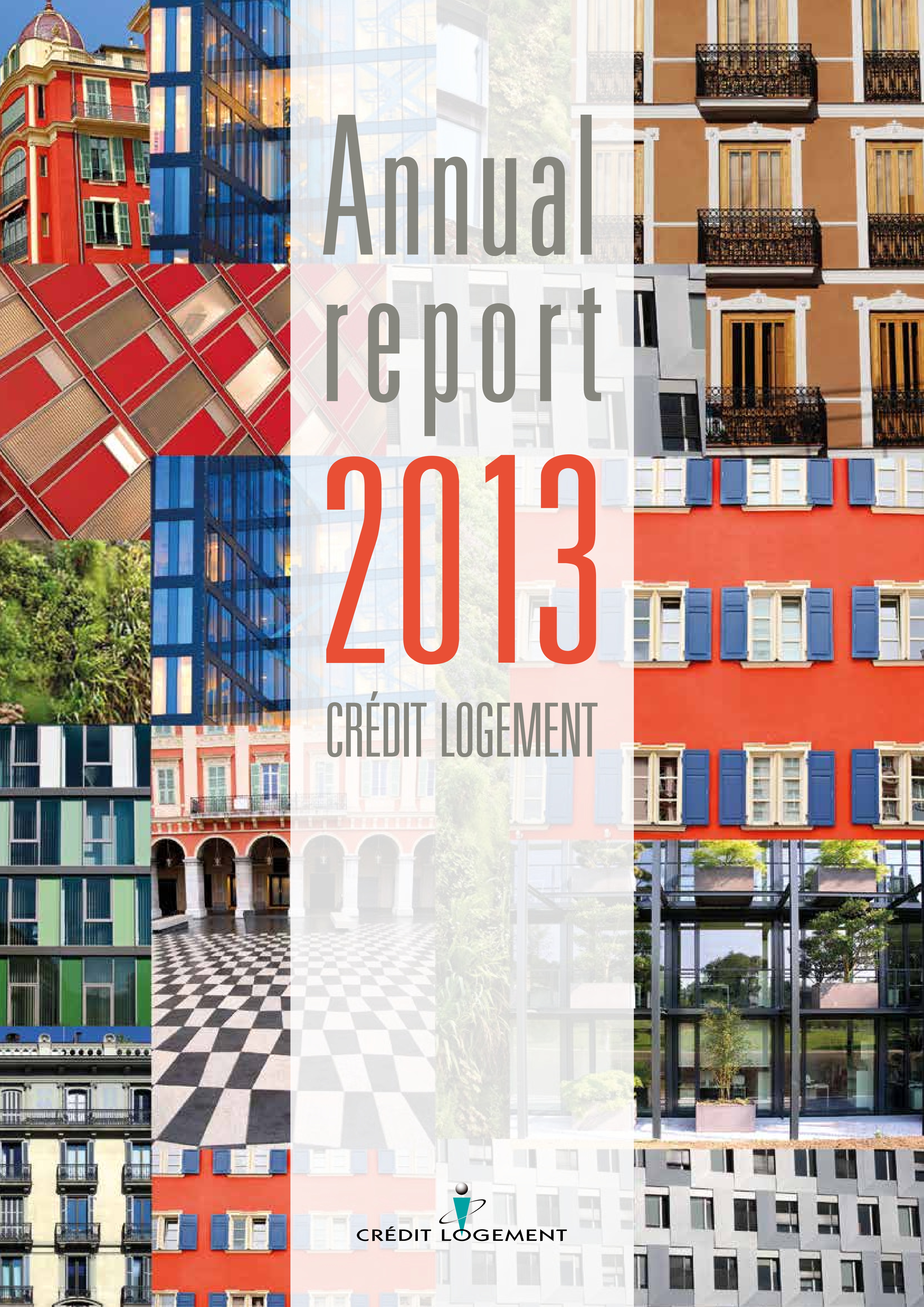

Annual report 2013

CRÉDIT LOGEMENT

CRÉDIT LOGEMENT

SENIOR MANAGEMENT MESSAGE

With €73 billion in guarantees issued in the financial year 2013 for loans granted by banks to their retail customers, representing around 435,000 real estate transactions, Crédit Logement confirms its position in the French residential real estate market, where it guarantees more than one out of three property loans.

This performance, which represents a 40% increase in its production, can be partly explained by the large quantity of loan redemptions, motivated by extremely low interest-rate levels.

It is also due to the resilience of the real estate market, which held up well in 2013, when the volume of transactions was practically stable, contrasting with the sharp correction of the previous year.

This success is possible because Crédit Logement's services meet the expectations of its partner banks and it demonstrates the appropriateness of the Crédit Logement guarantee as a response to borrowers' needs.

It is also the result of the mobilisation of Crédit Logement's personnel, who once again demonstrated their professionalism and proactiveness to cope with this extra business.

This significant activity is reflected in Crédit Logement's financial results. Profit for the financial year, after taxes, depreciation and provisions, stands at €73.9 million, and outstanding off-balance-sheet items grew further to €245.5 billion.

On the regulatory level, 2013 was a year of great change, in particular due to the Basel III reform designed to strengthen the level and quality of equity capital and ensure the financial soundness of credit institutions. In January 2014, by becoming a Société de Financement (Financing Company), Crédit Logement came under a regulatory framework perfectly adapted to its business.

This reform is also an opportunity for the financial guarantee, as practised by Crédit Logement, but also in its insurance-related form, to be recognised in European legislation alongside the mortgage.

In a tough general economic environment and with a lack of levers to revive the market, the French property financing market is expected to stabilise in 2014 at the same level as in 2013.

Crédit Logement approaches this new financial year with determination and confidence.

Confidence because the fundamentals of the real estate market are still healthy and because the Crédit Logement guarantee contributes an indispensable value added, especially when times are harder and when risk could increase against a backdrop of unemployment and an expected fall in real estate prices of approximately 3%.

Determination, because Crédit Logement and its personnel are in perfect working order to respond to the needs of the partner banks and their customers.

BOARD OF DIRECTORS

31 Décembre 2013

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

Monsieur Yves MARTRENCHAR,
Honorary Chairman.

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

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

LCL – LE CRÉDIT LYONNAIS,
represented by Olivier NICOLAS,
Institutional and Chief Financial Officer.
Director of Finance, Institutionnals,
Commitments and Collection.

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

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

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

CRÉDIT FONCIER,
represented by Philippe PETIOT**,**
Deputy Chief Executive,
Head of Commercial Development.

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

HSBC France,
represented by Vincent de Palma,
Director of the Strategy and of the Customer Offer
Service and Property Management.

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

Monsieur Philippe ROUX,
Director of Commitments and Collection
of LCL, Le Crédit Lyonnais.

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

STATUTORY AUDITORS

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

Deloitte & Associés,
represented by Sylvie BOURGUIGNON.

MANAGEMENT BOARD

Jean-Marc VILON
Chief Executive Officer

Patrick LEPESCHEUX
Deputy Chief Executive Officer
Head of Production

Éric VEYRENT
Deputy Chief Executive Officer
Head of Administration and Finance

Éric EHRLER
Head of Human Resources

Bernard FENDT
Head of Risk

Franck FRADET
Head of Collection

Philippe LAINÉ
Head of Customer Relations

Catherine LANVARIO
Head of Communication

Michel LAVERNHE
Head of Information Systems

Claire de MONTESQUIOU
Head of Audit and Internal Control

Jean-François ROUSSEL
Head of Organization

KEY FIGURES AT DECEMBER 31, 2013

REGULATORY CAPITAL
8,15 billions euros,

MUTUAL GUARANTEE FUNDS
3,95 billions euros

GROSS ANNUAL PRODUCTION
73,80 billion euros
540 678 loans
for 434 738 transactions

OUTSTANDING GUARANTEE
245,47 billion euros
3 029 702 loans

WORKFORCE
280 employees

LONG-TERM RATING
Standard and Poor's : A+ Stable
Moody's : Aa3 Stable

Distribution of the capital at December 31, 2013

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

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

CRÉDIT LOGEMENT PROFILE

INTRODUCTION

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

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

More than 7 million borrowers have already benefited from the intervention of Crédit Logement, thus allowing them to finance their property purchases without mortgages.

CRÉDIT LOGEMENT'S SERVICES

The guarantee

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

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

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

Collection

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

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

THE ADVANTAGES OF THE CRÉDIT LOGEMENT GUARANTEE

Savings

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

Flexibility

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

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

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

Role as a buffer

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

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

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

Secure the market

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

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

THE FRENCH RESIDENTIAL PROPERTY MARKET *

Over full-year 2013, new loan production, not counting loan redemptions, stood at €132.61 billion versus €119.34 billion in 2012.

Thanks to extremely attractive borrowing conditions and the continuing vigour of supply, new loan production recovered as of the spring of 2013. The first quarter heralded the end of the recession. The second quarter, usually conducive to the execution of property projects in the existing homes segment, confirmed that market activity was reviving. Accordingly, in the third quarter, new loan production measured in terms of accepted offers increased by 27.9% year-on-year. The fourth quarter confirmed the recovery, with 17.8% year-on-year growth.

Over full-year 2013, new loan production increased by 11.1%.

Loans paid are estimated at €108.8 billion versus €117.1 billion in 2012.

It should be noted that loan redemptions, which do not represent new credit flows and which are not included in the €132.61 billion of production, were very substantial during the year. Their weight relative to all loans granted reached an unprecedented level.

Looking at the structure of real estate production in 2013, we note that the decline in the new housing market has been stemmed. Production has started to recover gently, with a 2.3% growth in 2013 following a 29.1% decline in 2012. However, the new housing market is rebounding less quickly than the rest of the market. With a production of €25.8 billion in 2013 versus €25.1 billion in 2012, new housing as a proportion of the total declined to 19.5% versus 21% in 2012.

The market for existing housing, which revived as of the spring, grew by 5.6% in 2013 versus a 25.3% decline in 2012. Existing housing as a proportion of total production stood at 63.3% versus 66.6% in 2012, for a production of €83.9 billion versus €79.5 billion in 2012.

* Source: Observatoire de la Production de Crédits Immobiliers (OPCI), excluding loan redemptions

The market for renovation recovered strongly, up 54.8% versus a 25.3% decline in 2012. Renovation production stood at €22.8 billion versus €14.8 billion in 2012, which represents a sharp increase in market share to 17.2% versus 12.4% in 2012.

As is customary in a recovery, loans in the competitive sector drove the market as a whole, with a 13.2% growth in 2013 versus a 26.9% decline in 2012. They represented 89.8% of total loans, versus 88.1% a year ago.

Not surprisingly, production of zero-rate loans continued to decline rapidly, falling by 34.1% in 2013 after a 52.3% drop in 2012. As a proportion of the market as a whole, these loans represented only 1.9%, versus 3.1% in 2012.

The same holds for home-buyers' savings plans, which are gradually disappearing and accounted for only 0.5% of production, versus 1.3% in 2012.

Over full-year 2013, the average interest rate for loans in the competitive sector stood at 3.02%, versus 3.57% in 2012 and 3.79% on average in 2011. Although interest rates regained 20bp between June and December 2013, they remained extremely low, at levels seldom seen in the past.

The proportion of floating-rate** production declined slightly to 6.4% versus 6.8% a year earlier.

The average loan duration stood at 17 years and 2 months, stable by comparison with 2012 (17 years and 3 months).

** Capped floating rate, therefore excluding formulas with fixed monthly instalment, but with a possible extension of the duration and excluding formulas with complete variability of the rate and duration.

In a property market buoyed by very low interest rates, Crédit Logement had its second best year since its founding.

With €73.8 billion of guaranteed production for 434,738 real estate transactions, Crédit Logement posted a 40.4% increase in its production compared with the previous financial year (€52.58 billion).

This performance can be explained by the strong activity in loan redemptions, although looking at production net of loan redemptions, guarantee business still increased 5.1% compared with 2012.

Net production, corresponding to the guarantees established during the same financial year, stood at €49.1 billion, up 39.1% from 2012 (€35.3 billion).

Crédit Logement therefore maintained its position in the market for property loans to individuals, guaranteeing around 30% of all housing loans, excluding loan renegotiation flows.

Market share that is still high

The latest available study on the breakdown of the guarantees market in France in 2013 (source: OFL/CSA and Despina model), expressed in amounts of loans distributed, gives a market share of 56.6% for financial guarantees (bank guarantees and insurance-company guarantees), versus 40.5% for mortgages.

The increase in the rate of distribution of financial guarantees (whether in terms of the number of operations performed, the number of applications granted, or the volume of loans distributed) took place between 2003 and 2009, equally adversely affecting mortgages and situations with no financial guarantee. This observation is consistent with the need for banks to reduce and cover, insofar as possible, any risk of borrower insolvency. In 2010 and 2011, the weight of the financial guarantee was eroded, notably because of various public measures endeavouring to boost "PAS" loans for the purchase of low-cost housing (prêt à l'accession sociale), which are not entitled to a financial guarantee for loans exceeding €15,000. However, since 2012, the weight of financial guarantees has picked up and regained a market share of around 55%, from whichever perspective adopted.

It should be emphasised that since 2012 financial guarantees are commonly used by all types of borrowers, both low-income borrowers (52.2% taking out a financial guarantee versus 29.2% taking out a mortgage) and affluent borrowers (61.4% taking out a financial guarantee versus 33.2% taking out a mortgage).

