	2 762	1 997	B6
Other banking operating expenses	-130	-237	
NET BANKING INCOME	**181 221**	**226 328**	
General operating expense	-41 282	-32 282	B7
Allowances for depreciation and amortisation on tangible and intangible fixed assets including equity securities	-3 289	-5 814	B8
OVERHEADS	**-44 571**	**-38 096**	
GROSS OPERATING INCOME	**136 650**	**188 232**	
Gains on long terms investments and changes in provisions	1	11	B9
INCOME BEFORE TAX	**136 651**	**188 243**	
Non-recurring income/loss			
Corporate income tax	-45 221	-62 479	B10
Movements in the reserve for general banking risk and regulatory provisions	-4 373	-6 020	B11
NET INCOME FOR THE YEAR	**87 057**	**119 744**	

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 five 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.

These securities are booked at their acquisition date for their acquisition price, net of expenses, but including accrued interest. The staggered allocation of the difference between the acquisition price and the redemption value is carried out on an actuarial basis over the residual life cycle of the security.

For securities that have been reclassified from the “placement 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 when the impairment of the quality of the issuers' signature might compromise the redemption at maturity. 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.).

IMMOBILISATIONS

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.

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

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

The depreciations are shown hereafter:

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

ACCRUALS AND OTHER ASSETS

Deferred expenses

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

Income to be received

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

ON THE LIABILITY SIDE

TRANSACTIONS WITH THE CLIENTELE

GUARANTEE DEPOSITS RECEIVED

They represent:

- two cash collateral accounts, stemming from the cash from the junior CDS set up in 2005 and 2006, which were subscribed as part of the securitisation transactions FRA 2005-2 and FRA 2006-1. These transactions ensure the full availability of funds in case the first loss threshold specified in the contracts is exceeded;
- the related securitisation accounts were fully repaid in advance in the 2nd quarter 2010 and, in consequence, the cash collateral accounts were repaid.

At the end of 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.

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.

SUBORDINATED DEBT

Mutual guarantee deposits

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

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

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

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

Subordinated borrowings

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

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

Subordination conditions

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

SUBORDINATED SECURITIES

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

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

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

They include :

- an early repayment option, at the exclusive initiative of the issuer, which can be exercised quarterly from 16 March 2011, providing that prior agreement has been obtained from the Prudential Supervision Authority's Inspection (ACP).
- a clause taking them from fixed-rate remuneration to variable rate, applicable to holders of these securities after 16 March 2011 and are quoted on the Luxembourg market.

Subordination conditions

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

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

Dated bond issue (Lower Tier Two) - FR0010206326

30 000 dated subordinated bonds were issued with a par value of EUR 50 000 on 23 June 2005, in line with Article 2 of Regulation 90-02 dated 23/02/1990 of the Committee on Banking and Financial Regulations, 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 23 June 2010 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 23 June 2010, until their maturity date, on 23 June 2015, and are listed on the Luxembourg Stock Exchange. Interest is payable in arrears, on a quarterly basis, on 23 March, 23 June, 23 September and 23 December of each year, based on the Euribor 3-month rate plus 29 bp through to 23 June 2010 and 79 bp over the 3-month Euribor thereafter.

In accordance with the limits specified in the issue notice :

- a partial early repurchase of 3000 notes took place in March 2009, followed by the cancellation of the said notes ;
- the call of the whole issue, ie 27 000 bonds, took place on 23rd june 2010.

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.

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.

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

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.

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 synthetic securitisation transactions

These commitments, set up between 2004 and 2006, have allowed Crédit Logement to transfer the risk of part of its portfolio of guarantees, the securitised pool, to the counterparties of these transactions.

All of the transactions implemented have been called during the 2nd quarter 2010 in accordance with the authorisation of the board meeting dated 31 March 2010.

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.

Forward financial instruments

Interest-rate instruments: over-the-counter transactions carried out

Firm hedging transactions

To reduce our exposure to short-term interest rates, we decided to enter into swap agreements (as a seller of variable rate and a buyer of fixed rate).

