



Annual report 2007

REFERENCE DOCUMENT



**COMPAGNIE DE
FINANCEMENT
FONCIER**

CREDIT FONCIER GROUP

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This is a free translation into English of the Document de Référence issued in the French language and is provided solely for the convenience of English speaking readers. This English version of the Document de Référence should be read in conjunction with, and construed in accordance with, French law.



Profile of Compagnie de Financement Foncier

Compagnie de Financement Foncier (AAA/Aaa/AAA) is a credit institution authorised as a financial company and a société de crédit foncier (by decision of the French Credit Institutions Committee [CECEI - Comité des établissements de crédit et des entreprises d'investissement] on July 23, 1999).

A wholly-owned subsidiary of Crédit Foncier de France (AA-/Aa2/AA-), affiliated with Caisse Nationale des Caisses d'Epargne (AA/Aa2/AA-), its mission is to finance real estate loans and loans to public sector authorities originated by its parent company, the Caisse d'Epargne Group and other European credit institutions.

Strongly rooted within its parent company Crédit Foncier, Compagnie de Financement Foncier has been issuing obligations foncières since 1852 and remains a market leader to this day.

Its reputation for quality, the growth of its business and the expertise of its teams have allowed it to firmly position itself in the market; with issuance reaching €23.5 billion in 2007 and further diversification both in terms of currencies and structures, Compagnie de Financement Foncier takes its place as:

- the leading private issuer in France
- a member of a select group of the world's leading covered bond issuers.

Message from the Chairman & Chief Executive Officer



THIERRY DUFOUR
Chairman & Chief Executive Officer

Investor confidence in the underlying solidity of Compagnie de Financement Foncier (la Compagnie) was once again confirmed in 2007. Compagnie de Financement Foncier strengthened its position as the leading private issuer of covered bonds (55% of all obligations foncières issued) reaching a record €23.5 billion, which represents a year-on-year increase of 36%. Its stability was also demonstrated in the continuity of its issuance programme despite the worsening credit crisis during the second half of the year.

Compagnie de Financement Foncier has thus successfully carried out its missions: to provide Crédit Foncier with the liquidity needed to carry out its activities and - since its inclusion in the Group - to diversify the Caisse d'Épargne Group's refinancing solutions to optimise loans to local authorities and institutions in France and abroad.

The volume of its issues, its flexible funding policy, and its diversification have all confirmed Compagnie de Financement Foncier's place among a select group of Europe's leading issuers.

In terms of its assets, 2007 was a year of remarkable growth in exposures to both the French and international public sector. The integration of teams from the Natixis subsidiary IXIS-CIB into Crédit Foncier and its portfolio of loans to major French local authorities has strengthened its position in this sector with, in particular, more than €4 billion in new long-term financing granted via Compagnie de Financement Foncier.

Led by a team of specialists, international public financing continued to expand with €5.2 billion spread across 13 different countries. Since 2006, the increased volume of loans to the international public sector has exceeded 25%, with particularly strong growth in Japan. The joint creation of Swiss Public Finance Solutions (SPFS) by Crédit Foncier, Banque Cantonale de Genève and Caisse d'Épargne de Rhône-Alpes, also symbolised the firm establishment of this activity in Switzerland.

In 2008, la Compagnie's main objective is to further consolidate its position as an issuer of the highest quality, reflected by its strict asset selection criteria, the diligence of its management and the transparency of the information it discloses to investors.

In a challenging economic and financial environment, these differentiating factors will enable the company to further investor confidence and pursue the growth of its activities, particularly in the public sector both in France and abroad.

Thierry Dufour, Chairman & Chief Executive Officer

Message from the Executive Officers



SANDRINE GUÉRIN
Deputy Chief Executive Officer

As the number one issuer of covered bonds in Europe and the fifth leading AAA issuer worldwide (excluding sovereign and agency issuers), the strength of Compagnie de Financement Foncier's business model has again been demonstrated in 2007.

This strength was tested and substantiated by its ability to continue its issuance programme despite the onset of the international financial crisis during the second half of the year.

Its solidity is the result of investors', as well as the rating agencies', recognition of the protection afforded by the company's additional commitments that surpass those of its already protective regulatory framework.

The AAA/Aaa/AAA rating from FitchRatings, Moody's and Standard & Poor's is a testament to its security.

Compagnie de Financement Foncier has thus become a major source of refinancing for the strategic growth areas of Crédit Foncier as well as the Caisse d'Epargne Group, in France and abroad, namely the public sector and the first-rank residential real estate market.

In an increasingly turbulent economic context, one of its goals for 2008 is to continue to tighten both its strict asset selection process and its constraining risk management rules. It will also continue to provide the level of transparency of its financial information that forms the bedrock of the security it offers to its bond holders and the promise of future growth.

Sandrine Guérin, Deputy Chief Executive Officer

Key figures

Issuer information

Issuer

Compagnie de Financement Foncier

Parent company

Crédit Foncier de France (100%), subsidiary of Caisse Nationale des Caisses d'Epargne (the central entity of the Caisse d'Epargne Group) and Nexity

Types of bonds issued

Obligations foncières

Issuance programmes

EMTN & AMTN

Rating agency	Long-term rating	Outlook
FitchRatings	AAA	Stable
Moody's	Aaa	Stable
Standard & Poor's	AAA	Stable

Programme volumes

EMTN: €75 billion

AMTN: AUD \$5 billion (approximately €3 billion)

Sole service provider

Crédit Foncier de France (AA-/Aa2/AA-)

Simplified economic balance sheet at December 31, 2007

(From the regulatory report 4001-1, certified by the Specific Controller)

	€ billion	% Balance sheet
Secured loans Articles L. 515-14 and 16	45.02	47.7%
State subsidised mortgage loans	1.60	1.7
Mortgage loans guaranteed by the FGAS	6.98	7.4
Other mortgage loans	10.40	11.0
Senior mortgage backed securities	17.43	18.5
Other loans with real estate guarantee	1.03	1.1
Mortgage notes	7.59	8.0
Exposures to public authorities Articles L. 515-15 and 16	33.53	35.5%
State subsidised public loans	0.35	0.4
Other public loans	17.23	18.2
Public entity securities	8.11	8.6
Senior securitisation units of public debt	7.85	8.3
Other assets (interest on IFAT, accruals, goodwill, etc.)	4.73	5.0%
Replacement securities - Article L. 515-17	11.12	11.8%
Total assets	94.40	100.0%

	€ billion	% Balance sheet
Privileged resources	82.54	87.4%
Obligations foncières	79.39	84.1
Other privileged resources	3.14	3.3
Non-privileged debt	11.86	12.6%
Unsecured debt	6.13	6.5
Subordinated and similar debt	5.14	5.4
- Of which redeemable subordinated notes "RSN"	2.90	3.1
- Of which participating loans	1.35	1.4
Shareholders' equity, provisions and FRBG	0.58	0.6
(Shareholders' equity and related items)	(1.93)	(2.1)
Total liabilities	94.40	100.0%

Performance indicators:

€53 million

Net income

111.2%

Overcollateralisation ratio

51.6%

Average LTV

Preferred liabilities
at December 31, 2007

Obligations foncières issued in 2007
€23.5 billion

Outstanding preferred liabilities
€82.5 billion, including €79.4 billion
in obligations foncières

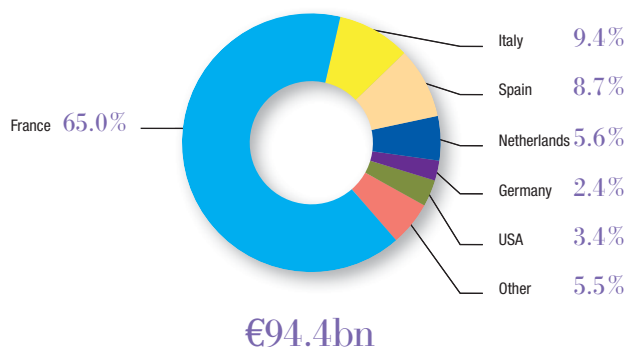
Positioning
Number one issuer of covered bonds
in Europe

Breakdown of assets
at December 31, 2007

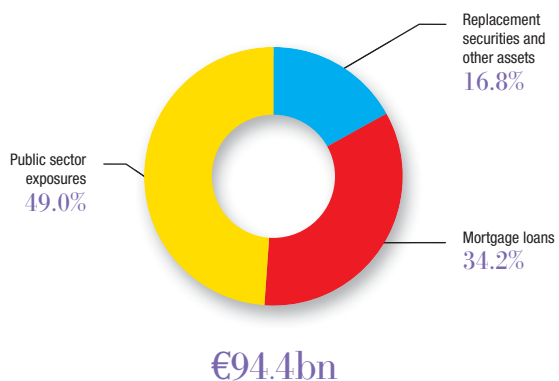
By taking into account the direct and indirect public guarantees on certain outstanding loans also backed by real estate collateral, especially loans secured by the FGAS guarantee fund, the assets secured by a public guarantee represented €46.3 billion at December 31, 2007, or 59% of all loans excluding replacement securities and 49% of all assets.

	€ billion	%
Mortgage loans	32.25	34.2%
Mortgage loans	14.82	15.7
Residential mortgage-backed securities (AAA)	17.43	18.5
Public sector exposures	46.30	49.0%
Mortgage loans guaranteed by the French state or a European public institution	12.77	13.5
French public sector loans and securities	15.82	16.8
International public sector loans and securities	17.71	18.8
Replacement securities and other assets	15.85	16.8%
Replacement securities	11.12	11.8
Other assets	4.73	5.0
Total	94.40	100.0%

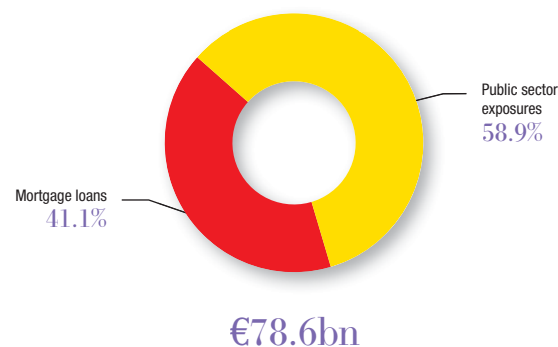
Geographic spread of assets
at December 31, 2007



Breakdown total balance sheet



Breakdown total exposures





A unique and protective BUSINESS MODEL

Compagnie de Financement Foncier is a credit institution authorised by the French Credit Institutions Committee [CECEI - Comité des établissements de crédit et des entreprises d'investissement] as a société de crédit foncier (as defined by the French Savings and Financial Security Act No. 99-532 of June 25, 1999 and set forth in the French Monetary and Financial Code).

As a credit institution, Compagnie de Financement Foncier regularly performs banking transactions. As a société de crédit foncier, these transactions are highly specialised and have an exclusive purpose: to grant or acquire assets secured by a first-rank mortgage or assets from public authorities or those that are fully secured by them.

These assets are financed by issuing obligations foncières and other secured debt with a legal "privilege" that provides creditors with senior claims on asset flows.

The difference between assets and privileged liabilities, its "overcollateralisation", is financed by shareholders' equity, subordinated debt and unsecured debt contracted with its sole shareholder, Crédit Foncier.

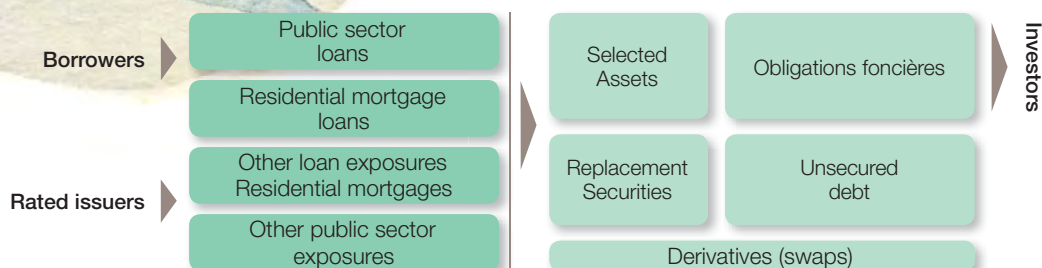
Compagnie de Financement Foncier issues covered bonds, legally known as "obligations foncières", and other secured debt that may or may not be traded on regulated markets, but which always benefits from the legal "privilege".

Beyond the legal, economic and institutional security offered by French law, la Compagnie also observes very strict management rules: assets are thoroughly scrutinized before being selected, overcollateralisation is an impressive 111.2%, and ALM rules are highly restrictive.

This business model, combined with the quality of the assets, has been rewarded with a triple AAA rating and is trusted by investors, as demonstrated by the quality placements of Compagnie de Financement Foncier's obligations foncières.

Crédit Foncier
Caisse d'Épargne Group

**Compagnie de Financement
Foncier**



Legal security

The French banking legal framework in 2007

Sociétés de crédit foncier are governed by French law and in particular by Articles L. 515-13 et seq. of the French Monetary and Financial Code. The transposition of the European directive Basel II, defining covered bonds, during the first half of 2007 amended these laws.

Important articles that regulate the activity and operations of sociétés de crédit foncier include:

- Article L. 515-13, which defines the status of sociétés de crédit foncier, credit institutions whose exclusive purpose is to grant or acquire secured loans or exposures to public authorities and to finance them by issuing obligations foncières benefiting from a legal “privilege”.
- Articles L. 515-14 to L. 515-16 which define the eligibility criteria for sociétés de crédit foncier assets: eligible assets include loans secured by a first-rank mortgage or equivalent guarantee when the underlying property is located in the European Economic Area or in countries with the highest credit ratings; exposures (securities, loans) to public authorities (public entities, local authorities, etc.) are eligible when they are guaranteed by public authorities within the European Economic Area or, if applicable, when either their beneficiary or their guarantor has received the highest credit ratings from an independent rating agency.
- Article L. 515-19 which defines the legal “privilege” and the conditions of its guarantee; monetary resources from assets are first used to repay, on contractual due dates and without any prepayments, privileged liabilities represented by obligations foncières (this privilege cannot be called into question even if the company declares bankruptcy or enters into receivership).
- Article L. 515-20 which defines overcollateralisation rules: the total amount of assets of a société de crédit foncier must exceed that of its privileged liabilities.
- Article L. 515-21, which outlines the procedures and conditions for selling eligible assets to a société de crédit foncier as well as the final balance sheet entry of such assets on the date of the transfer.
- Articles L. 515-25 and L. 515-26, which stipulate that the normal rules of the French Commercial Code, concerning assets that can be seized or liquidation proceedings, shall not apply to sociétés de crédit foncier.
- Article L. 515-27 which specifies that bankruptcy or liquidation proceedings involving its shareholders cannot be extended to the société de crédit foncier.
- Article L. 515-28 which indicates that contracts for administering and recovering loans of a société de crédit foncier can be immediately terminated in the event that the company responsible for servicing such loans is placed in legal receivership or liquidation. A new credit institution can then be contracted to service the loans for the société de crédit foncier, thus ensuring its continuous operation.

- Article L. 515-29 which stipulates that the Banking Commission is responsible for verifying that a société de crédit foncier complies with its obligations.
- Articles L. 515-30 and L. 515-31, which establish and define the roles and obligations of the specific controller of the société de crédit foncier as a person registered at the college of Auditors, who monitors compliance with regulatory requirements, certifies published documents and is accountable with third parties, and if necessary, the role of judicial liquidator and has extensive investigative rights to carry out all of his missions.

Legal safeguards

Article L. 515-19

Amended by Ordinance No 2007-571 of 19 April 2007

Notwithstanding any legislative provisions to the contrary, including those of Book VI of the Commercial Code (Code de commerce):

1. The sums deriving from the loans or similar debts, exposures, securities and instruments referred to in Articles L. 515-14 to L. 515-17, financial instruments referred to in Article L. 515-18, after netting if applicable, and debts resulting from deposits made with credit institutions by SCF (sociétés de Crédit Foncier), are allocated with priority to servicing payment of the covered bonds (obligations foncières) and other privileged debt referred to in 2 of I of Article L. 515-13;

2. When a SCF (société de crédit foncier) is subject to judicial reorganisation or liquidation proceedings (redressement ou liquidation judiciaires) or conciliation proceedings, the debts duly deriving from the transactions referred to in item 2 of I of Article L. 515-13 are paid on their contractual due date and with priority over all other debts, regardless of whether the latter benefit from legal privilege or security interests, including interest resulting from contracts, of whatever duration. Until the holders of privileged debts within the meaning of the present article have been fully paid off, no other creditor of the SCF (société de crédit foncier) may exercise any right over the property and rights of such company;

3. The judicial liquidation of a SCF (société de crédit foncier) does not result in the acceleration of the bonds and other privileged debts referred to in 1 of this present article.

The rules set out in 1 and 2 above apply to the expenses relating to the transactions referred to in items 1 and 2 of I of Article L. 515-13 as well as sums due, if any, under the contract provided for in Article L. 515-22.

Article L. 515-27

Amended by Ordinance No 2007-571 of 19 April 2007 - Art. 2

Notwithstanding any provisions to the contrary, including those set out in titles III and IV of Book VI of the Commercial Code (Code de commerce), the judicial reorganisation or liquidation (redressement ou liquidation judiciaires) of a company holding shares in a SCF (société de crédit foncier) cannot be extended to the SCF (société de crédit foncier).

The “privilege” constitutes the essential legal safeguard for holders of obligations foncières and can be summarised as follows:

- Apart from holders of obligations foncières, no public or private creditor can claim cash flows generated by the assets as they are allocated first to servicing obligations foncières and other preferred liabilities.
- The liquidation of a société de crédit foncier does not accelerate the repayment of obligations foncières and other preferred debt. Holders of obligations foncières benefit from a privileged status: they are paid interest and principal at their normal contractual due date with priority over all other creditors.
- The insolvency or liquidation of a société de crédit foncier's shareholders cannot be extended to the société de crédit foncier.

Holders of obligations foncières are thus entitled by law to an absolute privilege on assets as well as protection from bankruptcy of the parent company.

Compagnie de Financement Foncier's affiliation with Caisse Nationale des Caisses d'Épargne (central entity of the Caisse d'Épargne Group, one of the major French banking groups), strengthens obligations foncières holders' protection against the risk of default by the issuer. Indeed, the French Monetary and Financial Code stipulates that the central entity which a distressed credit institution is affiliated has an obligation to provide the support needed to ensure its solvency.

Article L. 511-31

The central entities (...) are responsible for the solidity of their network and for ensuring the correct functioning of the institutions affiliated to them. To that end, they take all necessary measures to guarantee the liquidity and solvency of each of those institutions and of the entire network.

Financial safeguards

Laws governing sociétés de crédit foncier also regulate their business activities and management rules; the provisions of these laws namely pertain to the nature and quality of the assets they hold.

Economic Principles

The first safeguard that obligation foncière holders benefit from is the sole and exclusive purpose of a société de crédit foncier (Article L. 515-13):

- The exclusive purpose of sociétés de crédit foncier is to grant or acquire eligible assets and to finance them by issuing obligations foncières and other preferred debt or non-preferred debt.

Compagnie de Financement Foncier's bylaws specify this exclusive purpose and stress that the company cannot hold equity investments. It therefore has no subsidiary whose quality could compromise its own stability.

The second safeguard offered to obligation foncière holders derives from the type and intrinsic quality of eligible assets on the balance sheet of a société de crédit foncier:

- Eligible assets are loans with a first-rank mortgage which respect loan-to-value ratio limits or with a surety offering at least an equivalent guarantee, exposures to public sector authorities, mortgage securitisation tranches (fonds communs de créances) - or equivalent - backed by either a mortgage or a public authority.

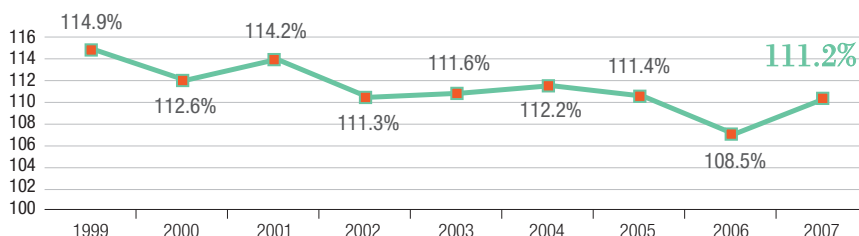
Compagnie de Financement Foncier reinforces this safeguard by selecting all of its assets using transparent and strict management procedures and various scoring methods; this prudent method of acquiring assets makes Compagnie de Financement Foncier's asset selection procedures more restrictive than those required by law.

Strict management rules imposed on sociétés de Crédit Foncier

Overcollateralisation principle

Overcollateralisation, as defined by law (Article L. 515-20), requires that the total weighted assets of a société de crédit foncier must be greater than the total liabilities which benefit from the preferred status or legal "privilege". One of the Specific Controller's duties is to monitor adherence to this principle of overcollateralisation.

Overcollateralisation ratio since 1999



Compagnie de Financement Foncier monitors its overcollateralisation ratio to ensure that liabilities for holders of its obligations foncières are totally covered and maintains the ratio above the legal requirement.

This ratio stood at 111.2% at December 31, 2007 and has never fallen below 108.5% since the company was created in 1999.

Furthermore, Compagnie de Financement Foncier's non-privileged resources are extremely stable. It comprises shareholder's equity, FRBG (Fund for General Banking Risks) and provisions for risk and charges amounting to €0.58 billion, as well as long-term subordinated debts of €4.25 billion (this item also includes a €1.35 billion participating loan equivalent to shareholder equity).

ALM Principles

In order to secure debt servicing over time, the asset-liability management of a société de crédit foncier must ensure the congruence of the rates and maturities of balance sheet items.

Compagnie de Financement Foncier's ALM principles and processes ensure that the maturities and rates of its assets and liabilities are always congruent.

As a result, the liquidity available to Compagnie de Financement Foncier is always sufficient to cover one year's worth of contractual payments on its preferred debt.

LTV principle for residential mortgage loans

The LTV ratio corresponds to the relationship between the outstanding principal and the value of the underlying real estate. The value of the collateral must be updated annually in order to monitor this ratio.

During its loan selection process, Compagnie de Financement Foncier uses a scoring system based on maximum LTV ratios and debt levels as well as the characteristics of the borrower and the underlying asset.

The legally required annual valuation of underlying assets is based on a prudent assessment of the real estate's long-term characteristics, normal and local market conditions, the current use of the asset and other possible uses.

As a result of these rules, the company obtains a stable LTV ratio on its mortgage portfolio of approximately 50% (51.6% in 2007).

Types of assets and their guarantees

The company's asset acquisition rules are strictly defined and controlled:

- assets must be eligible under the laws governing the activities of a société de crédit foncier
- their acquisition is subject to the additional rules that Compagnie de Financement Foncier has committed to respecting
- the assets purchased must help Compagnie de Financement Foncier sustain profitability.

Sources

Compagnie de Financement Foncier's assets were taken from Crédit Foncier de France's eligible assets when the former was created in July 1999. They essentially consist of residential mortgage loans and exposures to the public sector in both France and abroad.

Guarantees

The quality of Compagnie de Financement Foncier's assets lies not only in their careful selection but also in their intrinsic characteristics.

They are backed by:

- Either a public or an equivalent guarantee
- Or a first-rank real estate security

Selection

Beyond their legal eligibility requirements and guarantees, the essential safeguard of CFF's business model lies in the careful selection of its assets, a selection process that relies on a specialised savoir-faire that is at the heart of the expertise of the Crédit Foncier teams. This process is subject to ongoing controls aimed at maintaining the highest possible level of security for obligation foncière holders.

The price at which the company acquires its assets is determined by the cost of resources, default and loss probabilities, loan servicing fees and profitability targets.

Summary

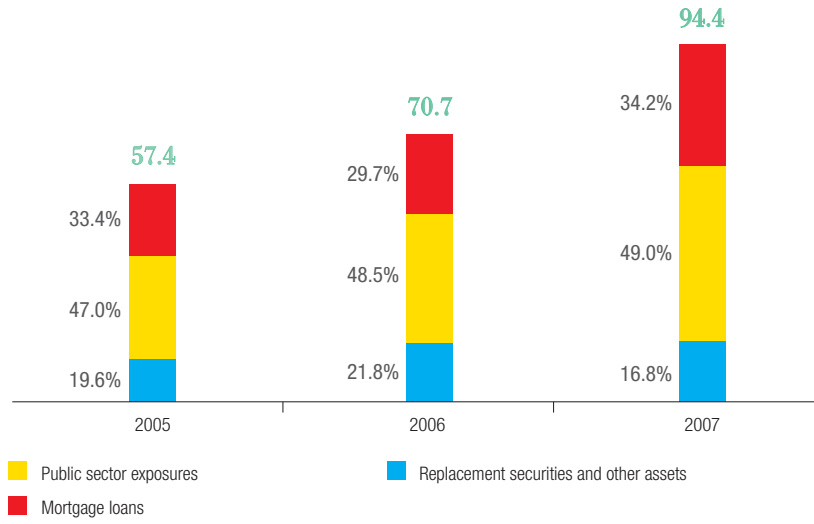
Excluding replacement securities, loans with direct or indirect public guarantees make up 49% of Compagnie de Financement Foncier's total assets while loans with a mortgage guarantee represent 34.2% of its assets.

In 2007, the company's growth led it to an even greater level of geographic diversification of its assets. Altogether, more than 23 billion euros were added to the balance sheet, of which more than 40% was made up of public sector exposures.

Its international growth strategy was also highly successful with nearly €5.2 billion in loan financing for the public sector outside of France, mainly in Italy, Switzerland and Japan.

Replacement securities (11.8% of assets) are mostly short-term interbank loans (less than 6 months) which meet criteria that guarantee both a minimal credit risk and high liquidity.

Assets from 2005 to 2007 (€ billion)



Institutional Security

French regulatory framework

Compagnie de Financement Foncier is not only subject to specific regulatory provisions, but it must also comply, like any other credit institution, with the rules of the French Banking and Financial Regulations Committee (CRBF - Comité de la Réglementation Bancaire et Financière) and in particular amended Regulation No. 97-02 which outlines internal control requirements.

Compliance with this regulation is an essential vanguard of investor's protection. Compagnie de Financement Foncier must therefore establish an internal control system that:

- is clearly organised and whose participants have clear and explicit mandates
- guarantees:
 - accounting information based on a complete set of standards, procedures and controls, and whose quality is routinely audited
 - a system to assess the different types of risks
- is based on a formalised monitoring process using this assessment system, which routinely reviews these risks according to formalised methods
- and is well-documented by procedural manuals and reports submitted to the external control entities and deliberative bodies (Audit Committee and the Board of Directors).

The main issues addressed by these regulations, to illustrate the importance of this safeguard, include:

- consistency of the different levels of control
- risk oversight and assessment
- outsourced services
- and documentation and information.

Consistency in the levels of control

In particular, the regulation imposes:

- an organisation (i.e. a cluster of designated participants, provided with adequate resources and who follow documented procedures) with regard to ongoing control

- an organisation with regard to periodic control
- and a specific position responsible for monitoring compliance.

It also imposes “strict independence” between the units that initiate transactions, account for them, settle them and monitor the risks associated with them.

Compagnie de Financement Foncier applies all internal control rules put in place at the Caisse d'Épargne Group (see report from the Chairman of the Board).

Risk oversight and assessment

Institutions subject to these rules must develop assessment tools and methods in order to ensure effective risk management. They must create selection systems (limits, delegations, analytical methods) and tools and procedures that allow them to routinely monitor the levels of risk being managed.

The regulations also call for a periodic review of these assessment methods and tools.

The different types of risks that are subject to these selection and oversight provisions include:

- | | |
|-----------------|--|
| ■ Credit | ■ Compliance |
| ■ Liquidity | ■ Regulations and financial intermediation |
| ■ Interest rate | ■ Legal |
| ■ Exchange rate | ■ Operational |

Outsourced services

Regulations stipulate that these credit institutions must verify that their service providers comply with the same obligations. This obligation is imposed by amended CRBF Article 37-2, 97-02 in these terms: **“Outsourced services shall not dispense executive management of its responsibilities”**.

Documentation and information

Each institution is required to document:

- Its organisation and the roles of its staff
- rules that ensure the system’s independence
- procedures relating to the security of information systems
- and risk assessment systems and operational procedures (limits, selection rules, oversight, etc.).

Providing the control and oversight bodies with this information is also compulsory:

- deliberative body: Board of Directors and its offshoot, the Audit Committee
- central entity as necessary
- external controllers (Statutory Auditors, Specific Controller)
- and authorities (Banking Commission, French Financial Markets Authority).

The amended CRBF Regulation 97-02 sets forth minimum obligations (drawing up annual reports) in terms of information on risk monitoring and internal control mechanisms (Articles 42 and 43 of this regulation).

Banking Commission oversight

As authorised credit institutions, sociétés de crédit foncier are placed under the authority of the Banking Commission.

The Banking Commission watches over these companies, by examining reports that the latter are required to provide, but is also authorised to conduct on-site investigations.

Finally, the Banking Commission must approve the appointment of the company's Specific Controller.

Specific Controller

Article L. 515-30

In each SCF (société de crédit foncier), a specific controller and a deputy specific controller, chosen among the persons appearing on the official list of auditors, shall be appointed by the managers of the company for a term of four years, with the approval of the Banking Commission (Commission bancaire)...

The controller shall supervise compliance by the SCF (société de crédit foncier) with Articles L. 515-13 to L. 515-20. He shall verify that the contributions made to a SCF (société de crédit foncier) are in accordance with its purpose as defined in Article L. 515-13 and meet the conditions stipulated in Articles L. 515-14 to L. 515-17.

The controller shall certify the documents sent to the Banking Commission (Commission bancaire) in regard to compliance with the foregoing provisions. He shall prepare an annual report on the fulfilment of his mission for the attention of the executives and deliberative bodies of the company, a copy of which shall be sent to the Banking Commission (Commission bancaire).

He shall attend the shareholder meetings and at his request shall be heard by the Board of Directors or the Executive Board... he shall be bound to report immediately any fact or decision which comes to his knowledge in the performance of his assignment and which is likely to affect the conditions or continuance of the operations of the SCF (société de crédit foncier)... The specific controller shall be responsible, both as regards the SCF (société de crédit foncier) and third parties, for damageable consequences caused by faults and negligence committed by him in the performance of his functions.

Article L. 515-31

When a SCF (société de crédit foncier) is subject to judicial reorganisation or liquidation proceedings (redressement ou liquidation judiciaires), the specific controller shall make the representation stipulated in Article L. 622-24 of the Commercial Code (Code de commerce) in the name and on behalf of the holders of the privileged debts referred to in Article L. 515-19... the controller's right to information may extend to communication of the contracts and other documents held by the company responsible for management or recovery of the loans, exposures, similar debts, securities, instruments, bonds and other resources, pursuant to Article L. 515-22, provided that those contracts and documents are directly related to the transactions carried out by such company on behalf of the SCF (société de crédit foncier).

As part of the system that guarantees obligation foncière holders complete control of sociétés de Crédit Foncier, the Specific Controller, appointed with the approval of the Banking Commission, is responsible for verifying that operational mechanisms are functioning correctly and for ensuring strict compliance with the law.