CUSTOMER RELATIONSHIP

The product range and innovation

In 2013, Crédit Logement continued its efforts to innovate in terms of its product range and to diversify its business. Its goal is to meet the expectations of its partners, to support their development in France and in Europe and to test other ways of employing its expertise.

The DOPPIO offer

This offer, launched successfully in 2013, consists of an enhancement of the lender guarantee for a clientele of civil service borrowers. It was deployed with a pilot partner during the financial year and was recently adopted by a second partner of Crédit Logement.

The new 2013 price scale

The new price grid adopted in the spring of 2013 made the Crédit Logement price scales more consistent and easier to understand. Its operational roll-out went without a hitch.

Opening up to Europe

Crédit Logement's French model must be capable of facing up to different or less favourable mortgage, legal and tax environments.

The cross-border risk policy of Crédit Logement has undergone harmonisation and seen an extension of its criteria for action.

Market share

Although lending has been boosted by a certain pickup in property transactions, it has been driven especially by a large number of debt buybacks. In this favourable environment, Crédit Logement increased its market share.

This dynamic is based on both the quality of its product range and quality of service. In an environment of intense activity, the Crédit Logement personnel has been able to maintain extremely fluid processing times.

Its unique expertise, the scope of its services and its automated processes make Crédit Logement an essential player.

CRELOG Recouvrement: the debt collection service

Crédit Logement debt collection breaks down into two services:

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

CLR IMMO and CLR Enchères enable lenders to partially or totally outsource the management of debt collection. They therefore enhance the capacity of lenders' collection teams at a competitive cost, while benefiting from Crédit Logement's expertise.

The signs of interest shown by partners have been confirmed or firmed up and are expected to materialise.

Customer relationship channels

Crédit Logement develops close everyday relations with the networks of its partner banks.

The Customer Service teams handled 200,000 calls and 70,000 emails. Personnel deployment made it possible to maintain an excellent level of accessibility and availability to provide information and route partners' requests to the teams of experts.

The Crelog.com extranet and the Creditlogement.fr website provide information media greatly appreciated by the networks, with 300,000 and 645,000 logins respectively recorded during the year.

The presence of sales teams in the field with the operators was maintained. This made it possible to inform and assist the networks regarding the various Crédit Logement projects.

Crédit Logement personnel hosted a stand at the Paris real estate trade fair at the Porte de Versailles exhibition centre. This was an opportunity to have numerous discussions with a large number of borrowers sent by the banks or seeking information, and with all the property professionals and players attending the fair: bankers, property developers, builders and estate agents.

Crelog Infos

Three new issues of the "Crelog Infos" e-mag were circulated to a growing number of partners of Crédit Logement.

Crelog Infos is now circulated to 25,000 privileged contacts and correspondents. The purpose of the magazine is to share news on the French real estate market and provide practical information concerning Crédit Logement.

COMMITMENTS DURING THE YEAR

540,678 guarantee agreements were issued during the year, representing 434,758 transactions (a transaction may consist of several loans) for a gross commitment amount of €73.8 billion.

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

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

This performance is largely due to the establishment of efficient computerised links, but is also, to a significant extent, the result of the dedication of the staff in the Production Department providing a high-quality service to customers.

The average amount of guarantee transactions was €169,703, versus €176,231 in 2012, representing a 3.7% year-on-year decline. Excluding loan redemptions, the average amount was €182,000.

More than half of the guarantee transactions were for property projects in the existing housing market. New housing (purchase and building) represented 14% of the amounts guaranteed (9% and 5% respectively), down from the 2012 figure.

The proportion of rental investment declined very slightly to 17% of the total amount, versus 18% in 2012.
Loan redemptions represented 35% of the total amount, versus 8% in 2012.

Loans in the competitive sector represented 93% of the amounts guaranteed and the share of bridging loans in this sector declined to 5% of amounts guaranteed.

Loans of durations up to 20 years inclusive represented 85% of the total number of loans guaranteed during the year, while loans with a duration exceeding 25 years represented only 1%.

Borrowers aged 35 or less represented 38% of the beneficiaries of the Crédit Logement guarantee, almost the same as in 2012. The percentage of non-executive employees increased to 44% of the total, versus 42% in 2012.

Borrowers with income less than or equal to three times the minimum wage represented 30% of total borrowers.

DEBT COLLECTION

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

The economic situation made 2013 a complicated year. The job market continued to contract, with an increase in the number of commercial insolvency proceedings and proceedings for personal over-indebtedness. The residential housing market also continued its gradual downturn, in terms of both time to complete a sale and price.

In response to the growing number of applications for financial claims, Crédit Logement has established a team of analysts specialised in guarantee claims. A debt collection extranet will soon be made available to partner banks, to facilitate handling of their dossiers.

Guaranteed debt collection

As at 31 December 2013, the number of loans under management stood at 14,830, up 13.1% from 2012. Outstanding bad debts under management increased by 12.3% in 2013, to €1.34 billion.

8,739 loans entered the debt collection process (–0.8%) and 7,015 came out of it (+9.5%). The ratio between loans restored to normal management and entries for the year stood at 52.7%. This rate represents the debts for which staff in the Collection Department have found, in consultation with the borrowers and the bank, a solution to resume paying the instalments, thus allowing the loan to return to a normal management cycle in the bank's ledgers. Despite a difficult economic environment, the rate has increased compared with 2012 (49%), demonstrating Crédit Logement's strong intention of preferably negotiating amicable repayment solutions, and the efficiency of its delinquent debt management process.

Debt collection amounted to €92 million, of which €90.14 million were used to restore the mutual guarantee fund, and financial claims on behalf of lenders amounted to €247.9 billion.

Collection for third parties

Based on its experience in collecting property loans, over a period of more than fifteen years Crédit Logement has developed a service for the collection of debts not guaranteed by itself.

In 2013, 1,789 new claims were assigned to Crédit Logement, and during the same period 2,080 claims were discharged (+5%), demonstrating the ability of the collection teams to efficiently manage the assigned debt.

The amount of outstanding debt managed on 31 December 2013 stood at €282 million for 6,482 claims (-4%), and debt collection reached the record level of €50.5 million.
The "auction support and marketing" business, for its part, analysed 300 auction decisions. This additional service was able to support the auction market and cover the debts in question at fair value.

IT SYSTEMS AND ORGANISATION

Regulatory projects, such as the application of the SEPA reform, allowance for the planned changes under Basel III and the new financing company status required making adaptations to all applications and software.

To support the company's strategic goals and ensure the constant improvement of business processes, the IT projects carried out in 2013 mainly covered the deployment of:

- new Electronic Data Interchange links with partners (EDI, Web Services);
- new functionalities in the Crelog.com extranet;
- changes in and optimisation of the computerised guarantee analysis system;
- a new price scale;
- new calculation processing operations and reports for outstanding debt;
- an optimisation of debt collection activities;
- new performance indicators for monitoring and managing activity, based on the Decision Support System.

It is also important to stress all the technical projects and measures performed in order to ensure quality of service and improved cost control:

- Rationalisation of infrastructure by migration of applications to 64 bits;
- Implementation of new archiving rules;
- Reinforcement of the infrastructure planned for the IT backup plan;
- New contractual arrangements for outsourcing services.

Lastly, further work on new architectures of the "Traceability", "Multi-IS" and "Business Process Management" type, and developments regarding information system authorisation management, actively contributed to strengthening the system's security and anticipating needs for future developments.

It is against this backdrop that Crédit Logement updated its trajectory for the next three years, to be consistent with the permanent productivity, sustainability and security/compliance goals for the company and its information system.
Organisation studies were conducted in order to optimise our internal functioning, especially in regard to human resource management and the business continuity plan.

BALANCE SHEET MANAGEMENT

Tier One and Tier Two subordinated debt issuance

Ongoing transactions in 2013, stemming from transactions carried out between 2004 and 2007 and the restructuring operation of 2011, are as follows.

Tier One:

- An issue of innovative deeply subordinated perpetual bonds of November 2004, held in Tier One for €259.3 million, for which the first possible date for exercising the quarterly early redemption option was in December 2009 and the remuneration on which will increase in December 2014;
- An issue of non-innovative deeply subordinated perpetual bonds of March 2006, held in Tier One for €800 million, for which the first possible date for exercising the early redemption option was in March 2011.

Tier Two:

- A €500 million issue of redeemable subordinated bonds, maturing in 2021, with no early redemption option, at a fixed rate of 5.454%;
- An issue of LT2 redeemable subordinated notes issued in 2007 with €900.1 million outstanding on 31 December 2013, which included a first early redemption clause of June 2012. This option was not exercised and the coupon therefore now benefits from the contractual increase that this issue included.

CASH MANAGEMENT

In 2013, Cash Management stayed faithful to its principles of cautious matching of liquidity and interest rates for bond funds and re-investment of cash coming from the mutual guarantee fund after allowing for a very adverse scenario of an acute property market crisis combined with a liquidity crisis.

Cash is composed of two main parts:

- "Conventional" cash stemming from equity loans and shares, reinvested directly with capital contributors according to the conditions set by the Board of Directors;
- Available cash, which includes investments made possible by all other sources of cash, particularly the mutual guarantee fund and commissions collected in advance, as well as subordinated bond issuance.

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

An Investment Committee, formed of Crédit Logement's members of the Cash Management Committee, directs operational management and monitors its implementation by the Finance Department.

A feature of 2013 was the introduction of collateralisation of investments.

Since most of Crédit Logement's investments are made with French banks and in the form of time deposits, it was considered necessary to mitigate counterparty risk.

Financial guarantee agreements were signed with its main bank partners. These provide that the counterparties should mobilise collateral on the basis of various factors:

- The investment duration;
- The counterparty's credit rating.

As at 31 December 2013, €7.8 billion in deposits came within the framework of these agreements, and the collateral received amounted to €1.6 billion; the collateralised short-term deposits required no collateral contribution, in light of the current ratings of the counterparties.

The principles adopted for the management of available cash are mainly based on matching the maturities of applications of funds and sources of funds, to partially immunise the profit and loss account against changes in short-term rates, while taking into account the results of stress tests which, in particular, allow appropriate liquidity levels to be maintained in all circumstances.

Thus, on 31 December 2013, investment (excluding reinvestment of bond issues) of available cash in fixed-rate term deposits (of initial maturity more than 5 years) stood at €1.424 billion, while medium-term investments (between 1 and 5 years) stood at €560 million. The rest of the available cash, namely €1.641 billion, was invested for less than one year, or was in investments putable in less than one year, or in mutual funds strictly limited to the money market.

These investments are mainly in the form of term deposits, but in 2011 Crédit Logement invested in three covered bonds ("obligations à l'habitat") as part of a first diversification of its investments, for an overall amount, on 31 December 2013, of €119 million, securities that were classified as investments given that Crédit Logement intended to hold them until maturity.

Moreover, at the end of the year Crédit Logement made an initial investment in repos taking effect in January 2014, i.e. a deposit in return for the receipt as guarantee of equities of major international indices or rated securities, which makes it possible to completely secure the investment and, as a consequence, to reduce counterparty exposure.

Reinvestment of the cash of subordinated issues, not redeemed early at their first call date, has been extended to a short term maturity to allow exercise of the call when it becomes possible, within the new regulatory framework, now defined.

AUDIT AND INTERNAL CONTROL

The Audit and Internal Control Department is under the responsibility of a director and comprises two separate sections:

- A Periodic Control and Audit Section, which implements a 3-year audit plan. At the end of 2013 it consisted of a manager and three auditors, one of whom is specialised in information systems. The Section can call on outside consulting firms for subjects requiring significant technical expertise or a benchmark of market practices.
- A Permanent Control and Compliance Section, which coordinates the Quality Control Units in the departments and monitors compliance. For this purpose, the managers of the Quality Control Units are functionally attached to the Audit and Internal Control Director.

The roles of the Audit and Internal Control Department are defined based on the requirements of Regulation No. 97-02 of the Committee on Banking and Financial Regulation.

The organisation in place around two separate sections meets the requirements of Article 6 of CRBF 97-02 by virtue of which the companies that it covers must have separate staff dedicated to permanent controls and periodic controls.

The Audit and Internal Control Department reports to the Management Committee at monthly meetings of the Internal Control Committee.

All the work carried out by the Audit and Internal Control Department is also the subject of a half-yearly presentation to the Audit Committee.

Periodic Control and Audit

The three-year audit plan was defined to allow a review of all the company's processes over the period 2013-2015. In 2013, there were mainly audits concerning tax management, cash management, interest-rate risk, budget management, the legal section, auxiliary debt collection accounting and document scanning, credit risk management policy, operation of the information system and management of the installed base of computer hardware and software.

The internal rating systems relating to credit risk and liquidity risk also underwent an annual review.

All the recommendations stemming from the various audits are recorded in a database that is monitored each month for top-priority recommendations and half-yearly for the whole of the database.

Permanent Control and Compliance

Permanent controls cover all of Crédit Logement's departments, with dedicated persons responsible for checks in the main areas of activity (Commitments, Collection, Information System, Risk and Finance) within Quality Control Units. Each year, an effort is made to improve and focus the control plans according to new risks identified through transverse risk mapping. In 2013, 195 check points were examined, covering all the company's activities.