Commitments on term financial instruments, commonly called interest rate swaps, are recorded pursuant to the categories provided for in article 2 of Regulation no. 90-15 and in accordance with the provisions of the Regulations no. 88-02 and 90-15 as well as the instruction no. 94 04.

For commitments on interest rate instruments, the amounts are recognised at the nominal value of the contracts.

The transactions set up by Crédit Logement in category 'c' called “macro hedging” are aimed at hedging and managing the bank's overall interest rate risk relating to the assets, liabilities and the off-balance sheet items, with the exception of the transactions provided for in b) and d). The such overall hedging can only be implemented if the bank measures its overall interest rate risk as per Regulation no. 97-02. In addition, the bank must be able to justify that the contracts booked in this category effectively enable it to reduce its overall interest rate risk.

Income and expenses relating to transactions falling under the category described in c) of the above-mentioned article 2.1 are recorded on an accruals basis in the income statement. The counterpart of this item is recognised in accruals until the date on which the funds are received or disbursed.

Unrealised losses and gains resulting from the difference between the estimated fair value of the contracts at the accounting period-end and the value calculated at the end of the previous accounting period are not recognised.

Conditional transactions – Options on swaps (European options)

The instruments are sold in the over-the-counter market (not categorised as an organised market) in accordance with the provisions of regulations n° 88-02 and 90-15. They are classified in the category of isolated open positions (micro-speculation).

The premium is maintained on the balance sheet until the option expires, and when it is unwound, it is immediately booked to profit/loss.

On the date of closure, the options were valued:

- a provision for charges was made covering unrealised losses in relation to market value;
- unrealised profits were not booked.

EMPLOYEE BENEFITS

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

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

BASIS FOR CONSOLIDATION

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

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

III – NOTES

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

Notes B: information on income statement

Notes C: other informations

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

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

	< 3 months	3 months to 1 year	1 to 5 years	> 5 years	Total
CREDIT INSTITUTIONS	**1 668 269**	**1 332 181**	**1 851 000**	**3 558 574**	**8 410 024**
Sight debt	381 890				381 890
Term debt	1 250 000	1 281 000	1 851 000	3 558 574	7 940 574
Related debt	36 379	51 181			87 560
CUSTOMER DEBT	**379 639**	**92**	**162**	**201**	**380 094**
Other customer loans	33	92	162	198	485
Ordinary accounts receivable				3	3
Bad debt	379 606				379 606
BONDS AND OTHER FIXED-INCOME SECURITIES	**131**		**250 000**		**250 131**

NOTE A 2 - DEPOSITS BREAKDOWN

	Affiliated companies	Equity interests	Other companies	Individuals	Total
DEPOSITS ON CREDIT INSTITUTIONS		**8 162 138**	**247 886**		**8 410 024**
DEPOSITS ON CUSTOMERS				**380 094**	**380 094**
BONDS AND OTHER FIXED-INCOME SECURITIES			**250 131**		**250 131**

NOTE A 3 - CUSTOMERS LOANS

NOTE A 3-1 - CHANGE IN OUTSTANDING CUSTOMER LOANS

	31/12/2009	Releases	Repayments	Debt write-offs	**31/12/2010**
Cash loans - loans to company staff	456	413	384		485
Customer deposits allocated	3				3
Bad debt	274 690	195 159	84 883	5 360	379 606
TOTAL	**275 149**	**195 572**	**85 267**	**5 360**	**380 094**

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	485				485
Customer deposits allocated	3				3
Bad debt			379 606	375 937	379 606
TOTAL	**488**		**379 606**	**375 937**	**380 094**