His missions, as defined by law (Article L. 515-30 and 31) and for which he has been granted extensive investigative rights, essentially aim to:

- ensure strict compliance with the law, both in terms of asset eligibility and management quality
- draft public reports on certain management actions or events (annual report on assessment methods and methods for regularly revaluing the underlying assets of loans, quarterly obligation foncière issuance certificates indicating that overcollateralisation rules have been respected, special certificates for all issues greater than or equal to €500 million or its equivalent in the local currency)
- draft reports and submit them to executive bodies and the Banking Commission.

The controls performed by the Specific Controller supplement the standard internal controls carried out by the company and the Statutory Auditors.

If necessary, the Specific Controller shall become the legal representative of all the holders of obligations foncières and other preferred debt.

Note: in an effort to maintain the "chinese wall", the Specific Controller may not fill any other mandate of the Statutory auditor within the Crédit Foncier family.

*Laurent BRUN (Cabinet Cail-
liau Dedouit et Associés), Specific
Controller of Compagnie
de Financement Foncier,
works with his teams to carry
out his monitoring tasks. In
particular, he ensures compli-
ance between the information
system and actual contractual
loans (signed contracts).*

Control carried out by the AMF

Before issuing obligations foncières, Compagnie de Financement Foncier must submit a prospectus containing information intended for the public to the French Financial Markets Authority (AMF) for its approval pursuant to Article L. 212-1 of its General Code and Articles L. 412-1 and L. 621-8 et seq. of the French Monetary and Financial Code. The French Financial Markets Authority has the right to suspend or prohibit transactions as necessary.

Article L. 213-1 of the General Code also stipulates that the issuer, Compagnie de Financement Foncier, must produce a reference document.

Article L. 621-8-1

I. - The Financial Markets Authority verifies that the document is complete and comprehensible, and that the information it contains is correctly presented before delivering the visa referred to in Article L. 621-8. The Financial Markets Authority indicates any statements to be altered or additional information to be inserted.

The Financial Markets Authority may also request any explanation or proof, particularly in regard to the issuer's situation, business and results and concerning any guarantors of the financial instruments to which the transaction relates.

II. - The Financial Markets Authority may suspend the transaction for a period which shall not exceed a limit set by its General Regulations when it has reasonable grounds for suspecting that it is contrary to the laws or regulations applicable to it.

The Financial Markets Authority has the power to prohibit the transaction:

1. If it has reasonable grounds to believe that an issue or assignment does not comply with the applicable legislative and regulatory provisions.
2. If it finds that an application for admission to trading on regulated markets does not comply with the applicable legislative and regulatory provisions.



RIGOROUS

risk management for a AAA rating

Compagnie de Financement Foncier's AAA/Aaa/AAA rating is a reflection of both the highly protective laws that govern its business (guaranteeing the minimum level of security for holders of obligations foncières), and its' additional commitments, taken into account by the rating agencies.

Compagnie de Financement Foncier has committed to:

- Minimising its risks:
 - Loans: selective filters during acquisition
 - Liquidity: cash available at any given time to repay preferred debt for twelve months
 - Interest rate: systematic variable rate hedging of assets/liabilities
 - Exchange rate: swap in euros for all transactions in foreign currencies
 - Counterparty: asymmetric collateralisation agreements

- Maintaining an overcollateralisation ratio that well exceeds legal requirements

A report on compliance including these management commitments is submitted to the appropriate agencies every quarter. These particular management rules provide additional protection for investors that are already covered by the legal "privilege".

Credit Risk Management

Acquisition filters for different asset categories

While the quality of its legally-eligible assets gives it a high level of security, Compagnie de Financement Foncier has also implemented additional restrictions involving acquisition filters to further limit its exposure to credit risk.

Compagnie de Financement Foncier refrains from purchasing loans for commercial real estate.

Public sector exposures:

Domestic public loans and securities

Compagnie de Financement Foncier uses internal ratings tools developed by the Caisse d'Épargne Group to select prospective assets.

International public loans and securities

The acquisition of eligible international assets is subject to Compagnie de Financement Foncier's internal rules, which are validated by executive bodies:

- In the European Union: assets rated internally using a model validated by Standard & Poor's and delegation chain including a minimum authorisation threshold.
- Outside the European Union: at least one existing external rating and implementation of internal rules (financial charter, internal ratings and delegation chain).

Residential mortgage loans

Residential mortgage loans

Compagnie de Financement Foncier uses a purchase scoring tool for mortgage loans to private individuals.

Based on the probability of default - and occasionally after an observation period - it selects loans whose risk of default is below a set limit.

Residential mortgage-backed securities

La Compagnie only purchases senior tranches that have received at least two AAA ratings and which are made up of loans with an underlying residential mortgage guarantee offering the same quality as that of residential mortgage loans in France.

Replacement securities held by Compagnie de Financement Foncier

These assets, which have maturities of less than one year, have received the best ratings from the rating agencies. The minimum rating that is accepted for each asset depends on the term of the investment and corresponds to the top of the "investment grade" tranche of the Rating Agencies' rating scale.

	FitchRatings	Moody's	Standard & Poor's
0 to 1 month	ST F1	ST P1	ST A-1
1 to 3 months	ST F1+	ST P1	ST A-1+
3 to 6 months	ST F1+	ST P1	ST A-1+
More than 6 months	LT AAA	LT Aaa	LT AAA

A negligible rate of doubtful loans

The excellent quality of Compagnie de Financement Foncier's assets is a direct result of the prudent screening process for the loans it purchases.

The rate of doubtful loans in the private sector (excluding loans with a state guarantee) stood at 0.8% at December 31, 2007 (including securitisation tranches). **The additional safeguards associated with the loans has kept Compagnie de Financement Foncier's loss rate at an exceptionally low level since 1999.**

Hedges against liquidity risk

Compagnie de Financement Foncier has set itself strict management rules guaranteeing sufficient liquidity to meet its preferred liability commitments without needing new resources for an entire year. It can, if necessary, access monetary policy facilities offered by the European Central Bank for its short-term loans.

Thus, at any given time, the company's cash position (without new activity) ensures that it can make contractual payments on its preferred debt for the following twelve months.

Interest-rate risk management

Compagnie de Financement Foncier is committed to maintaining the level of its rate gaps within the limits defined by period of observation and to correct any overruns, at the latest, during the following quarter:

Horizon	Maximum rate gap as a % of the projected balance sheet
Less than 2 years	2%
2 to 5 years	3%
5 to 10 years	5%
More than 10 years	10%

As a rule, Compagnie de Financement Foncier's balance sheet is rigorously protected from interest rate risk. **Each asset purchase or refinancing transaction is systematically swapped to a variable interest rate, so that rate fluctuations have an identical impact on both assets and liabilities.**

Compagnie de Financement Foncier strives to limit the difference between the maturities of its assets and those of its preferred liabilities to no more than two years. At December 31, 2007, this difference was 1.2 years.

No exchange rate risk

Compagnie de Financement Foncier does not maintain any open positions; any non-euro denominated asset acquisition or refinancing transaction is immediately converted into euros at the time of execution.

In practice, the company limits its residual foreign exchange positions to no more than 0.1% of its balance sheet.

Counterparty risk management

The risk management policy of the Crédit Foncier Group determines the limits for each counterparty; these limits are part of Compagnie de Financement Foncier's decision-making process.

In connection with its hedging transactions or repurchase agreements, Compagnie de Financement Foncier and its counterparties have signed a framework agreement and a specific annex that defines, notably, asymmetric collateralisation agreements.

Accordingly, the counterparty undertakes, in the event that its rating is or falls below the lowest F1+ or AA- ratings at FitchRatings, P1 or Aa3 at Moody's, or A-1+ or AA- at Standard & Poor's, to pay (either daily or weekly depending on the counterparty's ratings) Compagnie de Financement Foncier a security deposit equal to its net debt position with no reciprocity required by the latter.

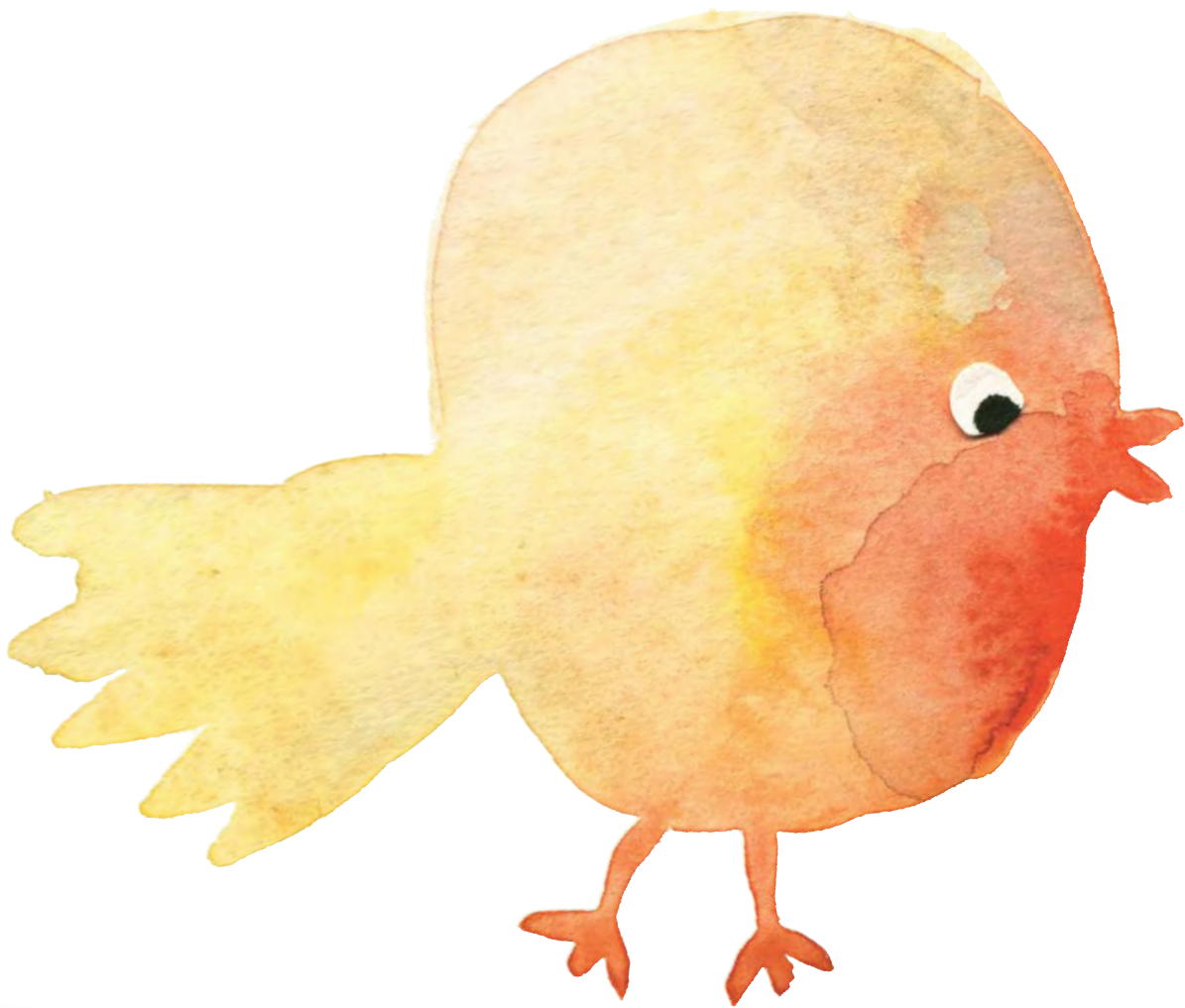
Maintaining overcollateralisation levels

The legislation relative to sociétés de Crédit Foncier requires Compagnie de Financement Foncier to maintain a ratio of assets to preferred liabilities that exceeds 100%; the difference consists of subordinated or unsecured debt.

Beyond this regulatory protection, Compagnie de Financement Foncier maintains a minimum level of overcollateralisation that exceeds the legal minimum, thus enabling high coverage of the risks to which it is exposed.

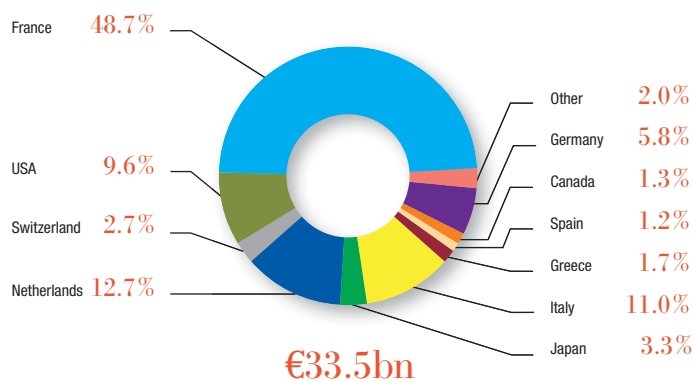
Two levels of overcollateralisation have been defined pursuant to these internal rules. The first covers the credit risk on assets held by Compagnie de Financement Foncier, broken down into major risk categories, while the second covers the overall interest rate risk on its balance sheet. The sum of these two levels of overcollateralisation constitutes the total minimum overcollateralisation that Compagnie de Financement Foncier is obliged to maintain.

Main asset categories	Overcollateralisation minimum of new production
Loans guaranteed by French State	3%
Individual homebuyer loans	3.5%
Local authorities	3%
Social housing	4.5%



Diversified, QUALITY ASSETS

Direct public sector exposures



Public financing consists of providing loans, commitments and liquidity guarantees to local authorities and other public institutions or of subscribing to bonds.

The general trend towards further decentralisation and debudgetisation coupled with growing public infrastructure needs boosted the market for local authority financing in 2007.

In international markets, the size of the market and the quality and the creditworthiness of borrowers as well as the growing need for public infrastructure represent ample opportunities for the Crédit Foncier Group and particularly Compagnie de Financement Foncier, to develop quality activities and expand its international reach.

In France

These assets consist of loans to public sector authorities (regions, departments, communes and public entities).

In connection with this activity, Caisses d'Épargne and Crédit Foncier are both involved (according to intra-group standards) in the sales relationship with the borrower, while Crédit Foncier alone ensures that loans acquired by Compagnie de Financement Foncier are serviced.

The highlight of 2007 was Crédit Foncier's takeover of IXIS-CIB's, a subsidiary of Natixis, public sector activities (production teams and loan portfolio). This portfolio (€7.5 billion, including €3.5 billion off-balance sheet) was purchased by Compagnie de Financement Foncier.

Crédit Foncier, via Compagnie de Financement Foncier, became a major lender to French local authorities in 2007.

Compagnie de Financement Foncier provides funding to the Caisse d'Épargne Group under the most favourable conditions, working alongside the Group as it develops its operations in this sector.

A total of nearly €4.2 billion in loans to local authorities, granted by the sales network of the Caisse d'Épargne Group and Crédit Foncier's specialised teams, were purchased by Compagnie de Financement Foncier in 2007.

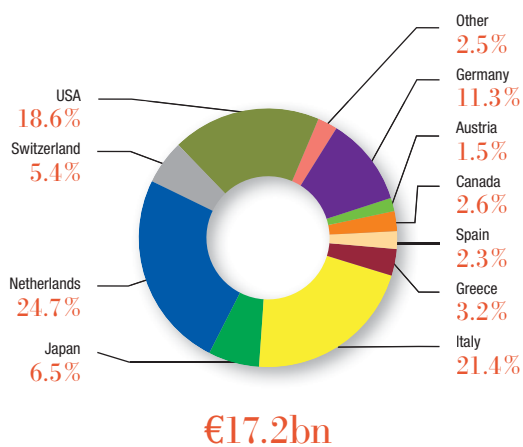
International markets

The assets consist of direct loans, securities or senior securitisation tranches from the international public sector.

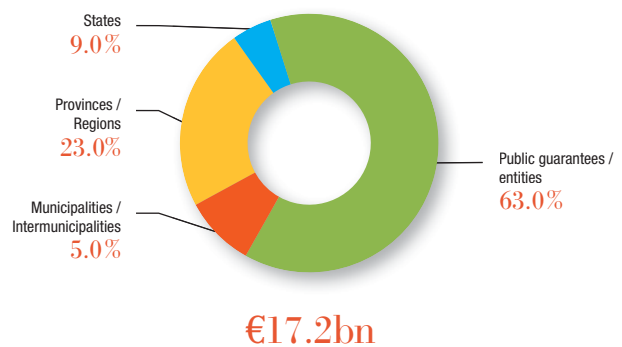
In connection with these activities, Crédit Foncier maintains the front-office sales relationship for the Caisse d'Épargne Group and for loans acquired by Compagnie de Financement Foncier, as well.

Assets at December 31, 2007 (excluding France)

Geographic breakdown of assets



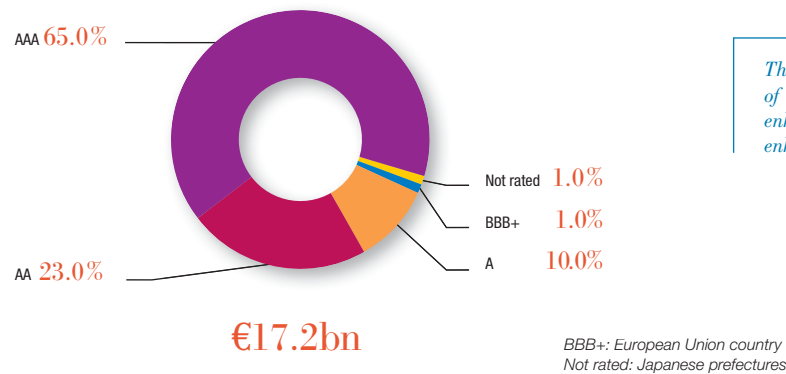
Breakdown by borrower type



Crédit Foncier has finalised its commitment policy, and its internal rating system is now operational for loans to international local authorities (Europe, North America and Japan) pursuant to Basel II.

Crédit Foncier's outstanding loans to the international public sector increased by more than 33% in 2007. Despite the onset of the global liquidity crisis in the last quarter, Compagnie de Financement Foncier achieved its objectives and significantly improved the profitability of its transactions.

Rating of international public sector assets before credit enhancement



The pie chart below clearly shows the quality of the assets prior to any potential credit enhancements to AAA (less than 40% were enhanced).

Residential mortgage loans

In France

Compagnie de Financement Foncier's assets consist of residential mortgage loans, granted by Crédit Foncier, or senior, AAA-rated residential mortgage-backed securities (securitisation funds or similar entities).

In connection with these activities, Crédit Foncier services these loans when they are acquired by Compagnie de Financement Foncier.

The French real estate market is experiencing a near-chronic shortage of housing when compared with demand (500,000 homes/year needed while production only amounted to 435,000 in 2007 without counting the backlog). This demand is sustaining real estate prices, unlike in the United States, which had a glut in the housing market when rates began to rise, putting some borrowers in difficulty and leading to many foreclosures. This only amplified the surplus of homes in the market and dragged real estate prices down even further.

Residential mortgage loans in France

Residential mortgage loans are characterised both by their purpose (which is to finance real estate that will be used as the borrower or lessee's residence) and by their guarantees: a mortgage - meaning the security, or collateral, is provided by the real estate itself, thus allowing the lender to be paid from the proceeds of sale before other creditors in the event a borrower defaults on the loan used to finance the home.

This loan is granted by the lender based on the borrower's ability to repay the loan based on his current income and NOT on the value of the real estate being financed.

This value is only taken into account to estimate the risk of loss in the event of default and not to authorise the loan at the outset.

In practice, banks will not authorise a loan unless the debt ratio is below 33% of the borrower's income.

Beyond the individual (based on the ability to repay) and non-monetary approach (based on the value of the financed real estate) to mortgage loans in France, various provisions provide security for the market:

- The existence of a depreciation rate, set very close to average loan terms
- Legislative and regulatory protection for the borrower, further strengthened by established legal precedents that consider the lender responsible if the borrower is indebted beyond his ability to repay and if it fails to warn him against the risks of taking out a loan
- A lender's responsibility is clearly outlined: the fact that the lender sells, or at least originates, the loan then services and finances it makes him fully responsible from one end of the chain to the other.
- Protective measures for borrowers in the event of over-indebtedness and in the case of loan collection procedures (real estate seizures).

In 2007, Compagnie de Financement Foncier continued to acquire mortgage loans produced by Crédit Foncier, for an amount of €4.6 billion (nearly 50,000 loans).

The French market does not have a subprime market segment.

International markets

Assets essentially comprise senior, AAA-rated European residential mortgage-backed securities (Securitisation funds or foreign equivalents).

In connection with these activities, Crédit Foncier ensures quality control for securitisation funds or their equivalents.

This allows the Crédit Foncier Group, via Compagnie de Financement Foncier, to diversify its business by creating a targeted and sustainable exposure to European residential mortgage loan markets (excluding France), in the form of the highest quality loans, while creating additional protection against credit, interest rate or exchange rate risks and avoiding costly local distribution networks or loan servicers in the targeted countries.

The year 2007 was characterised by a good overall performance of housing loans in different markets throughout Continental Europe, where the group is mostly invested, as opposed to the decline in the American market that started last spring. Growth in real estate markets has slowed in most countries, without, however turning negative.

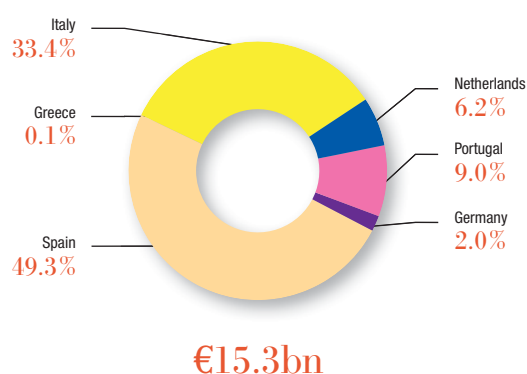
In 2007, with €5.9 billion in new transactions abroad, mostly in Western Europe, Compagnie de Financement Foncier continued to develop its activities both in terms of the volume and the diversification of targeted products and markets.

For the first time, a loan portfolio with a guarantee from the Dutch state was acquired directly for approximately €100 million.

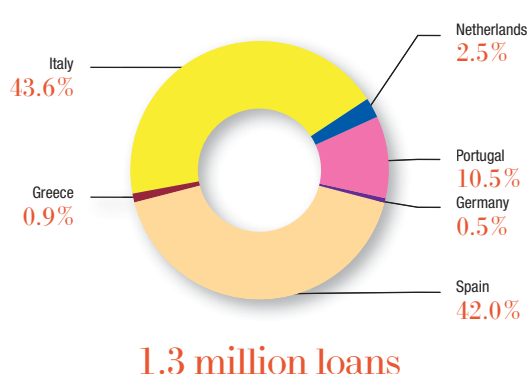
The geographic spread of Compagnie de Financement Foncier's outstanding loans is as follows:

Prime residential mortgage-backed securities

Breakdown by value of loans



Breakdown by number of loans



Characteristics of the portfolio :

	No. securities	Amount (€ million)	No. of loans	Initial LTV	Current LTV	Initial overcoll.	Current overcoll.
Germany	3	306.9	6,538	99.14%	96.80%	117.36%	117.63%
Spain	37	7,552.9	538,340	77.40%	71.06%	107.25%	108.91%
Greece	1	17.8	10,858	65.30%	67.04%	109.24%	130.52%
Italy	38	5,121.7	557,900	65.17%	49.92%	109.20%	113.98%
Netherlands	11	955.7	32,434	87.62%	84.22%	102.13%	102.36%
Portugal	6	1,382.8	134,987	78.80%	73.28%	109.42%	110.37%
Total	96	€15.3bn	1.3 million				



A SUCCESSFUL ISSUANCE PROGRAMME

despite challenging
market conditions

The context in 2007

*Compagnie de Financement
Foncier issued €23.5 bil-
lion in obligations fon-
cières in 2007.*

Beyond the remarkable unfolding of America's subprime crisis and its aftermath, 2007 will also be remembered for the mounting concern about liquidity risks and a return to volatility across all markets after these risks had abated over the past three years or so.

Red flags raised by analysts and economists warning against real estate risks in the United States proved prescient as turbulence in this sector has rippled through international financial markets. Structured products, backed by risky American mortgages, have contaminated a large part of the global economy.

In order to contain the effects of a distrustful climate that had begun to settle in by the second half of the year, significant changes in monetary policies were made in 2007. In fact, the Federal Reserve cut the Federal funds rate three times over the last six months of the year, bringing it to 4.25% by year's end. Over the summer, the European Central Bank eased off the reigns of its tight monetary policy, which had begun in late 2005.

Penalised by slower growth in the United States and by the Fed's intervention, the dollar tumbled 8% against the euro in 2007.

The crisis increased the appeal of government-issued bonds, considered a safe-haven by investors, at the expense of corporate or financial bonds which are deemed more risky.

The solidity provided by the French "obligations foncières" model was highly sought-after by the market. The additional protection provided by Compagnie de Financement Foncier allowed it to execute its issuance strategy over the course of the entire year.

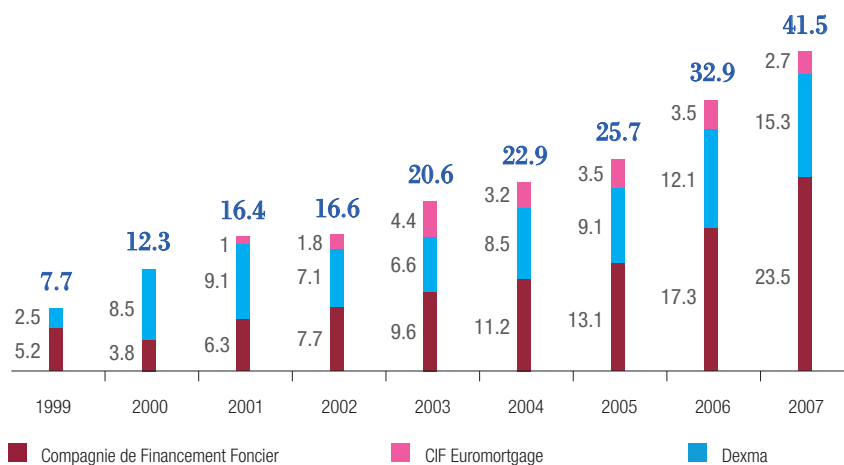
A renowned issuance policy that performs

Institutional investors' confidence in the covered bond market was reaffirmed in 2007. Among these covered bonds, Compagnie de Financement Foncier's obligations foncières (AAA/Aaa/AAA, stable outlook) have demonstrated their robustness and the intrinsic quality of their issuer by the levels of refinancing achieved, the diversification of their investors, and, in particular, by the increasing participation of central banks.

Balance sheet 2007

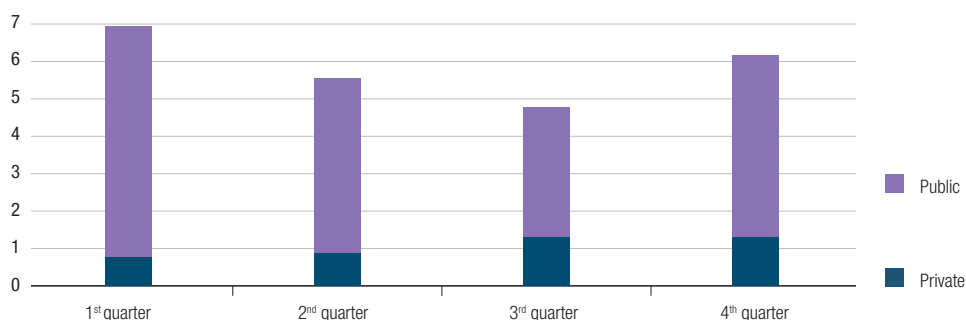
Compagnie de Financement Foncier's 2007 issuance programme recorded 121 transactions worth a total of €23.5 billion, a jump of 35% year-on-year. This volume is proof of Compagnie de Financement Foncier's status as the leading private issuer in France and the leading issuer of obligations foncières. It is also the top-ranked European issuer of covered bonds and fifth-ranked AAA issuer out of all non-sovereign issuers worldwide.

Obligations Foncières issued since 1999 (in €bn)
(source: Compagnie de Financement Foncier)



Compagnie de Financement Foncier was very active during the first half-year and was able to adapt its issuance despite the volatility that shook the market during the second half of 2007. Alternating, depending on demand, between benchmark issues, subscriptions of pre-existing issues and private placements, Compagnie de Financement Foncier issued nearly €10 billion in new obligations foncières (nearly double that of 2006) in the middle of the financial crisis that erupted between August and December 2007.

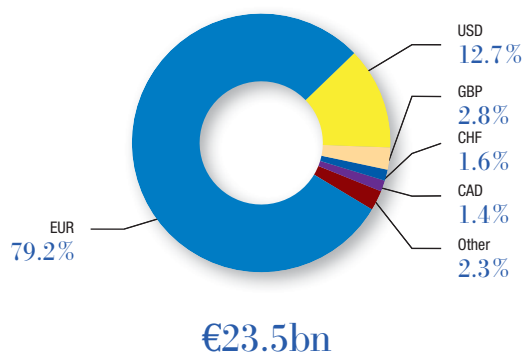
2007 issues broken down by quarter (€bn)



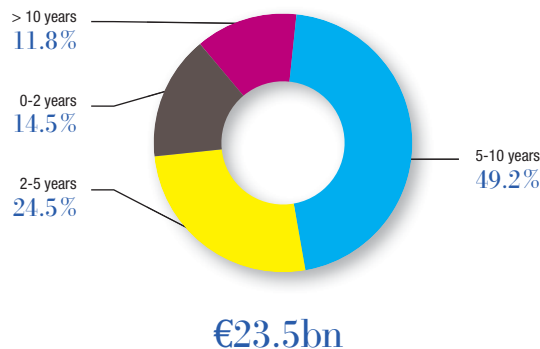
La Compagnie's liquidity was maintained throughout the year, in accordance with its commitments.

Breakdown of issues in 2007

By currency



By maturity



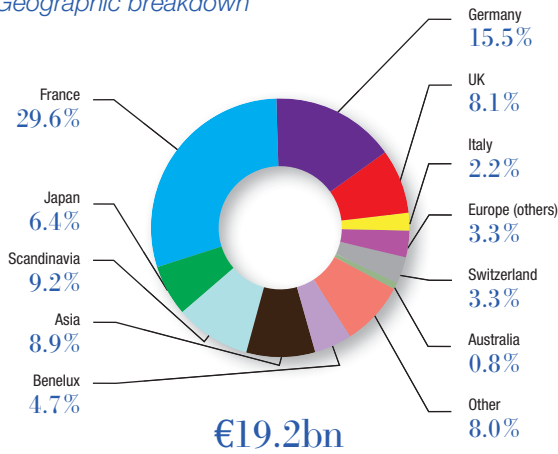
An issuance policy, tailored to investor needs

In 2007, out of a total of €19.2 billion, Compagnie de Financement Foncier issued eleven new benchmarks including eight in euros across all maturities for a total of €9.75 billion and three in USD for \$3.25 billion.