Compliance contributes to the observance of legislative and regulatory provisions, professional and ethical standards, and the guidelines of the Board of Directors and the Management Committee. Crédit Logement has an ethics charter distributed to the whole of the institution and communicated during the induction of new employees. Apart from recurring checks on money laundering, the other compliance checks mainly cover updating of the procedures reference system, complaints handling, compliance with provisions on professional confidentiality and the provisions of French data protection agency CNIL, and the control of essential outsourced activities.

Credit risk in the retail banking business: portfolio of guarantees

By a decision of the Prudential Supervision and Resolution Authority (ACPR) 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 has applied to guaranteed transactions since 1 May 1994. It leads to a segmentation into 21 homogeneous risk classes, segmented across Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

For the axis of segmentation of the probability of default at one year (PD), the technique chosen was the construction of a conferred score, for which it was verified that it predicts the level of probability of default at one year (PD) for the entire lifetime of the guaranteed transaction.

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

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

Also, as Crédit Logement's guarantee is an alternative to any other lender guarantee, Crédit Logement does not consider any risk mitigation technique.

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

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

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

The calculation of the regulatory capital requirement (Pillar 1) and the results of checks, both permanent and periodic, are presented to the Audit Committee, acting by delegation from the Board of Directors.

For the 2013 financial year, the Risk Management Department made no changes to the internal rating model.

As at 31 December 2012, this internal rating system was applicable to an Exposure at Default of €263 billion, which breaks down into €252 billion of guarantees established and €11 billion of guarantees not yet established.

At this same date, the average Probability of Default of the portfolio was 0.24%. It was 0.01 percentage point lower this year than in 2012. Since the end of 2009, the average Probability of Default of the portfolio has stabilised at a level varying around 0.25%.

The ability of the Debt Collection and Legal Department to return delinquent loans to normal management, or to quickly take the required protective measures for transactions in default, leads to an estimate of the portfolio's average LGD, on output from the model, of 13.2% of the Exposure At Default (EAD). It was 0.3 percentage point lower than in 2012. The effect of the contraction in the residential property market observed between mid-2008 and mid-2009 has therefore faded. The significant drop in property sales 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 by definition higher than that calculated for transactions that may be returned to normal management. However, the renewed rise in real estate prices has increased the estimated potential debt collection on these transactions. The average LGD for the portfolio has therefore stabilised at a level fluctuating around 13.5% since the end of 2010.

Given the regulatory provisions, an additional prudent margin is applied to this estimate with a counter-cyclical aim, providing a "down-turn" LGD which was set at 30% on 31 December 2013. The average LGD used for calculating the Pillar 1 capital is therefore around 17.2%.

Given these parameters, the Risk Weighted Assets of the portfolio stood at €19.8 billion, corresponding to a weighting of 8.08%, 0.74 percentage point lower than in 2012.

As at 31 December 2013, the minimum regulatory capital under Pillar 1 for guarantee portfolio credit risk stood at €1.6 billion, bearing in mind that nearly 20% of this requirement, namely €343 million, corresponded to the regulatory increase intended to be applied to the LGD to obtain a "down-turn" LGD.

The mutual guarantee fund, set up to cope with guarantee portfolio credit risk, represents more than twice the amount of the regulatory capital requirement (Pillar 1) for this portfolio. The equity capital, the reserves and the mutual guarantee fund represent more than three times this same requirement.

Excluding the equivalent value in euros of the Exposure At Default of loans guaranteed in Switzerland for €51.8 million euros, the credit risk for the guarantee portfolio comes exclusively from 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. Crédit Logement's risk selection criteria are based primarily on the ability of borrowers to repay their loans and only secondarily on the value of the asset being financed, or on the whole of the borrower's wealth. Also, Crédit Logement's production is essentially with general banks in a non-speculative residential property market, and the size of each loan, mainly at fixed rates, ensures good risk spreading.

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

To conclude, in 2013 the credit risk for the retail bank business, measured by the internal rating system, remained very stable at a low level.

Operational risks

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

Among those risks identified from the outset, the greatest risks remain those related to IT, the hosting of IT, and information systems security.

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

Crédit Logement has established a system for collecting and measuring operational risk events, mainly on a reporting basis, with quarterly monitoring. The risk events reported in 2013 were mainly related to the information system. These were classified as not very serious incidents, below the threshold applied by the institution.

Beyond the strictly financial and regulatory approach, Crédit Logement is taking advantage of this procedure to improve its processes and make them more reliable. In 2013, work was continued to adapt security measures to changing threats, in particular with the operational roll-out of the strong authentication system together with a strengthened password management policy.

The host of the recovery site for the Business Continuity Plan (BCP) covers the unavailability of premises and of all the local network operating by mirroring.

The objective of Crédit Logement is to ensure, within 24 hours of the occurrence of an outage, the continued processing of guarantee requests and, in the following days, the continued processing of debt collection and accounts.

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

The continuity of services supplied by contractors (particularly facilities management for the main site, extranet application hosting, etc.) is covered by a contractual guarantee in the form of Disaster Recovery Plans.

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

The capital requirement for operational risk (Basel II Pillar 1) stood at €34 million on 31 December 2013.

Liquidity risk management and the liquidity ratio

Crédit Logement's liquidity risk is very specific, since the residential loan guarantee business generates liquidity. The liquidity risk could therefore arise only from a mismatch between its cash investment policy and the requirements resulting from its business as a guarantor.

For the management of this liquidity risk, a stress test was developed regarding the loss experience of the guarantee portfolio. This is applied as long as it remains sufficiently conservative relative to the latest known risk parameters. At the end of 2013, this extreme stress scenario included a deterioration of the risk parameters which would lead to a more than fivefold increase in expected losses on sound debt at the peak of the stress, and delays in recovering certain liquid assets (money-market funds and ECB-eligible securities).

Crédit Logement makes liquid investments under the restriction that its gap under extreme stress is still positive (liquid sources of funds exceeding applications); it also holds abundant cash available in less than one year. These available cash holdings have been bolstered by investment in time deposit accounts with a possibility of early exit for the investor.

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

Overall interest-rate risk management

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, consisting exclusively of the margin on the management and investment of its regulatory capital, which includes the mutual guarantee fund in particular, is therefore sensitive mainly to interest-rate variations, earning a higher margin when rates are high, although low rates are more favourable to the business of guaranteeing property loans.

In 2012, with the agreement of the members of the Cash Management Committee, Crédit Logement modified the convention on interest-rate amortisation of its capital.

For both sources and applications of funds, shares and their re-investment were considered as "20-year bullet". This fictitious immunisation of interest-rate risk introduced high volatility of net banking income, whereas the funds coming from shares were re-invested in liquid assets of 1-year maturity. It is now conventional to perform interest-rate amortisation of shares on a straight-line basis over 10 years, and investments in liquid assets are still of 1-year maturity, but this convention will be introduced by thirds over a period of three years.

In 2013, it was to hedge against the introduction of the second third of the new convention on interest-rate amortisation of its capital that Crédit Logement entered into €420 million worth of fixed-rate receiver swaps, of 10-, 7- and 5-year maturities, corresponding to one-third of the "shares" source of funds.
At the end of 2014, the convention of straight-line amortisation over ten years will cover all the capital.

Crédit Logement measures and manages its interest-rate risk with an overall rate gap, which can gauge the impact of an interest rate stress scenario, both on its net interest margin and on the Net Present Value (NPV) of its balance sheet. In particular, the regulatory stress test of a 200bp change in the whole yield curve is applied and a limit has been set for the sensitivity of NPV to this stress. On 31 December 2013, the sensitivity of NPV over ten years in the event of a 200bp drop in interest rates was 5.14% of the share capital after taking into account the macro-hedging swaps.

Market risk, counterparty risk and other risks

At the end of 2013, Crédit Logement had no instruments classified as isolated open positions or in a trading book. Crédit Logement is therefore not subjected to market risk.

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

Under the tax benefit scheme for investment in French overseas departments, in 2009 Crédit Logement invested €8.9 million in shares in an SCI (real-estate company) in New Caledonia to build and lease a social housing programme. This investment is covered by cash collateral of an equivalent amount, established by the other partner in the SCI, guaranteeing said partner's promise to ultimately redeem shares in the SCI. The value of the shares on the balance sheet as at 31 December 2013 has been adjusted to the amount of the cash collateral guaranteeing this redemption, namely €6.4 million.

Excluding this investment, the two subsidiaries described below and two other historical investments of less than €50,000 combined, Crédit Logement owns no shares and therefore has no "equity" risk.

INTERNAL CAPITAL VALUATION PROCESS

Since 2012, various actions have been carried out to improve and secure the process of calculating Crédit Logement's internal capital:

- The resources and operational capabilities of the Risks Function were enhanced;
- Cross-company risk mapping was updated and enhanced;
- The Board of Directors validated the strategy for management of various risks and their supervision by indication and measuring systems, strategic limits and warning thresholds;
- These indicators are measured regularly and compared with the thresholds and limits;
- Reviews have been performed to update the methodologies for modelling calculation of the internal capital requirement necessary to cover credit risk, for both the guarantee portfolio and the cash investment portfolio, to bring them up-to-date and improve them;
- The "Pillar 2" dossier, sent to the French supervisor in January 2013, was updated.

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

Approach used to measure internal capital

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

Guarantee portfolio credit risk

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

Investment portfolio credit risk

In its internal model, Crédit Logement measures investment portfolio credit risk by including the concentration risk that is related to it. To reduce this risk, a project to collateralise investments with its main counterparties was implemented in 2013.

Market risk

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

Operational risk

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

Liquidity risk

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

Interest-rate risk

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

Structural foreign exchange risk

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

Other risks

As regards "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 synthesised the study of its exposure to this risk by defining a scenario in which its production drops 50% and stays at that level for 10 years. Under this scenario and with the risk parameters applying at end-2013, using middle-of-the-range assumptions for the returns on its available cash, Crédit Logement remains profitable over the whole period in question.

Evaluation of internal capital

As at 31 December 2013, the amount of internal capital needed to cover all the risks to which the institution is exposed (expected and unexpected losses) was €1.8 billion.

INFORMATION ON THE BUSINESS OF SUBSIDIARIES AND CONTROLLED COMPANIES

SNC FONCIÈRE SÉBASTOPOL

This real estate dealer company, in which Crédit Logement owns 99.9% of the share capital, auctions property seized under litigation proceedings to recover secured debt.

In 2013, SNC Foncière Sébastopol carried out eight new auctions and re-sold four assets.

At the end of 2013, 15 transactions were outstanding for a total net amount of €1,529,337, including a provision for depreciation of €52,000, versus €881,330 on 31 December 2012.

The profit and loss account shows a loss of €117,635, due mainly to interest related to the partner's current account, a provision for stock depreciation and current management expenses. According to Article 15 of the articles of association, this loss is booked directly as expenditure at the end 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 owns 60% of the share capital.

A guarantee agreement was signed on 11 September 2013 with a public institution, to guarantee loans granted to its personnel, which led to initial activity in the last quarter of 2013.

The amount of premium issuance in financial year 2013 was €16,745.

The profit and loss account shows a net profit of €17,544 versus €17,140 a year earlier. This profit level can be explained by the level of business being revived in the fourth quarter of 2013.

A plan to revive business with affinity clienteles is currently being examined and could be put in place in 2014.

FINANCIAL STATEMENTS FOR THE YEAR

BALANCE SHEET

The balance sheet total on 31 December 2013 stood at €10.3 billion versus €9.9 billion a year earlier, representing an increase of 3.4%.

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 2013 had reached €245.5 billion versus €232.9 billion on 31 December 2012.

Surety agreements not yet established were booked for the first time as off-balance-sheet items at end-2013 for €24.2 billion versus €20 billion at end-2012, which led to adjustments to the 2012 accounts.

The net annual increase in outstanding loans put in place was therefore €12.6 billion, i.e. a 6% increase, taking into account annual amortisation and early redemptions for €35.7 billion.

The solvency ratio at end of year

The "Basel II" Pillar 1 solvency ratio of Crédit Logement, established in accordance with the official decision dated 20 February 2007, stood at 36.30% on 31 December 2013, versus 35.41% on 31 December 2012.

The Pillar 2 ratio, taking into account the minimum lower limit of 80% applicable for weighting outstandings, stood at 8.17% on 31 December 2013 versus 8.58% on 31 December 2012.

Changes in regulatory capital (according to Regulation 90-02, as amended)

Prudential capital fell from €8.17 billion on 31 December 2012 to €8.15 billion on 31 December 2013, a decline of €119 million (-1.44%), due in particular to the start of regulatory amortisation of Tier Two, scheduled for 2017.