NOTE A 4 - SECURITIES PORTFOLIO

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

	Issued by public bodies	Acquisition value – Other issuers: Listed	Acquisition value – Other issuers: Unlisted	Acquisition value – Other issuers: Total	Market or net asset value	Redemption value
BONDS AND OTHER FIXED-INCOME SECURITIES						
Bonds		250 000		250 000	244 950	250 000
Tradable debt securities						
Related debt		131		131	131	
INVESTMENT SECURITIES		**250 131**		**250 131**	**245 081**	**250 000**
Obligations						
Interest accruals						
MARKETABLE SECURITIES						
SHARES AND OTHER VARIABLE-INCOME SECURITIES						
Cap mutual funds		201 399		201 399	220 912	
MARKETABLE SECURITIES		**201 399**		**201 399**	**220 912**	
Equity interests and other long-term securities			8 955	8 955	6 128	
Allowances on depreciations			-2 827	-2 827		
Interests in affiliated companies			2 293	2 293	2 293	
EQUITY INTERESTS			**8 421**	**8 421**	**8 421**	
TOTAL SECURITIES PORTFOLIO		**451 530**	**8 421**	**459 951**	**474 414**	

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

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

	% interest	Share capital	Shareholders' equity other than capital *	Income at 31/12/2009	Gross inventory value	Net inventory value
Other long terme securities**						
"Certificat d'association fonds de garantie des dépôts"					4	4
Other securities						
Sté de Développement de l'Habitat Coopératif - SDHC	1,18	2 581	86	-14	30	30
CRÉORD	2,82	54	127	-6	14	14
SCI MARTAWI	99,99	8 565		-387	8 907	6 080
SUBSIDIARIES AND OTHER LONG TERM HOLDINGS					**8 955**	**6 128**
Other securities						
Crédit Logement Assurance	60,00	3 050	423	22	1 830	1 830
SNC Foncière Sébastopol	99,90	15		-152	15	15
Advances and associated current accounts						
SNC Foncière Sébastopol					448	448
INTERESTS IN AFFILIATED COMPANIES					**2 293**	**2 293**

* Figures at 31/12/09 before allocation of earnings for the year
** Following French Central bank Bafi letter 2007-1, "Certificat d'association" have been reclassified on this line

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	**20 440**	**2 233**		**22 673**	**4 163**
Assets under construction	1 235	1 127	-697	1 665	1 665
Software and licenses	19 205	1 106	697	21 008	2 498
TANGIBLE FIXED ASSETS	**31 600**	**1 300**	**-424**	**32 476**	**12 543**
Assets under construction	475	259	-473	261	261
Land	2 909			2 909	2 909
Structural components	5 394			5 394	3 736
Roof / Front	2 052	20	6	2 078	1 075
Transport equipment	114			114	60
Office equipment	355	88	-21	422	126
Club Affaires equipment and tools	64	10	-6	68	10
Office furniture	1 344	98		1 442	332
Club Affaires furniture	123			123	46
Computer equipment	3 025	239	-212	3 052	444
Fixture & fittings an rental premises	10 378	358	36	10 772	641
Fixture & fittings an building	2 258	87	181	2 526	1 168
Technical equipment	3 109	141	65	3 315	1 735
TOTAL	**52 040**	**3 533**	**-424**	**55 149**	**16 706**

DEPRECIATION OR PROVISIONS	Gross value at year-start	Charges	Writte backs	Gross value at year-end
INTANGIBLE FIXED ASSETS	**16 162**	**2 348**		**18 510**
Software and licenses	16 162	2 348		18 510
TANGIBLE FIXED ASSETS	**19 305**	**1 051**	**-423**	**19 933**
Land				
Structural components	**1 612**	**46**		**1 658**
Roof / Front	902	101		1 003
Transport equipment	25	29		54
Office equipment	269	48	-21	296
Club Affaires equipment and tools	60	3	-5	58
Office furniture	1 072	38		1 110
Club Affaires furniture	75	2		77
Computer equipment	2 978	326	-396	2 608
Fixture & fittings an rental premises	9 970	161		10 131
Fixture & fittings an building	1 206	153	-1	1 358
Technical equipment	1 436	144		1 580
TOTAL	**35 467**	**3 399**	**-423**	**38 443**

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

NOTE A 6 - OTHER ASSETS AND ACCRUALS

	31/12/2009	**31/12/2010**		31/12/2009	**31/12/2010**
Deposit guarantee fund	30	37	Pre-paid expenses	4 591	406
Deposits and sureties given	104	101	Deferred expenses	3 056	924
Tax and social security receivables		3 048	Accrued revenue on guarantee	125 730	202 694
Other receivables	991	1 426	Accruals on interest rate swap	1 334	1 334
			Other accruals	33	33
			Other funds transfer to be charged	3	4
Other assets	**1 125**	**4 612**		**134 747**	**205 395**