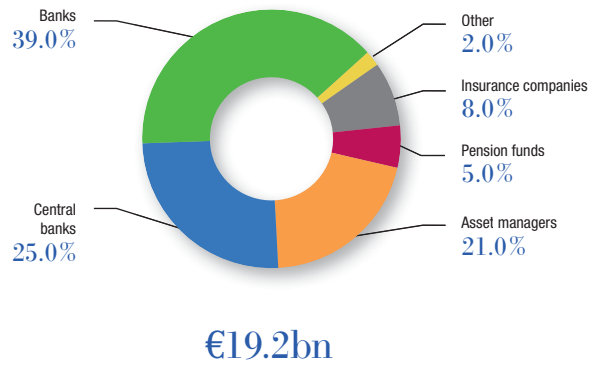
Canadian Dollar, Swiss Franc and British Pound yield curves, in particular, were supplemented by new maturities. Compagnie de Financement Foncier has strengthened its investor base, and has put in place two new debt programmes in Germany and Canada.

Investors in new public issuance:

Geographic breakdown



Breakdown by type of investor



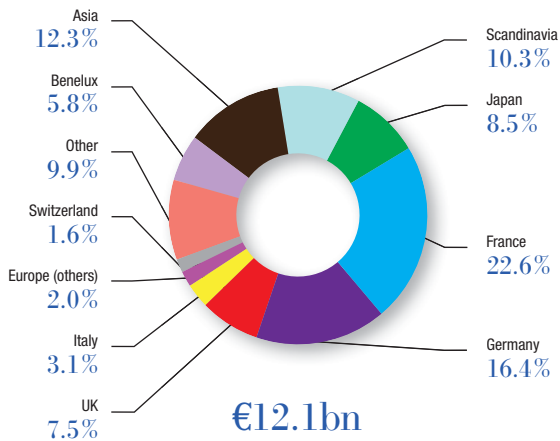
In October, Compagnie de Financement Foncier proposed a ten-year maturity denominated in euros; overwhelming investor demand at the outset increased the size of this issue to €2.5 billion and re-opened the long end of the market. It stands as the biggest obligation foncière ever issued.

This transaction was awarded “Covered Bond of the Year” by the International Financial Review.

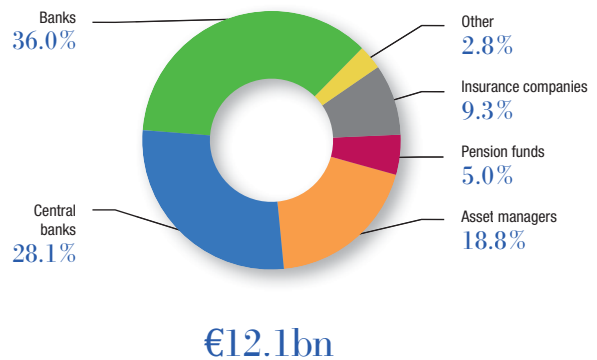


Investors in new benchmarks in 2007:

Geographic breakdown

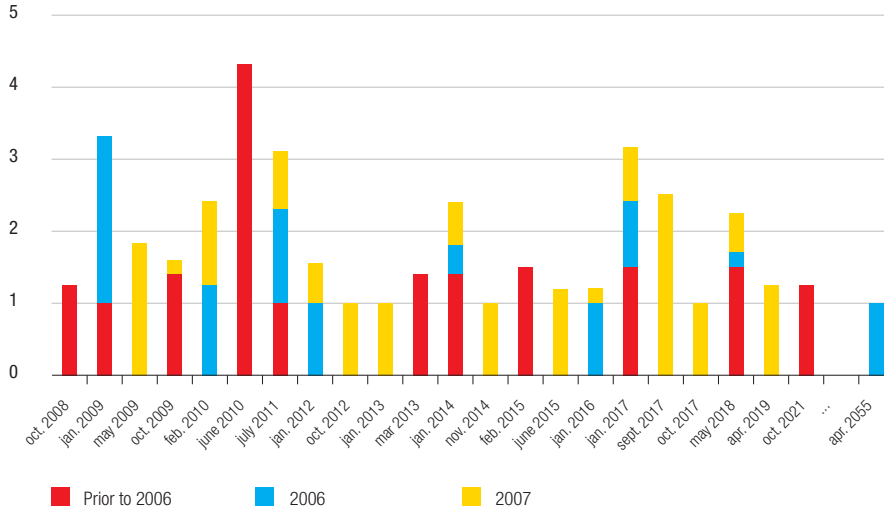


Breakdown by type of investor

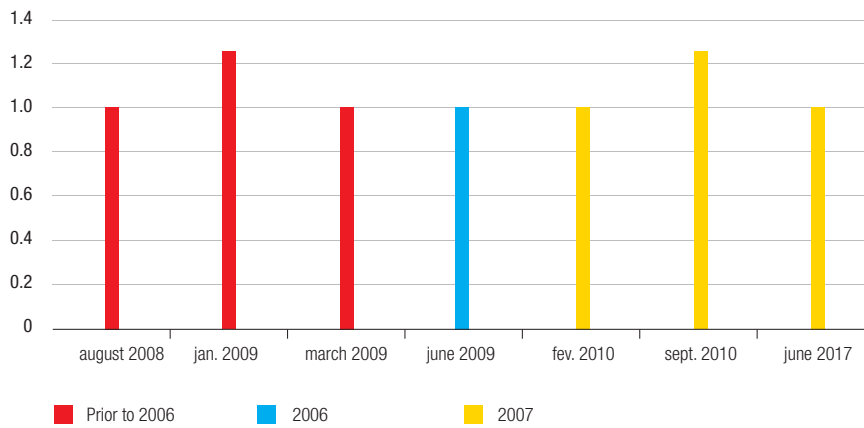


The variety of Compagnie de Financement Foncier's benchmarks both in terms of maturities and currencies is evident in the following graphs:

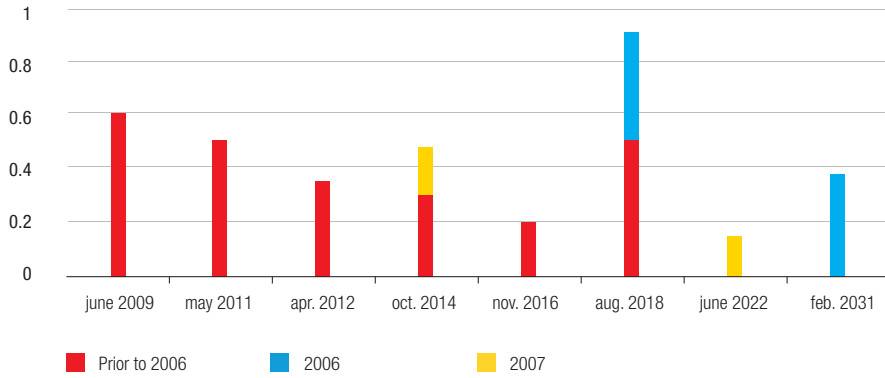
EUR : €42.4bn



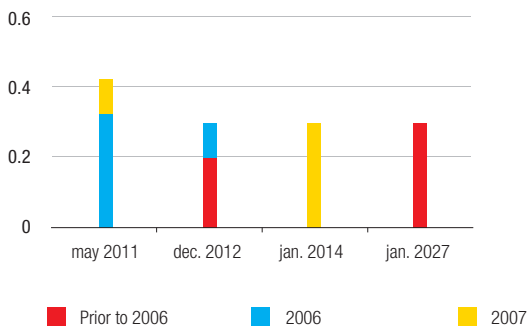
USD 7.5bn (€5.32bn)



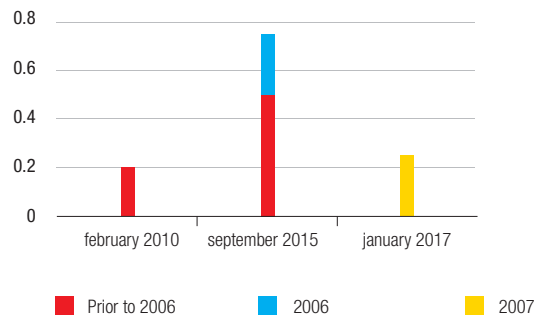
CHF 3.5bn (€2.26bn)



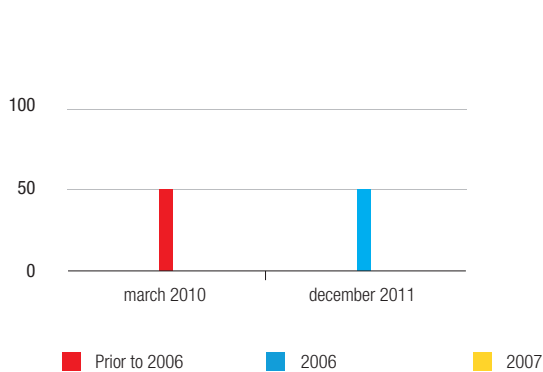
GBP 1.33bn (€1.17bn)



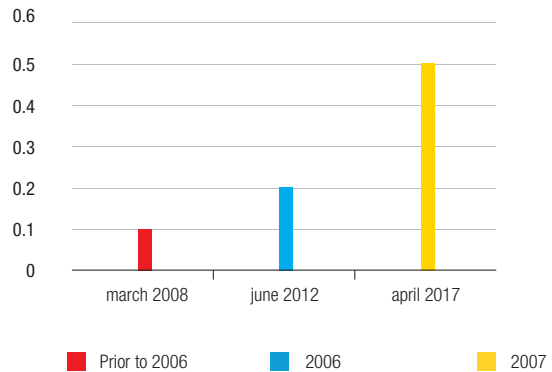
AUD 1.2bn (€0.70bn)



JPY 100bn (€0.64bn)



CAD 0.8bn (€0.49bn)



A targeted and extensive communication strategy

The communication strategy of sociétés de crédit foncier, and hence that of Compagnie, is also governed by law:

Directive 2003/71/EC of the European Parliament and of the Council of November 4, 2003 on the prospectus to be published whenever securities are offered to the public or admitted to trading, known as the “Prospectus Directive”:

- The purpose of this directive, which applies when securities are offered to the public for securities and/or when these values are used as negotiation on a regulated market located or operating in the territory of a Member State, is to harmonise information available on an issuance programme, the rules governing its approval, and its disclosure
- By specifying, via Regulation No. 809/2004, minimum-required information to be included in an issuance prospectus, these laws strengthen the protection afforded to investors by ensuring that all prospectuses, wherever they are published in the European Union, provide clear and comprehensive information that is authorised by a market authority.

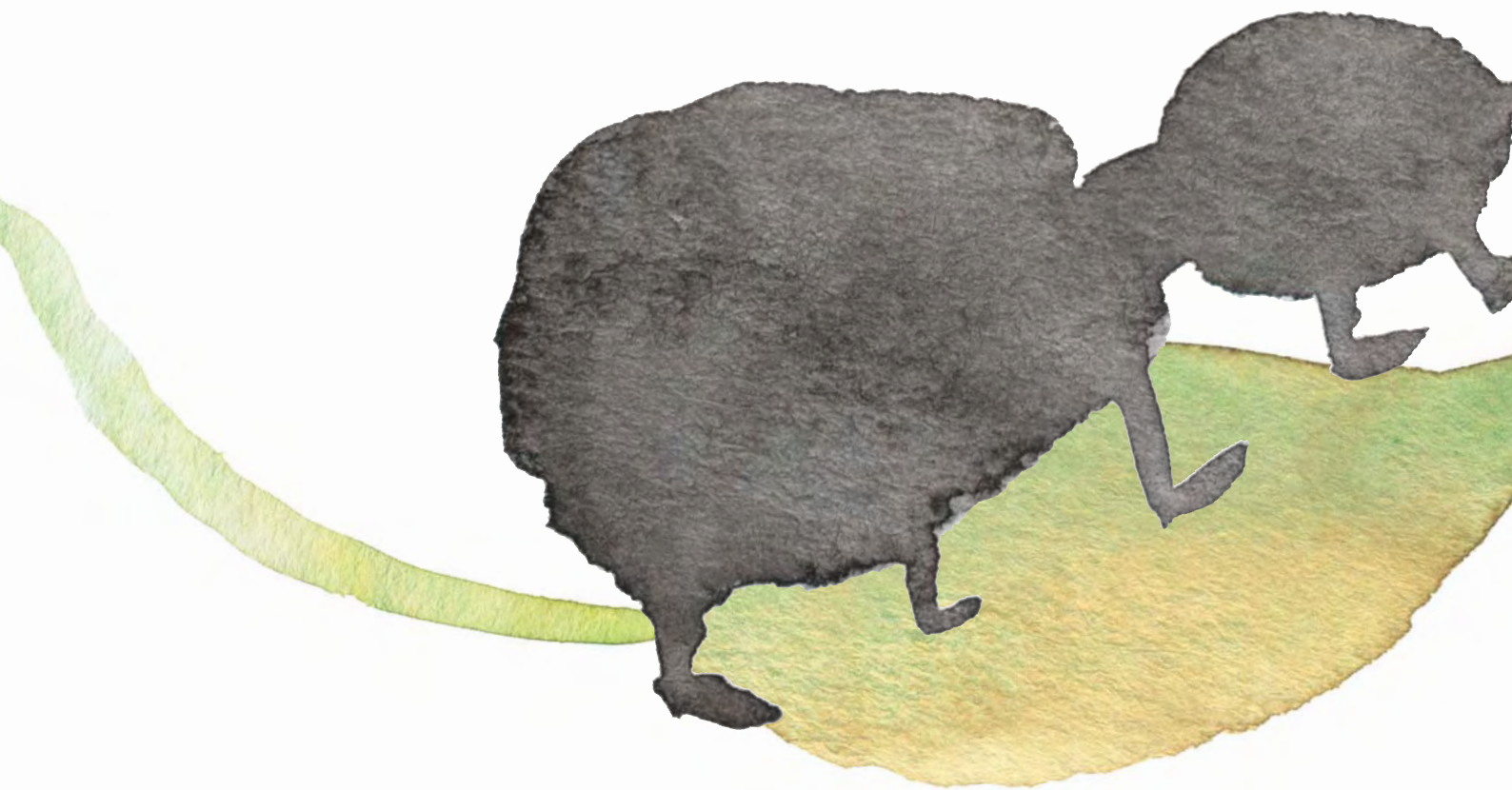
Directive 2004/109/EC of the European Parliament and of the Council of December 15, 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market, known as the “Transparency Directive”:

- This Directive, which supplements the International Financial Reporting Standards (IFRS), the directive on market abuse and the Prospectus Directive, introduces transparency rules relative to information that listed companies and listed issuers of debt securities are required to publish.
- The frequency and content of publications are specified in this Directive: the targeted entities are now required to publish a financial report containing the annual financial statements within 4 months following the end of the financial year as well as an interim financial report within two months after the end of the first six months of the financial year.
- These financial reports must remain available to the public for at least five years and must include: a management report, audited financial statements and a statement from the executives.

Whether in the context of its public issues or private placements for its clients' specific needs, Compagnie de Financement Foncier strives to provide individualised answers to requests for financial information that is particularly challenging in terms of content, frequency and transparency. Furthermore, Compagnie de Financement Foncier also responds to the requests from rating agencies, banks or analysts who wish to better understand its strategy and its competitive advantages in an increasingly diverse and complex market.

Contact with all institutions, central banks, pension funds and insurance companies continued in 2007 with the same goal of transparency in terms of asset quality, financial risk management, and the relevance of controls.

Particular attention was paid to the secondary market for issued securities. Compagnie de Financement Foncier, with which more than twenty institutions have signed a formal agreement to list prices, constantly monitors the quality of quotations provided to investors. Compagnie de Financement Foncier also played a leading role during the second half of 2007, providing continuity of quotations to the market.



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Management Report for financial year 2007

Compagnie de Financement Foncier is a credit institution authorised to operate as a *société de Crédit Foncier* financial company. Annex VI of the European Directive 2006/48/EC and its French transposition ushers in a common criteria across all Member States of the European Union that determine the eligibility of assets that serve as collateral for covered bonds benefiting from a risk weighting at the preferential rate of 10% and a LGD (Loss Given Default) rate of 12.25% (or 11.25% under certain conditions) from the standardised rating system.

In 2007, Compagnie de Financement Foncier's business grew significantly, especially financing activities for public institutions and local authorities both in France and abroad. Compagnie de Financement Foncier also continued its mission to finance Crédit Foncier and the Caisse d'Épargne Group. Compagnie de Financement Foncier furthered its efforts to diversify its business by acquiring European housing loans.

This development was financed by issuing *obligations foncières* amounting to €23.5 billion, an increase of 36% compared to the previous year. Compagnie de Financement Foncier has confirmed its position as one of the leading European issuers with the best credit rating from the three main rating agencies.

As a *société de crédit foncier*, the company's activities respect a comprehensive legislative and regulatory framework that was recently updated in 2007. Compliance with its rules as well as additional commitments enables Compagnie de Financement Foncier to maintain the quality of its assets by limiting its volume of outstanding doubtful loans, already very low, and by securing the highest credit ratings recognised by the Banking Commission, the French banking authority.

In terms of financial risk, its management rules have proved successful under particularly difficult market conditions since the summer of 2007. Compagnie de Financement Foncier did not encounter any difficulty managing its liquidity during this period.

The balance sheet grew by 34% to €94.4 billion by the end of 2007. Net income for the year stood at €53 million.

Legislative and regulatory framework changes

European directives defining the new procedures for calculating the solvency ratio, rules known as “Basel II”, were transposed into French law, effectively modernising the legislative and regulatory framework governing sociétés de crédit foncier. During the second quarter of 2007, the relevant articles in the French Monetary and Financial Code as well as the corresponding articles in the regulatory section were revised.

In comparison with the previous legal framework, the main changes are as follows:

- Wider scope for eligible loans. As regards the public sector, the concept of exposure to public authorities replaces that of loans to public authorities. Credit-linked promissory notes that respect the same conditions as those applied to secured loans have been assimilated to secured loans; these notes cannot make up more than 10% of assets.
- Geographic modifications: underlying collateral and public authority counterparties are now authorised from countries located outside of the European Economic Area with ratings in the highest credit-worthiness ratings category granted by an independent organisation that is recognised by the Banking Commission. Within the limit of 20% of the nominal amount of preferred debt, exposures to public authorities with ratings in the second highest credit-worthiness ratings category are also allowed.
- Increase, from 60% to 80%, in the percentage of privileged resources authorised to finance mortgage loans to individuals purchasing a home.
- Restriction in terms of securitisation tranches of securitisation funds or related entities subject to the laws of a state belonging to the European Economic Area and with ratings in the highest credit-worthiness ratings category granted by an independent organisation recognised by the appropriate authorities.
- Nominal preferred debt in the form of securitisation units, composed of at least 90% of loans to individuals to finance a home and other mortgage or secured loans, is limited to 20%. By special dispensation, these two limits shall not apply to securitisation units with the highest credit rating until the end of 2010.
- Thresholds required for prudent valuations of underlying collateral and individual reviews of this value have been raised from €350,000 to €450,000 under the condition that the outstanding balance on the loan exceeds €360,000.
- Replacement securities limited to 15% of nominal preferred debt. These securities consist of short-term money market securities or deposits with credit institutions or investment companies that have ratings in the highest credit-worthiness ratings category; if their remaining term does not exceed 100 days, the second highest ratings category is also authorised.

Activity in 2007

Financing Local Public Authorities in France

In May 2007, Compagnie de Financement Foncier purchased a portfolio of loans to local authorities from IXIS-CIB, a subsidiary of Natixis, for €7.5 billion, €3.5 billion of which has not yet been drawn down, following Crédit Foncier's integration of its activities involving major public borrowers in France.

Compagnie de Financement Foncier also continued to purchase loans originated by the Crédit Foncier Group and the Caisse d'Épargne Group in this sector, in the form of long-term debt and one-year credit lines. Compagnie de Financement Foncier acquired €3.7 billion in drawn down or committed loans from Crédit Foncier, €0.4 billion from Caisse d'Épargne and €3.9 billion in authorised credit lines.

Compagnie de Financement Foncier consequently posted a much higher volume of off-balance sheet loans in 2007 than in previous years, a large majority of these lines were drawn down at year end. The nature of these products required appropriate liquidity management policies.

International Development

Compagnie de Financement Foncier continued to expand its business outside France in the two areas it is authorised to do so by the law governing sociétés de crédit foncier.

Whether comprised of loans secured by a first-rank mortgage or an equivalent real estate guarantee, Compagnie de Financement Foncier subscribed to and purchased €5.9 billion of senior securitisation tranches backed by residential mortgages. All of the underlying collateral is located in Europe and more specifically in Spain (€4.0 billion), Italy (€1.1 billion), Portugal (€0.7 billion) and the Netherlands (€0.2 billion). Fifty-five per cent of these investments benefit from AAA/Aaa/AAA ratings while the rest have received the highest rating from two of the three major rating agencies.

Compagnie de Financement Foncier also purchased a portfolio of mortgage loans granted in the Netherlands that, in addition to the real estate security, are also guaranteed by a Dutch public entity (NHG whose credit worthiness is equated to that of the Dutch state). This transaction, the first of its kind, which involved directly purchasing mortgages abroad, was modest at around €100 million; it did, however, provide an opportunity to test the security and reliability of this new acquisition process.

New transactions involving loans to public authorities in 2007 represented €5.2 billion and focused on different types of products. Purchases of senior securitisation tranches amounted to €2.0 billion, €1.4 billion of which benefits from the guarantee from the Dutch state and €0.6 billion from the Italian state. Three operations were mounted involving exposure to Italy all of which were enhanced with credit insurance.

Compagnie de Financement Foncier also lent €3.2 billion in the form of securities or loans recorded on its balance sheet to foreign public authorities. These local authorities are located in different European countries (€1.8 billion), in Japan (€1.1 billion) and in North America (€0.3 billion).

More than a third of these investments have received the highest ratings from the three main rating agencies. All of them have at least a rating of AA+ or Aa3. Only one line worth €18 million does not have a rating; it was granted to an unrated Swiss cantonal bank.

Crédit Foncier Mortgage Loans

In 2007, Compagnie de Financement Foncier financed Crédit Foncier's real estate loans by purchasing €4.1 billion of those secured by a first-rank mortgage or equivalent real estate guarantee in addition to €0.7 billion in commitments. These loans were primarily granted to individuals (€3.4 billion); the rest (€0.7 billion) were tied to the social housing sector.

Some loans to individuals (€0.8 billion) also benefit from an extra guarantee from the French state via the FGAS (Fonds de Garantie de l'Accession Sociale à la propriété, Guarantee Fund for Social Access Ownership Loans). The remaining €1.7 billion corresponds to acquisitions of a primary residence and €0.9 billion to rental properties.

Compagnie de Financement Foncier also financed Crédit Foncier's production of mortgage loans to individuals by subscribing to mortgage notes issued by its parent company. Since the ordinance of April 2007, these notes have been grouped with secured loans on account of the fact that they meet the strict eligibility criteria applied to sociétés de crédit foncier. At the end of 2007, outstanding mortgage notes held by Compagnie de Financement Foncier amounted to €7.6 billion.

Additional Guarantees

In 2007, Compagnie de Financement Foncier completed two additional credit guarantee transactions on some of its assets. Initially, the guarantees were subscribed by Crédit Foncier to optimise the management of its shareholders' equity and cover assets held in part by Compagnie de Financement Foncier. Crédit Foncier returned the income from these hedges to Compagnie de Financement Foncier up to the value of the items on its balance sheet.

Compagnie de Financement Foncier now has a new indirect guarantee provided by a AAA/Aaa/AAA European public entity on a portion of its mortgages in addition to the guarantee obtained in 2004. This outstanding amount, totalling €4.2 billion at the end of 2007, thus has a dual protection against credit risk.

Almost 75%, or €12.8 billion, of the residential mortgage-backed securities portfolio is covered against potential losses by an indirect guarantee from a bank benefiting from the highest credit ratings.

Asset growth

Pursuant to its status as a société de crédit foncier, Compagnie de Financement Foncier's assets are divided into three main categories:

- secured loans as defined in Articles L. 515-14 and L. 515-16
- exposures to public authorities as defined in Articles L. 515-15 and L. 515-16
- replacement securities as defined in Article L. 515-17, limited to 15% of the nominal value of privileged resources.

With the exception of the last category, which corresponds to cash investments, eligible assets must consist of either:

- loans purchased or originated by the company
- senior securitisation tranches or similar entities whose underlying assets include at least 90% of those assets authorised by law to be purchased and held directly by the company
- debt securities issued or guaranteed by public authorities
- promissory notes that can securitize mortgage or other guaranteed loans.

In Compagnie de Financement Foncier's case, certain secured loans are also guaranteed by the French state: they were granted either using the FGAS mechanism (Fonds de Garantie de l'Accession Sociale à la propriété, or Guarantee Fund for Social Access Ownership Loans), or are loans to the subsidised sector.

The latter includes subsidised social access loans guaranteed by the French state until 1995, when the scheme was abolished. Crédit Foncier, which had a virtual monopoly for their distribution, transferred its entire production of subsidised loans to Compagnie de Financement Foncier when it was created in 1999. No new production has since occurred in this portfolio.

It is important to note that Compagnie de Financement Foncier, which does not prepare consolidated accounts, did not prepare financial statements under IFRS in 2007.

Broken down into these three categories, Compagnie de Financement Foncier assets for the last three years are as follows:

	December 31, 2007		December 31, 2006		December 31, 2005	
	€ million	%	€ million	%	€ million	%
Secured loans - articles L. 515-14 and 16	45,016	47.7%	31,668	44.8%	30,493	53.1%
- State subsidised mortgage loans	1,599	1.7	2,141	3.0	2,952	5.1
- Loans secured by FGAS	6,976	7.4	6,602	9.3	6,157	10.7
- Other mortgage loans	10,398	11.0	8,410	11.9	7,124	12.4
- mortgage-backed securities	17,428	18.5	13,401	19.0	13,462	23.5
- Other loans with real estate guarantee	1,028	1.1	1,114	1.6	797	1.4
- mortgage notes	7,586	8.0				
Public authority exposures articles L. 515-15 and 16	33,532	35.5%	23,636	33.4%	15,625	27.2%
- State subsidised public loans	350	0.4	369	0.5	462	0.8
- Other public loans	17,227	18.2	8,897	12.6	7,208	12.6
- Public entity securities	8,108	8.6	8,431	11.9	7,196	12.5
- Senior securitisation tranches of public debt	7,847	8.3	5,938	8.4	760	1.3
Other assets (interest on IFAT, prepayments/deferred charges/accrued income, goodwill, other)	4,726	5.0	3,204	4.5	2,143	3.7
Replacement securities article L. 515-17	11,123	11.8%	12,184	17.2%	9,143	15.9%
Total assets	94,397	100.0%	70,691	100.0%	57,404	100.0%

Compagnie de Financement Foncier's activities in 2007 primarily affected the composition of its balance sheet in the following ways:

- Loans to the public sector increased by more than €8 billion reaching €17.2 billion at the end of 2007 compared to €8.9 billion at the end of 2006,
- Residential mortgage-backed securities rose €4 billion year-on-year, jumping from €13.4 billion at the end of 2006 to €17.4 billion a year later,
- An increase in mortgage loans, excluding the subsidised sector, to €18.4 billion at year-end 2007 compared to €16.1 billion in 2006.

Replacement securities were affected by two contrasting events:

- Legislative changes: before the publication of the April 2007 ordinance, mortgage notes purchased from Crédit Foncier were recorded as replacement securities and not as secured loans,
- The reclassification of the €2 billion issue of Redeemable subordinated notes "RSNs" was carried out by Compagnie de Financement Foncier toward the end of 2007.

La Compagnie's short-term liquidity was also increased at year end to cope with the contractual repayment of lines of privileged debt maturing in January 2008, in particular, a 5-year issue from 2003 totalling €3.5 billion to be fully repaid on January 28, 2008.

Furthermore, the shrinking subsidised sector portfolio decreased nearly 25% from €2.5 billion to 1.9 billion in 2007.

In order to determine the real share of Compagnie de Financement Foncier's public sector activities, the portion of secured loans that are guaranteed by the French state needs to be restated. Including loans to the subsidised sector and loans guaranteed by the FGAS, the amount of exposures to public authorities stood at €42.2 billion at the end of 2007 compared to €32.4 billion at the end of 2006. Taking into account indirect guarantees granted by a public entity on certain mortgage loans as well, outstanding loans to the public sector amounted to €46.4 billion at year-end representing a €12 billion year-on-year increase. At the end of 2007, exposures to public authorities represented 59% of all loans excluding replacement securities. The remaining 41% is made up of mortgage loans.

Asset guarantees are also geographically diverse. Recent international growth has provided for even greater geographic diversity of assets, mainly to other European countries but also in North America and Japan.

At December 31, 2007, 35% of assets were located outside France compared to an already impressive 34% at December 31, 2006.

Geographic diversity of assets at the end of the year is broken down as follows:

■ France: 65.0% and €61.4 billion	■ Germany: 2.4% and €2.3 billion
■ Italy: 9.4% and €8.9 billion	■ Portugal: 1.5% and €1.4 billion
■ Spain: 8.7% and €8.3 billion	■ Japan: 1.2% and €1.1 billion
■ Netherlands: 5.6% and €5.3 billion	■ Switzerland: 1.0% and €0.9 billion
■ United States: 3.4% and €3.2 billion(*)	■ Canada and other European countries: 1.8% and €1.7 billion

() This does not contain any mortgage loans; it only comprises loans benefiting from federal guarantees.*

Analysis of liabilities

Transactions in 2007

Compagnie de Financement Foncier continues to expand by issuing higher volumes. Total issues in 2007 reached €23.5 billion.

Compagnie de Financement Foncier was more active during the first half-year (€12.5 billion) and managed to adapt its issuance in light of the financial crisis that began during the summer. Compagnie de Financement Foncier, nevertheless, raised €11 billion of capital during the second half of the year.

Eleven new reference bonds were issued, including eight in euros, for a total of €9.75 billion and three in American dollars representing \$3.25 billion. In October, Compagnie de Financement Foncier issued *obligations foncières* at 10 years for €2.5 billion, underlining investors' confidence in its reputation.

Pursuant to the regulations applicable to sociétés de crédit foncier, these issues were certified by the Specific Controller. In 2007, 12 issues were specifically analyzed in terms of prudential ratios.

Most of the transactions (82% or €19.2 billion) were carried out as public placements providing a highly liquid yield curve that allows investors to choose Compagnie de Financement Foncier for different maturities over time. Private placements accounted for €4.3 billion, equivalent to the amount recorded in 2006.

Compagnie de Financement Foncier continued to diversify its sources of financing in 2007 by offering a new placement under German law that contributed €0.3 billion to its annual programme. Compagnie de Financement Foncier also proposed securities denominated in foreign currencies such as the New Zealand dollar and the Brazilian real. However, the main currency for issues remained the euro with a volume of €18.6 billion in 2007 and the American dollar with a volume equivalent to €3.0 billion.

To support its growth and enhance the security afforded to investors benefiting from the "privilege", Compagnie de Financement Foncier issued at year end 2007 reimbursable subordinated instruments amounting to €2 billion that were fully subscribed by its parent company, Crédit Foncier. These securities will mature after 36 years and were immediately grouped with the €0.9 billion of outstanding reimbursable subordinated instruments issued in 2003.