	31/12/2012	31/12/2013	Change
Equity capital on the liability side of the balance sheet	1,488,125	1,513,734	25,609
Fund for General Banking Risks	610	610	
Mutual guarantee fund	3,703,143	3,949,990	246,847
Subordinated bonds, limited to 15% or 25% of equity	1,059,258	1,059,258	
Deductions	-915,297	-1,136,863	-221,566
CORE EQUITY CAPITAL	**5,335,839**	**5,386,729**	**50,890**
Securities and subordinated loans (Art. 4 c or d)	3,109,389	2,932,774	-176,615
Mutual guarantee fund on currency transactions	1,411	1,516	105
Deductions	-277,020	-166,933	110,087
ADDITIONAL EQUITY CAPITAL	**2,833,780**	**2,767,357**	**-66,423**
TOTAL REGULATORY CAPITAL (numerator)	**8,169,619**	**8,154,086**	**-15,533**
Weighted risks - advanced IRB method	20,449,888	19,783,198	
Weighted risks - standard method	1,898,250	1,911,518	
Other assets not corresponding to credit obligations	313,475	344,926	
Operational risk	407,825	425,432	
TOTAL BASEL II WEIGHTED RISKS (denominator)	**23,069,438**	**22,465,074**	**-604,364**
Pillar 1 solvency ratio	**35.41%**	**36.30%**	
Ratio according to rules applicable to Crédit Logement	**8.58%**	**8.17%**	

Core equity capital (Tier One)

The total amount of core equity capital was €5.4 billion versus €5.3 billion in 2012, representing an increase of €51 million:

- Sharp increase in the mutual guarantee fund by €247 million, to €3.9 billion at end-2013 versus €3.7 billion in 2012;
- Increase in deductions for the amount of €221 million related to changes in allowance for expected losses, non-performing loans and the limitation;
- Increase of €25 million in equity capital, allowance for dividend distributions.

Additional equity capital (Tier Two)

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

The option for the early redemption of equity loans established in 2005, after the agreement of the Prudential Supervision and Resolution Authority (ACPR), was exercised in June 2013 for a total amount of €117 million and an additional call for equity loans was made in June 2013 for a total amount of €121 million.

Deductions from regulatory capital

In addition to the items already mentioned above, equity interests and subordinated debt held in entities having an insurance business must be deducted from the regulatory capital. The equity interest in Crédit Logement Assurance (non-consolidated subsidiary) is affected, for €1.8 million.

Profit and loss account

Net banking income stood at €211.9 million versus €255 million a year earlier, representing a 16.90% decline.

This includes the following:

- Recognised financial income relating to available cash fell 3.3%, mainly due to low interest rates;
- The net balance of financial income generated by conventional cash (reinvestment of equity capital in our account in each partner's books) decreased because of the sharp fall in the

benchmark index (1-year Euribor) determined on 15/12 of each year. It was 0.58% at end-2012 versus 2% at end-2011;
- The net balance of financial charges relating to subordinated bonds, with reinvestment of the resulting cash, impacted the result for the financial year by €15 million compared with a positive margin of €46.1 million last year due to the capital gain realised on the redemption of 191 million in Tier One subordinated bonds;
- Revenues from guarantee transactions included under other operating revenues, expenses and commissions increased by 37.4% to €116.6 million versus €84.9 million in 2012. They accounted for 55% of net banking income versus 33.3% a year earlier, and this increase is due in particular to a series of interest rate renegotiations, which for Crédit Logement resulted in the incorporation in the profit and loss account of staggered revenues on loans terminated before maturity, due to renegotiation, and the collection of new commissions on loan redemptions.

The overheads represented by general operating expenses and depreciation expenses and provisions amounted to a total of €88.2 million versus €84.9 million in 2012, i.e. a 3.8% increase.

This increase breaks down as follows:
- Personnel expenses, which include employee profit-sharing and bonus schemes, increased by 5.9%, due in particular to the hiring of additional staff in the Debt Collection Department to cope with strongly growing volumes. The remuneration packages allocated to all managers are given in Appendix C1;
- Other administrative costs increased by 2.3%;
- The systemic tax and supervisory costs increased from €41.2 million in 2012 to €43.1 million in 2013;
- Depreciation and amortisation charges and impairment losses increased by 13.7%, due to sustained spending on investment in the information system.

In terms of productivity, the cost-to-income ratio, i.e. the ratio between overheads and net banking income, stood at 41.6% versus 33.3% the previous year, which included the capital gain on the redemption of Tier One debt.

Excluding this exceptional capital gain, the 2012 cost-to-income ratio stood at 43.3%, which therefore shows an improvement in this ratio in 2013.

As a result of these developments, gross operating profit, before non-recurring revenues and expenses, corporation tax and regulatory provisions, stood at €123.7 million, 27.1% less than in the previous financial year or an 11.34% increase excluding the exceptional capital gain in 2012.

Corporation tax expense was €44 million, instead of €60 million in 2012, and the expense for regulated provisions decreased by 27% compared with the previous year.

Overall, net profit for the financial year stood at €73.9 million versus €104.2 million in 2012, a decline that is completely explained by the exceptional capital gain realised in 2012.

The rate of return on equity was 5.13% in 2013.

Outlook and significant events since the end of the financial year

The 2014 budget was constructed assuming unchanged production, excluding the exceptional effect of the series of redemptions, and the initial months of 2014 seem to confirm this assumption.

At the end of 2013 Crédit Logement opted for the status of Société de Financement (Financing Company), defined by official order 2013-544 of 27 June 2013. The board of the Prudential Supervision and Resolution Authority (ACPR) approved this change of status on 13 January 2014 and Crédit Logement is now subject to the prudential regime of Sociétés de Financement, determined by the official decision of 23 December 2013.

To comply with the Core Equity Tier One eligibility conditions laid down by this official decision, the regulations of the mutual guarantee fund were amended and have come into application since 1 January 2014.

Regarding this, Crédit Logement will be subject to regulations comparable in terms of robustness to CRR4, but will not have to comply with the European LCR and NFSR liquidity ratios and will therefore continue to use its internal liquidity model, approved by the regulator.

The board of the Prudential Supervision and Resolution Authority (ACPR) also specified that, as of 2014, Crédit Logement had to have equity capital that is permanently equal to at least 80% of that defined by Article 92 of Regulation EU 2013-575 (CRR), although applying a 35% rate to its guarantee portfolio.

Given this regulatory environment, in early February, with the approval of the Prudential Supervision and Resolution Authority (ACPR), Crédit Logement announced to the market a call on its Tier 2 issue, maturing in 2017.

PROPOSED APPROPRIATION OF EARNINGS

The distributable profit of €83,446,818.82 breaks down as follows:

- Net profit for the financial year €73,909,768.05
- Increased by the credit balance brought forward from the previous financial year for €9,537,050.77

The following allocation is proposed:

- Legal reserve €3,695,488.40
- Share dividends €70,191,657.90
- Retained earnings €9,559,672.52

The planned distribution is thus €70.2 million versus €52.2 million the previous year, i.e. a 34.48% increase, which should allow the distribution of a dividend of €3.90 per share.

In accordance with the law, the appropriation of profits and the dividend distribution for the previous three financial years is recapped in the text of the third resolution presented.

The resolutions presented approve the financial statements thus presented and the proposed dividend distribution.

Other specific resolutions proposed

As HSBC France's term of office as director is expiring, its renewal for a period of six years is proposed to the general meeting.

Lastly, in light of the resignation from her position as director sent by Mrs Agnès de Clermont-Tonnerre, the Board of Directors meeting of 25 September 2013 co-opted in her seat Mr Philippe Roux, Director of Commitments and Debt Collection at LCL-Le Crédit Lyonnais. The ratification of this co-optation is proposed to the General Meeting.

RESOLUTIONS SUBMITTED

RESOLUTION 1

The General Meeting, after having heard the reading of the reports from the Board of Directors and statutory auditors on the corporate accounts, and the reading of the Chairman's report established in accordance with article L.225-37 of the French Commercial Code on procedures for internal control and risk management established by the company and the functioning of the Board of Directors, and that of the report from the statutory auditors on this document, and after having taken note of all documents which, according to the legislation in force, must be communicated to shareholders, approves the accounts and the balance sheet for the thirty-ninth financial year ending on 31 December 2013 as they are presented in all their parts.

The General Meeting expressly acknowledged to the Board of Directors that the aforementioned documents were drawn up in accordance with the provisions set out in Articles L 232-1 and thereafter and R 123-199 of the French Commercial Code, 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 83 446 818,82 is composed of :

- Net profits for the year	73 909 768,05 €
- Plus carrying forward of positive balance from previous year	9 537 050,77 €

We propose the following allocation :

- Legal reserve	3 695 488, 40 €
- Dividends allocated to shares	70 191 657,90 €
- Retained earnings	9 559 672,52 €

On this basis, the payout amounts to EUR 70,2 million, as compared to EUR 52,2 million the previous fiscal year, a decrease of 34,48% giving dividends amounting to 3.90 € by share.

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

	Dividend	
Fiscal year 2010		
A share	37,35	€
B share	0,12722680	€
Fiscal year 2011		
A share	36,95	€
B share	0,15460460	€
Fiscal year 2012		
A share	2,90	€

RESOLUTION 4

The general meeting reappoints HSBC France as a director for a six-year term of office ending after the general meeting convened to approve the financial statements for the year ending 31 December 2019.

RESOLUTION 5

The general meeting ratifies the appointment of Mr Philippe ROUX as director, made by the board of directors at its 25 september 2013 meeting, to replace Mrs Agnès de CLERMONT-TONNERRE, who resigned.

Consequently, Mr Philippe ROUX's term shall come to an end after the general meeting convened to approve the accounts of the financial year the 31st December 2016, when the resigning director's mandate ends.

RESOLUTION 6

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

STATUTORY AUDITORS REPORT

ON THE ANNUAL FINANCIAL STATEMENTS

To the shareholders,

In fulfilment of the assignment entrusted to us by your General Meeting, we present our report on the financial year ending 31 December 2013, 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.

Test on value

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

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

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

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

III. Specific checks and information

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

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

Paris and Neuilly sur Seine, 11 April 2014

Statutory Auditors

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

Deloitte & Associés
Sylvie BOURGUIGNON

C.S.R
CORPORATE SOCIAL AND ENVIRONMENTAL CONTRIBUTION

SOCIAL CONTRIBUTION

HUMAN RESOURCES DATA

The activity of the Human Resources Department has been very sustained during 2013 to support the development of Crédit Logement.

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

Employment and remuneration

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

The average monthly staff numbers increased by 5% for staff on permanent contracts and the use of temporary staff increased in 2013. Part-time employees accounted for 10% of the total workforce.

The total workforce of Crédit Logement present on 31 December 2013 was 273 employees including 284 on permanent contracts and 6 on temporary contracts:

- 95 women executives for 91 men;
- 68 non-executive women (including 42 supervisory staff) for 30 men (including 16 supervisory staff).

The breakdown of the workforce by age range is as follows

Detailed breakdown of Crédit Logement's workforce

	Less than 30 years		Between 30 and 39 years		Between 40 and 49 years		Over 50 years		Total
	Men	Women	Men	Women	Men	Women	Men	Women	
Employees	1	8	9	12	4	8	0	3	40
Supervisory staff	4	8	7	17	5	14	0	3	58
Executives	1	6	30	35	27	39	33	15	186
Total	6	17	45	64	37	61	33	21	284

Recruitments on permanent contracts and fixed-term contracts remained stable this year, with 18 and 10 new recruits respectively. The rate of induction (still present after 3 months in the company) was 94%.

In 2013, there was 1 redundancy. The other departures were due to 7 terminations of fixed-term contracts, 3 premature contract terminations and 2 retirements. Moreover, 2 fixed-term contracts were transformed into permanent contracts in 2013.

Collective variable remuneration (profit-sharing and bonus schemes) is up, at 2,146,197 euros, representing +4.96% compared to 20121. Also, Crédit Logement has established an employee share-ownership plan and a collective retirement plan and the amounts invested by staff are topped up in a way that is highly advantageous.

Gross payroll costs for the year were €14,244,474, up 5.21% in line with the increase in staff numbers and individual collective increases within the framework of compulsory annual pay negotiations.

Employees benefited from health insurance and death/disability insurance for an annual overall amount of 1,074,076 euros.

Work organisation

In its employment policy, Crédit Logement :

- makes every endeavour to meet requests for part-time work and 29 staff work part time (excluding therapeutic part-time, individual training leave, and parental leave), representing nearly 9% of the total workforce;

- has decided, since 2004, to pay for staff absences of up to 3 days per year in the case of sick children (the law provides for the absence but not the payment of the days). Moreover, as of 1 March 2013, these days were increased by 3 days per sick child per employee (the current situation), 4 days for 2 children and 5 days for 3 children and more;
- encourages promotion and internal transfers. 36 employees were promoted and 10 were transferred internally. The qualifying training arrangements that have been running since 2011, known as the "professionalisation period", which allow certain employees to obtain banking qualifications in partnership with the French Centre for Banking Training, was renewed in 2013;
- has signed, with the company's union representatives, a rider to the agreement on telecommuting to enable employees faced with special constraints (transport time) to benefit from this system. 16 employees filed an application for telecommuting in 2013;
- applies a working period of 35 hours weekly to be performed over 5 working days within "mobile" and "fixed" time periods. The concept of a "fixed time period" implies the obligation to be present at the place of work during this period and allows staff to manage their working time during the mobile time periods.

Crédit Logement continued its policy of induction of young high-school and university students during school holidays. These jobs, for "casual holiday employees", provide an initial contact with the corporate universe. Thirty-three youths benefited from a "casual holiday employee" contract.

"Well-being at Work" initiative

In 2012, a survey entitled "Well-being at Work" was conducted among all Crédit Logement employees.

The results of this survey were reported in February 2013 and a detailed action plan was produced. Among these actions, working groups consisting of directors, managers and volunteer staff performed cross-cutting work on the following themes:

- Defining a management charter at Crédit Logement;
- Clarifying the procedure for appointment of managers;
- Establishing personalised support for taking over the position of manager;
- Making changes in the evaluation process (annual evaluation interview);
- Developing cross-cutting internal invitations to department/section meetings;
- Developing internal communication, including opportunities for CEO/COO meetings with managers/staff members on cross-cutting subjects (e.g., "thematic" breakfasts, etc.);
- Summarising structures/facilities made available to employees in distress and making available outside assistance/listening.