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

	31/12/2009	31/12/2010
Cash collateral received	780 069	6 080
Term deposit	3	3
Other amounts due - Confined amounts	13 173	14 087
Due to customer	**793 245**	**20 170**

	31/12/2009	31/12/2010		31/12/2009	31/12/2010
Premium on optims sold	1 610	1 495			
Tax and social security liabilities	18 146	2 106	Cashed in advance income on guarantee	266 428	275 412
Accounts payable – miscellaneous (staff)	1 774	1 832	Accrued income on guarantee	96 800	153 776
Accounts payable – miscellaneous (suppliers)	1 808	1 965	Accruals on interest rate swap	74	95
Staff liabilities	1 261	1 386	Other expenses to be paid	40	
Other payables	1 727	1 226	Other accruals	53	
OTHER LIABILITIES	**26 326**	**10 010**	**ACCRUALS**	**363 395**	**429 283**

NOTE A 8 - SHAREHOLDERS' EQUITY AND ASSIMILATED

NOTE A 8 -1 - MUTUAL SECURITY DEPOSITS

	Balance at year start	Incoming	Outgoing	Balance at year-end
Gross mutual guarantee fund	2 920 484	549 286	-180 154	3 289 716
Use of mutual guarantee fund to cover write of guarantee funds	-53 190	-5 360	368	-58 182
Mutual guarantee funds in balance sheet liabilities	**2 867 294**	**543 926**	**-179 686**	**3 231 534**
Deduction of forecast mutual guarantee funds due and not demutualised	-23 740	-4 736		-28 476
Deduction from mutual guarantee funds on foreign ccy transactions		-419		-419
Mutual guarantee fund to be incorporated into Tier one	**2 843 554**	**538 771**	**-179 686**	**3 202 639**

NOTE A 8 -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	38 786	4 373		43 159
Funds for general banking risks	610			610
TOTAL	**39 396**	**4 373**		**43 769**

NOTE A 8-3 – SUBORDINATED DEBT

	Issue date	Due date	31/12/2009		31/12/2010	
			Amounts	Associated debt	Amounts	Associated debt
UNDATED DEEPLY SUBORDINATED BORROWINGS	30/06/2000		204 997			
	30/12/2000		99 358			
	30/06/2001		143 547			
	30/12/2001		183 327			
	30/06/2002		260 827			
	30/12/2002		102 192			
	30/06/2003		406 207		406 207	
	30/12/2003		282 189		282 866	
	30/06/2004		292 189		292 189	
	30/06/2005		117 352		117 352	
	30/06/2009		170 942		194 284	
	30/12/2010				387 462	
TOTAL SUBORDINATED BORROWINGS			**2 263 804**	**11 046**	**1 680 360**	**6 961**
SUBORDINATED SECURITIES	Issue/Due date	Number of titles still in life as at 31/12/09 *				
5-year "no-call" perpetual bonds Code ISIN FR 0010128736	02/11/2004 indeterminated	450 000	450 000	279	450 000	346
5 year "no call" dated securities Code ISIN FR 0010206326 - issues on 23/06/2010	23/06/2005 23/06/2015	27 000	1 350 000	337		
5-year "no-call" perpetual bonds Code ISIN FR 0010301713	16/03/2006 indeterminated	16 000	800 000	29 365	800 000	29 365
5-year "no-call" perpetual bonds Code ISIN FR 0010306597	05/04/2006 indeterminated	9 006	450 300	14 199	450 300	14 199
5-year "no-call" perpetual bonds Code ISIN FR 0010469858	15/05/2007 15/06/2017	18 003	900 150	388	900 150	521
TOTAL SUBORDINATED SECURITIES			**3 950 450**	**44 568**	**2 600 450**	**44 431**
TOTAL SUBORDINATED DEBT			**6 214 254**	**55 614**	**4 280 810**	**51 392**

* Market purchase of 10 % securities in march 2009.