Liabilities

Pursuant to regulations concerning sociétés de crédit foncier, Compagnie de Financement Foncier's liabilities can be divided into two main classes:

- Privileged debt that legally protects bondholders by guaranteeing priority repayment and compliance with payment schedules, even in the unlikely event of issuer default or default of its parent company. Due to this highly secure legal framework and the commitments made by Compagnie de Financement Foncier concerning, in particular, the quality of its assets and its ALM management, the three leading credit rating agencies have consistently granted their highest ratings to this privileged debt (AAA/Aaa/AAA) since the company's inception.
- Other non-privileged debt helps reinforce the security of privileged debt holders and demonstrates the highly prudent risk monitoring and management policies of Compagnie de Financement Foncier. This debt either comes essentially from Crédit Foncier, from schemes related to the subsidised sector and, to a lesser extent, from assets ceded from the Caisse d'Epargne Group. They also include collateral deposits made by banks, which are counterparties to derivative transactions.

Based on these categories, Compagnie de Financement Foncier's liabilities are broken down as follows for the last three years:

	December 31, 2007		December 31, 2006		December 31, 2005	
	€ million	%	€ million	%	€ million	%
Preferred debt	82,539	87.4%	64,557	91.3%	51,101	89.0%
Obligations foncières	79,395	84.1	61,680	87.3	49,747	86.7
Other preferred debt	3,144	3.3	2,877	4.1	1,355	2.4
Non-preferred debt	11,859	12.6%	6,134	8.7%	6,302	11.0%
Unsecured debt	6,130	6.5	2,322	3.3	2,532	4.4
Subordinated and related debt	5,144	5.4	3,282	4.6	3,301	5.8
- of which reimbursable subordinated instruments	2,900	3.1	900	1.3	900	1.6
- of which participating loan	1,350	1.4	1,350	1.9	1,350	2.4
Shareholders equity, provisions and FRBG	585	0.6	530	0.7	469	0.8
<i>(shareholders' equity and related items)</i>	<i>1,935</i>	<i>2.1</i>	<i>1,880</i>	<i>2.7</i>	<i>1,819</i>	<i>3.2</i>
Total liabilities	94,397	100.0%	70,691	100.0%	57,404	100.0%

The amount of privileged resources was up 28% in financial year 2007 because of the large volume of obligation foncière issued. Compagnie de Financement Foncier's preferred debt reached €82.5 billion at December 31, 2007.

To support this trend and enhance the level of protection for investors, non-privileged resources have also risen from €5.7 billion to €11.9 billion at December 31, 2007. They now represent 12.6% of the liabilities.

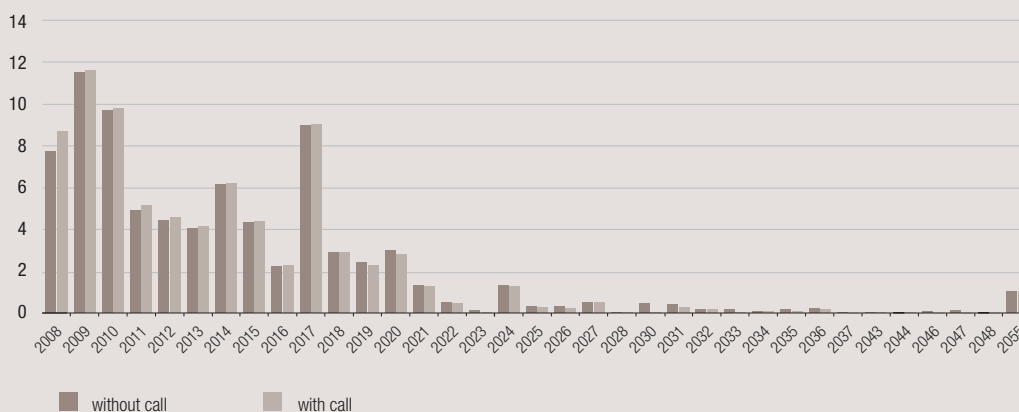
This additional protection is provided by different levels of seniority.

Shareholders' equity increased by €55 million following the reinvestment of the entire 2006 dividend in June of 2007. Subordinated debt increased by €1.9 billion after issuing €2 billion of new redeemable subordinated notes similar to the previous ones issued in 2003, with a term to maturity of 36 years. Unsecured liabilities increased by €3.8 billion. At December 31, 2007, €2.6 billion corresponded to repurchase agreements with the European Central Bank or other banking institutions and thus constitute short-term resources.

In 2008, Compagnie de Financement Foncier plans to transform a portion of its preferred debt into capital

Since its inception, Compagnie de Financement Foncier has issued nearly €97 billion of obligations foncières after taking into account currency swaps negotiated at the start of any transaction that is not denominated in euros. All of these covered bonds represented €79 billion at December 31, 2007, 80% of which will be amortised over the next 10 years. The longest maturity occurs in 2055 and amounts to €1 billion.

Maturity of preferred liabilities (in millions of €)



Out of these privileged bonds, 23 euro benchmarks are particularly liquid as their original amounts were over €500 million and because of the market making agreement signed with over 20 banks to organise their secondary market. These bonds, whose outstanding amounts totalled €44.7 billion at December 31, 2007, represent the reference yield curve for Compagnie de Financement Foncier's privileged debt.

Bonds	SICOVAM or ISIN code	Repayment date	Outstanding issued in €M
CFF 3.625% january 2008	FR0000471922	28 01 08	3,500
CFF 5.125% october 2008	FR0000485641	25 10 08	1,250
CFF 2.375% january 2009	FR0010235440	29 01 09	3,300
CFF 4.25% may 2009	FR0010474189	22 05 09	1,825
CFF 4.25% october 2009	FR0000470544	25 10 09	1,600
CFF 3.75% february 2010	FR0010391029	26 02 10	2,400
CFF 5.625% june 2010	FR0000497398	25 06 10	4,300
CFF 4% july 2011	FR0010101824	21 07 11	3,100
CFF 3.625% january 2012	FR0010379248	16 01 12	1,550
CFF 4% october 2012	FR0010422600	25 10 12	1,000
CFF 4.50% january 2013	FR0010526988	09 01 13	1,000
CFF 5.375% march 2013	FR0000485724	02 03 13	1,400
CFF 4.25% january 2014	FR0010039149	29 01 14	2,400
CFF 4.375% november 2014	FR0010541946	19 11 14	1,000
CFF 6.125% february 2015	FR0000499113	23 02 15	1,500
CFF 4.75% june 2015	FR0010489831	25 06 15	1,200
CFF 3.375% january 2016	FR0010271148	18 01 16	1,200
CFF 3.75% january 2017	FR0010157297	24 01 17	3,150
CFF 4.625% september 2017	FR0010532762	23 09 17	2,500
CFF 4.125% october 2017	FR0010422618	25 10 17	1,000
CFF 4.50% may 2018	FR0000474652	16 05 18	2,250
CFF 5.75% october 2021	FR0000487225	04 10 21	1,250
CFF 3.875% april 2055	FR0010292169	25 04 55	1,000

Prudential ratios

French law requires all société de crédit foncier to permanently maintain a volume of weighted assets that exceeds its privileged debt. The legal prescriptions on weighting reduce the value of some assets when calculating the ratio, especially those assets that carry a higher risk. The degree to which privileged resources are hedged is assessed every six months and certified by the Specific Controller.

In 2007, the method used to calculate the overcollateralisation ratio was revised. The main modification concerns the weighting of replacement securities, which rose from 95% to 100%. For Compagnie de Financement Foncier, this was the only item that was not entirely retained when drafting this report.

The overcollateralisation ratio stood at 111.2% at December 31, 2007, in accordance with the new regulations. It was 108.5% at December 31, 2006, and the impact of the weighting changes is estimated to be 0.7%. The higher overcollateralisation ratio in 2007 was mainly due to the €2 billion issue of reimbursable subordinated instruments at the end of the year.

Concerning assets with a first-rank mortgage or equivalent real estate security, the regulations applicable to sociétés de crédit foncier also require that outstanding debt whose loan-to-value ratio exceeds authorised limits be monitored (60% with a privileged refinancing and up to 80% with non-preferred debt). The ministerial order in April 2007 and related decrees raised the LTV ratio for refinancing using privileged resources from 60% to 80% and did away with the obligation to provide a semi-annual report of ratio overruns from the Specific Controller.

According to its rules for monitoring and managing risk, Compagnie de Financement Foncier determines the average LTV ratio of acquired mortgage loans, which provides information about the changes to capitalisation and the annual valuation of assets provided as collateral.

The ratio between the value of collateral and the outstanding principal of the portfolio was 51.6% at December 31, 2007, a slight increase compared to the ratio of 49.5% at the end of 2006. The outstanding amount of loans used for this calculation was nearly €20 billion at the end of 2007, including €4.2 billion of loans acquired in 2007 whose LTV was between 60% and 100%, depending the type of guarantee, and averaged 69.3%, as well as loans that were previously purchased or transferred. The LTV on the latter group of loans fell because of contractual repayments on the loan as well as higher property values, despite a cooling market in 2007.

Moreover, half of this portfolio consists of FGAS-subsidised sector loans that are guaranteed by the French state in addition to having a real estate security; €4 billion is also indirectly covered by another European state.

Furthermore, Compagnie de Financement Foncier continued to maintain liquidity ratios well above the minimum requirements set by banking regulations because of its cash commitments one year out. Other prudential ratios applicable to financial institutions are monitored by the Crédit Foncier Group at a consolidated level.

Analysis of net income

Net Banking Income

Net banking income for 2007 totalled €187.7 million, down €8 million over the previous year.

This decrease is partly due to a sharp reduction in non-recurring income. In 2006, Compagnie de Financement Foncier received a prepayment indemnity of €17 million on a securitisation transaction. The other reason for this decrease was a more than €15 million increase in current income.

Recurring net banking income reflects the high margins on the rapidly shrinking loan portfolio transferred from Crédit Foncier in 1999 and the lower margins on new transactions whose volume is progressing each year, in line with Compagnie de Financement Foncier's growth.

Outstanding principal due on loans from the transfer amounted to €5.8 billion at December 31, 2007 or only 6% of assets. For the subset consisting of subsidised loans only, net banking income was down by €8 million due to contractual amortisation.

The interest charge included the interest on subordinated debt, which reached €131.1 million in 2007 compared to €104.5 million in 2006, on an unchanged total outstanding loan amount of €2,250 million. The €2 billion issue of reimbursable subordinated instruments occurred at the end of the year. The outstanding participating loan of €1,350 million reached its maximum rate again this year, equal to the TAM (a money market rate reference) plus 2.5 basis points for the period. For this value and for the reimbursable subordinated instruments, the interest portion corresponding to the surplus remuneration, paid above the money-market rates, totalled €38.3 million in 2007, similar to last year.

With regards to commissions and fees received, the amount of prepayment or customer loan renegotiation indemnities remained relatively stable, rising from €21.7 million in 2006 to €23.1 million in 2007.

Net banking income also takes into account the cost of hedging a number of assets with Crédit Foncier. This charge corresponds to an asset repurchase guarantee in the event of a credit rating downgrade and to a credit risk hedge on more than €4 billion of mortgage loans whose risk, beyond a certain threshold, was indirectly transferred to a AAA/Aaa/AAA-rated public entity. A charge of €4 million was recognised for this in 2007.

Gross operating income

Gross operating income in 2007 was €83.7 million compared to €92.7 million in 2006, in line with the change in net banking income.

Operating expenses mainly account for commissions paid to Crédit Foncier for its role as a service provider to Compagnie de Financement Foncier, in particular for ALM management and for the administrative, accounting and financial management of the company. Commission rates differ depending on the type of market under consideration.

The subsidised sector generates high fees that correspond to partial repayment of a gross margin on a significant outstanding amount and is included in net banking income. Soon to disappear, servicing costs for this sector fell from €27.0 million to €20.3 million during the year. Servicing

commissions paid in the private sector rose from €56.4 million in 2006 to €65.6 in 2007.

The amortisation charge exclusively corresponds to a charge for goodwill depreciation to reconcile the difference between the fair market value and the net book value of the items transferred to Compagnie de Financement Foncier in October 1999. The declining balance method used to amortise this goodwill was selected at the time of the transfer. It will be fully amortised in June 2009. The amortisation charge was €6.2 million in 2007, compared to €7.5 million in 2006.

Cost of risk

In 2007, the cost of risk, which is based on the outstanding principal, was reversed compared to the previous year. It represented a gain of €2.7 million in 2006 and a loss of €3.0 million in 2007.

This expense can be broken down as follows:

- Amortisation and provisions of €12.3 million.
- Reversals of provisions and amortisation of €9.0 million of which €2.5 million resulted from new residential real estate collateral values. A new methodology for valuing assets was adopted in 2007.
- Total losses of €2.4 million, €1.3 million of which was covered by provisions and amortisation.
- Gains of €2.7 million on amortised loans.

The cost of risk is very small (€3 million) compared to the size of the balance sheet (€94.4 billion). Interest on doubtful loans must be added to the expense recognised in net banking income in order to measure the total cost of risk.

In 2007, the overall risk of principal and interest generated net proceeds of €3 million; risk items recorded a gain of €6 million in net banking income. In 2006, the cost of risk also represented a gain of up to €3.9 million for Compagnie de Financement Foncier. This overall cost is analysed according to the nature of the assets and their associated guarantees in the next section.

Earnings before tax

Earnings before tax amounted to €80.6 million in 2007 compared to €95.4 million in 2006.

After including the €38.3 million from the interest rate mark-up granted to subordinated debt, gross income for the year stood at €119 million. This amount can be compared to the value of doubtful loans net of provisions and depreciation in the private sector and not guaranteed by the state, which totalled €159.7 million. Taking into account the full amount of €131.1 million paid on the subordinated debt to Crédit Foncier, all of the theoretical risk is thus hedged by this year's gain, without taking into account other guarantees: shareholders' and related equity of €573 million, subordinated debt of €5,144 million or other non-privileged resources of €6,130 million.

Net income

After deducting income taxes of €27.5 million essentially based on the current income, Compagnie de Financement Foncier's net income in 2007 amounted to €53.2 million.

Credit risk analysis

Credit risk is analysed differently depending on the type of asset. Compagnie de Financement Foncier's assets can be divided into three major categories with different approaches to assess their credit-worthiness:

- Subsidised sector and private sector loans, granted to individuals or professionals in the public sector or private sector real estate market. Starting in 2007, this category was grouped with mortgage notes whose underlying collateral consists of private sector housing loans.
- Securities comprising securitisation tranches that are rated by independent, internationally renowned credit rating agencies and approved by the Banking Commission.
- Replacement securities comprised of safe and liquid securities and deposits. At Compagnie de Financement Foncier, the vast majority of these securities consist of interbank loans with a six month term from institutions with the highest short-term ratings.

Loans and related items

In addition to the unconsolidated accounting items which will be analysed below, the unrealised gains from the accounting methods used for loans transferred in 1999 from Crédit Foncier to Compagnie de Financement Foncier must be taken into account. These unrealised gains correspond to reversals of depreciation made by Crédit Foncier before the transfer and that were recognised at the consolidated Group level only. These potential profits will be recorded in Compagnie de Financement Foncier's accounts as exceptional gains when the debt is paid off and if the situation has improved. Unrealised gains amounted to €1.3 million for the subsidised sector and €0.4 million for the private sector at December 31, 2007 compared to €2.8 million and €0.7 million respectively at the end of 2006.

Following the sharp rise in interest rates, Crédit Foncier announced in December that it was taking an extraordinary measure aimed at helping 150,000 customers with their monthly payments. Of these customer loans, some were ceded to the Compagnie de Financement Foncier. Crédit Foncier decided take on the extra cost these measures have caused by setting up a fund to benefit Compagnie de Financement Foncier.

The loan portfolio held directly by Compagnie de Financement Foncier amounted to €37.6 billion at December 31, 2007 in addition to €7.6 billion of mortgage notes. The credit risk on the portfolio can be determined by evaluating the percentages of doubtful loans and compromised doubtful loans as well as the level of provisioning for them.

In the last two years, these risk indicators evolved as follows:

2007	Outstanding loans (€ million)	Percentage of total outstanding loans	Of which doubtful loans	Doubtful loans (%)	Of which compromised doubtful	Compromised doubtful (%)	Provisions
Subsidised sector (disappearing)	1,954.7	4.3%	235.8	12.1%	0.0	0.0%	5.9
Private Sector	43,226.2	95.7%	366.0	0.8%	15.9	0.0%	23.3
- Loans to individuals and mortgage notes	24,382.8	54.0	333.0	1.4	14.7	0.1	15.0
<i>of which FGAS loans</i>	6,976.3	15.4	183.0	2.6	0.0	0.0	0.0
- Loans to public authorities*	15,897.0	35.2	5.1	0.0	0.0	0.0	0.3
- Loans to social housing	2,842.0	6.3	14.2	0.5	0.0	0.0	1.6
- Loans to commercial property (disappearing)	104.3	0.2	13.8	13.2	1.2	1.1	6.4
Total	45,180.8	100.0%	601.8	1.3%	15.9	0.0%	29.1

2006	Outstanding loans (€ million)	Percentage of total outstanding loans	Of which doubtful loans	Doubtful loans (%)	Of which compromised doubtful	Compromised doubtful (%)	Provisions
Subsidised sector (disappearing)	2,512.4	9.1%	300.7	12.0%	0.0	0.0%	3.0
Private Sector	25,041.0	90.9%	375.1	1.5%	43.5	0.2%	26.5
- Loans to individuals and mortgage notes	14,646.5	53.2	339.0	2.3	29.8	0.2	15.4
<i>of which FGAS loans</i>	6,602.5	24.0	178.7	2.7	0.0	0.0	0.0
- Loans to public authorities*	7,711.1	28.0	2.2	0.0	0.0	0.0	0.1
- Loans to social housing	2,562.2	9.3	15.7	0.6	3.3	0.1	3.4
- Loans to commercial property (disappearing)	121.3	0.4	18.3	15.1	10.3	8.5	7.7
Total	27,553.4	100.0%	675.8	2.5%	43.5	0.2%	29.5

* The outstanding loans include the value of securities issued or guaranteed by public entities.

In terms of outstanding loans, the strong growth in loans to individuals was mostly due to the re-classification of mortgage notes as secured loans, authorised by the new regulations applicable to sociétés de crédit foncier as of April 2007. The increase in loans to public authorities primarily reflects the acquisition by the Caisse d'Epargne Group of the IXIS CIB loan portfolio.

Risk monitoring focuses on loans to individuals that are not guaranteed by the state (subsidised sector and FGAS guarantee) as well as social housing loans that together amount to €20.2 billion. Private real estate loans account for a very small amount, €104 million at December 31, 2007, and have not been produced since 2002.

Of this total outstanding debt, amounting to €20.2 billion at the end of 2007 compared to €10.6 billion at the end of 2006, the share of outstanding doubtful loans continued to decline in 2007. In absolute terms, doubtful loans have slightly decreased, from €176 million to €164 million over the year; in relative terms, the decline is more marked with the percentage falling from 1.7% to 0.8% at December 31, 2007. Even pro forma figures excluding mortgage notes indicate a reduction over the year to 1.3% at the end of 2007.

Compromised doubtful loans followed a similar trend. They accounted for less than €16 million of the entire loan portfolio at the end of the year (0.02% of the balance sheet) compared to €43.5 million one year ago; they represented 0.06% of private sector loans to individuals.

The quality of these outstanding loans is further demonstrated by the very low level of provisioning. In 2007, €29.1 million will be recorded as provisions for performing loans and depreciation on doubtful loans. This amount is similar to that of the previous year (€29.5 million in 2006) and reflects a relative decline in the share of outstanding loans covered by a provision. The rate of provision on all loans dipped from 0.11% to 0.06% in one year.

In terms of the impact on Compagnie de Financement Foncier's results, the risk on these assets is included in the cost of risk (for the principal) and net banking income (for interest). In 2007, the overall cost of risk represented a net gain of €3.0 million, resulting from a principal charge of €3.0 million and interest income of €6.0 million. This contribution was also positive in 2006, amounting to €3.9 million.

This overall income for 2007 is broken down as follows:

- A net charge of €3.1 million for provisions and depreciation
- Losses of €5.7 million, €4.5 million of which was covered by depreciation
- Gains on amortised loans for €7.2 million

These figures are broken down by type of customer as follows:

	2007			2006		
	Outstanding loans (€ million)	Risk charge (€ million)	Risk charge (basis points)	Outstanding loans (€ million)	Risk charge (€ million)	Risk charge (basis points)
Subsidised sector (disappearing)	1,954.7	-1.06	-5.4	2,512.4	0.22	0.9
Private Sector	43,226.2	-1.97	-0.5	25,041.0	-4.14	-1.7
- Loans to private individuals and mortgage notes	24,382.8	-3.03	-1.2	14,646.5	-0.60	-0.4
- Loans to local authorities	15,897.0	0.25	0.2	7,711.1	-1.82	-2.4
- Loans to social housing	2,842.0	1.22	4.3	2,562.2	-0.55	-2.1
- Loans to commercial property (disappearing)	104.3	-0.41	-38.8	121.3	-1.17	-96.5
Total	45,180.8	-3.03	-0.7	27,553.4	-3.92	-1.4

Note: by convention, the cost of risk represents an expense when it is positive and income when it is negative.

Securities and Securitisation Tranches

This portfolio consists of securities issued primarily by foreign public entities and public entity-guaranteed or mortgage-backed securitisation tranches. It amounted to €33.4 billion at December 31, 2007 compared to €27.8 billion at December 31, 2006. Various indicators are monitored by Compagnie de Financement Foncier on an ongoing basis in order to assess its credit risk on this portfolio.

In accordance with its regulatory framework, Compagnie de Financement Foncier can only hold senior securitisation tranches or similar securities.

The transactions that make up this portfolio are compliant with the 1999 law on sociétés de crédit foncier and are meant to be held until maturity.

This high-quality, diversified portfolio (all tranches are senior, first rank and 99% of debt is rated AAA) does not contain exposure to subprime risk or ABS CDO-like products.

Compagnie de Financement Foncier's portfolio does not contain American mortgage loans or direct or indirect real estate loans to the U. S. or to any other country outside of the European Union.

Analysis of the overcollateralisation level, which depends on fund structuring rules, reflects the changes to underlying assets; all of the securitisation funds held by Compagnie de Financement Foncier today have a higher overcollateralisation rate than when they were purchased.

For residential mortgage-backed securities, Compagnie de Financement Foncier also calculates the ratio of the present value of the collateral securing the assets to the outstanding underlying loans each year and verifies the effectiveness of guarantees.

In addition, Compagnie de Financement Foncier monitors the quality of information provided by the fund management companies including the timeliness, completeness and accuracy of data.

The entire portfolio is rated by independent credit rating agencies. Compagnie de Financement Foncier only acquires the most highly rated assets and monitors these ratings on an ongoing basis.

In 2007, only one line in the portfolio suffered a rating downgrade. One agency downgraded their rating of the counterparty for an outstanding loan of €15 million from AA- to A+. Several ratings were, however, upgraded.

At December 31, 2007, the residential mortgage-backed securities portfolio amounted to €17.4 billion and:

- 43% of this portfolio (€7.5 billion) had received the highest rating from three main rating agencies, AAA/Aaa/AAA
- 57% of this portfolio (€9.9 billion) had received the highest rating (AAA/Aaa or AAA/AAA) from two of the main rating agencies
- Less than one thousandth of the portfolio, or €12 million worth, had only received one of the highest ratings (AAA or Aaa)

At December 31, 2007, the public sector securities and securitisation tranches, amounted to €16.0 billion and had received:

- The highest rating from two of the main rating agencies, AAA/Aaa/AAA, on 49% of the portfolio (€7.9 billion)
- The highest rating from two of the main rating agencies on 16% of the portfolio (€2.6 billion of which €2.1 billion which only have two ratings and €0.5 billion which have a rating of AA+ as their third rating)
- The highest rating from one of the main rating agencies on 21% of the portfolio (€3.4 billion)

The above have a step-one rating with the exception of one line of €15 million that is rated A+/Aaa/A+.

Such excellent ratings are directly linked to the quality of the counterparty or its guarantor. If Compagnie de Financement Foncier esteems that a rating is not sufficient, the assets are enhanced by monoline insurers.

At December 31, 2007, enhanced securities on the balance sheet amounted to €4.4 billion and are broken down into:

- €2.5 billion guarantee from CIFG
- €1.1 billion guarantee from FSA
- €0.7 billion guarantee from AMBAC
- €0.1 billion guarantee from FGIC
- €0.1 billion guarantee from MBIA

The intrinsic quality of these assets, which shelters them from any possible drop in creditworthiness of the insurer, is outlined in the following table:

Credit insurer	Rating before enhancement								
	Outstanding (€bn)	Not rated	BBB+	A-	A	A+	AA-	AA	AA+
AMBAC	0.7			77%		21%	1%		
Cifg	2.5	1%	2%	15%	28%	14%	38%		2%
Fgic	0.1					100%			
Fsa	1.1	15%		8%	27%		34%	16%	
MBIA	0.1						100%		

Note: the 4% in the category BBB+ is made up of debt in Hungary and the 17% in the unrated column represents financing for Japanese prefectures for which no rating is yet available.

Consolidated Analysis

Compagnie de Financement Foncier carries a credit risk on its private sector loan portfolio and its securities and securitisation portfolio. The table below summarises the main indicators of the quality of its assets for the last two years:

	2007				2006			
	Outstanding loans (€ million)	Doubtful loans (€ million)	Percentage of doubtful loans	Risk (basis point)	Outstanding loans (€ million)	Doubtful loans (€ million)	Percentage of doubtful loans	Risk (basis points)
Loans to individuals and related	41,811	333	0.8	-0.7	28,047	339	1.2	-0.2
<i>of which securitisation tranches and mortgage notes</i>	<i>25,015</i>				<i>13,401</i>			
Loans to local authorities and related	31,852	5	0.0	0.1	22,080	2	0.0	-0.8
<i>of which securities and securitisation tranches</i>	<i>15,955</i>				<i>14,369</i>			
Loans to social housing	2,842	14	0.5	4.3	2,562	16	0.6	-2.1
Loans to commercial property	104	14	13.2	-38.8	121	18	15.1	-96.5
Total	76,610	366	0.5%	-0.3	52,811	375	0.7%	-0.8

Note: by convention, the cost of risk represents an expense when it is positive and income when it is negative.

Analysis of interest and exchange rate risks

Compagnie de Financement Foncier has no open currency positions except for very small ones inherent in any hedging transaction. Transactions initiated in foreign currencies, primarily those negotiated for issues of obligations foncières, are converted into euros upon execution.

Compagnie de Financement Foncier is only very marginally exposed to interest rate risks thanks to the implementation of a series of hedging mechanisms.

Hedging Transactions

As soon as an asset is recorded on the balance sheet, it is swapped to a variable interest rate. Macro-hedging swaps are entered into when acquiring loan portfolios, micro-hedging swaps are made for single transactions. Similarly, the debt issued by Compagnie de Financement Foncier are micro swapped at the outset to ensure variable rate liabilities.

Crédit Foncier is counterparty to these hedging transactions when it acquires and transfers loans to Compagnie de Financement Foncier. Other banks also act as counterparty in the case of market transactions or loans originated abroad. All of the counterparties to these currency or interest rate swaps have concluded collateralisation agreements with Compagnie de Financement Foncier that require them to provide Compagnie de Financement Foncier with a security deposit depending on their debt position and rating. These deposits are drawn on daily or weekly if the counterparty's credit rating slips below F1+ or AA- from FitchRatings, P1 or Aa3 from Moody's, or A1+ or AA- from Standard & Poor's. If the opposite situation occurs, the agreements stipulate that Compagnie de Financement Foncier shall not deposit any collateral. At December 31, 2007, the amount of deposits received was €184 million, and they were classified as unsecured debts.

The rate position is also reviewed each quarter and macro-hedging transactions are concluded in case the position deteriorates to the point that could lead to non-compliance with the rate gap limits that Compagnie de Financement Foncier is committed to respecting. If prepayments on loans are greater than those that had been estimated at the time of their acquisition, the rate swap is closed, thereby narrowing the rate gaps to a small percentage of the balance sheet.

Special interest rate risk neutralisation mechanisms for Compagnie de Financement Foncier have also been implemented with the French state for subsidised sector loans and with Caisses d'Épargne, which disposed of its loans in the French public sector.

Compagnie de Financement Foncier's growth and the continuation of its active risk management policy resulted in an increase in outstanding swaps of €49 billion in 2007. The notional values of forward financial instruments rose from €85.8 billion at the end of 2006 to €126.1 billion at the end of 2007 and foreign currency transactions rose from €29.2 billion to €37.6 billion over the same period.

These outstanding rate swaps at December 31, 2007 are broken down according to the hedge's objective:

- Macro-hedging swaps for €29.4 billion (compared to €20.5 billion at the end of 2006)
- Micro-hedging swaps on assets for €12.5 billion (compared to €7.8 billion at the end of 2006),
- Macro-hedging swaps on secured debt for €83.1 billion (compared to €56.0 billion at the end of 2006)
- Micro-hedging conditional transactions for €1.1 billion, negotiated to protect the portion of variable-rate loans with remuneration capped to the benefit of their borrowers (compared to €1.3 billion at the end of 2006).

Residual rate position

Considering the different hedging mechanisms negotiated by Compagnie de Financement Foncier when transactions are settled, exposure to interest rate risk is limited to the possible distortion of the hedging transaction due to unknown events at origination and occurring over its expected life.

Since the securitisation tranches have variable rates from origination and the maturity date of other investment securities is predetermined, the residual rate position is constituted by fixed-rate loans whose prepayment is not covered by indemnities equivalent to the risk incurred.

Interest rate risk is therefore limited to outstanding fixed-rate loans in the private sector granted to individuals, due to the cap on the indemnity stipulated in the contract in the event of prepayment, which is limited to 6 months interest with a maximum of 3% of the outstanding principal amount.

For Compagnie de Financement Foncier, these loans amounted to €5.1 billion at December 31, 2007, as most of Crédit Foncier's recent production is at variable rates. Moreover, the low nominal rate of these loans constitutes an additional protection against the risk of prepayment and renegotiation. Interest free loans amounted to €1.8 billion and loans with non-zero but less than 6% interest rates totalled €2.9 billion. A potential interest rate risk, resulting from imperfectly indemnified prepayment, thus exists on an outstanding loan portfolio of €0.4 billion, i.e. 0.5% of the balance sheet.

Other indicators

Every quarter, Compagnie de Financement Foncier analyses changes in the net present value of estimated results over the next 10 years under different stress scenarios. The results showed sensitivity to very low rates. At December 31, 2007, if market rates were to increase by two percentage points, the present value of future earnings would by fall by €44 million, excluding new issues or acquisitions.

Analysis of liquidity risk

As for interest rate risks, the asset/liability management rules of Compagnie de Financement Foncier ensure a very limited exposure to liquidity risk.