Actions were also carried out on the establishment of employee/HR Manager career interviews and to raise awareness of PSR (psychosocial risk) situations.

These actions were introduced as opportunities arose, and this will continue in 2014.

Management/employee relationships

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

Crédit Logement encourages employee/management dialogue and the negotiation of collective agreements with its union delegates and takes into account health and safety aspects within these negotiations (examples: telecommuting agreement).

Equal opportunities agreement

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

In accordance with the law dated 9 November 2010 reforming pensions, a company collective agreement was signed by the CGT and SNB-CFE-CGE unions on 16 December 2011, on equal opportunities for women and men, introducing an evaluation of disparities between the situation of men and women in the company in the areas of both remuneration and training, and the correction of any inequalities.

Each year, a comparative analysis of the minimum basic wages of men and women, by pay scale, is carried out and presented to the trade union organisations during the compulsory annual negotiations.

Furthermore, a report is drawn up each year in the single document and presented to the Works Council meeting in June.

Rider to the agreement on telecommuting signed on 2 September 2013

Crédit Logement has undertaken to improve working conditions, especially for those employees who must cope with specific constraints: daily transport time between their home and the company's offices exceeding 1 hour 30 min. (for each journey). However, this method of organisation can only be offered for job positions and activities compatible with this form of work. Telecommuting is available only to volunteer staff. Twelve employees will take advantage of this system starting in January 2014.

Agreement on incentive schemes and profit sharing

Employees enjoy incentive schemes and profit sharing in accordance with the agreements signed regarding these two schemes.

Health and safety

The report on health, safety and working conditions is presented each year at the meetings of the Health, Safety and Working Conditions Committee and the Works Council. In 2013, one occupational injury and seven travel injuries were recorded.

The frequency rates were 2.08% for occupational injuries and 14.56% for travel injuries. The severity rates were 0.001% for occupational injuries and 0.36% for travel injuries.

The rates of absenteeism[1] were 3.78% for illness and 0.88% for maternity.

No occupational disease was detected. The single document was updated in November 2013 in cooperation with an engineering company specialised in safety.

Crédit Logement organises blood-donation sessions with the French blood-donation institution, providing staff with a shuttle service to the place where the donation is made. Two sessions were organised in spring and autumn 2013, in which 44 donors participated.

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

Training

For this, Crédit Logement:

- commits more than 2.33% of its payroll expenditure to funding training for its employees, for a legal obligation of 0.9%,
- devotes 3,087 hours to training, including 1,769 hours for women and 1,318 hours for men, which breaks down as follows:
  - 2,343 hours of vocational training;
  - 464 hours under the Individual Training Entitlement scheme;
  - 280 hours during the professionalisation period.

Equality of treatment

Crédit Logement:

- has been committed, since 2007, to equal minimum salaries by coefficient between women and men;
- has signed an agreement with AGEFIPH concerning the work of people who are recognised as being disabled. At each meeting organised by the Management Committee, Crédit Logement brings in a specialised sign-language interpreter for a member of staff who is deaf and dumb. This same interpreter is used during individual interviews organised with the staff member's manager (such as the annual assessment interview).

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

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

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

ENVIRONMENTAL RESPONSIBILITY

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

Through its actions, Crédit Logement undertakes to control its direct environmental impacts and to take into account the environment in its activities. To participate in the fight against climate change within the company and to control the direct environmental impacts of its activity, Crédit Logement's objectives are to:

- control its energy consumption;
- rationalise the use of paper;
- recycle and sort its waste.

The Deputy Chief Executive in charge of Finance, IT, Risks and General Administration is responsible for coordinating Crédit Logement's actions in favour of the environment.
Given Crédit Logement's insignificant impact on the environment, no specific training and information actions are carried out amongst employees in matters of environmental protection.

CONTROLLING ITS ENERGY CONSUMPTION

Energy consumption

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

In order to reduce its electricity consumption, Crédit Logement has established the following actions:

- all of its washrooms have been fitted with movement-detector switches to reduce electricity consumption in buildings;
- The great majority of lighting facilities, excluding Club Affaires for which the installations do not permit this, are now in economy mode (LEDs or energy-saving light bulbs);
- The work of replacing R-22 fluid was completed in 2013. No air conditioning installation any longer operates with this refrigerant;
- In 2013, the IT department continued server virtualisation. So the number of physical servers was reduced by 5.6% (17 in 2013 against 18 in 2012), while the number of virtual servers increased by 4.4% (120 in 2013 against 115 in 2012).

Crédit Logement's total electricity consumption for 2013 was 1,201,269 kWh (1,142,055 kWh for the main building and 59,214 kWh for building 2) for a total surface of 5,904 m², representing 4,230 kWh / person.

The increase in electricity consumption can be explained by fewer sunlight hours in 2013 compared with 2012. Moreover, the first half of 2013 was cooler than in 2012. The spring of 2013 was the coldest spring since 1987 and one of the rainiest since 1959 (source: Météo France).

In comparison, Crédit Logement's energy consumption is equivalent to the consumption of 75 average households (1 household = 15,985 KWh/year).

Crédit Logement emitted 93.7 tonnes equivalent CO_2 (teq CO_2), representing 0.33 teq CO_2/person, 95% of it coming from the main building. This calculation takes into account, and converts to tonnes equivalent CO_2, the emissions of the 6 greenhouse gases concerned by the Kyoto protocol, related to energies consumed in buildings (heating, air conditioning, lighting, powering IT equipment, etc.). The calculation does not include emissions relative to the air conditioning appliances that are insignificant given their size.

Water consumption

Crédit Logement's water consumption for its two main buildings was 3,849 m^3 for 2013, against 3,711 m^3 of water for 2012, which represents a 3.72% increase and water consumption of 13.6 m^3 / person in 2013, stable compared to 2012. The increase in water consumption between 2012 and 2013 is due to the increase in staff numbers (284 in 2013 compared with 273 in 2012).

Crédit Logement must continue to raise awareness in this area to reduce water consumption.

RATIONALISING THE USE OF PAPER

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

- printers are configured, by default, to print on both sides;
- the use of digital media is being developed;
- the scanning of paper documents is being developed;
- 2,500 copies of the 2012 annual report were printed on ecological paper with an ecological printing technique enjoying the Imprim'Vert® label, a brand which aims to encourage companies performing printing operations to take action to mitigate the impacts of the printing activity on the environment. The label is mentioned on the inside back cover;
- printing of 2,000 copies of the Crédit Logement publicity brochure on Satimat Green paper with PEFC/FSC certification;

- electronic greetings cards are sent as well as paper cards. Electronic greetings cards have been in place for more than 4 years at Crédit Logement and paper greetings cards carry the "eco" label.

These various actions led to a 16.4% reduction in the number of sheets of paper used (printing and reprographics) between 2012 and 2013, with 3.05 million sheets of paper used in 2013 against 3.65 million in 2012, representing 10,744 sheets per person in 2013 against 13,370 in 2012, representing a 19.6% drop in consumption per person.

For sending letters informing borrowers of the repayment of the returnable share of the mutual guarantee fund, Crédit Logement uses a service-provider involved in a process of responsible development: paper from responsibly-managed forests is used (PEFC, FSC) and eco-labelled, maximum use is made of envelopes that meet the same criteria as the paper, waste is sorted and recycled and climatic solidarity actions are undertaken to compensate for CO2 emission rates that are difficult to reduce. The total number of pages sent in 2013 was 291,180, 36% more than the 214,017 that were sent in 2012, notably due to the sharp increase in loan redemptions.

RECYCLING AND SORTING

IT equipment

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

Recyclable waste

Recyclable waste is recovered by the Paris local authority, and for 2013 this represented a total of 11.5 tonnes of paper.

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

Finally, in 2013 senior management confirmed the establishment of paper sorting, collection and recycling with a new partner. All the paper collected will be sorted into five uniform quality of paper. This exclusive additional sorting will optimise recycling, since white paper will be recycled and become white paper again. The roll-out is planned for March 2014.

Environmental indicators

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

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

Summary

NUMBER OF OCCUPANTS LISTED on 31 December 2013	284
Water consumption (m^3)	3,849
Total energy consumption (kWh/year)	1,201,269
Total energy consumption per occupant (kWh/person)	4,230
Consumption as an equivalent number of households	75
Number of sheets of paper per person	10,744
Total CO2 emissions (teq CO2)	93.7
CO2 emissions per person (t)	0.33

SOCIETAL COMMITMENTS

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

IMPACT ON NEIGHBOURING AND LOCAL POPULATIONS

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

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

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

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

CORPORATE SPONSORSHIP

In 2013, Crédit Logement again wished to associate itself, by a donation, with the actions carried out by several associations acting in the public interest through humanitarian and social aims.

After being involved in the Tournoi des Capitales devoted to sustainable development (an event that combines youth exchanges and sport, and which takes part in humanitarian initiatives) and committing itself to greetings cards published for the benefit of the "Fondation de France" (aid projects for vulnerable persons, development – research, culture, training – and environment) – in 2013 Crédit Logement selected seven associations suggested by the company's employees:

- ADIE: helps people excluded from the job market and who do not have access to the conventional banking system to create their company and hence their job via microcredit, and assists micro-entrepreneurs;
- ARSERP: Foundation for Aid with Research on Multiple Sclerosis. Funds research units working on multiple sclerosis (MS) and informs the patients, their family and the public about the condition;
- "Vaincre l'autisme": provides support for the families and facilitates the case management of children and adolescents suffering from autism, the occupational integration of autistic adults and the establishment of dedicated research programmes;
- A maternal charity: help and emergency aid for mothers, new-born children and children who are in difficulty or ill, in all stages of their life;
- Perce-neige: encourages public authorities to recognise the needs of mentally handicapped people and their families, especially in terms of host organisations, and wants to change society's attitude toward mentally handicapped people;
- The French Red Cross: an association of 53,000 volunteers committed for more than 140 years now on numerous fronts in the struggle against precarity and a non-profit organisation providing services in the health, social, medico-social and training fields, with 18,000 employees in more than 550 facilities.

Crédit Logement took part actively in the "La Parisienne" race in which 33 of its employees were registered. The aim of this race is to support medical research to help struggle against breast cancer, and to raise women's awareness of prevention measures. For the past eight years, La Parisienne has committed itself alongside the Fondation pour la Recherche Médicale (FRM). It provides financial support and allows the Foundation to implement measures to collect donations (online collection, incentivising companies, sale of tapes, massages on the FRM stand, etc.).

RELATIONSHIPS WITH SUPPLIERS AND SUBCONTRACTORS

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

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

PREVENTION OF CORRUPTION

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

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

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

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

A PROCESS TO SERVE CUSTOMERS OF CRÉDIT LOGEMENT

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

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

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

LETTER OF REPRESENTATION

This letter is sent to you within the framework of the issue of the report entitled "Our social and environmental contribution – CSR" published in the 2013 management report, in accordance with your professional practices.

As the person in charge of establishing this data, I confirm to you hereafter, in all good faith and to the best of my knowledge, the information and representations that have been provided to you within the framework of your assignment.

1. The reference systems that we have developed enable us to evaluate appropriately the environmental and social impacts reported in the published indicators.
2. Any third party may, on request, consult the reference systems used to establish this data in the company.
3. The data have been calculated, in all their significant aspects, in accordance with the reference system, over the entire scope mentioned in the company's financial report.
4. We carried out the necessary checks during data collection and consolidation.
5. The information disclosed in the 2013 Management Report reasonably enables a correct interpretation of the published information by the reader.
6. We have been informed of the table of anomalies noted during your work on the corrected and uncorrected data. We consider that the impact of these anomalies on the total value of the indicators in question is not significant.
7. To date, we have no knowledge of any event that has occurred since the end of the financial year which would require an adjustment of the 2013 data.
8. We have provided you with all the documentation necessary to perform your assignment, in particular the internal procedures and internal reports, collection matrices, and all information that have or could have had a significant impact on the data.
9. We have no knowledge of any report, opinion or position issued by external audit organisations whose content could have a significant impact on the presentation and methods of data evaluation.
10. We have taken the necessary precautions to ensure that the publication of the data on the internet involved no risk of unauthorised changes due to internal or external manipulations and we have applied the necessary checks to ensure their satisfactory transfer to the Crédit Logement websites.

11. We have taken the necessary precautions to ensure that the publication of your report on the websites mentioned above will enable the reader to link your opinion to its subject and solely to its subject, i.e. environmental and social information.

Paris, 2nd April 2014

Eric Veyrent,

Deputy Chief Executive Officer.

REPORT BY ONE OF THE STATUTORY AUDITORS, APPOINTED AS AN INDEPENDENT THIRD-PARTY ORGANISATION, REGARDING THE SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION APPEARING IN THE MANAGEMENT REPORT

Financial year ended 31 December 2013

To the shareholders

In our capacity as statutory auditors of Crédit Logement, appointed as independent third-party organisation, accredited by the COFRAC under the number 3-1048*, we present to you our report on the social, environmental and societal information relating to the financial year ended 31 December 2013, in the management report (hereinafter called the "CSR Information"), in accordance with the provisions of Article L.225-102-1 of the French commercial law code ("Code du Commerce").