NOTE A 8 -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:	31/12/2009	Increase/ allocation	Reduction/ allocation	31/12/2010
- 1 940 363 Category A shares,	29 590			29 590
- 80 287 490 Category B shares with a preferential dividend.	1 224 385			1 224 385
	1 253 975			**1 253 975**
Legal reserve	32 149	5 987		38 136
General reserve	29 891			29 891
Reserve on long-term capital gains				
TOTAL	**62 040**	**5 987**		**68 027**

NOTE A 9 - AMOUNT OF RECEIVABLES OR PAYABLES ASSOCIATED WITH EACH ITEM ON THE BALANCE SHEET

	31/12/2009	31/12/2010		31/12/2009	31/12/2010
Credit institutions	84 008	87 561	Credit institutions	4	
Interests in affiliated companies	10	5	Subordinated debt	55 614	51 392
Bonds and other fixed-income securities	296	131	Other liabilities: tax and social security	18 146	2 106
Other assets : tax pay back		3 048	liabilities	115	96
Other accruals on guarantee	125 730	202 694	Other liabilities on suppliers		
Other accruals on suppliers	1 366	1 367			
Accrued revenue	**211 410**	**294 806**	**Expenses due and accrued**	**73 879**	**53 594**
Other accruals : frais d'emprunts à répartir	3 056	924	Other accruals		
Other accruals on titrisations	4 071		Sureties with INITIO tariff	96 800	153 776
Other accruals on suppliers	520	406	Sureties with CLASSIC tariff	266 428	275 412
PRE-PAID EXPENSES	**7 647**	**1 330**	**Pre-booked income**	**363 228**	**429 188**

NOTE A 10 - OFF-BALANCE SHEET COMMITMENTS RECEIVED

Guarantee and commitments received from our shareholders	31/12/2009	Changes	31/12/2010
Counter-guarantees received from our shareholders relative to the commitment to reconstitute the mutual guarantee fund	2 735 545	241 850	2 977 395
Guarantee received from credit institutions on capital invested in securities portfolio	17 256 136	-17 256 136	
Guarantee received from customers on synthetic securitisations	1 173 812	-1 173 812	
TOTAL	**21 165 493**	**-18 188 098**	**2 977 395**

NOTE A 11 - OFF-BALANCE SHEET COMMITMENTS GIVEN

NOTE A 11 - 1 - CHANGE IN COMMITMENTS GIVEN

	31/12/2009	Incoming	Depreciation	Outgoing	31/12/2010
. Guarantee commitment given for customers: surety for individual residential loans	167 607 777	59 235 017	-12 449 612	-12 466 434	201 926 748
TOTAL	**167 607 777**	**59 235 017**	**-12 449 612**	**-12 466 434**	**201 926 748**
To be noted : guarantee commitment delivered but not yet in place at year end	18 078 635				28 325 557

NOTE A 11- 2 - BREAKDOWN BY TIME LEFT TO RUN

	< 3 months	3 months to 1 year	1 to 5 years	> 5 years	TOTAL	O/w, affiliated companies
Guarantee commitments for customers	412 433	940 199	9 420 510	191 153 606	201 926 748	
TOTAL	**412 433**	**940 199**	**9 420 510**	**191 153 606**	**201 926 748**	

NOTE A 11 - 3 - CREDIT RISK : BREAKDOWN BY CATEGORY OF OUTSTANDING DEBT

	Healthy debt	O/w, restructured healthy	**Bad debt**	O/w, compromised bad	**Total debt**
. Guarantee commitments for customers: surety for individual residential loans	201 413 331	6 308	513 417	116 552	201 926 748
	201 413 331	6 308	**513 417**	116 552	**201 926 748**

NOTE A 12 - TERM FINANCIAL INSTRUMENTS

OTC interest rate transactions	Maturity	Notional amount	Premium on options	Market value	Depreciation
Interest rate swap, receiving fixed rate - macro coverage	> 5 ans	100 000		8 331	
Options sold - opened position	< 1 an	150 000	1 495	2 436	-941