Accordingly, Compagnie de Financement Foncier is committed to maintaining sufficient short-term liquidity to cover its privileged debt commitments for a period of one year under the unlikely situation where no prepayment will allow for borrowers payments to be sped up.

In any case, a financing deficit limited to 10% of the current balance is allowed beyond the second year.

Moreover, a significant portion of its assets are inherently easily negotiable, such as replacement securities comprised of risk-free, liquid investments, as required by laws governing sociétés de crédit foncier, or its investment portfolio. At December 31, 2007, Compagnie de Financement Foncier held replacement securities amounting to €11.1 billion, or 11.8% of the balance sheet, including €10.8 billion of loans to financial institutions with the highest short-term ratings (less than six months). Compagnie de Financement Foncier also holds €22.7 billion of securities that meet the refinancing eligibility criteria at the European Central Bank.

Compagnie de Financement Foncier began, for the first time, in April 2007, using measures to mobilise its securities and participated in the European Central Bank's call for bids of one-week and three-month funds. Some repurchase agreements were also entered into with major French banks. The outstanding securities mobilised, principally arranged with the European Central Bank, at December 31, 2007 was €2.6 billion.

These transactions help fund its short-term liquidity needs for drawdowns on credit lines that Compagnie de Financement Foncier had granted to French local authorities. The growth of its business in the public sector in 2007, including the repurchase of the IXIS CIB portfolio, a subsidiary of NATIXIS, resulted in a sharp increase in funding commitments given. At December 31, 2007, the resulting off-balance sheet commitments amounted to €8.8 billion, which includes one year credit lines of €3.6 billion and €3.5 billion of long-term loans granted to public entities but not yet drawn down.

Compagnie de Financement Foncier also determines the durations of its assets and liabilities to ensure that their maturities are properly matched and is committed to a maximum spread of two years. At December 31, 2007, the duration of assets was 6.5 years, it was 6.8 years one year earlier, and the duration of privileged liabilities was 5.3 years compared with 5.9 years at December 31, 2006.

Other risks

Legal risks

Insurance policy:

Compagnie de Financement Foncier has the following insurance policies subscribed by Crédit Foncier de France:

- A “comprehensive” policy covering all risks except real estate, subscribed by Crédit Foncier for all offices (head office and network offices), which also covers Compagnie de Financement Foncier since its business is conducted in buildings belonging to Crédit Foncier de France. This policy also covers Crédit Foncier’s mainframe computer system, which is also used by Compagnie de Financement Foncier.
- An insurance policy for protection against risks of “fraud, malice or embezzlement”. This contract explicitly refers to Compagnie de Financement Foncier among the companies insured.
- A “civil liability” policy for senior executives and corporate officers (Chairman, Chief Executive, Administrators) for any judgments against them for negligence in the performance of their duties. This policy was taken out by Crédit Foncier de France for its own account and for subsidiaries (including Compagnie de Financement Foncier).

In addition, Compagnie de Financement Foncier has also signed the Group Insurance Agreements covering borrowers of mortgage loans for the risks of death, total and irreversible loss of autonomy, inability to work and disability. Under the Agreement, Compagnie de Financement Foncier is named as the beneficiary of any payments made by the Insurance Company. The same is true of the Group insurance agreements subscribed to protect mortgage borrowers from the risk of “job loss”. Lastly, Compagnie de Financement Foncier has also signed a “collateral loss” agreement under which it can be compensated if the building financed and mortgaged is damaged by fire or explosion, and if the owner-borrower does not qualify for compensation from his own insurer due to lack of coverage or to insufficient coverage.

Social and environmental risks:

In terms of social and environmental risks, Compagnie de Financement Foncier relies upon the material and human resources provided by Crédit Foncier de France under the agreements entered into pursuant to Articles L. 515-22 and L. 515-23 of the French Monetary and Financial Code. Its own business as a société de Crédit Foncier is not likely to have any impact on the environment.

Valuation of Collateral

The Specific Controller reports on the methods used for the valuation and periodic review of the property securing the loans. Further information about these methods is available in the section of the annual report containing the financial statements.

Outlook for the future

In 2008, Compagnie de Financement Foncier plans to pursue and intensify its growth using the same strategies as in previous years:

- Maintain the quality of its assets through a highly selective acquisition policy and rigorous risk management,
- Drive forward growth both in terms of guaranteed loans and loans to public authorities
- Refinance the Caisse d'Epargne Group by acquiring loan portfolios granted by Crédit Foncier, the individual Caisses d'Epargne, and other Group entities
- Originate and acquire public sector loans and securities, especially abroad
- Confirm its place as a leading European issuer in the covered bond market and expand the investment base of its obligations foncières with international investors

Notes to the management report

Note 1. Information on corporate officers

For the year ending December 31, 2007, pursuant to Article L. 225-102-01 of the French Commercial Code, the list below shows the total compensation as well as all benefits paid by the company to each of the corporate officers during the year (Article L. 233-16 of the French Commercial Code).

Statement of the total compensation of Compagnie de Financement Foncier corporate officers in 2007.

All figures are in euros and include, in particular, the remuneration paid by the Crédit Foncier and the Caisse d'Epargne Group (with the exception of director's fees).

First and last names	Position	Basic salary	Term of office	Variable pay (paid in 2007 for 2006)	Fringe benefits	Gross salary	Private pension scheme	Director's fees	Employee profit-sharing	Shares	Total
François DROUIN	President of Compagnie de Financement Foncier Chairman of the Executive Board of Crédit Foncier de France until July 23, 2007		193,888	125,000	15,260	334,148	5,580	7,500			347,228
François VEVERKA	Chief Executive Officer of Compagnie de Financement Foncier (non-Director) until November 13, 2007	176,754	18,337		2,970	198,061					198,061
Thierry DUFOUR	Chairman & Chief Executive Officer of Compagnie de Financement Foncier Deputy CEO of Crédit Foncier de France	209,146	65,286	256,500	5,760	536,692	8,963	4,750	6,917	889	558,211
Sandrine GUÉRIN	Deputy CEO of Compagnie de Financement Foncier Director of Financial Operations at Crédit Foncier de France	246,924		326,500		573,424		3,750	6,922	951	585,047
François BLANCARD	Permanent representative of CFF, Director Chief Executive Officer of Crédit Foncier de France	146,214	146,060	143,420	4,920	440,615	7,358		6,766	870	455,608

First and last names	Position	Basic salary	Term of office	Variable pay (paid in 2007 for 2006)	Fringe benefits	Gross salary	Private pension scheme	Director's fees	Employee profit-sharing	Shares	Total
François CHAUVEAU	Director of Compagnie de Financement Foncier Group CFO of Caisse Nationale des Caisses d'Épargne	200,000	0	90,000	2,125	292,124	0	0	14,638		306,763
Pierre-Eric FUZIER	Director of Compagnie de Financement Foncier Head of Legal Department of Crédit Foncier de France	119,874		9,747		129,621		3,750	8,312	1,066	142,749
Crédit Foncier de France	Director of Compagnie de Financement Foncier							1,500			1,500

The indemnity package for corporate officers is presented in the 7th resolution submitted at the shareholders meeting on 26 May 2008.

Other information on compensation and stock option and stock purchase plans

At December 31, 2007, Compagnie de Financement Foncier did not have its own staff, with the exception of its corporate officers. There was no incentive scheme or profit-sharing plan in the company. In addition, there were no stock option or stock purchase plans at December 31, 2007.

List of offices of corporate officers

Offices or positions held by Mr. François DROUIN

Management positions	
Company	Position
CRÉDIT FONCIER DE FRANCE – SA (SACS UNTIL 23/07/2007)	Chairman of the Executive Board until 23/07/2007
COMPAGNIE DE FINANCEMENT FONCIER – SA	Chairman of the Board of Directors, then Chairman & Chief Executive Officer until 15/01/2007
Terms expired at July 23, 2007	
A.C.F.F. – SA	Chairman of the Board of Directors
CICOBAIL – SA	Chairman of the Board of Directors
FONCIER EXPERTISE (EX SEIEF) – SA	Chairman of the Board of Directors
FONCIER PARTICIPATIONS – SA	Permanent Representative of Crédit Foncier, Director
LOCINDUS – SACS	Chairman of the Supervisory Board
GCE IMMOBILIER – SACS	Permanent Representative of Crédit Foncier, Supervisory Board member
CFD – SAS	Legal Representative of Cofimab, Chairman
DOM 9 – SAS	Legal Representative of Crédit Foncier, Chairman of the SAS
ENTENIAL CONSEIL – SAS	Legal Representative of Crédit Foncier, Chairman of the SAS

Company	Position
FONCIER VIGNOBLES – SAS	Legal Representative of Crédit Foncier, Chairman of the SAS
FONCIERE IMMEUBLES 1 – SAS	Legal Representative of Crédit Foncier, Chairman
ECUFONCIER – SCA	Legal Representative of Crédit Foncier, General Partner
TANIS – SARL	Legal Representative of CFD, Liquidator
COFIMAB – SNC	Legal Representative of Crédit Foncier, General Partner
SOCLIM – SNC	Legal Representative of CFD, Manager
SOFIPAR LOGEMENT – SNC	Legal Representative of Crédit Foncier, General Partner
SOFONEG – SNC	Legal Representative of Crédit Foncier, Non-shareholding Manager
CHATEAU BEAUREGARD – SC	Legal Representative of Foncier Vignobles, Manager
ARION CONSEIL – SCI	Legal Representative of Crédit Foncier, Liquidator
COLOMIA 31 – SCI	Legal Representative of Crédit Foncier, Manager
COMELIA – SCI	Legal Representative of Crédit Foncier, Manager
FRANCILIA – SCI	Legal Representative of Crédit Foncier, Manager
IMMOBILIERE CHAUVEAU LAGARDE – SCI	Legal Representative of CFD, General Partner
IMMOBILIERE MADELEINE DUPHOT – SCI	Legal Representative of CFD, Manager
MANTELIA - SCI	Legal Representative of Crédit Foncier, Manager
GIRCE INGENIERIE – GIE	Permanent Representative of Crédit Foncier, Supervisory Board member
GIRCE STRATEGIE – GIE	Permanent Representative of Crédit Foncier, Director

Offices or Positions held by Mr. Thierry DUFOUR

Management positions	
Company	Position
COMPAGNIE DE FINANCEMENT FONCIER – SA	Chairman of the Board of Directors since 31/07/2007, then Chairman & Chief Executive Officer since 14/12/2007
CRÉDIT FONCIER DE FRANCE – SACS THEN SA SINCE 23/07/2007	Member of the Executive Board and then Deputy CEO since 23/07/2007
COMPTOIR FINANCIER DE GARANTIE – SA	Chairman & Chief Executive Officer

Offices as director and supervisory board member	
Company	Position
ACFF – SA	Representative of Crédit Foncier, Director until 30/11/2007 (dissolution)
CICOBAIL – SA	Representative of Crédit Foncier, Director
COMPAGNIE DE FINANCEMENT FONCIER – SA	Permanent representative of ACFF, Director
FINANCIERE DESVIEUX – SA	Director
FONCIER EXPERTISE – SA	Director
PICARDIE-BAIL - SA	Representative of Crédit Foncier, Director
SOCRELOG – SA	Director
VAUBAN MOBILISATION GARANTIE – SACS	Permanent Representative of Crédit Foncier, Supervisory Board member
SCI VALENCE	Legal Representative of Crédit Foncier, Manager

Offices or Positions held by Ms. Sandrine GUÉRIN

Management positions	
Company	Position
COMPAGNIE DE FINANCEMENT FONCIER – SA	Deputy CEO, Director
FINANCIERE DESVIEUX – SA	Chief Executive Officer
VAUBAN MOBILISATION GARANTIE – SACS	Chairman of the Executive Board
Offices as director and supervisory board member	
FONCIER COURT TERME – SICAV	Director
FONCIER ASSURANCE	Director (until June 28, 2007)
SWISS PUBLIC FINANCE SOLUTIONS – SA	Director
Other offices and positions	
CRÉDIT FONCIER DE FRANCE - SACS	Director of Financial Operations
FHE	Representative of CFF

Offices or Positions held by Mr. François CHAUVEAU

Offices as director and supervisory board member	
Company	Position
COMPAGNIE DE FINANCEMENT FONCIER – SA	Director
EUROTITRISATION – SA	Permanent Representative of CNCE, Director
GCE BAIL – SA	Permanent Representative of CNCE, Director
GCE DOMAINES – SA	Permanent Representative of CNCE, Director (since 29/06/2007)
SURASSUR – SA	Permanent Representative of CNCE, Director
ISSORIA – SACS	Permanent Representative of CNCE, Member of the Supervisory Board (until 28/03/2007)
IXIS CIB – SACS	Member of the Supervisory Board (until 25/05/2007)
ECUFONCIER – SCA	Member of the Supervisory Board – Limited Partner
GIE CSF-GCE	Chairman of the Supervisory Board
GCE PAIEMENTS – SAS	Director (since 16/10/2007)
Other offices and positions	
CNCE – SACS	Chief Financial Officer
GCE BAIL – SA	Chairman of the Audit Committee
COMPAGNIE DE FINANCEMENT FONCIER – SA	Chairman of the Audit Committee
GCE DOMAINES – SA	Chairman of the Audit Committee
INGEPAR – SA	Adviser
ALLIANCE ENTREPRENDRE – SA	Member of the Management Board

Offices or Positions held by Mr. François BLANCARD

Management positions	
Company	Position
CREDIT FONCIER DE FRANCE – SACS THEN SA SINCE 23/07/2007	Chief Executive Officer
Offices as director and supervisory board member	
ACFF – SA	Chairman of the Board of Directors until 30/11/2007 (dissolution)
CICOBAIL – SA	Permanent Representative of CRÉDIT Foncier, Director until 30/05/2007 then Chairman of the Board of Directors since 27/07/2007
CINERGIE – SA	Permanent Representative of Crédit Foncier, Director
COMPAGNIE DE FINANCEMENT FONCIER – SA	Permanent Representative of Crédit Foncier, Director
FONCIER CONSULTANTS – SA	Permanent Representative of Crédit Foncier, Director
ICADE EMGP – SA	Permanent Representative of Crédit Foncier, Director until 5/11/2007
LES EDITIONS DE L'EPARGNE – SA	Director
FINANCIERE OCEOR – SACS	Member of the Supervisory Board
GESTRIM – SACS	Member of the Supervisory Board
LA COMPAGNIE 1818 – BANQUIERS PRIVÉS – SACS	Permanent Representative of Crédit Foncier, Supervisory Board member
ECUREUIL CRÉDIT – GIECS	Member of the Supervisory Board
EUROSIC – SACS	Permanent Representative of Crédit Foncier, Member of the Supervisory Board
FONCIER EXPERTISE – SA	Chairman of the Board of Directors since 12/09/2007
GCE FONCIER COINVEST- SAS	Member of the Supervisory Board since 10/12/2007
GIRCE INGENIERIE – GIECS	Permanent Representative of Crédit Foncier, Member of the Supervisory Board until 26/11/2007
SERENA – SACS	Member of the Supervisory Board
CEMM – SAS	Member of the Supervisory Board
GIRCE STRATEGIE – GIE	Permanent Representative of Crédit Foncier, Director
LOCINDUS – SACS	Permanent Representative of Crédit Foncier, Member of the Supervisory Board until 26/07/2007 and then Chairman of the Supervisory Board as of 26/07/2007
ARION CONSEIL - SA	Legal Representative of Crédit Foncier, Liquidator
COFIMAB - SNC	Legal Representative of Crédit Foncier, General Partner
COLOMIA 31 - SCI	Legal Representative of Crédit Foncier, Manager
COMELIA - SCI	Legal Representative of Crédit Foncier, Manager
FRANCILIA - SCI	Legal Representative of Crédit Foncier, Manager
MANTELIA - SCI	Legal Representative of Crédit Foncier, Manager

Offices or Positions held by Mr. Pierre-Eric FUZIER

Offices as director and supervisory board member	
Company	Position
COMPAGNIE DE FINANCEMENT FONCIER – SA	Director
SOCRELOG – SA	Director
AXENTIA – SA HLM	Director (until May 24, 2007)
Other offices and positions	
CRÉDIT FONCIER DE FRANCE – SA	Deputy Secretary General

Offices held by Crédit Foncier de France in 2007

Company Limited liability companies (societes anonymes) Directorships	Identification
Auxiliaire du Crédit Foncier de France ACFF – SA (until 30/11/07)	334 183 704
BTP CAPITAL INVESTISSEMENT – SA	302 527 734
CFCAL Banque – SA	568 501 282
CFCAL SCF – SA	424 184 737
CFG – Comptoir Financier de Garantie – SA	330 316 316
Cicobail – SA	722 004 355
Cinergie – SA	322 214 883
Compagnie de Financement Foncier – SA	421 263 047
Compagnie Foncière de Construction – SA	308 383 058
CFAC – SA (until 22/06/2007)	347 708 562
Crédit Logement – SA	302 493 275
ICADE – SA	582 074 944
Foncier Assurance – SA	349 004 341
Foncier Consultants – SA	395 304 330
Foncier Expertise – SA	788 276 806
Foncier Participations – SA	319 893 815
Foncière d'Evreux – SA	399 293 067
Groupe VB – SA	572 112 589
H & T Conseil – SA	313 149 973
Mobilière Volney – SA	338 097 223
Picardie Bail – SA	331 542 126
SAF Environnement – SA	319 051 017
SEMERCLI – SAEM	632 052 809
SGFGAS - Société de Gestion du FGAS – SA	390 818 235
SIPARI – SA	305 097 446
Socrelog – SA	642 051 924
Position as supervisory board member	
Eurosic – SACS	307 178 871
LOCINDUS – SACS	642 041 768
SCAFR Terres d'Europe – Société Centrale d'Aménagement Foncier et Rural	612 007 468
Union Européenne d'Assurance – SACS	347 642 183
La Compagnie 1818 – Banquiers Privés – SACS	306 063 355
La Compagnie 1818 – Gestion – SACS	353 690 514
GCE Immobilier – SACS	379 722 853
SIA HABITAT – SACS HLM	045 550 258
SOCFIM	390 348 779
VMG – SACS	399 343 300

Position of chairman / director	Identification
ADOMA (EX SONACOTRA) – SAS	788 058 030
ARTHUR COMMUNICATION – SAS	407 525 344
DOM 9 – SAS	389 724 246
Entenial Conseil – SAS	449 755 586
General partnership (SNC, SCI) Managing partner	
ARION CONSEIL (LIQUIDATOR)	390 466 498
Cofimab - SNC	391 754 363
Colomia 31	453 162 927
Comelia	451 226 963
Ecufoncier – SCA	480 107 846
Francilia	440 775 617
Mantelia	432 255 271
Sofipar Logement	331 786 723
Sofoneg	331 444 539
G.I.E.	
Girce Ingénierie	469 600 050
Girce Stratégie	443 028 634

Note 2. FCC (residential mortgage-backed securities) table at December 31, 2007

Securitisation tranches of residential mortgage loans: **€17,428 million at December 31, 2007**

Country	Security	Rating
Germany		
	E-MAC 2005-5	AAA/Aaa/AAA
	EMAC DE 2006-II	AAA/Aaa/AAA
Spain		
	AYT GENOVA HIPOTECARIO 7	AAA/AAA
	AYT GENOVA HIPOTECARIO 4	AAA/AAA
	BANCAJA 4	AAA/Aaa/AAA
	BANCAJA 5	AAA/Aaa/AAA
	BANCAJA 6	AAA/Aaa/AAA
	BANCAJA 7	AAA/Aaa/AAA
	BANCAJA 8	/Aaa/AAA

Country	Security	Rating
Spain		
	BANCAJA 9 A2	/Aaa/AAA
	BANCAJA 10	AAA/Aaa/
	BANCAJA 11	AAA/Aaa/
	BANKINTER 4	AAA/Aaa/
	BANKINTER 5	AAA/Aaa/
	BANKINTER 10	AAA/Aaa/
	BBVA 1	/Aaa/AAA
	BBVA 2	AAA/Aaa/AAA
	GC SABADELL 1	AAA/Aaa/
	HIPOTEBANSA VIII SERIE A	/Aaa/AAA
	HIPOTEBANSA XI	AAA/Aaa/
	IM PASTOR 2	AAA/Aaa/
	IM PASTOR 3	AAA/Aaa/
	IM CAJAMAR 3 Parts A	/Aaa/AAA
	MADRID RMBS III	AAA/Aaa/AAA
	SANTANDER HIPOTECARIO 3	AAA/Aaa/AAA
	TDA 27	AAA/AAA
	TDA CAJAMAR A2	AAA/ /AAA
	TDA CAJAMAR A3	AAA/ /AAA
	TDA CAM 5	/Aaa/AAA
	TDA CAM 6 Parts A2	/Aaa/AAA
	TDA CAM 6 Parts A3	/Aaa/AAA
	TDA IBERCAJA 2	AAA/Aaa/
	TDA PASTOR 1 - A2	/Aaa/AAA
	UCI 14 CLASSE A 2043	AAA/ /AAA
	UCI 5 CLASS 5	/Aaa/
	TDA CAM 9	AAA/Aaa/AAA
France		
	ANTILOPE 1	AAA/Aaa/
	ANTILOPE 2	AAA/Aaa/
Greece		
	THEMELION 2	AAA/Aaa/AAA
Italy		
	APULIA FINANCE 2	AAA/ /AAA
	APULIA 3	AAA/Aaa/AAA
	APULIA FINANCE FCC A2	AAA/ /AAA
	ARGO MORTGAGES 2	/Aaa/AAA
	BERICA 3 PARTS A2	AAA/ /AAA
	BERICA 6 A2	AAA/Aaa/AAA
	BERICA PARTS A2	AAA/Aaa/AAA

Country	Security	Rating
Italy		
	BIPIELLE RESIDENTIAL	/Aaa/AAA
	CAPITAL MORTGAGE 2007-1	AAA/Aaa/AAA
	CORDUSIO	AAA/Aaa/AAA
	CORDUSIO 4	AAA/Aaa/AAA
	CR FIRENZE MUTUI	AAA/Aaa/AAA
	CREDICO FINANCE 5 A 2033	AAA/Aaa/
	CREDICO FINANCE SPA	AAA/Aaa/AAA
	F-E MORTGAGES	AAA/Aaa/AAA
	GIOTTO FINANCE 2 SPA	AAA/Aaa/
	GIOTTO FINANCE SPA	/Aaa/AAA
	HELICONUS	AAA/Aaa/AAA
	INTESABCI Sec 2	AAA/Aaa/AAA
	INTRA MORTGAGE FINANCE SRL	AAA/Aaa/AAA
	MANTEGNA FINANCE SRL	/Aaa/AAA
	MARCHE MUTUI	AAA/Aaa/
	MECENATE SRL	/Aaa/AAA
	SESTANTE FINANCE 2	AAA/Aaa/AAA
	SESTANTE 3 A 2045	AAA/Aaa/AAA
	SESTANTE 4	AAA/Aaa/AAA
	SESTANTE FINANCE	AAA/Aaa/AAA
	SIENA MORTGAGE 02-3	AAA/Aaa/AAA
	VELA ABS	AAA/Aaa
	VELA HOME	AAA/Aaa/
	VELA HOME 3 A 2040	AAA/Aaa/
	VELA HOME 4	AAA/Aaa
	VELITES	AAA/Aaa/
Netherlands		
	BELUGA	AAA/Aaa/AAA
	HOLLAND HOMES 3 PARTS A 2083	/Aaa/AAA
	EMAC NL 2005 III BV	AAA/Aaa/AAA
	E-MAC NL 2007 III	AAA/Aaa/AAA
Portugal		
	DOURO MORTGAGE1 A	AAA/Aaa/AAA
	LUSITANO 4	AAA/Aaa/AAA
	LUSITANO MORTGAGE PLC 3	AAA/Aaa/AAA
	MAGELLAN 3	AAA/Aaa/
	DOURO MORTGAGES 3	AAA/Aaa/AAA
	LUSITANO 6	AAA/Aaa/AAA

Senior securisation tranches of public debt: **€7,847 million at December 31, 2007**

Country	Security	Rating
Italy		
	ASTREA	/Aa2/AA-
	ADRIATICA	AAA/Aaa/AAA
	POSILLIPO FINANCE SRL	AAA/Aaa/AAA
	TRINACRIA SRL	AAA/Aaa/AAA
Netherlands		
	DARTS FINANCE PARTS A 2064	/Aaa/AAA
	HOLLAND HOMES ORANJE	//AAA
	E-MAC NL 2006-NHG 1	/Aaa/
	PEARL 1 MBS	/Aaa/AAA
	SGML 1	//AAA
	PEARL 2	/Aaa/AAA
	E-MAC NL 2007-NHG II	/Aaa/
United States		
	NELNET 2006-1 A6	AAA/Aaa/AAA
	SALLIE MAE SERIE 8 102004	AAA/Aaa/AAA
	SALLIE MAE 2005 9 SENIOR A6A	AAA/Aaa/AAA
	SALLIE MAE 2005-9 SENIOR A7A	AAA/Aaa/AAA
	SALLIE MAE 2004-8-A5	AAA/Aaa/AAA
	SALLIE MAE 2004-8-A6	AAA/Aaa/AAA
	SALLIE MAE 2006-4 A6	AAA/Aaa/AAA
	SALLIE MAE 2006-6 A4	AAA/Aaa/AAA

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Balance sheet

(in thousands of euros)

As per notes	Assets (in thousands of euros)	12/31/2007	12/31/2006	12/31/2005
	Cash due from central banks and post office accounts		4,725	2,363
	Treasury notes and similar securities			
1	Due from banks	9,827,024	6,049,202	4,581,545
	<i>On demand</i>	901,480	103,086	269,460
	<i>At maturity</i>	8,925,544	5,946,116	4,312,085
2	Customer loans	35,943,673	25,643,525	23,032,980
	<i>Other customer loans</i>	35,943,673	25,643,525	23,032,980
3	Bonds and other fixed income securities	43,904,351	35,794,541	27,646,424
4	Intangible fixed assets	7,816	14,070	21,540
5	Other	169,998	209,977	168,528
6	Prepayments, deferred charges and accrued income	4,544,432	2,974,849	1,950,224
	Total assets	94,397,294	70,690,889	57,403,604

(in thousands of euros)

As per notes	Liabilities and equity (in thousands of euros)	12/31/2007	12/31/2006	12/31/2005
7	Due to banks	5,117,947	1,466,703	1,282,971
	<i>On demand</i>	559,126	10,161	10,874
	<i>At maturity</i>	4,558,821	1,456,542	1,272,097
8	Customer deposits	91,152	122,416	29,914
	<i>On demand</i>	91,152	122,416	29,914
9	Debt securities	79,591,962	61,930,552	50,041,539
	<i>Inter-bank market securities and negotiable debt securities</i>	197,080	250,329	294,986
	<i>Bonds (obligations foncières)</i>	79,394,882	61,680,223	49,746,553
10	Other liabilities	506,394	1,600,475	1,069,712
11	Accruals and deferred income	4,253,965	2,790,141	2,260,244
12	Provisions for liabilities and charges	12,383	10,377	11,134
13	Subordinated debt	4,250,665	2,250,550	2,250,491
14	Fund for general banking risks	20,000	20,000	20,000
14	Equity other than fund for general banking risks	552,826	499,675	437,599
	- <i>Subscribed capital stock</i>	154,000	132,000	110,000
	- <i>Share premiums</i>	271,067	209,742	144,223
	- <i>Reserves</i>	70,917	68,717	66,517
	- <i>Regulated provisions and investment subsidies</i>			
	- <i>Retained earnings (+/-)</i>	3,691	26,874	30,923
	- <i>Net income for the year (+/-)</i>	53,151	62,342	85,936
	Total liabilities & equity	94,397,294	70,690,889	57,403,604

Off-balance sheet

(in thousands of euros)

As per notes		12/31/2007	12/31/2006	12/31/2005
	Commitments given			
15	Financing commitments			
	- Commitments in favour of banks	114,824		
	- Commitments in favour of customers	8,684,579	1,714,692	614,870
	Guarantee commitments			
	- Commitments for customers			
16	Commitments received			
	Financing commitments			
	- Commitments received from banks	573,407	631,472	1,303,249
	Guarantee commitments			
	- Commitments received from banks	27,139,798	5,019,768	4,159,981
	- Commitments received from customers	31,503,322	18,561,261	16,530,429
	Reciprocal commitments			
17	- Sale and purchase of foreign currencies	37,607,259	29,198,318	23,889,538
18	- Non-unwound financial instruments	126,146,699	85,813,638	72,729,810

Income statement

(in thousands of euros)

Notes		12/31/2007	12/31/2006	12/31/2005
19	Interest and similar income	3,494,965	3,091,113	2,506,342
20	Interest and similar expenses	-3,311,611	-2,905,677	-2,296,626
21	Commission and fee income	43,425	39,827	35,291
21	Commission and fee expenses	-24,707	-15,565	-14,081
22	Gains or losses on investment securities transactions	-1,501	-1,207	845
23	Gains or losses on investment securities transactions and similar instruments	-911	-5	9,413
24	Other income from banking operations	2,258	1,260	35,710
25	Other expenses on banking operations	-14,258	-14,002	-27,103
	Net banking income	187,660	195,744	249,791
26	General operating expenses	-97,752	-95,587	-94,565
	Depreciation, amortisation and provisions on tangible and intangible fixed assets	-6,250	-7,470	-9,604
	Gross operating income	83,658	92,687	145,622
27	Cost of risk	-3,000	2,707	-1,034
	Operating income	80,658	95,394	144,588
	Gains or losses on fixed assets	-19		
	Ordinary income before tax	80,639	95,394	144,588
	Exceptional items			
	Income taxes	-27,488	-33,052	-58,652
	Increases and decreases in fund for general banking risks and provisions			
	Net income	53,151	62,342	85,936
	<i>Earnings per share⁽¹⁾ (in euros)</i>	<i>5.52</i>	<i>7.56</i>	<i>12.50</i>
	<i>Diluted earnings per share (in euros)</i>	<i>5.52</i>	<i>7.56</i>	<i>12.50</i>

⁽¹⁾ Earnings per share is calculated by dividing the net income by the number of shares in issue at the balance sheet date

The notes set out in the following pages form an integral part of the company's financial statements

Notes to the Financial Statements of Compagnie de Financement Foncier

I – Legal and financial framework - Major events of the financial year

I-1 Compagnie de Financement Foncier was authorised to operate as a société de crédit foncier by the savings and financial security act passed in France on June 25, 1999. It is therefore regulated by articles L. 515-13 to L. 515-33 of the French Monetary and Financial Code.