Obligations of the company

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

Independence and quality control

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

Obligations of the statutory auditors

Based on our work, it is our responsibility:

- to certify that the required information is present in the management report or, in case of omission, is explained in application of the third paragraph of article R.225-105 of the French commercial code and decree n°2012-557 dated 24 April 2012 (certificate of presence);

* The scope of which is available on the www.cofrac.fr website

- to express limited assurance concluding that the information is presented, in all significant aspects, sincerely in accordance with the reference texts used (Limited assurance report).

Our work was performed by a team of three people between March and April 2014 during a period of about two weeks. To assist us in performing our work, we called on our experts in the area of CSR.

We carried out the work described below in accordance with the professional standards applicable in France and with the official decision of 13 May 2013 determining the conditions in which the independent third-party organisation conducts its assignment and, regarding the reasoned opinion on fairness, with the ISAE 3000* international standard.

I - Certificate of presence of CSR Information

Based on interviews with the managers of the relevant departments, we learned of the sustainable development guidelines, according to the social and environmental consequences of the company's activity and its societal commitments and, where applicable, the resulting actions or programmes.

We compared the CSR Information presented in the management report with the list provided for by Article R.225-105-1 of the French commercial law code.

Whenever some information was missing, we checked that explanations were provided in accordance with the provisions of Article R.225-105 paragraph 3 of the French commercial law code.

Based on this work, we certify that the required CSR Information is present in the management report.

*Assurance Engagements Other Than Audits or Reviews of Historical Financial Information

II - Reasoned opinion on the fairness of the CSR Information

Nature and extent of work

We conducted five interviews with the persons in charge of preparing the CSR Information in the departments responsible for the information collection process and, where applicable, those in charge of internal control and risk management procedures, in order to:

- assess the appropriateness of the reference system with regard to its relevance, exhaustiveness, reliability, neutrality and ease of understanding, taking into consideration, where applicable, the good practice rules in the sector;
- check the establishment of a process of collection, compilation, processing and checking with a view to the exhaustiveness and consistency of CSR Information, and obtain knowledge of the internal control and risk management procedures relating to the production of CSR Information.

We determined the nature and extent of our tests and checks according to the nature and importance of the CSR Information in light of the characteristics of the company, the social and environmental implications of its activities, its sustainable development guidelines and good practices in the sector.

For the CSR information that we considered most important*:

- We consulted the documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), we applied analytical procedures to the quantitative information and we verified, based on sampling, the data calculations, their consistency and their agreement with the other information appearing in the management report;

* Quantitative social information: Numbers of full-time/part-time employees; Workforce breakdown by gender, age group, CSP (redundancy support agreement) and type of contract; Recruitments, of which recruitments on permanent contracts; Redundancies, of which dismissals; Frequency and severity rate of injuries at work and travel injuries; Rate of absenteeism for illness and maternity; Number of hours' training by gender.

Quantitative environmental information: Total energy consumption (and equivalent in number of households); Total CO_2 emissions; Water consumption; Number of sheets of paper per person; Recyclable wastes.

Qualitative information: Initiatives to raise awareness of PSR (psychosocial risk) situations; Rider to the agreement on telecommuting; Agreement with Agéfiph; Sponsorship; Relations with suppliers and subcontractors; Regular performance of satisfaction surveys of bank partners.

- We conducted interviews to verify the correct application of the procedures and we carried out detail tests based on sampling, involving checks on the calculations performed and a comparison of the data in the supporting documents. The sample thus selected represented 100% of the workforce, 17% of training hours and 100% of quantitative environmental information.

For the other CSR information, we assessed its consistency with our knowledge of the company.

Finally, we assessed the appropriateness of the explanations given, where applicable, for the complete or partial absence of certain information.

We consider that the sampling methods and sample sizes that we have adopted exercising our professional judgment enable us to express a conclusion of moderate assurance; a higher-level assurance would have required more extensive verification work. Due to the use of sampling techniques and the other limitations inherent in the functioning of all information and internal control systems, the risk of non-detection of a significant anomaly in the CSR Information cannot be completely ruled out.

Conclusion

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

Neuilly-sur-Seine, 2nd April 2014

One of the statutory auditors,
Deloitte & Associés,
Sylvie Bourguignon, associée.

BALANCE SHEET
AT DECEMBER 31, 2013
in thousand euros

	2013	2012	Notes
CASH, CENTRAL BANKS, CCP	**218**	**222**	
DEPOSITS ON CREDIT INSTITUTIONS	**8 844 432**	**8 680 325**	A1
On sight	405 087	195 915	
Term	8 439 345	8 484 410	
CUSTOMER TRANSACTIONS	**730 903**	**588 045**	A3
Other customer loans	479	464	
Bad debt	730 424	587 581	
BONDS AND OTHER FIXED-INCOME SECURITIES	**121 844**	**122 190**	A4-1
SHARES AND OTHER VARIABLE-INCOME SECURITIES	**172 161**	**203 696**	A4-1
EQUITY INTERESTS AND OTHER LONG-TERM SECURITIES	**34**	**34**	A4-1
INTERESTS IN AFFILIATED COMPANIES	**3413**	**2 757**	A4-2
INTANGIBLE FIXED ASSETS	**4073**	**4 051**	A5
TANGIBLE FIXED ASSETS	**13 271**	**13 282**	A5
OTHER ASSETS	**18 921**	**2 224**	A6
ACCRUALS	**350 297**	**304 560**	A6
TOTAL ASSETS	**10 259 567**	**9 921 386**	
Financing commitment in favor of credit institutions	**150 000**		A12-1
Customer guarantee commitments implemented	**245 470 350**	**232 869 959**	A12-1
Customer guarantee commitments not yet implemented	**24 158 021**	**19 974 356**	A12-1
COMMITMENTS GIVEN	**269 778 371**	**252 844 315**	

	2013	2012	Notes
DEBTS TOWARDS CREDIT INSTITUTIONS	**55 509**		A7
Term	55 509		
CUSTOMER TRANSACTIONS	**19 057**	**18 516**	A7
OTHER LIABILITIES	**11 165**	**21 858**	A7
ACCRUALS	**506 497**	**485 721**	A7
DEPRECIATIONS FOR RISK AND EXPENSES	**409**	**409**	A8
SUBORDINATED DEBT	**8 152 585**	**7 906 146**	
Mutual guarantee deposits	3 949 990	3 703 143	A9-1
Subordinated borrowings	1 712 624	1 709 239	A9-2
Accrual on borrowings	5 725	9 612	A9-2
Surbordinated securities	2 459 408	2 459 408	A9-2
Accruals on subordinated securities	24 838	24 744	A9-2
FUNDS FOR GENERAL BANKING RISKS	**610**	**610**	A9-3
SHAREHOLDERS' EQUITY	**1 513 735**	**1 488 126**	
Capital	1 259 850	1 259 850	A9-4
Reserves	113 491	70 931	A9-4
Regulatory provisions	56 947	53 053	A9-3
Retained earnings	9 537	14	
Earnings for the year	73 910	104 278	
TOTAL LIABILITIES	**10 259 567**	**9 921 386**	
Guarantee commitments received from credit institutions	3 623 689	3 424 643	A11
COMMITMENTS RECEIVED	**3 623 689**	**3 424 643**	

PROFIT AND LOSS ACCOUNT
AT DECEMBER 31, 2013
in thousand euros

	2013	2012	Notes
Interest income	174 517	270 213	B1
Interest expenses	-83 636	-103 513	
Income from variable-income securitie	32	21	B2
Commission (income))	116 621	84 889	B3
Commission (expenses)	-1 087	-1 105	
Income on marketable securities	2 243	1 404	B4 B5
Other banking operating income	3 761	3 284	B6
Other banking operating expenses	-542	-186	
NET BANKING INCOME	**211 909**	**255 007**	
General operating expense	-84 527	-81 717	B7
Allowances for depreciation and amortisation on tangible and intangible fixed assets including equity securities	-3 687	-3 242	
OVERHEADS	**-88 214**	**-84 959**	
GROSS OPERATING INCOME	**123 695**	**170 048**	
Gains on long terms investments and changes in provisions	1	-426	B9
INCOME BEFORE TAX	**123 696**	**169 622**	
Non-recurring income/loss			
Corporate income tax	-45 892	-59 990	B10
Movements in the reserve for general banking risk and regulatory provisions	-3 894	-5 354	B11
NET INCOME FOR THE YEAR	**73 910**	**104 278**	

NOTES TO THE FINANCIAL STATEMENTS

I - PRESENTATION OF THE ACCOUNTS

The rules applied for drawing up Crédit Logement's financial statements are based on principles adopted by the French National Accounting Board (Comité de Réglementation Comptable, CRC), on the regulation of the French Banking and Financial Regulations Committee (Comité de la Réglementation Bancaire et Financière, CRBF) and the instructions of the French Prudential Supervision Authority (Autorité de Contrôle Prudentiel et de Résolution) 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 2013.

II - ACCOUNTING PRINCIPLES AND METHODS

ASSETS

DEPOSITS ON CREDIT INSTITUTIONS

Deposits are broken down in the notes as follows :

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

CUSTOMER CREDIT

Other customer loans

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

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

Bad debt

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

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

- doubtful debts;
- compromised doubtful debts.

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

SECURITY PORTFOLIO

We differentiate between three types of securities:

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

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

- government securities and assimilated;
- bonds and other fixed-income securities;
- shares and other variable-income securities;
- equity interests and other long-term security holdings;
- interests in affiliated companies.

Marketable securities

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

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

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

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

Investment securities

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

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

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

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

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

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

Equity securities

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

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

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

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

FIXED ASSETS

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

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

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

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

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

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

The depreciations are shown hereinafter:

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

LIABILITIES

TRANSACTIONS WITH CREDIT INSTITUTIONS

Within the framework of financial guarantee agreements in accordance with Art. L211-38 of the French Monetary and Financial Code (CMF) established during the financial year, cash security deposits can be put in place. Regular adjustments under the framework agreement are performed each quarter.

TRANSACTIONS WITH THE CLIENTELE

GUARANTEE DEPOSITS RECEIVED

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

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

Other amounts due

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

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

OTHER LIABILITIES

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

- sums to be paid back for the collection activity on behalf of third parties, which are unavailable in light of the collection and payback periods;

- sums due to suppliers (invoices for overheads or fixed assets);
- sums due to staff and employee profit-sharing linked to the company's growth;
- tax and social security liabilities.

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

ACCRUALS - LIABILITIES

Pre-booked income

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

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

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

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

RESERVE FOR RISKS AND EXPENSES

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

A reserve is booked:

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

SUBORDINATED DEBT

MUTUAL GUARANTEE FUNDS

According to CRBF Regulation 2000-03 of 4 July 2000 relating to individual summary documents, the guarantee funds 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.

The calculation of the reimbursement rate takes into account the risk of non-repayment prudentially evaluated on all the dossiers contributing to the fund (ex-ante provisioning), and also the expected recovery rate on non-performing loans.

An amended version of the regulations of the mutual guarantee fund (FMG), applicable from 1 January 2014, makes the restoral of mutualisation subject to the prior agreement of the French Prudential Supervisory Authority (ACPR) and the Board of Directors. It also covers the other recognised losses in proportion to its weight in the regulatory capital.

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 French Prudential Supervisory Authority (ACPR).

Subordination conditions

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

SUBORDINATED SECURITIES

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

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

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

They include :

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

Subordination conditions

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

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

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

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

They include :

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

Subordination Conditions

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

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

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

They include :

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

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

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

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

Dated bond issue (lower Tier Two) – FR 0011000231

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

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

Subordination Conditions

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

FUNDS FOR GENERAL BANKING RISKS

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

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

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

SHARE CAPITAL

In accordance with the combined general meeting of shareholders dated 9 May 2012, the equity capital was composed of 17,997,861 ordinary shares of €70 each, fully paid up. These new shares were issued value date 1rst January 2012. The entitlements conferred by each share are fixed as follows.

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

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

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

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.

OFF-BALANCE SHEET COMMITMENTS

Requested by customer

Financial Guarantees

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

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

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

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

Guarantee commitments distributed by other credit institution

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 and 2005-03 issued by the national accounting board on March 28, 2002 relative to the accounting treatment of credit risk in companies governed by the banking and financial regulations committee, commitments relative to deposit agreements given have been broken down into the following categories as of this year:

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

Debts outstanding have been segmented based on the following criteria:

- Healthy loans outstanding. All loans not meeting the conditions of non-performing loans, including the following aspects:
  - The first three instalments unpaid before a guarantee claim are included in off-balance-sheet guarantee liabilities. The method applied to calculate this amount is to obtain from our main partners the delinquency rates at one month, two months and three months, and apply, by a conservative approach, the maximum rates obtained to all the healthy off-balance-sheet loans outstanding;
  - Customer order guarantee commitments not yet put in place have been included in off-balance-sheet items since 2013.

  At the request of the ACPR, the surety agreements not yet established, indicated previously for information's sake in Appendix A12-1, are now booked in off-balance-sheet items. For easier comparison, the off-balance-sheet items for 2012 were adjusted by €19,974 million.

- 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 to forward financial instruments

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

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

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

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

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

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

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

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

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

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

If the difference is negative, it is the subject:

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

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

Firm transactions on interest-rate instruments

Hedging transactions

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

Mechanism of credit risk mitigation on cash investments

This mechanism serves to cover the risk of financial loss in the event that a counterparty to a financial instrument fails to meet its contractual obligations.