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

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

	31/12/2009	31/12/2010
Interest on demand deposit accounts	1 902	1 634
Interest on term deposit accounts (counterparty for subordinated borrowings)	33 606	22 088
Interest on term accounts for "cash from capital subscriptions, Category B shares"	36 092	9 414
Interest on term deposit accounts	186 245	149 831
Capital gain on repurchase of T2 subordinated securities issued by Credit Logement	63 037	
Income on term financial instruments	3 164	4 151
Transactions with credit institutions	**324 046**	**187 118**
Loans to Crédit Logement staff	10	6
Interest on bad debt (interest for late payments on secured debt)	1 328	1 823
Transactions with customers	**1 338**	**1 829**
Interest income on marketable securities	22 028	6 825
Interest on bonds and fixed-income securities	**22 028**	**6 825**
TOTAL INTEREST INCOME AND ASSIMILATED	**347 412**	**195 772**
Interest or interest compensation	**-111**	**-21**
Interest on undated subordinated borrowings	-43 089	-31 772
Interest on deeply subordinated securities and synthetic securitisations	-137 825	-85 832
Interest on cash collateral		-110
Interest on term subordinated borrowings	-1 632	-1 030
TOTAL INTEREST EXPENSES AND ASSIMILATED	**-182 657**	**-118 765**

NOTE B 2 - INCOME ON VARIABLE-INCOME SECURITIES

	31/12/2009	31/12/2010
Dividends received on equity securities		
Interest on the current account associated with SNC Foncière Sébastopol	44	24
TOTAL INCOME ON VARIABLE-INCOME SECURITIES	**44**	**24**

NOTE B 3 - COMMISSION (INCOME AND EXPENSES)

	31/12/2009	31/12/2010
Commission relative to off-balance sheet commitments given on residential loans	66 289	95 469
TOTAL COMMISSION (INCOME)	**66 289**	**95 469**
Banking commission and fees	-574	-872
Commission and fees on synthetic securitisations and subordinated securities	-3 048	-1 959
TOTAL COMMISSION (EXPENSES)	**-3 622**	**-2 831**

NOTE B 4 - INCOME ON INVESTMENT PORTFOLIO TRANSACTIONS AND ASSIMILATED

	31/12/2009	31/12/2010
Capital gains on marketable security disposals		5 352
Capital losses on marketable security disposals		
Income on interest rate option		1 610
Allowance for depreciation on securities	-2 748	2 748
Allowance for depreciation on options	-150	-791
TOTAL INVESTMENT PORTFOLIO TRANSACTIONS	**-2 898**	**8 919**

NOTE B 5 - CAPITAL GAIN ON TRADING PORTFOLIO

	31/12/2009	31/12/2010
Income on FX transactions		1
TOTAL DES OPERATIONS SUR PORTEFEUILLE DE NEGOCIATION		**1**

NOTE B 6 - OTHER OPERATING BANKING INCOME AND EXPENSES

	31/12/2009	31/12/2010
Third-party collection income (management and collection fees)	1 657	2 492
Ancillary income (Crédit Logement Assurance)	50	40
Other ancillary income	119	128
Other income	171	102
TOTAL OTHER OPERATING INCOME	**1 997**	**2 762**
SNC Foncière Sébastopol loss	-151	-55
Other expenses	-86	-75
TOTAL OTHER OPERATING EXPENSES	**-237**	**-130**

NOTE B 7 - GENERAL OPERATING EXPENSES

	31/12/2009	31/12/2010
Salaries and wages	-10 424	-11 864
Social security taxes	-4 451	-5 123
Salary-based taxes	-1 573	-1 908
Pension expenses	-1 442	-1 411
Performance-related bonus	-619	-334
Employee profit-sharing	-1 261	-1 386
Staff costs	**-19 770**	**-22 026**
Tax	**-4 159**	**-9 168**
Rentals	-576	-577
Transport	-98	-94
Other external services	-7 679	-9 417
External services	**-8 353**	**-10 088**
Other administrative costs	**-12 512**	**-19 256**
TOTAL GENERAL OPERATING EXPENSES	**-32 282**	**-41 282**