Sociétés de crédit foncier are credit institutions accredited as financial companies by the French Credit Institutions and Investment Companies Committee ("CECEI"). For this reason, they are subject to the following accounting regulations:

- Regulation No. 2000-03 (modified) of the French National Accounting Committee ("CRC"), concerning the preparation and disclosure of annual corporate accounts of credit institutions;
- Regulation No. 99-10 of the CRBF, which relates only to sociétés de crédit foncier and refers to:
 - The valuation of buildings financed by eligible loans recorded as assets of sociétés de crédit foncier
 - The valuation of the assets and liabilities of such companies
 - Their specific management policies

I-2 In 2007, Compagnie de Financement Foncier acquired loans from Crédit Foncier totalling €4,619 million (including €4,644 million in outstanding principal), in addition to the €7,116 million of loans not yet released, which are recorded as "Financing commitments given". The company also purchased the loan from a French public entity for €654 million (€770 million in outstanding principal) and mortgage loans benefiting from a Dutch public entity for €90 million. The company acquired loans to local authorities from Caisses d'Épargne for €438 million. The outstanding principal on these loans amounted to €432 million. It purchased outstanding loans from Ixis-CIB for €3,961 million, in addition to €3,672 million of financing commitments on "major accounts" from the French local public sector.

Compagnie de Financement Foncier also acquired tranches in external mortgage-backed securitisation (€5,902 million), public asset-backed securitisation units (€2,016 million), long-term bonds from public authorities (€2,985 million) and granted loans to public authorities (€241 million).

The total value of these acquisitions for the financial year 2007 amounted to €20,665 million.

Replacement securities held by the company, as they are defined by Decree No. 2007-745 of May 9, 2007 relating to the solvency of credit institutions, investment companies and sociétés de crédit foncier and amending the French Monetary and Financial Code, total €11,123 million.

I-3 Compagnie de Financement Foncier issued obligations foncières for a total amount of €23,527 million in 2007. In the same year, the company entered into repurchase agreements amounting to €2,570 million, with average outstanding loans of €0.8bn.

In late 2007, the company also issued redeemable subordinated notes amounting to €2bn, which were fully subscribed by Crédit Foncier. These issues were similar to the RSNs issued on December 30, 2003 amounting to €900 million and subscribed by Crédit Foncier.

I-4 Following the sharp rise in interest rates, Crédit Foncier announced in December that it was taking an extraordinary measure aimed at helping 150,000 customers with their monthly payments. Of these customer loans, some were ceded to the Compagnie de Financement Foncier. Crédit Foncier decided to shelter its subsidiaries from the resulting cost and to take on the extra cost these measures have caused by setting up a fund to benefit Compagnie de Financement Foncier.

II – Information about accounting rules and principles

The annual corporate accounts of Compagnie de Financement Foncier are prepared and presented in accordance with rules defined by the CNCE in compliance with the regulations of the French Accounting Regulation Committee (CRC) and the French Banking and Financial Regulation Committee (CRBF). In compliance with CRBF Regulation No. 91-01 amended by CRC Regulation No. 2000-03, the financial statements are presented in the format specific to credit institutions.

The annual corporate accounts are presented in the same format as the preceding fiscal year. French generally accepted accounting principles are applied, respecting the necessary prudential principles and assumptions:

- Operational continuity
- Consistency of accounting methods from one year to the next
- Independence of financial years

Conformity with the general rules for establishing and presenting annual financial statements.

The method retained for evaluating accounting elements is that of historical cost. All balance sheet items are shown net of amortisation, provisions and applicable value corrections.

II-1 Due from banks

The category “Due from banks” includes all loans held as a result of banking operations with credit institutions, excluding operations in the form of issued securities. It includes repo securities and receivables related to repurchase agreements. They are broken down into the sub-categories “on demand” and “at maturity”.

Due from banks appear on the balance sheet at their nominal value. Accrued interest not yet due is added and any depreciation is subtracted.

II-2 Customer loans

Customer loans include loans granted to entities other than credit institutions, though excluding those in the form of a security, repossession securities and loans from pensions packaged as securities. They are broken down into commercial loans, debit accounts and other loans.

Customer loans are stated on the balance sheet at their nominal value. Accrued interest is added and depreciation for credit risk subtracted.

Loans granted appear as assets on the balance sheet for the portion actually paid, once the implementation procedures have been applied. Accrued interest is added and depreciation for

credit risk subtracted. Amounts not yet paid are recognised as off-balance sheet items under "Financing commitments given".

Commitments received are recorded in the accounts and are presented in note 16. They are periodically revalued. The book value of all the guarantees for a single loan is limited to the outstanding portion of that loan.

Compagnie de Financement Foncier acquires loans at market value. The goodwill is then calculated by comparing this value to the net book value of the loans, known as a premium or discount depending on whether it is positive or negative and is booked in a sub-account of the customer loan account.

Premiums and discounts on acquisitions made up to December 31, 2007 are then transferred to income for the fiscal year on an actuarial basis over the term remaining to maturity of the loans acquired.

The amount of outstanding loan instalments appears under assets in each loan receivable heading, unless they are deemed doubtful, in which case they are included in doubtful loans. Interest accrued on loans is entered in the relevant customer loan account with a corresponding entry in the income statement.

Early repayment fees are recognised in full in the income statement for the financial year in which the transaction was booked.

Doubtful loans consist of all matured and unmatured payable loans from debtors, whether guaranteed or not, of which at least one commitment presents a known credit risk and has been individually identified.

A risk is considered as known as soon as it is probable that the institution will not receive all or part of the amounts due from the counterparty, notwithstanding the existence of guarantees or securities.

Loans are classified as doubtful as soon as one or more payments are more than three months overdue (nine months for loans granted to local authorities).

Some doubtful loans are further classified as compromised doubtful loans when chances of recovering payments have significantly deteriorated and the loan will likely be written off as a loss. They include, in particular:

- Loans with overdue payment dates
- Loans considered doubtful for over a year, unless an examination of guarantees suggests that the loan will be fully repaid.

In accordance with CNC Recommendation No. 2005-07 dated June 21, 2005, supplemented by CRC Regulation No. 2005-03, amending CRC Regulation No. 2002-03, as of 2005 compromised doubtful loans no longer include loans benefiting from a guarantee covering nearly all risks. This applies in particular to loans in the subsidised sector and PAS loans guaranteed by the State.

Unrecoverable loans are written off and the corresponding bad debt depreciations are reversed. Doubtful loans are reclassified as performing loans when repayments are made on a regular basis, in the amounts corresponding to the original contractual instalments and when the counterparty no longer presents a default risk.

Loans that are restructured under non-market conditions, due to the customer's financial situation, are identified in a specific sub-category until their final maturity. At the time of restructuring, the loan is subject to a discount that represents the difference between the present value of the original contractual cash flows and the newly renegotiated cash flows. The discount rate is the original effective interest rate for fixed-rate loans, or the last effective interest rate before restructuring for floating-rate loans. This discount is recorded in the income statement under cost of risk and in the balance sheet as a deduction from the corresponding loan. It is transferred to the income statement in the interest margin based on an actuarial method over the term of the loan.

For the presentation of note 2c, the loans are analysed according to the same method used by the Crédit Foncier Group for its internal management requirements especially in the commercial, financial and risk areas.

Since 2003, in accordance with the standards of the Caisse d'Épargne Group, Compagnie de Financement Foncier has recognised guarantees that are explicitly or implicitly attached to certain types of customer loans recorded on the balance sheet, considering their material nature, such as mortgage values or counter-guarantees received from SGFGAS and taken over by the French government, or from a AAA-rated Germany public entity (*Cf.* note 16 on Commitments Received). They are periodically revalued. The book value of all the guarantees for a single loan is limited to the outstanding portion of that loan.

II-3 Depreciations for counterparty risk

II-3.1 Depreciations

Depreciations for confirmed probable losses cover potential risks calculated as the difference between the principal outstanding and the discounted recoverable amounts. The risk is calculated for each individual loan taking into account the present value of the guarantees received.

For loans to the subsidised sector and those guaranteed by SGFGAS, in the name of the state, the portion of the risk assumed by the French government is also taken into account.

Since loans transferred or sold to Compagnie de Financement Foncier are recorded in the balance sheet at acquisition cost, the depreciation is calculated with respect to that cost.

Average loan amounts with similar characteristics are subject to a statistic calculation.

Over the course of the financial year and in collaboration with Foncier Expertise, the collateral value of residential real estate was recalculated. When these new values were taken into account a gain, net of provisions, of €2.5 million was recorded.

Interest on doubtful loans is booked as income from banking operations and set aside as provisions for the full amount (excluding loans to the subsidised sector or those guaranteed by SGFGAS). Interest on compromised doubtful loans is booked in the same manner.

Increases and decreases to loan depreciations as well as charges covered by this depreciation appear in the income statement under items related to cost of risk for the principal portion of the loans. Interest paid on these loans is reported under "Interest and similar income».

II-3.2 Provisions for counterparty risks

For a more economic calculation of counterparty risks, a provision is recorded on performing balance sheet and off-balance sheet commitments for which the data needed to calculate default probabilities is available.

The provision covers potential risks on performing loans to real estate professionals, credit institutions and public sector authorities.

Total provisions for counterparty risks on credit institutions and customers were €2.1 million at the end of 2006. These provisions amounted to €5 million at the end of 2007 and are in line with provisions on a collective basis, recorded in the IFRS accounts.

The provision on the Neiertz risks of €4.3 million at the end of 2006 now amounts to €3.6 million at the end of 2007.

These provisions for counterparty risks totalled €8.6 million at the end of 2007.

These provisions are recorded as liabilities and any increases or reversals of the provisions appear under the "Cost of Risk" item.

II-4 Foreign Exchange Transactions

Balance sheet and off-balance sheet transactions are converted into euros at the end of each month at the prevailing exchange rate of the currency in which the transactions are denominated. Corresponding gains or losses are immediately converted into euros at the exchange rate in effect on the day they are recorded in the income statement.

Realised and unrealised foreign exchange gains and losses on proprietary transactions of Compagnie de Financement Foncier are booked as foreign exchange income under "Gains or Losses on Trading Securities Transactions".

To date, Compagnie de Financement Foncier has not conducted any transaction in "non liquid" currencies. Furthermore, it is committed not to hold any open currency positions.

II-5 Securities Transactions

"Securities" include interbank market instruments, treasury bills, other negotiable debt securities, fixed-income securities, equity shares and variable income securities.

According to CRC Regulation No. 2005-01, securities are classified in the following categories: equity investments, other long-term securities, long-term investment securities, operational portfolio securities, short-term investment securities and trading securities.

Compagnie de Financement Foncier does not hold trading securities, operational portfolio securities or other long-term securities.

Moreover, as a société de crédit foncier, Compagnie de Financement Foncier cannot hold equity investments, even as a minority interest. It holds only one share in SGFGAS, which enables it to acquire loans guaranteed by the French government, by virtue of SGFGAS. This investment is

controlled by legislative authority.

II-5.1 Short-term investment securities

Short-term investment securities are securities that are not booked in the other categories.

Short-term investment securities are entered in the balance sheet on the date of acquisition and at their acquisition cost net of expenses. Accrued interest related to fixed-income securities are booked in the appropriate assets item as a double entry of the income statement item "Interest and Similar Income".

Premiums and discounts on short-term investment securities correspond to the difference, if any, between the acquisition cost and the redemption value of fixed-income securities. They are amortised over their remaining term to maturity.

Short-term investment securities are valued at the lower of acquisition cost or fair value. Unrealised losses are recognised by means of depreciations which may be evaluated within homogenous groups of securities. Unrealised gains recognised in other security categories do not offset these depreciations.

Gains from hedging instruments are taken into account when calculating depreciation. Unrealised gains are not recognised.

Gains and losses on sales of short-term investment securities as well as increases and reversals of depreciations appear under the item "Gains or Losses on Short-Term Investment Securities and Similar Instruments".

II-5.2 Long-term investment securities

Long-term investment securities are fixed-income securities with a fixed redemption date, acquired or reclassified from short-term investment securities with the manifest intention of and the financial capacity for holding them until maturity. The securities must not be subject to any existing legal or other constraint that could put the ability to hold them until maturity in jeopardy. The inclusion as long-term investment securities does not affect their classification as items protected against interest rate risk.

Long-term investment securities are booked on the date of their acquisition based on the same rules as short-term investment securities. Securities transferred from the short-term investment portfolio to the long-term investment portfolio are booked at their acquisition price; the depreciations set aside at the beginning of the financial year are carried forward for the remaining term to maturity of the securities in question.

The difference between acquisition cost and redemption price, as well as accrued interest are booked according to the same methods as the ones used for short-term investment securities.

A depreciation may be booked against them if there is a strong probability that the bank will not keep the securities until maturity due to new developments. Unrealised gains are not recognised.

Long-term investment securities shall not be sold or transferred to another category of securities, except in the situations described by CRC Regulation No. 2005-01.

Any gain or loss on disposals or increases and reversals of depreciations appear under the heading "Gains or Losses on Fixed Assets".

II-6 Fixed assets

Compagnie de Financement Foncier recorded as an intangible asset the difference between the market value and the net book value of the items transferred in 1999 by Crédit Foncier pursuant to the law of June 25, 1999, which stood at a gross amount of €119.4 million.

This intangible asset is amortised in the accounts according to a predetermined schedule, using annual amortisation rates calculated in 1999 on the basis of the expected decrease in the volume of the assets contributed, until they are fully eliminated in 2009.

The amortisation booked in 2007 amounted to €6.3 million.

II-7 Interbank loans and bonds

Debts to credit institutions and to customers are presented according to their initial term: "on demand" and "at maturity". Repurchase agreements involving securities are also included depending on their counterparty. Accrued interest is recorded in related payables.

The outstanding principal from bonds and loans is booked under liabilities on the balance sheet for the gross amount. Bonds and loans in foreign currencies are translated into euros at the prevailing exchange rate at the end of the financial year.

Issuing expenses, less any issuance premiums, are first booked for their full amount under "Commissions and Fees" in the years in which they are incurred. They are then amortised as follows:

- Recorded on the assets side of the balance sheet in accruals under "Deferred Expenses" as a double entry to the expense transfer account which appears under "Commissions and Fees – Income"
- Amortisation of the asset account over the term to maturity of the relevant loans, recorded as "Other Expenses from Banking Operations"

Issue and redemption premiums are amortised over the term of the loans to which they relate. They are booked as deferred charges in assets under "Deferred Expenses". They are amortised with the double entry being booked as "Interest and Similar Expenses on Bonds and Other Fixed-Income Securities".

II-8 Repurchase agreements

Repurchase agreements are recorded pursuant to CRBF Regulation No. 89-07, supplemented by Directive No. 94-06 from the French Banking Commission.

Securities related to repurchase agreements remain on the assignor's balance sheet. The assignor records the amount received as a liability, representing its debt towards the assignee. The assignee records the amount deposited as an asset, representing its claim against the assignor. When the accounts are closed, the repo securities and the debt vis-à-vis the assignee are evaluated according to the rules applicable to each of these transactions.

II-9 Fund for General Banking Risks

This fund is intended to cover risks inherent in Compagnie de Financement Foncier's business, pursuant to the requirements of Article 3 of CRBF Regulation No. 90-02 and the modified Directive No. 86-05 from the Banking Commission.

II-10 Forward Financial Instruments

Hedging and market transactions involving forward financial instruments for rates, currencies or shares are recorded pursuant to the provisions of CRBF Regulations No. 88-02 and 90-15. Commitments related to these transactions are posted in the off-balance sheet statements for the nominal value of the contracts. At December 31, the amount of these commitments represents the volume of unsettled transactions at the end of the accounting period.

Compagnie de Financement Foncier does not hold any option or firm forward contracts on regulated markets.

Interest rate and foreign exchange rate swaps include hedging transactions and macro-hedging transactions.

II-10.1 Interest Rate and Foreign Exchange Swaps and Forward Rate Agreements (FRA)

Interest rate swaps and foreign exchange swaps include isolated open positions, micro-hedging and macro-hedging contracts.

All of the foregoing are considered over-the-counter transactions. They are recorded based on the following principles:

- The commitments related to these transactions are posted in the off-balance sheet statements for the nominal value of unsettled contracts.
- Expenses and income relating to micro-hedging operations are posted in the income statement symmetrically to the hedged item and under the same item of the income statement.
- Expenses and income relating to macro-hedging operations are posted in the income statement on a proportional basis; estimated unrealised gains and losses compared to the market value are not recognised.

- Swap compensation receipts represent the market value, at the date of the transaction. The compensation receipts paid or received are amortised using the straight line method over the remaining term, for as long as the underlying agreement is maintained.

Until November 2005, Compagnie de Financement Foncier classified in micro-hedging all derivative instruments (swaps and rate caps) set up for hedging when the loan portfolios were acquired. This classification was originally chosen due to the regulations applicable to sociétés de crédit foncier. Amendments to the regulations caused the company to classify new transactions as macro-hedging swaps at the end of 2005. At the end of 2006, it also reclassified earlier transactions amounting to €7.7bn as macro-hedging swaps. New transactions are now recorded as macro-hedging swaps.

II-10.2 Caps and floors market rate contracts

Caps and floors rate contracts are classified in micro-hedging and macro-hedging. All of the foregoing are considered over-the-counter transactions. They are recorded according to the following principals:

- Premiums are booked in accruals and amortised over the remaining term of the hedged item.
- Interest rate differentials, paid or received at each payment date, constitute realised gains or losses; they are recognised under the same conditions as the gains and losses generated when an option is unwound, symmetrically to the hedged item.

At December 31, 2007, Compagnie de Financement Foncier did not have any rate cap or floor contract as an isolated open position.

II-11 Provisions for liabilities and expenses

This item covers provisions for liabilities and expenses not directly related to banking transactions as defined by Article L. 311-1 of the French Monetary and Financial Code and related transactions defined under Article L. 311-2 of the same code. Their purpose is clearly identified whenever their amount or maturity is uncertain. According to CRC Regulation No. 2000-06, such provisions can only be constituted if an obligation towards a third party exists at the end of the accounting period and it is not offset by a receivable from this third party.

It also covers provisions for liabilities and expenses related to banking transactions as defined by Article L. 311-1 of the French Monetary and Financial Code and related transactions defined under Article L. 311-2 of the same code, which are likely to occur in view of events that have occurred or are occurring. Their purpose is clearly identified whenever their amount or maturity is uncertain. They mainly comprise provisions for counterparty risks (cf. paragraph II-3.2).

They are presented in detail in note 12.

II-12 Income Taxes

Since January 1, 2007, Compagnie de Financement Foncier is no longer included in the fiscal integration of CNCE. Indeed, CNCE's stake in Crédit Foncier no longer exceeds 95% ever since CNCE sold part of its stake in Crédit Foncier to Nexity.

In 2007, Compagnie de Financement Foncier reported taxable income in the income statement which resulted in an income tax charge at the full rate amounting to €28.4 million.

Note 1a: Due from banks

(in thousands of euros)

	Performing loans			Doubtful loans			Provisions			Net amounts		
	2007	2006	2005	2007	2006	2005	2007	2006	2005	2007	2006	2005
Non-group loans												
<u>On demand</u>												
Customer accounts	35,541	1,859	3,337							35,541	1,859	3,337
Loans and accounts			209,000									209,000
Related receivables			27									27
Non-allocated securities	167									167		
Sub-total on demand	35,708	1,859	212,364							35,708	1,859	212,364
<u>At maturity</u>												
Loans and accounts	3,004,005	1,847,957	1,259,164			218				3,004,005	1,847,957	1,259,382
Related receivables	43,831	37,833	34,156							43,831	37,833	34,156
Sub-total at maturity	3,047,836	1,885,790	1,293,320			218				3,047,836	1,885,790	1,293,538
Total non-group loans	3,083,544	1,887,649	1,505,684			218				3,083,544	1,887,649	1,505,902
Group loans												
<u>On demand</u>	865,772	101,227	57,096							865,772	101,227	57,096
<u>At maturity</u>	5,877,708	4,060,326	3,018,547							5,877,708	4,060,326	3,018,547
Sub-total	6,743,480	4,161,553	3,075,643							6,743,480	4,161,553	3,075,643
Total Group loans	6,743,480	4,161,553	3,075,643							6,743,480	4,161,553	3,075,643
Grand total ⁽¹⁾	9,827,024	6,049,202	4,581,327			218				9,827,024	6,049,202	4,581,545

⁽¹⁾ Of which subsidised sector 1,341 1,606 2,362 68

Note 1b: Breakdown of loans at maturity to banks

(in thousands of euros)

	12/31/2007			12/31/2006	12/31/2005
	Gross	Provision	Net		
Term loans					
Refinancing of subsidised residential property	1,341		1,341	1,606	2,362
Refinancing of unsubsidised residential property	4,066		4,066	5,073	6,197
Public authorities	1,629,029		1,629,029	1,659,043	1,283,721
Structured financing					
Other loans to banks	7,291,108		7,291,108	4,280,394	3,019,587
Doubtful term loans					218
Total	8,925,544		8,925,544	5,946,116	4,312,085

Note 2a: Customer loans

(in thousands of euros)

	Performing loans			Doubtful loans			Provisions			Net amounts		
	2007	2006	2005	2007	2006	2005	2007	2006	2005	2007	2006	2005
Customer loans												
Commercial loans												
Export credits												
Short-term loans ⁽²⁾	4,178,660	715,190								4,178,660	715,190	
Equipment loans	8,986,224	4,700,364	4,330,369	4,354	10,602	10,906	537	3,637	2,970	8,990,041	4,707,329	4,338,305
Residential property loans	21,925,055	19,400,655	17,910,060	593,243	660,673	633,199	19,212	19,870	22,055	22,499,086	20,041,458	18,521,204
Other customer loans	27,797	18,738	16,784	1,255	1,391	1,377	827	771	631	28,225	19,358	17,530
Loans to financial customers												
Non-allocated securities	37	200	355							37	200	355
Subordinated loans												
Related receivables	244,665	156,859	151,948	2,959	3,131	3,638				247,624	159,990	155,586
Non-allocated securities												
Sub-total	35,362,438	24,992,006	22,409,516	601,811	675,797	649,120	20,576	24,278	25,656	35,943,673	25,643,525	23,032,980
Customer accounts												
Customer accounts												
Related receivables												
Sub-total												
Total loans	35,362,438	24,992,006	22,409,516	601,811	675,797	649,120	20,576	24,278	25,656	35,943,673	25,643,525	23,032,980
Grand total ⁽¹⁾	35,362,438	24,992,006	22,409,516	601,811	675,797	649,120	20,576	24,278	25,656	35,943,673	25,643,525	23,032,980
of which subsidised sector ⁽¹⁾	1,717,500	2,211,663	3,071,459	235,816	300,682	346,447	5,850	2,971	3,896	1,947,466	2,509,374	3,414,010
of which unsubsidised sector ⁽¹⁾	33,644,938	22,780,343	19,338,057	365,995	375,115	302,673	14,726	21,307	21,760	33,996,207	23,134,151	19,618,970

Note: Compagnie de Financement Foncier does not include any intra-Group loans in customer loans

⁽²⁾ In 2006, Compagnie de Financement Foncier acquired Crédit Foncier's loan to the French state-owned Trésor related to the découvert sur Prime d'Epargne Logement. In 2007, it purchased Ixis CIB loans, which include revolving credit lines amounting to €3,213 million at the end of December.

Note 2b1: Depreciations and provisions for counterparty risks

(in thousands of euros)

	12/31/2005	Increases	Reversals	12/31/2006	Increases	Reversals	12/31/2007
Provisions recorded as a deduction from assets							
Customer loans and due from banks ⁽¹⁾	25,656	42,377	-43,755	24,278	13,752	-17,454	20,576
Provisions recorded in liabilities							
Customer loans and due from banks and from securities	9,594	72	-3,292	6,374	4,223	-2,005	8,592
Total	35,250	42,449	-47,047	30,652	17,975	-19,459	29,168

⁽¹⁾ Provisions for depreciation of loans are booked at their present value, as per CRC 2002-03.

Note 2b2: Premiums / discounts on acquired loans

(in thousands of euros)

	12/31/2005	New entries	Amortisation	12/31/2006	New entries	Amortisation	12/31/2007
Due from banks							
Premiums	170,478		-17,650	152,828		-18,262	134,566
Discounts							
Net	170,478		-17,650	152,828		-18,262	134,566
Customer loans							
Premiums	307,655	123,342	-55,122	375,875	75,670	-60,303	391,242
Discounts	-53,810	-157,694	10,220	-201,284	-123,442	21,891	-302,835
Net	253,845	-34,352	-44,902	174,591	-47,772	-38,412	88,407
Total	424,323	-34,352	-62,552	327,419	-47,772	-56,674	222,973

Note 2c: Breakdown of outstanding customer loans

(in thousands of euros)

	12/31/2007			12/31/2006	12/31/2005
	Brut	Dépréciations	Net		
Loans to households	17,717,637		17,717,637	15,765,988	14,398,004
Individuals	16,803,375		16,803,375	15,008,163	13,724,346
- Subsidised residential property	1,182,781		1,182,781	1,590,578	2,270,909
- Unsubsidised residential property	15,619,828		15,619,828	13,416,374	11,451,254
- Other	766		766	1,211	2,183
Individual entrepreneurs	914,262		914,262	757,825	673,658
- Subsidised residential property	71,224		71,224	92,820	128,300
- Unsubsidised residential property	842,919		842,919	664,696	544,747
- Other	119		119	309	611
Loans to companies	17,644,801		17,644,801	9,226,018	8,011,511
Regional public sector (local communities)	13,962,132		13,962,132	5,904,081	4,792,398
Social organisations	3,511,840		3,511,840	3,144,564	3,023,986
- Subsidised residential property	293,029		293,029	333,166	440,905
- Unsubsidised residential property	3,142,720		3,142,720	2,598,383	2,383,864
- Other	76,091		76,091	213,015	199,217
Real estate professionals					
- Unsubsidised residential property					
- Other					
Real estate investors	114,728		114,728	133,643	150,522
- Subsidised residential property	24,238		24,238	30,619	32,306
- Unsubsidised residential property	88,079		88,079	98,765	110,004
- Other	2,411		2,411	4,259	8,212
Structured financing	7,272		7,272	8,610	10,144
- Transportation	6,436		6,436	7,425	8,651
- Large projects	836		836	1,185	1,493
- Other	48,829		48,829	35,120	34,461
Sub-total customer loans	35,362,438		35,362,438	24,992,006	22,409,515
Doubtful loans	601,811	20,576	581,235	651,519	623,464
- Of which subsidised sector	235,816	5,850	229,966	297,711	342,551
- Of which unsubsidised sector	365,995	14,726	351,269	353,808	280,913
Total customer loans⁽¹⁾	35,964,249	20,576	35,943,673	25,643,525	23,032,979
⁽¹⁾ of which subsidised sector	1,953,316	5,850	1,947,466	2,509,374	3,414,010
of which unsubsidised sector	34,010,933	14,726	33,996,207	23,134,151	19,618,969

Note 2d: Breakdown of doubtful loans

(in thousands of euros)

December 31, 2007	Total doubtful loans			Of which compromised doubtful loans		
	Gross	Provisions	Net	Gross	Provisions	Net
Loans to households	438,873	9,114	429,759	14,709	1,165	13,544
Individuals	399,456	5,645	393,811	11,582	509	11,073
- Subsidised residential property	93,147	43	93,104			
- Unsubsidised residential property	306,162	5,538	300,624	11,582	509	11,073
- Other	147	64	83			
Individual entrepreneurs	39,417	3,469	35,948	3,127	656	2,471
- Subsidised residential property	12,728	3	12,725			
- Unsubsidised residential property	26,636	3,466	23,170	3,127	656	2,471
- Other	53		53			
Loans to companies	162,938	11,462	151,476	1,179	411	768
Regional public sector (local communities)	5,858	250	5,608			
Social organisations	16,402	513	15,889			
- Subsidised residential property	3,149	7	3,142			
- Unsubsidised residential property	13,228	481	12,747			
- Other	25	25				
Real estate professionals						
- Unsubsidised residential property						
- Other						
Real estate investors	139,321	10,642	128,679	1,179	411	768
- Subsidised residential property	125,534	5,798	119,736			
- Unsubsidised residential property	11,954	4,534	7,420	1,153	411	742
- Other	1,833	310	1,523	26		26
Structured financing						
- Transportation						
- Large projects						
Other	1,357	57	1,300			
Total ⁽¹⁾	601,811	20,576	581,235	15,888	1,576	14,312

⁽¹⁾ of which subsidised sector 235,816 5,850 229,966

of which unsubsidised sector ⁽²⁾ 365,995 14,726 351,269 15,888 1,576 14,312

⁽²⁾ The amount of doubtful loans in the private sector includes €182.95 million of SGFGAS-guaranteed loans.

In accordance with CRC Regulation No. 2005-03, compromised doubtful loans do not include loans that benefit from a guarantee covering almost all risks, such as loans to the subsidised sector and French State-guaranteed PAS loans.

Note 2d: Breakdown of doubtful loans (cont'd)

(in thousands of euros)

December 31, 2006	Total doubtful loans			Of which compromised doubtful loans		
	Gross	Provisions	Net	Gross	Provisions	Net
Loans to households	461,653	11,072	450,581	29,789	7,010	22,779
Individuals	413,880	7,961	405,919	22,809	4,365	18,444
- Subsidised residential property	104,584	159	104,425			
- Unsubsidised residential property	309,178	7,757	301,421	22,725	4,321	18,404
- Other	118	45	73	84	44	40
Individual entrepreneurs	47,773	3,111	44,662	6,980	2,645	4,335
- Subsidised residential property	18,114		18,114			
- Unsubsidised residential property	29,597	3,060	26,537	6,928	2,594	4,334
- Other	62	51	11	52	51	1
Loans to companies	214,143	13,206	200,937	13,756	9,618	4,138
Regional public sector (local communities)	3,007	60	2,947	9	3	6
Social organisations	42,746	3,375	39,371	3,248	3,113	135
- Subsidised residential property	27,815		27,815			
- Unsubsidised residential property	11,715	287	11,428	32	25	7
- Other	3,216	3,088	128	3,216	3,088	128
Real estate professionals						
- Unsubsidised residential property						
- Other						
Real estate investors	167,335	9,751	157,584	10,340	6,499	3,841
- Subsidised residential property	149,071	2,811	146,260			
- Unsubsidised residential property	16,146	5,774	10,372	8,535	5,335	3,200
- Other	2,118	1,166	952	1,805	1,164	641
Structured financing						
- Transportation						
- Large projects						
Other	1,056	20	1,036	158	3	155
Total ⁽¹⁾	675,797	24,278	651,519	43,544	16,628	26,916
¹⁾ of which subsidised sector	300,682	2,971	297,711			
of which unsubsidised sector ⁽²⁾	375,115	21,307	353,808	43,544	16,628	26,916

⁽²⁾ Outstanding doubtful loans in the private sector include €178.7 million in loans guaranteed by SGFGAS.