To mitigate this risk, Crédit Logement has opted for the establishment of "FBF framework" contracts for collateralisation on derivatives signed with bank counterparties which provide for netting of exposure and the establishment of a regular margin call (cash deposit) which makes it possible to reduce the real exposure. Regular adjustments under the framework agreement are performed each week.

Other securities received as collateral

Financial guarantee framework agreements, established during the financial year, specify the conditions under which partner banks, counterparties to the investments of Crédit Logement, must pledge to it eligible assets within the framework of Article L. 211-38 of the Monetary Code.

These guarantees, given by counterparties in the form of pledges, can be of several types:

- cash deposits in our books (these sums are recorded under cash guarantees on the liabilities side of the balance sheet);
- cash account opened in the name of our counterparty and pledged to us;
- eligible securities quoted in euros;
- claim on Crédit Logement - equity loans;
- claims eligible according to the criteria defined in the agreement, resulting from loans, credit or financing for businesses and legal entities.

Regular adjustments to the collateral under the framework agreement are performed each quarter.

OTHER INFORMATION

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.

CONSOLIDATION SCOPE

Those companies which have no significant characteristic in accordance with the criteria set out in the regulatory provisions are not included in the consolidation scope.

Under these conditions, the companies Crédit Logement Assurance, SNC Foncière Sébastopol and SCI Martawi are not consolidated.

The consolidation thresholds are set and validated by the Board of Directors and will concern the levels of off-balance-sheet liabilities and the total revenues from operations and financial revenues included in the profit and loss account of the subsidiary by comparison with the same data for Crédit Logement.

Stakes below these thresholds are excluded from the consolidation scope.

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	**1 742 610**	**1 210 546**	**1 848 987**	**4 042 289**	**8 844 432**
Sight debt	404 772				404 772
Term debt	1 305 000	1 174 000	1 830 000	4 042 289	8 351 289
Related debt	32 838	36 546	18 987		88 371
CUSTOMER DEBT	**730 459**	**91**	**139**	**214**	**730 903**
Other customer loans	35	91	139	214	479
Bad debt	730 424				730 424
BONDS AND OTHER FIXED-INCOME SECURITIES		**32 226**	**39 984**	**49 634**	**121 844**

NOTE A 2 - DEPOSITS BREAKDOWN

	Affiliated companies	Equity interests	Other companies	Individuals	Total
DEPOSITS ON CREDIT INSTITUTIONS		8 751 480	92 952		8 844 432
DEPOSITS ON CUSTOMERS				730 903	730 903
BONDS AND OTHER FIXED-INCOME SECURITIES		91 280	30 564		121 844

NOTE A 3 - CUSTOMERS LOANS

NOTE A 3-1 - CHANGE IN OUTSTANDING CUSTOMER LOANS

	31/12/2012	Releases	Repayments	Debt write-offs	**31/12/2013**
Cash loans - loans to company staff	464	321	306		479
Bad debt	587 581	247 269	90 051	14 375	730 424
TOTAL	**588 045**	**247 590**	**90 357**	**14 375**	**730 903**

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	479				479
Bad debt			730 424	722 115	730 424
TOTAL	**479**		**730 424**	**722 115**	**730 903**

NOTE A 4 - SECURITIES PORTFOLIO

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

Issued by public bodies	Acquisition value			Market or net asset value	Redemption value
	Other issuers				
	Listed	Unlisted	Total		
BONDS AND OTHER FIXED-INCOME SECURITIES					
Bonds	119 944		119 944	130 363	120 000
Related debt	1 900		1 900		
INVESTMENT SECURITIES	**121 844**		**121 844**	**130 363**	**120 000**
SHARES AND EQUITY RELATED SECURITIES					
Money funds	165 737		165 737	186 472	
Other securities		8 907	8 907	6 424	
Allowance for depreciation		-2 483	-2 483		
Marketable securities	**165 737**	**6 424**	**172 161**	**192 896**	
Investment in non related companies		34	34	34	
Investment in related companies		3 413	3 413	3 413	
INVESTMENT SECURITIES		**3 447**	**3 447**	**3 447**	
TOTAL SECURITIES PORTFOLIO	**287 581**	**9 871**	**297 452**	**326 706**	

(*) 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 31/12/2012	Gross inventory value	Net inventory value
Other long terme securities						
"Certificat d'association fonds de garantie des dépôts"					4	4
Other securities						
Sté de Développement de l'Habitat Coopératif - SDHC	1,04	2 937	67	7	30	30
SUBSIDIARIES AND OTHER LONG TERM HOLDINGS					**34**	**34**
OTHER SECURITIES						
Crédit Logement Assurance	60,00	3 050	485	17	1 830	1 830
SNC Foncière Sébastopol	99,90	15		-125	15	15
ADVANCES ANS ASSOCIATED CURRENT ACCOUNTS						
SNC Foncière Sébastopol					1 568	1 568
INTERESTS IN AFFILIATED COMPANIES					**3 413**	**3 413**

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

NOTE A 5 - FIXED ASSETS

GROSS FIXED ASSETS	Gross value at year-start	Acquisitions	Sales or Internal transfers	Gross value at year-end	Net value at year-end
INTANGIBLE FIXED ASSETS	**26 875**	**2 536**	**-128**	**29 283**	**4 073**
Assets under construction	1 372	1 169	-835	1 706	1 706
Software and licenses	25 503	1 367	707	27 577	2 367
TANGIBLE FIXED ASSETS	**34 605**	**1 164**	**-346**	**35 423**	**13 271**
Assets under construction	1 645	859	-1 440	1 064	1 064
Land	2 909			2 909	2 909
Structural components	5 479			5 479	3 677
Roof / Front	2 078			2 078	769
Transport equipment	154			154	57
Office equipment	373	2	-1	374	36
Club Affaires equipment and tools	73		9	82	15
Office furniture	1 336	15	89	1 440	361
Club Affaires furniture	123			123	41
Computer equipment	3 427	200	-256	3 371	392
Fixture & fittings an rental premises	10 398	8	733	11 139	788
Fixture & fittings an building	3 123	12	79	3 214	1 279
Technical equipment	3 487	68	441	3 996	1 883
TOTAL	**61 480**	**3 700**	**-474**	**64 706**	**17 344**

DEPRECIATION OR PROVISIONS	Gross value at year-start	Charges	Writte backs	Gross value at year-end
INTANGIBLE FIXED ASSETS	**22 824**	**2 511**	**-125**	**25 210**
Software and licenses	22 824	2 511	-125	25 210
TANGIBLE FIXED ASSETS	**21 323**	**1 176**	**-347**	**22 152**
Land				
Structural components	1 753	49		1 802
Roof / Front	1 207	102		1 309
Transport equipment	59	38		97
Office equipment	304	35	-1	338
Club Affaires equipment and tools	61	6		67
Office furniture	1 030	48	1	1 079
Club Affaires furniture	81	1		82
Computer equipment	2 970	330	-321	2 979
Fixture & fittings an rental premises	10 245	132	-26	10 351
Fixture & fittings an building	1 719	217	-1	1 935
Technical equipment	1 894	218	1	2 113
TOTAL	**44 147**	**3 687**	**-472**	**47 362**

NOTE A 6 - OTHER ASSETS AND ACCRUALS

	31/12/2012	31/12/2013		31/12/2012	31/12/2013
Deposit guarantee fund	37	39	P and L adjustment on financial instruments	3 100	18 000
Deposits and sureties given	136	151	Currency adjustment	40	1
Deposit on option - swaptions			Loss to amortize on financial instruments	438	383
Tax and social security receivables		16 859	Pre-paid expenses	694	523
			Deferred expenses	2 292	2 012
Debtors (staff)	84	74	Accrued revenue on guarantee	295 668	326 975
Other debtors (customers)	1 723	1 589	Accruals on interest rate swap	2 292	2 398
Other debtors	244	209	Other accruals	25	5
			Other funds transfer to be charged	11	
Other assets	**2 224**	**18 921**	**Accruals**	**304 560**	**350 297**

NOTE A 7 - DEBTS TO CREDIT INSTITUTIONS AND CUSTOMER

	31/12/2012	31/12/2013
Deposit of cash collateral		55 500
Dettes rattachées		9
Etablissements de crédit		**55 509**
Cash collateral received	6 307	6 423
Other amounts due - Confined amounts	12 209	12 634
Due to customer	**18 156**	**19 057**

NOTE A 8 - OTHER LIABILITIES, ACCRUALS AND PROVISIONS

	31/12/2012	31/12/2013		31/12/2012	31/12/2013
Premium on optims sold			Cashed in advance income on guarantee	273 398	279 165
Tax and social security liabilities	12 664	2 765	Accrued income on guarantee	209 543	224 879
Accounts payable – miscellaneous (staff)	2 661	2 683	Accruals on interest rate swap	2 014	2 127
Accounts payable – miscellaneous (suppliers)	2 804	2 930	Profit to spread over life time on financial instruments	727	326
Staff liabilities	1 830	1 059			
			Currency adjustment	40	
Other payables	1 899	1 728	Other accruals	1	
OTHER LIABILITIES	**21 858**	**11 165**	**ACCRUALS**	**485 723**	**506 497**

PROVISIONS FOR CONTINGENCIES

Catégorie	31/12/2012	Dotations	Reprises	Reprises non utilisées	31/12/2013
Provisions pour litiges	**409**	**60**		**-60**	**409**
TOTAL	409	60		-60	**409**

ACCOUNTS PAYABLE SCHEDULE

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

Catégorie	< 30 days	Within 30 and 60 days	> 60 days	Total
Accounts payable as at 31/12/2013	**780**	**41**		**821**
Accounts payable as at 31/12/2012	1 189	63		1 252

NOTE A 9 - SHAREHOLDERS' EQUITY AND ASSIMILATED

NOTE A 9 -1 - SUBORDINATE DEBTS AND MUTUAL GUARANTEE FUNE

	Balance at year start	Incoming	Outgoing	Balance at year-end
Gross mutual guarantee fund in euro	3 769 461	504 005	-243 324	4 030 142
Gross mutual guarantee fund in foreign currency	1 411		105	1 516
Use of mutual guarantee fund to cover irrecoverable bad debts	-67 729	-14 372	433	-81 668
Mutual guarantee fund in balance sheet liabilities	**3 703 143**	**489 633**	**-242 786**	**3 949 990**
Mutual guarantee funds due and not demutualised	-27 519	-12 972		-40 491
Bad debt to recover in balance sheet assets	-587 581	-247 269	104 426	-730 424
Mutual guarantee funds in foreign currency	-1 411		-105	-1 516
Mutual guarantee fund available after doubtful debts	**3 086 632**	**229 392**	**-138 465**	**3 177 559**
Bad debt to recover balance sheet assets	**587 581**	**247 269**	**-104 426**	**730 424**
Expected loss on doubtful debts - loss forecast	**-207 798**	**-183 987**	**104 426**	**-287 359**
Projection of recovery on doubtful debts	**379 783**	**63 282**		**443 065**
Mutual guarantee fund less euro expected losses on doubtful debt to recover	**3 466 415**	**292 674**	**-138 465**	**3 620 624**

NOTE A 9-2 – SUBORDINATED DEBT

	Issue date	Due date	31/12/2012		31/12/2013	
			Amounts	Associated debt	Amounts	Associated debt
UNDATED DEEPLY SUBORDINATED BORROWINGS	30/06/2005		117 352			
	30/12/2009		194 284		194 284	
	30/12/2010		395 579		395 579	
	30/06/2011		415 186		415 186	
	30/12/2011		286 008		286 008	
	30/06/2012		300 830		300 830	
	30/06/2013				120 737	
TOTAL SUBORDINATED BORROWINGS			**1 709 239**	**9 612**	**1 712 624**	**5 725**
SUBORDINATED SECURITIES	Issue/Due date	Number of titles				
5-year "no-call" perpetual bonds* Code ISIN FR 0010128736	02/11/2004 indeterminated	259 258	259 258	96	259 258	106
5-year "no-call" perpetual bonds Code ISIN FR 0010301713	16/03/2006 indeterminated	16 000	800 000	474	800 000	508
5-year "no-call" perpetual bonds Code ISIN FR 0010469858	15/05/2007 15/06/2017	18 003	900 150	331	900 150	391
5-year "no-call" perpetual bonds Code ISIN FR 0011000231	16/02/2011 16/02/2021	5 000	500 000	23 843	500 000	23 833
TOTAL SUBORDINATED SECURITIES			**2 459 408**	**24 744**	**2 459 408**	**24 838**
TOTAL SUBORDINATED DEBT			**4 168 647**	**34 356**	**4 172 032**	**30 563**

* Repurchage of 190 742 titles at March 15th 2012

NOTE A 9 -3 – 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	53 053	3 894		56 947
Funds for general banking risks	610			610
TOTAL	**53 663**	**3 894**		**57 557**

NOTE A 9 -4 - CHANGE IN CAPITAL AND RESERVES

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

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

The share capital (fully paid-up) comprises:	31/12/2012	Increase/ allocation	Reduction/ allocation	31/12/2013
- 17 997 861 Category A shares,	1 259 850			1 259 850
	1 259 850			**1 259 850**
Legal reserve	41 040	5 213		46 253
General reserve	29 891	37 347		67 238
TOTAL	**70 931**	**42 560**		**113 491**