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

	31/12/2009	31/12/2010
Other intangible fixed assets		
Software and licenses	-1 956	-2 348
Intangible fixed assets	**-1 956**	**-2 348**
Structural components	-46	-46
Roof / Front	-101	-101
Transport equipment	-18	-29
Office equipment	-40	-48
Club Affaires equipment and tools	-1	-3
Office furniture	-38	-38
Club Affaires furniture	-2	-2
Computer equipment	-250	-326
Fixture & fittings an rental premises	-164	-161
Fixture & fittings an building	-134	-153
Technical equipment	-126	-144
Tangible fixed assets	**-920**	**-1 051**
Allowance for depreciation on equity security (non trading company shares)	**-2 938**	**110**
TOTAL	**-5 814**	**-3 289**

NOTE B 9 - INCOME OR LOSS ON CAPITALISED ASSETS

	31/12/2009	31/12/2010
Capital gains on fixed asset disposals	12	3
Capital losses on fixed asset disposals	-1	-2
TOTAL	**11**	**1**

NOTE B 10 - CORPORATE INCOME TAX

	31/12/2009	31/12/2010
On ordinary income	-61 286	-44 781
On unrealised capital gains on the securities portfolio	-1 192	-440
TOTAL *	**-62 478**	**-45 221**
* including corporate income tax instalments already paid	*47 285*	*47 458*

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

	31/12/2009	31/12/2010
Provisions for risks relating to medium and long-term transactions	-6 020	-4 373
TOTAL	**-6 020**	**-4 373**

NOTE C - OTHER INFORMATIONS (in thousand euros)

NOTE C 1 - TOTAL AMOUNT OF COMPENSATION FOR THE YEAR

	Compensation	Advances and loans	Off balance sheet
To all administrative bodies *	36		
To all executives *	510	18	780

* no bonus or salary have been paid by subsidiaries during the year

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

	Fees
Statutory audit	133
Ancillary services	128

NOTE C 3 - AVERAGE STAFF BREAKDOWN BY LEVEL

	31/12/2009	**31/12/2010**
Executives*	1	1
Managers	119	134
Supervisors	54	54
Employees	45	44
TOTAL	**219**	**233**

* 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	4 173	Value of the collective funds managed externally	680
Present value of commitments	4 155	Present value of commitments	667
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 SPV.

NOTE C 6 - PROPOSED ALLOCATION OF INCOME

Income for the year ended	87 057
Retained earnings for the previous year	17
Income to be allocated	**87 074**
Breakdown of allocation	
- Legal reserve	4 353
- Dividends – A shares	72 472
- Dividends - B shares	10 215
- Retained earnings	34
TOTAL	**87 074**

Financial Results
in thousand euros

	2006	2007	2008	2009	**2010**
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)	304 857	459 252	499 477	424 371	**286 541**
Earnings before tax, depreciation and provisions	108 602	124 959	137 210	196 955	**133 609**
Corporate income tax	36 467	38 105	44 987	62 479	**45 221**
Earnings after tax, depreciation and provisions	66 079	79 961	85 104	119 744	**87 057**
Profit distributed					
. A shares	39 777	43 852	41 718	86 055	**72 473**
. B shares	22 945	32 112	39 187	27 709	**10 215**
Earnings per share for operations (in euros)					
Earnings after tax but before depreciation and provisions					
. A shares	25,35	28,24	27,36	55,00	**40,29**
. B shares	0,29	0,40	0,49	0,35	**0,13**
Earnings after tax, depreciation and provisions					
. A shares	22,24	24,70	23,70	47,43	**39,60**
. B shares	0,29	0,40	0,49	0,35	**0,13**
Dividend per share					
. A shares	20,50	22,60	21,50	44,35	**37,35**
. B shares	0,2857802	0,3999577	0,4880878	0,3451271	**0,1272268**
Workforce					
Average headcount*	211	209	218	219	**233**
Payroll	9 386	9 664	10 174	10 424	**11 864**
Staff benefits	5 055	5 423	6 388	5 893	**6 534**

* without managing director

CRÉDIT LOGEMENT

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