Note 2d: Breakdown of doubtful loans (cont'd)

(in thousands of euros)

December 31, 2005	Total doubtful loans			Of which compromised doubtful loans		
	Gross	Provisions	Net	Gross	Provisions	Net
Loans to households	418,589	14,087	404,502	31,656	7,213	24,443
Individuals	368,236	10,257	357,979	23,780	4,177	19,603
- Subsidised residential property	123,756	1,365	122,391			
- Unsubsidised residential property	244,306	8,853	235,453	23,679	4,147	19,532
- Other	174	39	135	101	30	71
Individual entrepreneurs	50,353	3,830	46,523	7,876	3,036	4,840
- Subsidised residential property	21,954	165	21,789			
- Unsubsidised residential property	28,192	3,623	24,569	7,733	2,994	4,739
- Other	207	42	165	143	42	101
Loans to companies						
Regional public sector (local communities)	5,358	486	4,872	506	306	200
Social organisations	33,747	2,522	31,225	2,430	2,274	156
- Subsidised residential property	28,705	52	28,653			
- Unsubsidised residential property	2,687	255	2,432	97	59	38
- Other	2,355	2,215	140	2,333	2,215	118
Real estate professionals						
- Unsubsidised residential property						
- Other						
Real estate investors	189,840	8,411	181,429	13,217	6,238	6,979
- Subsidised residential property	169,027	2,133	166,894			
- Unsubsidised residential property	19,095	5,278	13,817	11,639	5,238	6,401
- Other	1,718		718	1,578	1,000	578
Structured financing						
- Transportation						
- Large projects						
Other	1,586	150	1,436	462	130	332
Total ⁽¹⁾	649,120	25,656	623,464	48,271	16,161	32,110
⁽¹⁾ of which subsidised sector	346,447	3,896	342,551			
of which unsubsidised sector ⁽²⁾	302,673	21,760	280,913	48,271	16,161	32,110

⁽²⁾ Outstanding doubtful loans to the private sector include €156.9 million in loans guaranteed by SGFGAS.

Note 3a: Bonds and other fixed-income securities

(in thousands of euros)

	12/31/2007			12/31/2006	12/31/2005
	Gross	Provisions	Net		
Bonds and other fixed income securities⁽¹⁾					
Short-term investment securities					
- Listed securities	320,134	916	319,218	319,798	319,239
- Unlisted securities	10,131,200		10,131,200	7,467,000	5,521,400
Long-term investment securities⁽²⁾					
- Listed securities	29,430,211		29,430,211	21,879,281	15,319,530
- Unlisted securities	3,698,548		3,698,548	5,942,656	6,349,320
Related receivables	325,174		325,174	185,806	136,935
Total⁽³⁾	43,905,267	916	43,904,351	35,794,541	27,646,424

⁽¹⁾ Shares of securitisation funds under this item represent €25,130,556k (excluding related receivables).

⁽²⁾ At December 31, 2007, underlying capital losses on long-term investment securities totalled €125,950k on an overall portfolio of €33bn (data made available pursuant to CRC Regulation No. 2004-16 of November 23, 2004 related to information provided pursuant to the transposition of European "Fair value" and "Modernisation" directives). The majority of the capital loss is the result of interest rate value depreciation (effect of rising short-term rates in 2007). Micro-hedging swaps are used to cover such risks.

⁽³⁾ There are no doubtful loans in the securities portfolio.

Note 3b: Premiums / discounts

(in thousands of euros)

As of December 31, 2007	Gross Amount	Redemption Value	Difference +/-
Short-term investment securities			
Bonds	298,025	299,194	1,169
Other fixed income securities	10,153,309	10,153,305	-4
Long-term investment securities			
Bonds	7,917,508	7,905,301	-12,207
Other fixed income securities	25,211,251	25,209,113	-2,138

Note 3c: Market values

(in thousands of euros)

As of December 31, 2007	Gross Amount	Redemption Value	Difference +/-
Short-term investment securities			
Bonds	298,025	298,333	308
Other fixed income securities	10,153,309		N/A
Long-term investment securities			
Bonds	7,917,508	8,101,686	184,178
Other fixed income securities	25,211,251	25,374,772	163,521

Note 3d: Financial fixed assets

(in thousands of euros)

	Gross amount at 12/31/2005	Acquisitions	Disposals/ Repayments	Change in premiums/ discounts	Currency differences	Gross amount at 12/31/2006	Acquisitions	Disposals/ Repayments	Change in premiums/ discounts	Currency differences	Gross amount at 12/31/2007
Long-term investment securities	21,668,850	26,336,524	-20,111,687	10,840	-82,590	27,821,937	35,252,868	-29,852,464	1,126	-94,708	33,128,759
Total	21,668,850	26,336,524	-20,111,687	10,840	-82,590	27,821,937	35,252,868	-29,852,464	1,126	-94,708	33,128,759
Related receivables	120,598					172,484					254,750
Grand total	21,789,448	26,336,524	-20,111,687	10,840	-82,590	27,994,421	35,252,868	-29,852,464	1,126	-94,708	33,383,509

Note 4a: Intangible and tangible fixed assets

(in thousands of euros)

	Gross amount at 12/31/2006	Acquisitions in 2007	Disposals in 2007	Gross amount at 12/31/2007	Amortisation and provisions	Net amount at 12/31/2007	Net amount at 12/31/2006	Net amount at 12/31/2005
Intangible fixed assets								
Difference intangible/CFF equity contribution	119,408			119,408	111,592	7,816	14,066	21,536
Other intangible fixed assets	4		4				4	4
Total	119,412		4	119,408	111,592	7,816	14,070	21,540

Note 4b: Amortisation and depreciation of intangible and tangible fixed assets

(in thousands of euros)

	Amount at 12/31/2005	Increases in 2006	Reversals in 2006	Amount at 12/31/2006	Increases in 2007	Reversals in 2007	Amount at 12/31/2007
Intangible fixed assets	97,872	7,470		105,342	6,250		111,592
Total	97,872	7,470		105,342	6,250		111,592

Note 5: Other assets

(in thousands of euros)

	12/31/2007	12/31/2006	12/31/2005
Conditional instruments purchased	17,186	24,439	32,774
Miscellaneous receivables	15,732	38,930	1,497
Special bonus account	137,080	146,608	134,257
Total	169,998	209,977	168,528

Note 6a: Prepayments, deferred charges and accrued income

(in thousands of euros)

	12/31/2007	12/31/2006	12/31/2005
Deferred charges ⁽¹⁾			
Issue and redemption of premiums	391,601	277,668	170,238
Other deferred charges	55,644	45,537	42,473
Other prepayments, deferred charges and accrued income			
Prepayments	180,783	173,699	153,646
Accrued income ⁽²⁾	2,427,847	1,674,538	1,139,639
Other ⁽³⁾	1,488,557	803,407	444,228
Total	4,544,432	2,974,849	1,950,224

⁽¹⁾ Deferred charges consist of issue premiums on long-term loans and debt securities. See following table entitled «Deferred Charges». Other deferred charges correspond to loan issue fees to be amortised over the remaining term until the loans reach maturity.

⁽²⁾ Includes accrued income of €2,420,601k on swaps contracts at Dec. 31, 2007.

⁽³⁾ Includes borrower accounts (pending payments on loan accounts) and released loan funds on behalf of CF: €1,277,970k at Dec. 31, 2007 compared to €503,185k in 2006 and €223,247k in 2005 (see note 11).

Note 6b: Deferred charges

(in thousands of euros)

	12/31/2007	12/31/2006	12/31/2005
Issue and redemption of premiums			
Debt securities			
Mortgage Bonds (obligations foncières)			
Subsidised sector	4,099	5,044	6,734
Other sectors	387,205	272,144	162,841
Negotiable debt securities (B.M.T.N.)	297	480	663
Total issue and redemption of premiums	391,601	277,668	170,238
Other deferred charges			
Loan and bond issuance costs	55,644	45,537	42,473
Total other deferred charges	55,644	45,537	42,473
Total deferred charges	447,245	323,205	212,711

Note 7: Due to banks

(in thousands of euros)

	12/31/2007	12/31/2006	12/31/2005
Due to non-Group banks			
<u>On demand</u>			
Current accounts			1,277
Other amounts due	50	317	334
Related payables			
Sub-total	50	317	1,611
<u>At maturity</u>			
Term loans ⁽¹⁾	154,148	175,970	311,216
Securities subject to repurchase agreement	1,603,611		
Related payables	10,025	4,832	8,138
Sub-total	1,767,784	180,802	319,354
Total due to non-Group banks	1,767,834	181,119	320,965
Due to Group banks			
<u>On demand</u>	559,076	9,844	9,263
<u>At maturity</u>	2,791,037		
Term loans	1,829,348	1,275,740	952,743
Securities subject to repurchase agreements	961,689		
Total due to Group banks	3,350,113	1,285,584	962,006
Grand total	5,117,947	1,466,703	1,282,971
⁽¹⁾ Of which subsidised sector	9,971	18,854	141,259

Note 8: Customer deposits

(in thousands of euros)

	12/31/2007	12/31/2006	12/31/2005
Other liabilities			
<u>Non-group</u>			
Other amounts due to customers	91,152	122,416	29,914
Total	91,152	122,416	29,914

Note 9: Debt securities

(in thousands of euros)

	12/31/2007	12/31/2006	12/31/2005
Negotiable debt securities ⁽¹⁾	191,923	241,924	286,072
Mortgage Bonds ("obligations foncières") ⁽²⁾	77,329,972	60,167,293	48,692,035
Related payables	2,070,067	1,521,335	1,063,432
Grand total	79,591,962	61,930,552	50,041,539
⁽¹⁾ of which subsidised sector	41,923	41,923	41,923
⁽²⁾ of which subsidised sector *	1,194,225	1,668,777	2,584,296

All of these debt securities benefit from a priority right of payment.

* Borrowing from the subsidised sector includes a total of 100 million pounds sterling explicitly guaranteed by the French State.

Note 10: Other liabilities

(in thousands of euros)

	12/31/2007	12/31/2006	12/31/2005
Other payables ⁽¹⁾	37,963	950,391	28,655
Related payables	2,598	133	1,734
Conditional instruments sold	200	305	435
Allocated public funds ⁽²⁾	281,333	317,616	357,038
Deposits received	184,300	332,030	681,850
Total	506,394	1,600,475	1,069,712
⁽²⁾ Of which subsidised sector	116,631	254,152	293,814

⁽¹⁾ In 2006, this item included a €890 million loan at maturity, due on December 30th, but whose settlement date was deferred until January 2, 2007 according to interbank settlement rules.

Note 11: Accruals and deferred income

(in thousands of euros)

	12/31/2007	12/31/2006	12/31/2005
Other liability adjustment accounts			
Prepaid FGAS subsidies	504,348	570,100	549,147
Other pre-payments	609,323	496,253	351,622
Accruals ⁽¹⁾	1,444,575	826,963	572,499
Adjustment accounts ⁽²⁾	1,307,375	701,421	142,271
Other ⁽³⁾	388,344	195,404	644,705
Total	4,253,965	2,790,141	2,260,244

⁽¹⁾ Includes accrued expenses of €1,379,417k on swaps contracts at December 31, 2007.

⁽²⁾ This account is the double entry to assets and liabilities after recognition in the income statement of gains and losses arising on the valuation of off-balance sheet transactions (See Note 17).

⁽³⁾ Includes borrower accounts of €204,368k at December 31, 2007 compared to €114,347k at December 31, 2006 and €42,821 at December 31, 2005 (See Note 6).

Note 12: Provisions

(in thousands of euros)

	12/31/2005	12/31/2006			12/31/2007				
	Balance	Increases	Reversals used	Reversals not used	Balance	Increases	Reversals used	Reversals not used	Balance
Provisions for liabilities and charges on banking operations									
Provisions for litigation	443		42	290	111				111
Provisions for tax litigation ⁽¹⁾	275	14,711	11,094		3,892		212		3,680
Provisions for amortisation of loans									
- Subsidised sector									
- Unsubsidised sector	822			822					
Provisions for losses on commitments									
Provisions for liabilities and charges on financial instruments									
Provisions for liabilities and charges - cost of risk									
Provisions for potential risks on non-doubtful loans ⁽²⁾	9,594	72	3,292		6,374	4,223	212	2,005	8,592
Total	11,134	14,783	14,428	1,112	10,377				12,383

⁽¹⁾ In 2006, the tax litigation provision corresponded to accrued interest in FCC shares for the 2005 financial year (€3,628k) and V.A.T. and "taxe professionnelle" adjustments (€264k).

In 2007, it corresponds to accrued interest in FCC shares from 2005.

⁽²⁾ See paragraph II.3.2 of the appendix.

In 2006, the reversal of €3.3 million mainly concerned the dynamic provision "client"

In 2007, the provision of €4.2 million mainly concerns the dynamic provision "client" and the reversal of €2 million includes the reversal of €1,146k for the dynamic provision "credit institution" and the reversal of the Neiertz provision of €859k.

Note 13: Subordinated debt

I – Amounts in financial statements

(in thousands of euros)

Description	Amount at 12/31/2007	Amount at 12/31/2006	Amount at 12/31/2005
Redeemable subordinated notes "RSNs" ⁽¹⁾	2,900,000	900,000	900,000
Subordinated participating loan	1,350,000	1,350,000	1,350,000
Related payables	665	550	491
Total subordinated debt	4,250,665	2,250,550	2,250,491

II – Detailed information concerning subordinated debt

a) Financial Characteristics

Category	Date of issue	Maturity date	Rate	Repayment terms	Amount at 12/31/2007
Redeemable subordinated notes "RSNs"	12/30/2003	12/30/2043	Euribor 3 months+0.5%	At maturity	2,900,000
Subordinated participating loan from Crédit Foncier de France rescheduled on June, 2002	10/22/1999	10/21/2040	TAM + 2.5%	At maturity	1,350,000

b) Opportunity and conditions for early repayment

- On the subordinated participating loan
Compagnie de Financement Foncier has the right to reimburse all or part of the loan before maturity without penalty.
- On the redeemable subordinated notes «RSN»
The RSNs were placed privately with Crédit Foncier and therefore, from a prudential standpoint, are not representative of the shareholders' equity of the Crédit Foncier Group. Compagnie de Financement Foncier has decided not to repay RSNs early for the entire duration of the loan. However, it reserves the right to redeem these instruments prior to maturity, as these transactions have no impact on the normal repayment schedule of outstanding securities. Repurchased RSNs are cancelled. Nevertheless, if Crédit Foncier were to sell these securities to entities outside the Group, they would become representative of shareholders' equity and their purchase would require the prior agreement of the French Banking Commission.

⁽¹⁾ includes €2 billion issued on December 28, 2007, comparable to the issue on December 30, 2003

c) Conditions relating to interest rate payable

- On the subordinated participating loan
In order to ensure the company's profitability, interest is only due if net income for the year in which the interest is due, after payment of that interest, is at least €10 million. Consequently, if net income before payment of the interest were less than €10 million, no interest would be due and it would not be carried over to subsequent years. If net income before payment of the interest exceeds €10 million but falls below this amount after payment of the interest, this interest is reduced by a corresponding amount, and the amount of interest that exceeds the interest thus reduced is not be carried forward to subsequent years.
- On the redeemable subordinated notes "RSNs"
Any unpaid interest is carried over as unsecured debt.

Note 14a: Statement of changes in equity

(in thousands of euros)

	Opening balance 01/01/2006	Allocations	Changes in capital and reserves		Balance at 12/31/2006	Allocations	Changes in capital and reserves		Balance at 12/31/2007
			Dividends paid in shares	Other change			Dividends paid in shares	Other change	
Capital stock ⁽¹⁾	110,000		22,000		132,000		22,000		154,000
Share premiums ⁽¹⁾	144,223		65,519		209,742		61,325		271,067
Reserves									
Legal reserve	11,000	2,200			13,200	2,200			15,400
General reserve	55,517				55,517				55,517
Regulated reserves									
of which									
Regulated revaluation reserves									
<i>Special long-term capital gains reserves</i>									
<i>Retained earnings</i>	30,923	-3,783		-266	26,874	-23,183			3,691
Net shareholders' equity before income for the year	351,663	-1,583	87,519	-266	437,333	-20,983	83,325		499,675
Income for the year before distribution	85,936				62,342				53,151
Net shareholders' equity after income for the year	437,599	-1,583	87,519	-266	499,675	-20,983	83,325		552,826
Dividends distributed		87,519				83,325			
	Opening balance 01/01/2006	Allocations	Changes in provisions		Balance at 12/31/2006	Allocations	Changes in provisions		Balance at 12/31/2007
			Increases	Reversals			Increases	Reversals	
Regulated revaluation reserves									
Other regulated reserves									
Regulated reserves									
Amount of shareholders' equity before dividends	437,599	-1,583	87,519	-266	499,675	- 20,983	83,325		552,826
	Opening balance	Allocations	Changes in FRBG		Balance at 12/31/2006	Allocations	Changes in FRBG		Balance at 12/31/2007
			Increases	Reversals			Increases	Reversals	
Fund for general banking risks	20,000				20,000				20,000
Total	457,599	-1,583	87,519	-266	519,675	-20,983	83,325		572,826

⁽¹⁾ The capital stock consists of 9,625,000 ordinary shares with a par value of €16, which all benefit from the same rights.

No revaluation has been carried out to date.

During the year, 1,375,000 new shares were issued, with a par value of €16.

Note 14b: Proposed allocation of income

(in thousands of euros)

Sources		
Retained earnings		3,691
Net income for the year		53,151
Drawing from reserves		
Allocations		
Allocation to reserves		
- Legal reserve		
- Special long-term capital gains reserves		
- Other reserves		
Dividends		
Other distributions		
Retained earnings	56,842	
Total	56,842	56,842

Note 15: Commitments given

(in thousands of euros)

	2007		2006		2005	
	Net authorisations	Amounts not drawn down	Net authorisations	Amounts not drawn down	Net authorisations	Amounts not drawn down
Subsidised sector						
Non-Group commitments						
Banks						
Customers				8		162
Sub-total subsidised sector				8		162
Competitive sector						
Non-Group commitments						
Banks		114,824				
Customers	364,346	8,320,233	498,927	1,215,757	250,000	364,708
Sub-total competitive sector	364,346	8,435,057	498,927	1,215,757	250,000	364,708
	364,346	8,435,057	498,927	1,215,765	250,000	364,870
Total ⁽¹⁾	8,799,403		1,714,692		614,870	

Amounts not drawn down represent the fractions that remain to be drawn on loans already partially put in place.

Net authorisations represent the amount of loans authorised but which have not yet been put in place.

⁽¹⁾ At December 31, 2007, doubtful commitments amounted to €3,311k.

Financing commitments given to customers increased in 2007 due to the increased number of transactions conducted with the public sector:

- Interactive credit lines: €3,421 million
- Local authority public sector: €997 million
- Revolving credit lines (loans repurchased from Ixis CIB): €2,498 million
- Treasury (housing savings premium): €157 million

Note 16: Commitments received

(in thousands of euros)

	2007	2006	2005
Financing commitments			
Non-Group commitments			
Banks		40,000	
Sub-total		40,000	
Group commitments ⁽¹⁾	573,407	591,472	1,303,249
Total	573,407	631,472	1,303,249
Guarantee commitments			
Non-Group commitments			
Banks ⁽²⁾	2,033,029	1,102,765	414,518
Customers ⁽³⁾	31,503,322	18,561,261	16,530,429
Sub-total	33,536,351	19,664,026	16,944,947
Group commitment ⁽⁴⁾	25,106,769	3,917,003	3,745,463
Total	58,643,120	23,581,029	20,690,410
Total commitments received ⁽⁵⁾	59,216,527	24,212,501	21,993,659

⁽¹⁾ At December 31, 2007 group commitments included a €500,000k line of credit granted by Crédit Foncier and FCC share repurchase agreements amounting to €73,407k.

⁽²⁾ Includes €701,138k rated AA/Aa2, the remainder rated AAA.

- Guarantees received from Créserfi:

€29,666k

- Security enhancement guarantees received from insurance companies:

€1,299,679k

⁽³⁾ Compagnie de Financement Foncier posts guarantees to the balance sheet that are explicitly or implicitly related to certain types of customer loans on the balance sheet, in view of their materiality. At December 31, 2007, these guarantees are broken down as follows:

- State guarantees on subsidised sector loans:

€1,976,056k

- SFGAS guarantees on FGAS-eligible loans and repurchased by the state:

€7,134,833k

- Mortgage guarantees for mortgage loans benefiting from only one such guarantee:

€10,601,463k

- Guarantees granted by local authorities and other entities:

€1,800,802k

- Security enhancement guarantees granted by states:

€9,990,168k

These guarantees are identified since 2007.

⁽⁴⁾ Guarantee commitments received in connection with transactions to indirectly or directly transfer a credit risk to a AAA-rated European public entity totalling €4,224 million, €12,847 million with a European banking establishment benefiting from the highest possible credit rating as well as commitments received from a credit insurer for €2,343 million. They also include €150 million in guarantees on LTI Région Île-de-France as well as a guarantee received from CNCE in connection with local authority public sector loans purchased from IXIS for €5,516 million at December 31, 2007.

⁽⁵⁾ Compagnie de Financement Foncier is also covered by implicit guarantees of €978,985k on securities with integrated credit enhancements. This guarantee is obtained by the issuer of the securities.

Note 17: Foreign exchange transactions

(in thousands of euros)

	2007		2006		2005	
	Currency receivable	Currency payable	Currency receivable	Currency payable	Currency receivable	Currency payable
Forward transactions						
<u>Transactions directly with counterparties⁽¹⁾</u>						
<u>Financial swaps</u>						
Micro-hedging transactions						
- Subsidised sector	136,361	161,891	223,380	249,780	218,882	249,780
- Unsubsidised sector	18,013,606	19,295,401	14,025,118	14,700,040	11,590,496	11,701,075
Macro-hedging transactions						
- Subsidised sector						
- Unsubsidised sector						
Total hedging transactions	18,149,967	19,457,292	14,248,498	14,949,820	11,809,378	11,950,855
Forward transactions (nominal amounts)	18,149,967	19,457,292	14,248,498	14,949,820	11,809,378	11,950,855
Forward transactions (fair value)⁽²⁾	-1,457,834	-	-537,473	-	-250,175	-
Current cash transactions					64,305	65,000
Total foreign currency transactions	18,149,967	19,457,292	14,248,498	14,949,820	11,873,683	12,015,855
Total	37,607,259		29,198,318		23,889,538	

⁽¹⁾ Compagnie de Financement Foncier does not enter into any forward foreign currency contracts on regulated markets.

⁽²⁾ Data communicated pursuant to CRC Regulation No. 2004-16 of November 23, 2004 regarding information to be provided further to the transposition of the European "Fair value" and "Modernisation" directives.

Note 18: Forward financial instruments

(in thousands of euros)

	2007		2006		2005	
	Euros ⁽¹⁾	Other currencies ⁽²⁾	Euros ⁽¹⁾	Other currencies ⁽²⁾	Euros ⁽¹⁾	Other currencies ⁽²⁾
Transactions directly with counterparties ⁽³⁾						
Conditional transactions						
Micro-hedging transactions						
Purchases ⁽⁴⁾					1,604,936	
Sales	14,483		18,294		22,105	
Macro-hedging transactions						
Purchases ⁽⁴⁾	1,111,452		1,334,523			
Sales						
Other conditional transactions						
Purchases ⁽⁴⁾						
Sales						
Conditional transactions (nominal amounts)	1,125,935		1,352,817		1,627,041	
Conditional transactions (fair value) ⁽⁵⁾	8,934		5,452		5,547	
Firm transactions						
Micro-hedging transactions	95,242,727	333,155	63,555,478	360,072	59,515,028	356,148
Interest rate instruments	95,242,727	333,155	63,555,478	360,072	59,515,028	356,148
Exchange rate instruments						
Other instruments						
Macro-hedging transactions	29,444,882		20,545,271		11,231,593	
Interest rate instruments	29,444,882		20,545,271		11,231,593	
Exchange rate instruments						
Other instruments						
Other transactions						
Interest rate instruments						
Exchange rate instruments						
Other instruments						
Firm transactions (nominal amounts)	124,687,609	333,155	84,100,749	360,072	70,746,621	356,148
Firm transactions (fair value) ⁽⁶⁾	316,290	7,592	709,187	1,798	1,617,466	30,290
Firm and conditional transactions	125,813,544	333,155	85,453,566	360,072	72,373,662	356,148
Totals ⁽⁶⁾ (nominal amounts)	126,146,699		85,813,638		72,729,810	
Totals ⁽⁶⁾ (fair value)	332,816		716,437		1,653,303	

⁽¹⁾ Euro equivalent for non-euro currencies IN⁽²⁾ Euro equivalent currencies that became the euro OUT.⁽³⁾ Compagnie de Financement Foncier does not enter into any forward financial instruments on regulated markets.⁽⁴⁾ At the end of 2006, the Compagnie de Financement Foncier reclassified cap rate contracts as macro-hedging. They were previously classified as micro-hedging.⁽⁵⁾ Data communicated pursuant to CRC Regulation No. 2004-16 of November 23, 2004 regarding information to be provided further to the transposition of the European "Fair value" and "Modernisation" directives.⁽⁶⁾ At December 31, 2007, there were no outstanding doubtful loans relating to transactions on financial instruments.

Note 19: Interest and similar income⁽¹⁾⁽²⁾

(in thousands of euros)

	2007	2006	2005
- On transactions with banks	280,421	204,329	200,532
- On transactions with customers	1,361,388	1,195,288	1,089,457
- On bonds and other fixed income securities	1,839,978	1,691,496	1,216,241
- Other interest and similar income	13,178		112
Total	3,494,965	3,091,113	2,506,342
⁽¹⁾ Includes income from the subsidised sector	198,380	321,119	348,240

⁽²⁾ Includes €7k as reversals of discounts on restructured loans under non-market conditions

Note 20: Interest and similar expenses⁽¹⁾

(in thousands of euros)

	2007	2006	2005
- On transactions with banks	-116,378	-75,494	-69,158
- On transactions with customers	-5,416		-41,386
- On bonds and other fixed income securities	-3,043,014	-2,465,472	-1,996,221
- Related to subordinated debt	-131,109	-104,527	-86,739
- Other interest and similar expenses	-15,694	-260,184	-103,122
Total	-3,311,611	-2,905,677	-2,296,626
⁽¹⁾ Of which expenses from the subsidised sector	-161,091	-274,911	-289,882

Note 21: Net commissions and fees

(in thousands of euros)

	2007	2006	2005
Income	43,425	39,827	35,291
- On transactions with banks	2	2	1,218
- On transactions with customers	22,088	25,402	22,481
- Transfer of loan issuance costs/expenses	21,169	12,497	10,672
- On securities transactions			7
- Other commissions and fees	166	1,926	913
Expenses	-24,707	-15,565	-14,081
- On transactions with banks	-607	-72	-73
- On transactions with customers	-126	-512	-466
- On securities transactions ⁽¹⁾	-21,416	-12,809	-11,023
- On payment method transactions		-18	-33
- Other commissions and fees	-2,558	-2,154	-2,486
Net balance	18,718	24,262	21,210
⁽¹⁾ Of which loan issuance costs	21,416	12,809	11,023

Note 22: Gains and losses on trading portfolio transactions

(in thousands of euros)

	2007	2006	2005
Foreign exchange and arbitrage transactions	-1,501	-1,207	845
-Gains on foreign exchange and arbitrage transactions	476	326	1,012
-Losses on foreign exchange and arbitrage transactions	-1,977	-1,533	-167
Forward financial instrument transactions			
-Income from forward financial instruments			
-Expenses on forward financial instruments			
-Reversals in provisions for unrealised losses on interest-rate instruments			
-Increases in provisions for unrealised losses on interest-rate instruments			
Net balance	-1,501	-1,207	845

Note 23: Gains and losses on investment security transactions

(in thousands of euros)

	2007	2006	2005
-Gains on disposal ⁽¹⁾			9,406
-Losses on disposal			
-Reversals of provisions for loss of value	179	22	182
-Increases in provisions for loss of value	-1,090	-27	-175
Net balance	-911	-5	9,413

⁽¹⁾ In 2005, the Company sold short-term instrument securities for €174.2 million. This transaction generated a gain of €9,406k.

Note 24: Other income from banking operations

(in thousands of euros)

	2007	2006	2005
Reversals of provisions relating to banking transactions			
-Surplus of reversals over increases in provisions for amortisation of loans ⁽¹⁾		822	1,248
-Provision for claims and litigation on banking transactions		332	2
Other income from banking operations			
-Transfer of operating expenses			
* Flat-rate commissions on PAS loans			29
-Other sundry income from banking operations ⁽²⁾	2,258	106	34,431
Total	2,258	1,260	35,710

⁽¹⁾ Includes subsidised sector - - 428

⁽²⁾ Includes repayments of P.A.S. commissions by FGAS: 1,886 - 34,282

In 2005, the €34,282k amount includes the exceptional repayment of €22,532k in flat contributions and outstanding PAS loans, following the termination of the FGAS guarantee system.

In 2007, the Compagnie de Financement Foncier received dividends on PAS flat commissions from FGAS, for the periods from 1993 to 2002.

Note 25: Other expenses from banking operations

(in thousands of euros)

	2007	2006	2005
Increases in provisions relating to banking operations			
-Provision for claims and litigation on banking transactions			-43
Other expenses on banking operations			
-Commissions on PAS and PTZ loans paid to FGAS			5,136
-Amortisation of loan issuance expenses	-11,062	-9,406	-10,389
-Amortisation of flat-rate commissions on PAS loans ⁽¹⁾			-15,023
-Amortisation of the correcting account on PC and PAS loans	-3,133	-4,486	-5,695
-Other sundry expenses from banking operations	-63	-110	-1,089
Total	-14,258	-14,002	-27,103

⁽¹⁾ The flat-rate commissions on PAS loans to be amortised were paid in 2005, following the termination of the FGAS guarantee system.

Note 26: General operating expenses

(in thousands of euros)

	2007	2006	2005
-Personnel expenses	-77	-196	-261
-Taxes and duties	-8,222	-8,043	-6,433
-External services	-3,604	-3,848	-3,399
-Expenses invoiced by Crédit Foncier de France	-85,849	-83,500	-84,472
Total	-97,752	-95,587	-94,565

N. B.: the total amount of compensation received by members of management entities during the 2007 financial year was €54k.

Note 27a: Cost of risk

(in thousands of euros)

	2007	2006	2005
Provisions and losses on doubtful loans	-5,703	1,807	-4,269
-Increases in provisions (See Note 27 a)	-12,316	-35,589	-19,801
-Reversals of provisions	7,771	38,007	16,136
-Losses not covered by provisions	-1,158	-611	-604
<i>of which discounts on restructured loans</i>			
Losses provisioned for unrecoverable loans			
-Losses covered by provisions	-1,256	-515	-4,900
-Reversals of provisions used	1,256	515	4,900
Reversals of provisions used ⁽¹⁾	2,703	900	3,235
Net balance	-3,000	2,707	-1,034

⁽¹⁾ Includes recoveries for adjustment accounts

	2,033	515	2,391
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Note 27b: Increases in depreciations and provisions for loans

(in thousands of euros)

	2007	2006	2005
Provisions for doubtful loans			
-Provisions for loans to customers	8,093	35,517	13,753
Provisions for liabilities and charges-cost of risk			
-Provision for losses and charges on commitments			
-Provision for counterparty risks ⁽¹⁾	4,223	72	6,048
Total	12,316	35,589	19,801

⁽¹⁾ In 2005, a provision of €5,276k was made for Neiertz risks.