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

	31/12/2012	31/12/2013		31/12/2012	31/12/2013
Credit institutions	78 612	88 371	Credit institutions		9
Interests in affiliated companies	6	10	Subordinated debt	34 356	30 563
Bonds and other fixed-income securities	1 900	1 900	Other liabilities: tax and social security liabilities	12 664	2 765
Other assets : tax pay back		16 859			
Other accruals			Other accruals :		
. on guarantee	295 668	326 975	. On financial instrument	2 014	2 127
. on suppliers	25	5			
. On financial instrument	2 292	2 398			
Accrued revenue	**378 503**	**436 518**	**Expenses due and accrued**	**49 034**	**35 464**
Other accruals :			Other accruals :		
. Issue expenses to amortize	2 292	2 012	. sureties with INITIO tariff	209 543	224 880
. on suppliers	694	523	. sureties with CLASSIC tariff	273 398	279 165
PRE-PAID EXPENSES	**2 986**	**2 535**	**Pre-booked income**	**482 941**	**504 045**

NOTE A 11 - OFF-BALANCE SHEET COMMITMENTS RECEIVED

	31/12/2012	Changes	31/12/2013
Counter-guarantees received (from our shareholders or not) relative to the commitment to reconstitute the mutual guarantee fund	3 424 643	199 046	3 623 689
TOTAL	**3 424 643**	**199 046**	**3 623 689**

NOTE A 12 - OFF-BALANCE SHEET COMMITMENTS GIVEN

NOTE A 12 - 1 - CHANGE IN COMMITMENTS GIVEN

	31/12/2012	Put in place	Depreciation /Amortisation	Final repaiments	31/12/2013
Financing commitments (forward)		150 000			150 000
Financing commitments in favor of credit institution		**150 000**			**150 000**
Guarantee for individual residential loans - Commitments in place	232 853 600	49 098 400	-20 219 038	-16 279 308	245 453 654
Unpaid installments estimated on real estate loan	16 359		288		16 647
Outstanding loans on commitments implemented	232 869 959	49 098 400	-20 218 750	-16 279 308	245 470 301
Commitments not yet implemented *	19 974 356		4 183 665		24 158 021
Guarantee for individual residential loans	**252 844 315**	**49 098 400**	**-16 035 085**	**-16 279 308**	**269 628 322**
Financial guarantee	**94**	**49**		**-94**	**49**
TOTAL	**252 844 409**	**49 098 449**	**-16 035 085**	**-16 279 402**	**269 628 371**

* 2012 fiscal year was retreated

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

Guarantee commitment customer order	< 3 months	3 months to 1 year	1 to 5 years	> 5 years	TOTAL	O/w, affiliated companies
Guarantee for individual residential loans - Commitments in place	435 207	1 218 870	12 059 016	231 740 561	245 453 654	
Commitments not yet in place *		24 158 021			24 158 021	
Unpaid installments estimated on real estate loan	16 647				16 647	
Financial guarantee	49				49	
TOTAL	**451 903**	**25 376 891**	**12 059 016**	**231 740 561**	**269 628 371**	

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

Guarantee commitment customer order		Healthy debt	O/w, restructured healthy	Bad debt	O/w, compromised bad	Total debt
Guarantee for individual residential loans - Commitments in place		244 555 792	11 156	897 862	333 428	245 453 654
Unpaid installments estimated on real estate loan		16 647				16 647
Commitments not yet in place *		24 158 021				24 158 021
Financial guarantee		49				49
TOTAL		**268 730 509**	11 156	**897 862**	333 428	**269 628 371**

NOTE A 13 - TERM FINANCIAL INSTRUMENTS

OTC interest rate transactions	Notional amount	Premium on options	Market value (interest include)	Market value (without interest)
Covered by FBF Framework	1 080 000	18 000	-19 354	-19 253
Not covered by framework	180 000		10 369	9 998
TOTAL	**1 260 000**		**-8 985**	**-9 255**

No transfer from one type to another in 2013

OTC interest rate transactions - by maturity	< 3 month	3 month to à 1 year	1 year à 5 years	> 5 years	TOTAL
. micro hedge		30 000	40 000	50 000	120 000
. macro hedge (fix rate receivable)			330 000	810 000	1 140 000
TOTAL		**30 000**	**370 000**	**860 000**	**1 260 000**

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

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

	31/12/2012	31/12/2013
Interest on demand deposit accounts	1 794	1 247
Interest on term deposit accounts (counterparty for subordinated borrowings)	33 075	21 761
Interest on term accounts for "cash from capital subscriptions, Category B shares"	18 110	5 306
Interest on term deposit accounts	201 919	127 355
Income on term financial instruments	6 932	12 547
Transactions with credit institutions	**261 830**	**168 216**
Loans to Crédit Logement staff	5	4
Interest on bad debt (interest for late payments on secured debt)	2 413	1 729
Transactions with customers	**2 418**	**1 733**
Interest income on financial securities	5 965	4 568
Interest on bonds and fixed-income securities	**5 965**	**4 568**
TOTAL INTEREST INCOME AND ASSIMILATED	**270 213**	**174 517**
Interest or interest compensation		-24
Interest on undated subordinated borrowings	-38 555	-27 185
Interest on deeply subordinated securities and synthetic securitisations	-58 526	-48 707
Interest on cash collateral	-114	-117
Expenses on investment security	-402	-401
Interest on term subordinated borrowings	-5 916	-7 202
TOTAL INTEREST EXPENSES AND ASSIMILATED	**-103 513**	**-83 636**

NOTE B 2 - INCOME ON VARIABLE-INCOME SECURITIES

	31/12/2012	31/12/2013
Interest on the current account associated with SNC Foncière Sébastopol	21	32
TOTAL INCOME ON VARIABLE-INCOME SECURITIES	**21**	**32**

NOTE B 3 - COMMISSION (INCOME AND EXPENSES)

	31/12/2012	31/12/2013
Commission relative to off-balance sheet commitments given on residential loans	84 889	116 621
TOTAL COMMISSION (INCOME)	**84 889**	**116 621**
Banking commission and fees	-708	-881
Commission and fees on synthetic securitisations and subordinated securities	-397	-206
TOTAL COMMISSION (EXPENSES)	**-1 105**	**-1 087**

NOTE B 4 - INCOME ON INVESTMENT PORTFOLIO TRANSACTIONS AND ASSIMILATED

	31/12/2012	31/12/2013
Capital gains on marketable security disposals		2 126
Income on interest rate option	1 290	
Allowance for depreciation and reversal of depreciation	114	117
TOTAL INVESTMENT PORTFOLIO TRANSACTIONS	**1 404**	**2 243**

NOTE B 5 - Profit or loss on negociation portfolio transactions

	31/12/2012	31/12/2013
Profit on foreign exchange transactions	768	
TOTAL ON NEGOCIATION PORTFOLIO TRANSACTIONS	1 290	

NOTE B 6 - OTHER OPERATING BANKING INCOME AND EXPENSES

	31/12/2012	31/12/2013
Third-party collection income (management and collection fees)	3 010	3 568
Ancillary income (Crédit Logement Assurance/SNC Foncière Sébastopol)	40	80
Other ancillary income	118	106
Other income	116	7
TOTAL OTHER OPERATING INCOME	**3 284**	**3 761**
SNC Foncière Sébastopol loss	-126	-118
Other expenses	-60	-424
TOTAL OTHER OPERATING EXPENSES	**-186**	**-542**

NOTE B 7 - GENERAL OPERATING EXPENSES

	31/12/2012	31/12/2013
Salaries and wages	-13 473	-14 336
Social security taxes	-6 430	-6 984
Salary-based taxes	-2 085	-2 429
Pension expenses	-2 278	-1 967
Performance-related bonus	-215	-1 087
Employee profit-sharing	-1 830	-1 059
Reserves on disputes		
Staff costs	**-26 311**	**-27 862**
Tax	**-46 039**	**-47 074**
Rentals	-960	-879
Transport	-132	-128
Other external services	-8 278	-8 584
Reserves on disputes	3	
External services	**-9 367**	**-9 591**
Other administrative costs	**-55 406**	**-56 665**
TOTAL GENERAL OPERATING EXPENSES	**-81 717**	**-84 527**

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

	31/12/2012	31/12/2013
Other intangible fixed assets		
Software and licenses	-2 253	-2 511
Intangible fixed assets	**-2 253**	**-2 511**
Structural components	-49	-49
Roof / Front	-102	-102
Transport equipment	-37	-38
Office equipment	-42	-35
Club Affaires equipment and tools	-2	-6
Office furniture	-43	-48
Club Affaires furniture	-2	-1
Computer equipment	-268	-330
Fixture & fittings an rental premises	-81	-132
Fixture & fittings an building	-193	-217
Technical equipment	-170	-218
Tangible fixed assets	**-989**	**-1 176**
TOTAL	**-3 242**	**-3 687**

NOTE B 9 - INCOME OR LOSS ON CAPITALISED ASSETS

	31/12/2012	31/12/2013
Capital gains on fixed asset disposals		1
Capital losses on fixed asset disposals	-418	
Capital loss on fixed asset sale	-8	
TOTAL	**-426**	**1**

NOTE B 10 - CORPORATE INCOME TAX

	31/12/2012	31/12/2013
On ordinary income	-59 548	-44 144
On unrealised capital gains on the securities portfolio	-442	-182
Contribution on distributed revenues		-1 566
TOTAL *	**-59 990**	**-45 892**
* including corporate income tax instalments already paid	50 737	60 274

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

	31/12/2012	31/12/2013
Provisions for risks relating to medium and long-term transactions	-5 354	-3 894
TOTAL	**-5 354**	**-3 894**

NOTES C - OTHER INFORMATIONS (in thousand euros)

NOTE C 1 - TOTAL AMOUNT OF COMPENSATION FOR THE YEAR

	Compensation	Advances and loans	Off balance-sheet commitments
To all administrative bodies *	40		
To all executives **	690	7	415
- fix compensation	524		
- variable compensation	116		
- fringe benefits and pension	50		

* No benefits and compensation paid to subsidiary during year 2013

* * A yearly extraordinary bonus, in accordance with the company's result and if the result justifies it, can be allocated to the Chief Executive Officer within the limits of 25% of his gross annual pay ; and to the Deputy Chief Executive Officer within the limits of 20% of their gross annual pay. The amounts are determinated according to the results by the Chairman of the Board on behalf of the remunerations comitee to which he is accountable.

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

	Fees
Statutory audit	145
Ancillary services	20

NOTE C 3 - AVERAGE STAFF BREAKDOWN BY LEVEL

	31/12/2012	31/12/2013
Executives*	2	2
Managers	163	179
Supervisors	61	57
Employees	44	42
TOTAL	**270**	**280**

* without managing Director

NOTE C 4 - OTHER SOCIAL COMMITMENTS OUTSOURCED AND NOT PROVISIONED

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

Supplementary pension for managers		**Voluntary or compulsory retirement benefits**	
Value of the collective funds managed externally	3 643	Value of the collective funds managed externally	978
Present value of commitments	3 621	Present value of commitments	976
Collective supplementary pension insurance policy with defined benefits		Collective "end-of-career benefits" insurance policy	
Beneficiaries: all managers, subject to certain conditions		Beneficiaries: all company staff	

Rules and methods

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

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

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

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

NOTE C 5 - "AD HOC" COMPANIES

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

NOTE C 6 - PROPOSED ALLOCATION OF INCOME

Income for the year ended	73 910
Retained earnings for the previous year	9 537
Income to be allocated	**83 447**
Breakdown of allocation	
- Legal reserve	3 695
- Dividends – A shares	
- Dividends - B shares	70 192
- Retained earnings	9 560
TOTAL	**83 447**

FINANCIAL RESULTS

in thousand euros

	2009	2010	2011	2012	2013
Financial position at year-end					
Share capital	1 253 975	1 253 975	1 253 975	**1 259 850**	**1 259 850**
Number of shares issued					
. A shares	1 940 363	1 940 363	1 940 363	**17 997 861**	**17 997 861**
. B shares *	80 287 490	80 287 490	80 287 490		
Total earnings for effective operations					
Revenues (net of tax)	415 742	300 990	320 597	**359 697**	**297 057**
Earnings before tax, depreciation and provisions	196 955	137 983	146 157	**172 747**	**127 266**
Corporate income tax	62 479	45 221	50 684	**59 990**	**45 892**
Earnings after tax, depreciation and provisions	119 744	87 057	88 515	**104 278**	**73 910**
Profit distributed					
. A shares	86 055	72 473	71 696	**52 194**	**70 192**
. B shares *	27 709	10 215	12 413		
Earnings per share for operations (in euros)					
Earnings after tax but before depreciation and provisions *					
. A shares	55,00	55,00	42,80	**6,27**	**5,05**
. B shares	0,35	0,35	0,16		
Earnings after tax, depreciation and provisions *					
. A shares	47,43	39,60	39,23	**5,79**	**4,64**
. B shares	0,35	0,13	0,15		
Dividend per share *					
. A shares	44,35	37,35	36,95	**2,90**	**3,90**
. B shares	0,3451271	0,1272268	0,1546046		
Workforce					
Average headcount**	219	233	254	**270**	**280**
Payroll	10 424	11 864	13 311	**13 473**	**14 336**
Staff benefits	5 893	6 534	7 489	**8 708**	**8 951**

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

** without managing director