In 2007, a provision of €3,035k was made for "client" dynamic provisions and 988k for sectoral risks

Note 27c: Reversals of depreciation and provisions for loans

(in thousands of euros)

	2007	2006	2005
Provisions for doubtful loans			
-Provisions for loans to banks			
-Provisions for loans to customers	7,022	35,230	20,467
Provisions for liabilities and charges-cost of risk			
-Provision for losses and charges on commitments			14
-Provision for counterparty risks ⁽¹⁾	2,005	3,292	555
Total	9,027	38,522	21,036

⁽¹⁾ In 2006, a reversal of €2,298k for dynamic provisions "client".

In 2007, reversal of €1,146k for dynamic provisions "credit institutions" and reversal for Neiertz provision of €859k.

Note 28: Transactions with related enterprises and other investments

(in thousands of euros)

	Related enterprises		Other investments	Total
	Group ⁽¹⁾	Non-Group		
Transactions with banks				
-on demand	865,772			865,772
-at maturity	5,877,708			5,877,708
Loans payable				
-on demand	559,076			559,076
-at maturity	1,829,348			1,829,348
-securities subject to repurchase agreement	961,689			961,689
Commitments given				
-financing				
-guarantee				
Commitments received				
-financing	573,407			573,407
-guarantee	25,106,769			25,106,769
On securities transactions				
-Bonds and other fixed income securities	11,389,018			11,389,018
-Debt securities				
-Subordinated debt	4,250,664			4,250,664

⁽¹⁾ The definition of Group refers to the consolidated group to which Compagnie de Financement Foncier belongs. The company is fully integrated within the consolidated financial statements of Crédit Foncier de France, itself a part of the Caisse d'Epargne Group. As a result, the Group represents all of the fully and proportionally consolidated entities of the Caisse d'Epargne Group.

Note 29: Schedule of foreign exchange positions

C.O.B recommendation 89.01

(in thousands of euros)

Headings	Canadian \$	Australian \$	US \$	Hong Kong \$	Sterling £	Swiss franc	Yen	South African Rand	New Zealand \$	Brazilian Real	Other ⁽¹⁾	Total
Balance sheet												
Financial assets	49,873	16,636	1,087,390	2,013	109,814	1,005,535	1,266,298	1,302	59,933	15,999	19,079	3,633,872
Financial liabilities	563,716	804,333	7,332,361	86,421	1,915,135	2,363,951	1,104,786	57,672	10,852	219,56	224	14,459,013
Balance sheet differential (I)	-513,843	-787,697	-6,244,971	-84,408	-1,805,321	-1,358,416	161,512	-56,370	49,081	-203,563	-18,855	-10,825,141
Off -balance sheet												
Commitments received	593,463	787,731	7,132,665	84,407	2,133,329	2,501,964	2,400,885	56,370	70,103	203,563		15,964,480
Commitments given	79,583	0	887,323		327,916	1,142,712	2,562,331		119,180		18,851	5,137,896
Off balance sheet differential (II)	513,880	787,731	6,245,342	84,407	1,805,413	1,359,252	-161,446	56,370	-49,077	203 563	-18,851	10,826,584
Overall differential (I)+(II)	37	34	371	-1	92	836	66	0	4	0	4	1,443

Financial assets are comprised of amounts due from banks and customers.

Financial liabilities are comprised of amounts due to banks, customer deposits, and debt securities.

Foreign Exchange Position: the table above only shows the amount of transactions carried out by Compagnie de Financement Foncier on its own behalf and thus excludes transactions carried out on behalf of the French State.

⁽¹⁾ Hungarian forint, Mexican peso, Danish krone.

Note 30: Schedule of positions: liquidity risk

C.O.B. Recommendation 89.01

(in thousands of euros)

Headings	Remaining term to maturity					
	< 3 months	3M<T<6M	6M<T<1Y	1Y<T<5Y	>5 years	Total ⁽²⁾
Balance sheet						
Financial assets ⁽¹⁾	6,946,860	5,089,065	8,666,498	11,186,526	55,649,792	87,538,741
Due from banks	3,561,290	3,700,294	288,082	45,833	1,258,457	8,853,956
Customer loans	741,219	1,368,322	1,567,843	8,921,719	22,506,505	35,105,608
Bonds and other fixed income securities	2,644,351	20,449	6,810,573	2,218,974	31,884,830	43,579,177
Subordinate term loans						
Financial liabilities	6,256,042	1,266,521	2,981,898	29,402,815	46,388,400	86,295,676
Due to banks	2,387,086	216,107	42,671	74,433	1,803,485	4,523,782
Customer deposits						
Debt securities:	3,868,956	1,050,414	2,939,227	29,328,382	40,334,915	77,521,894
Liquidity notes						
Inter-bank market securities						
Negotiable debt securities	3,811	6,860	31,252		150,000	191,923
Bonds	3,865,145	1,043,554	2,907,975	29,328,382	40,184,915	77,329,971
Other debt securities						
Subordinated term debt					4,250,000	4,250,000
Balance sheet differential (I)	690,818	3,822,544	5,684,600	-18,216,289	9,261,392	1,243,065
Off -balance sheet						
Commitments given	2,017,539	896,866	2,686,017	2,863,114	332,555	8,796,091
Commitments received				500,000	73,407	573,407
Off balance sheet differential (II)	-2,017,539	-896,866	-2,686,017	-2,363,114	-259,148	-8,222,684
Total differential (I)+(II)	-1,326,721	2,925,678	2,998,583	-20,579,403	9,002,244	-6,979,619
Conditional positions	142,540	39,350	28,941	633,299	281,805	1,125,935

⁽¹⁾ Among the financial assets of the Compagnie de Financement Foncier, we have identified €22.7 billion worth of securities that meet refinancing eligibility requirements of the European Central Bank.

⁽²⁾ The difference with the amounts shown on the balance sheet is principally explained by unpaid loans, doubtful loans and related receivables.

Note 31: Financial results of the company over the last five financial years

(amounts in euros)

Description (amounts in euros)	2003	2004	2005	2006	2007
I) Financial situation at the end of the financial year					
a) Capital stock	100,000,000	100,000,000	110,000,000	132,000,000	154,000,000
b) Number of shares in issue	6,250,000	6,250,000	6,875,000	8,250,000	9,625,000
c) Number of bonds convertible into shares	None	None	None	None	None
II) Overall results from operations					
a) Revenue excluding taxes	2,303,969,000	2,389,429,000	2,587,600,757	3,130,988,425	3,538,236,200
b) Profit for the financial year before tax, employee profit sharing and net increase/reversal in amortisation and provisions	93,082,657	125,017,146	145,122,712	97,226,016	87,143,909
c) Income taxes	32,050,715	40,666,904	58,377,265	29,434,298	28,416,868
d) Employee profit sharing for the financial year	None	None	None	None	None
e) Profit for the financial year after tax, employee profit sharing and net increase/reversal in amortisation and provisions	31,714,173	72,867,183	85,935,735	62,342,078	53,151,105
f) Amount of profits distributed	12,500,000	35,687,500	87,518,750	83,325,000	
III) Results from operations per share					
a) Profit for the financial year after tax and employee profit sharing but before net increase/reversal in amortisation and provisions	9.77	13.50	12.62	8.22	6.1
b) Profit for the financial year after tax and employee profit sharing and net increase/reversal in amortisation and provisions	5.07	11.66	12.50	7.56	5.52
c) Dividend paid per share	2.00	5.71	12.73	10.10	
IV) Personnel					
a) Number of employees	Not significant	Not significant	Not significant	Not significant	Not significant
- Management category	Not significant	Not significant	Not significant	Not significant	Not significant
- Employee and Technician category	None	None	None	None	None
b) Total employee salaries	Not significant	Not significant	Not significant	Not significant	Not significant
c) Amount paid for social contributions and benefits (social security, other staff benefits, etc.)	Not significant	Not significant	Not significant	Not significant	Not significant

Note 32: Simplified company balance sheets for the last five years

(amounts in thousands of euros)

	12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003
Assets					
Cash due from central banks and post office accounts		4,725	2,363	6,684	140,251
Treasury notes and similar securities					161,860
Due from banks	9,827,024	6,049,202	4,581,545	8,857,377	7,437,379
Customer loans	35,943,673	25,643,525	23,032,980	20,533,958	20,484,770
Bonds and other fixed-income securities	43,904,351	35,794,541	27,646,424	17,119,338	11,994,182
Fixed assets	7,816	14,070	21,540	31,144	43,492
Other assets	169,998	209,977	168,528	212,296	206,107
Prepayments, deferred charges and accrued income	4,544,432	2,974,849	1,950,224	2,434,008	2,058,202
Total assets	94,397,294	70,690,889	57,403,604	49,194,805	42,526,243
Liabilities					
Central banks, post office accounts					
Due to banks	5,117,947	1,466,703	1,282,971	1,468,162	2,119,344
Customer deposits	91,152	122,416	29,914	307,323	150,064
"obligations foncières"	79,591,962	61,930,552	50,041,539	41,358,710	34,536,839
Other liabilities	506,394	1,600,475	1,069,712	467,551	553,703
Accruals and deferred income	4,253,965	2,790,141	2,260,244	2,959,086	2,589,371
Provisions for liabilities and charges	12,383	10,377	11,134	6,588	9,930
Subordinated debt	4,250,665	2,250,550	2,250,491	2,250,465	2,250,439
Fund for general banking risks	20,000	20,000	20,000	20,000	20,000
Regulated reserves and subsidies					
Capital, reserves and retained earnings	499,675	437,333	351,663	284,053	264,839
Net income for the year	53,151	62,342	85,936	72,867	31,714
Total liabilities	94,397,294	70,690,889	57,403,604	49,194,805	42,526,243
Off-balance sheet					
Commitments given					
-Financing	8,799,403	1,714,692	614,870	293,803	332,011
-Guarantee					
Total commitments given	8,799,403	1,714,692	614,870	293,803	332,011
Commitments received	59,216,527	24,067,501	21,993,659	21,650,950	19,297,247
Reciprocal commitments					
-Sale and purchase of foreign currencies	37,607,259	29,198,318	23,889,538	15,281,596	11,788,963
-Loans to be made or received in foreign currencies					
-Non-unwound financial instruments	126,146,699	85,813,638	72,729,810	64,175,547	44,442,826
Total reciprocal commitments	163,753,958	115,011,956	96,619,348	79,457,143	56,231,789

Note 33: Privileged / non-privileged liabilities

(in thousands of euros)

	2007	2006	2005
Privileged debt	82,538,701	64,557,008	51,101,470
Due to banks	207,325	211,310	350,045
“Obligations foncières”	79,591,962	61,930,551	50,041,539
Amounts due under forward financial instruments	2,681,430	1,497,824	706,889
Amounts due under the agreement covered by Article L. 515-22 of the French Monetary and Financial Code	57,984	27,110	2,997
Debt resulting from related expenses mentioned in the last paragraph of Article L. 515-19 of the French Monetary and Financial Code		890,213	
Non-privileged debt	11,858,593	6,133,881	6,302,134
Unsecured debt	6,129,656	2,321,633	2,532,011
Subordinated and similar debt	5,143,728	3,282,196	3,301,390
Of which: Redeemable subordinated notes “RSNs”	2,900,424	900,317	900,150
Participating loan	1,350,239	1,350,231	1,350,183
Shareholders’ equity and provisions	585,209	530,052	468,733
Total liabilities	94,397,294	70,690,889	57,403,604

Note 34: Totals for the subsidised sector

(in thousands of euros)

Balance sheet							
Assets	2007	2006	2005	Liabilities	2007	2006	2005
Loans	1,948,807	2,510,980	3,416,440	Interbank loans	9,974	18,859	144,519
				Customer deposits	896	3,811	5,555
				Debt securities	1,273,311	1,780,293	2,709,260
Other assets	138,238	149,560	134,257	Other liabilities	36,880	788,739	1,780
<i>Special subsidy account</i>	<i>138,238</i>	<i>149,560</i>	<i>134,257</i>				
Prepayments, deferred charges and accrued income	17,576	33,381	54,788	Accruals and deferred income	128,429	140,319	158,402
<i>CSB -Foreign exchange and rate differences</i>				<i>CSB -State guaranteed foreign exchange and rate differences</i>	<i>87</i>	<i>99</i>	<i>99</i>
<i>Other prepayments, deferred charges and accrued income</i>	<i>17,576</i>	<i>33,381</i>	<i>54,788</i>	<i>Other accruals and deferred income</i>	<i>128,342</i>	<i>140,220</i>	<i>158,303</i>
				Public funds allocated	218,982	254,152	293,815
				<i>Subsidies</i>	<i>94,593</i>	<i>119,609</i>	<i>174,374</i>
				<i>Guarantee fund</i>	<i>124,389</i>	<i>134,543</i>	<i>119,441</i>
Cash and cash equivalents		292,252		Cash and cash equivalents	436,149		292,154
	2,104,621	2,986,173	3,605,485		2,104,621	2,986,173	3,605,485

(in thousands of euros)

Off -balance sheet							
	2007	2006	2005		2007	2006	2005
Commitments received				Commitments given			
State guarantees	1,976,056	2,479,747	3,378,635	Loan amounts not drawn down		8	162

(in thousands of euros)

Reciprocal commitments			
	2007	2006	2005
Commitments on forward financial instruments			
Hedge rate instruments			
-micro-hedging			
-macro hedging	500,000	500,000	1,200,000
Exchange hedging instruments			
-micro-hedging			
-foreign exchange receivable	136,361	223,380	218,882
-foreign exchange payable	-161 891	-249 780	-249 780

Note 35: Cash flow statement

1. Principes

The Cash flow Statement analyses the changes in cash positions due to operating, investment, and financing activities between two financial years.

The Compagnie de Financement Foncier Cash Flow Statement is presented according to recommendation 2004-R-03 of the French Accounting Standards Board, concerning the format of financial statements for companies under the jurisdiction of the French Banking and Financial Regulation Committee.

It is prepared using the indirect method: net income for the year is restated for non-monetary items: depreciation allowances for tangible and intangible assets, net provisions, other transactions without cash payments (such as expenses payable and accrued income). Cash flow related to operating, investment, and financing activities is determined by the difference between items in the financial statements of the previous year and those of the current year. Transactions concerning capital that do not generate cash flow or have no impact on income are neutral: payment of dividends in shares, allocating a provision to retained earnings.

The breakdown of Compagnie de Financement Foncier activities between operating, investment, and financing activities reflects its status as a société de crédit foncier.

Operating activities include:

- the acquisition of eligible loans
- the acquisition of eligible securitisation tranches and securities from public entities
- the issuance of obligations foncières and other unsubordinated long-term resources.

Financing activities include:

- Dividends paid in cash
- The issuance and repayment of subordinated loans.

The cash position is defined using the standards of the French Conseil National de la Comptabilité. It includes cash on hand and on-demand deposits at the Banque de France, in post office accounts and with banks.

2. Cash flow statement

	2007	2006	2005
Operating activities			
Net income for the year	53,151	62,342	85,936
Restatement of earnings, related to operating activities			
Tangible and intangible fixed assets, excluding goodwill	6,250	7,470	9,604
Net provisions / customers and banks	-3,702	-1,378	-13,334
Net provisions / short-term investment securities	911	-261	-7
Net provisions for risks / loans	2,007	-757	4,546
Net gain on sale of fixed assets			
Other transactions without cash payments	725,427	795,357	-1,049,905
Cash flow on loans to banks and customers	-13,163,823	-4,243,247	1,486,308
Cash flow on short-term investment securities	-2,664,530	-1,946,165	-1,489,621
Cash flow on long-term investment securities	-5,328,654	-6,224,835	-8,915,574
Cash flow on other assets	-645,166	-400,632	515,960
Cash flow on debts / banks and customers	3,603,427	273,947	-463,030
Net borrowing	17,112,679	11,431,109	8,815,561
Cash flow on other liabilities	-903,607	83,064	684,138
Net cash flow used for operating activities	-1,205,630	-163,986	-329,418
Investment activities			
Cash flow related to the sale of:			
Financial assets			
Tangible and intangible fixed assets			
Disbursements for the acquisition of:			
Financial assets			
Tangible and intangible fixed assets			
Net cash flow from other investment activities			
Net cash flow used for investment activities			
Financing activities			
Cash flow from share issues	83,325	85,936	35,687
Dividends paid	-83,325	-85,936	-35,687
Net issue of subordinated debt	2,000,000		
Other			
Net cash flow from financing activities	2,000,000	0	0
Net change in cash position	794,370	-163,986	-329,418
Cash position at start of year	107,810	271,796	601,214
Cash position at end of year	902,180	107,810	271,796
Net	794,370	-163,986	-329,418
Cash		4,725	2,363
Treasury notes			
Due to banks at maturity	902,180	103,085	269,433
	902,180	107,810	271,796

Statutory auditors' report on the financial statements

This is a free translation into English of the statutory auditor's report issued in French and is provided solely for the convenience of English speaking users. The statutory auditor's report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the auditor's assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements. This report should be read in conjunction with, and is construed in accordance to the shareholders.

Compagnie de Financement Foncier S.A.

Registered office: 19, rue des Capucines – 75001 Paris

Share capital: €154,000,000

Following our appointment as statutory auditor by your Annual General Meeting, we hereby report to you, for the year ended 31 December 2007, on:

- the audit of the accompanying financial statements of Compagnie de Financement Foncier S.A
- the justification of our assessments
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

1. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the Company's financial position and its assets and liabilities, as of 31 December 2007, and of the results of its operations for the year then ended in accordance with the accounting rules and principles applicable in France.

2. Justification of our assessments

In accordance with the requirements of article L. 823-9 of the Commercial Code relating to the justification of our assessments, we bring to your attention the following matters:

Accounting estimates

Your Company records impairments and provisions to cover the credit risks inherent in its business (notes II-3.1 and II-3.2 to the financial statements).

Our work consisted in examining the control procedures put in place by management to monitor these credit risks, the assessment of the risks of non-recovery as well as the (i) impairments recorded in assets for individually assessed loans; and (ii) provisions recorded in liabilities for unallocated borrower risks. As part of our assessments, we also obtained assurance that these estimates were reasonable.

Accounting rules and principles

Your Company holds positions on securities and financial instruments. Notes II-5 and II-10 to the financial statements describe the accounting rules and principles applicable to securities and financial instruments. We examined the control procedures applicable to the related accounting classification and the determination of the criteria used for valuing these positions.

As part of our assessment of the accounting rules and principles applied by your Company, we verified that the above-mentioned accounting methods and the related information provided in the notes to the financial statements were appropriate, and ensured that these methods were properly applied.

The assessments were made in the context of our audit of the financial statements, taken as a whole, and therefore contributed to the formation of the opinion expressed in the first part of this report.

3. Specific verifications and information

We have also performed the specific verifications required by law in accordance with professional standards applicable in France.

We have no matters to report regarding:

- the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to the shareholders with respect to the financial position and the financial statements
- the fair presentation of the information given in the management report of the Board of Directors in respect of remunerations and benefits granted to the relevant directors and any commitments given to them in connection with, or after, their appointment, termination or change in function.

Paris La Défense and Neuilly-sur-Seine, 31 March 2008

KPMG Audit

Division of KPMG S.A.

Philippe Saint Pierre

Partner

Rémy Tabuteau

Partner

PricewaterhouseCoopers Audit

Anik Chaumartin

Partner

Detail of the calculation of the overcollateralisation ratio Mod 4001-1 on corporate basis

Name: **Compagnie de Financement Foncier**

Closing date: **31/12/2007**

CIB : **30051**

LC : **P**

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(in thousands of euros)

Resources benefiting from the privilege as defined in article L. 515-19 of the French Monetary and Financial Code: liabilities	Item code		Amounts
I – Priveleged funding from banks	101		207,325
Of which nominal amount	102		202,131
II – Priveleged resources from customers			
Financial customers	105		
Non-financial customers	106		
Subtotal	A	110	0
Of which nominal amount	111		
Of which nominal of obligations foncières and other privileged resources being processed	112		
III – Securities benefiting from the privilege			
Obligations foncières	115		77,329,972
Negotiable debt instruments	116		191,923
Other securities benefiting from the privilege	117		
Liabilities related to these securities	118		2,070,066
Non-financial customer base			
Subtotal	B	120	79,591,961
Of which nominal amount	121		77,521,895
IV – Amounts due in respect to the contract provided for by article L. 515-22 of the French Monetary and Financial Code			
	125		57,984
V – Amounts due in respect to the forward financial instruments benefiting from the privilege defined under article L. 515-19 of the French Monetary and Financial Code			
	130		2,681,430
Of which impact on variations of exchange rate on the nominal amount of privileged resources	131		1,610,104
VI – Liabilities resulting from the incidental expenses mentioned in the last paragraph of article L. 515-19 of the French Monetary and Financial Code			
	135		0
Privileged resources (140 = 101+110+120+125+130+135)	T	140	82,538,700
Nominal amount of privileged resources (141 = 102+111+121+112+131)		141	79,334,130

Detail of the calculation of the overcollateralisation ratio Mod 4001-1 on corporate basis

Name: Compagnie de Financement Foncier

Closing date: 31/12/2007

CIB : 30051

LC : P

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(in thousands of euros)

Assets covering privileged resources	Item code	Net book values	Weighting as a %	Weighted amounts
I. Special asset items				
Guaranteed loans for which the issuer of the guarantee has a rating below the 2 nd highest grade of credit quality	201	0	0	0
Securitisation tranches with a credit rating below the 2 nd highest grade of credit quality	202	0	0	0
Of which:				
Securitisation tranches conform with conditions of section II of CMF Article R515-4	202A			
Securitisation tranches conform with conditions of section III of CMF Article R515-4	202B			
Guaranteed loans for which the issuer of the guarantee has the 2 nd highest grade of credit quality	205	0	50	0
Securitisation tranches with the 2 nd highest grade of				
Credit quality	206	0	50	0
Of which:				
Securitisation tranches conform with conditions of section II of CMF Article R515-4	206A			
Securitisation tranches conform with conditions of section III of CMF Article R515-4	206B			
Fixed assets resulting from the acquisition of real estate under implementation of guarantees	207	0	50	0
Safe and liquid securities	208	11,123,427	100%	11,123,427
Of which:				
Securities, amounts and receivables received as guarantees under the 2 nd paragraph of article R515-7 for assets and liabilities	208A	184,300		
Due from banks with the highest grade of credit quality	210	9,462,042		
Due from banks in the European Economic Area that have the 2 nd highest grade of credit quality and whose remaining term to maturity does not exceed 100 days (cf. 3 rd paragraph of Article R515-7)	211			
Securities	212	1,619,218		
Receivables related to these items	213	42,167		
II. Other asset items				
Other 1st category asset items	215	3,816	100%	3,816
2nd category asset items:	216	37,578,108	100%	37,578,108
Mortgage loans	220	18,973,141		

Detail of the calculation of the overcollateralisation ratio Mod 4001-1 on corporate basis (cont'd)

(in thousands of euros)

Assets covering privileged resources	Item code	Net book values	Weighting as a %	Weighted amounts
Of which:				
Mortgage loans also guaranteed by the FGAS guarantee fund	221	6,976,258		
Mortgage loans also guaranteed by a bank or an insurance company	222	5,203		
Mortgage loans also guaranteed by a public authority	223	1,689,284		
Guaranteed loans for which the issuer of the guarantee has the highest grade of credit quality	225	691,479		
Exposures to public authorities:	230	17,576,528		
Of which:				
Exposures described in item 5 of CMF Article L. 515-15	23A	0		
Other 2 nd category assets	235	336,960		
3rd category asset items:	236	45,684,128	100%	45,684,128
Securitisation tranches with the 2nd highest grade of of credit quality	240	25,275,028		
Of which:				
Securitisation tranches conform with conditions of sections II and IV of CMF Article R515-4	240A	16,776,758		
Securitisation tranches conform with conditions of sections III and IV of CMF Article R515-4	240B	651,593		
Securitisation tranches conform with conditions of section II of CMF Article R515-4 but not conform with conditions of section IV of CMF Article R515-4	240C			
Securitisation tranches conform with conditions of section III of CMF Article R515-4 but not conform with conditions of section IV of CMF Article R515-4	240D			
Securitisation tranches made up of at least 90% as stipulated in Article L. 515-15	240E	7,846,677		
Exposures to public authorities	270	8,108,481		
Of which:				
Exposures described in item 5 of CMF Article L. 515-15	270A	0		
Promissory notes regulated by CMF Articles L. 313-42 et seq.	249	7,586,188		
Other 3 rd category asset items	241	4,714,431		
4th category asset items:	245	0	100%	0
Exposures to public authorities	246			
Other 4 th category asset items	247			
Transactions deducted from assets:				
Amounts received from clients awaiting allocation, recorded as liabilities	248A	0	100	0
Repurchase agreement transactions: Repurchase securities	248B	2,570,548	100	2,570,548
For information:				
Assets deducted from shareholders' equity		7,815		
Total weighted assets (250 = 205+206+207+208+215+216+236+245-248A-248B) R	250			91,818,931
Coverage ratio (to 2 decimal places) (R/T*100)	260			111.24%

Specific controller's report on the valuation and periodic review methods for real estate at December 31, 2007

To the Directors of Compagnie de Financement Foncier,

In our capacity as the Specific Controller of your Company, and pursuant to the provisions of Article L. 515-30 of the French Monetary and Financial Code, as well as those set out in Article 5 of Regulation 99-10 of the CRBF (French Banking and Financial Regulations Committee) and amended by the Decree of May 9, 2007, we hereby present you with our report relating to the assessment of the procedure describing the methods used to value the real estate underlying loans and the methods for periodically reviewing their value, published at the same time as the annual financial statements on December 31, 2007 and appended herewith.

The procedure relating to the valuation methods for real estate and the methods for periodically reviewing their value was defined and implemented under the responsibility of your company's management. It is our responsibility to assess the validity of this procedure in terms of its compliance with current regulations.

We have examined the valuation methods and the methods for periodically reviewing the value of real estate underlying loans in accordance with the procedures that we considered necessary in view of the professional standards of the Compagnie Nationale des Commissaires aux Comptes applicable to this assignment. These procedures are necessary to ascertain that the valuation methods and periodic review methods comply, in their design and their application, with current regulations, and that we check the presentation of the information that is then disclosed in the annual financial statements.

Based on our work, the procedure describing the valuation methods for the real estate underlying the loans and the periodic review methods of their value, disclosed simultaneously in the financial statements at December 31, 2007, respects the provisions set out in Regulation 99-10 of the CRBF as amended by the Decree of May 9, 2007.

It should however be noted that, based on the tests we carried out, the operational implementation of this procedure could be improved in terms of:

- respecting the rules for the initial valuation of assets, for which an appraisal must be conducted;
- reinforcing internal controls related to valuation procedures and periodic reviews of real estate.

Paris, April 10, 2008

Specific Controller

CAILLIAU DEDOUIT ET ASSOCIES
Laurent BRUN

Procedure for the valuation and periodic review of the assets underlying loans at December 31, 2007

I - Initial valuation method of the assets underlying loans acquired by Compagnie de Financement Foncier

A - General asset valuation principles

The procedure described below has been determined pursuant to Articles 1, 2 and 4 of CRBF Regulation No. 99-10, as amended by Regulation No. 2002-02, then by the Order of May 7, 2007 transposing European Directive 2006/48/EC into French law.

Real estate financed by eligible loans or provided as security for these loans is subject to prudent valuation rules.

The valuation is based on the real estate's long term characteristics, normal and local market conditions, the current use of the asset and other possible uses.

B - Special rule used by Compagnie de Financement Foncier

For loans originated between January 1, 2003 and December 31, 2006, in accordance with the provisions of CRBF Regulation No. 99-10 and a decision by the Chairman of Crédit Foncier de France's Executive Board dated July 28, 2003, the cost of the transaction without discount is taken as the estimated value of the asset for all transactions involving residential property whose transaction cost is less than €350,000.

Pursuant to the amended CRBF Regulation No. 99-10, this principle was extended to all residential property transactions whose transaction cost is less than €450,000, or when the outstanding principal of the acquired loan is less than €360,000.

Beyond these thresholds, the appraised value is considered as the value of the property when the loan is originated.

C - Synthesis

The aforementioned rules were applicable as of May 7, 2007 and are summarised in the table below:

Asset type	Cost of transaction is less than €450,000 or acquired loan less than €360,000	Cost of transaction is greater than €450,000 and acquired loan greater than €360,000
Residential property for private individuals	Transaction cost	Appraisal
Residential property for commercial use	Appraisal	Appraisal
Commercial property ⁽¹⁾	Appraisal	Appraisal

⁽¹⁾ Commercial property includes all properties other than residential property and mixed-use properties whose residential component represents less than 75% of the overall value.

Valuations only apply to new loans originated during the year. Thus in 2007, collateral underlying loans originated during the year were appraised according to these guidelines.

Collateral underlying loans originated before 2007 is subject to a compulsory, periodic review of its value as presented hereafter (Cf. Sections II, III and IV).

II - Periodic Review Methods for Residential Property for Private and Commercial Use

The rules detailed below apply to collateral underlying loans originated before 2007.

Two periodic review methods are used to determine the value of collateral depending on the following circumstances:

- The S1 statistical method for residential properties for private individuals
- The S1 statistical method for all residential properties for professionals valued at less than €450,000 or for which the outstanding principal on the loan that the property is securing is less than €360,000
- The S2 method for all residential properties for professionals valued at more than €450,000 and for which the outstanding principal on the loan that the property is securing is greater than €360,000.

A - S1 periodic review method

Principles

The model is based on indices in order to most accurately reflect the real estate market. The indices vary from one year to the next, based on observations of market values; however, property valuations are, in accordance with the law, based on conservative figures (which are then revaluated by applying the indices).

The indices reflect four distinct geographical categories:

- i) There are 110 agglomerations as defined by postal code groups established by the INSEE. They are defined as urban areas with more than 50,000 inhabitants. The list of agglomerations and their composition change as the urban fabric and real estate markets evolve.
- ii) Outside of these agglomerations, the “non-agglomeration” real estate market is segmented by administrative regions (20, excluding Corsica and the Île-de-France - Paris metropolitan area).
- iii) The Île-de-France region surrounding Paris but excluding Paris proper is valued separately using specific indices.
- iv) Paris intra-muros is also valued separately using specific indices

Indices for each of these four categories (agglomeration, region, Paris and Ile de France), are grouped according to postal codes, and calculated based on indices broken down as follows:

- Agglomeration: 110 Apartment indices / 110 House indices
- Non-agglomeration: 20 House indices
- Île-de-France (excluding Paris): 1 Apartment index / 1 House index
- In Paris: 1 Apartment index

When the distinction apartment/house is not available for collateral, the smaller of the two indices, for the corresponding postal code, is used.

When the location of the collateral is imprecise, the smaller of the annual indices, for the corresponding type of housing, is used. The same applies to departments located in the DOM-TOM (overseas departments and territories).

Revaluation cycle management

Real estate value indices are updated annually. During the month of November, new indices are established based on the period ending September 30th.

The revaluation cycle is thus managed on a one year rolling period from September 30th of year “n-1” to September 30th of year “n”.

Applying this method at the closing date on December 31st of each year will enable the definitive valuations for the year “n” to be determined as early as January in the year “n+1”.

Sources

These indices are based on an “ad hoc and expert” survey carried out each year by Foncier Expertise in collaboration with the network of regional real estate appraisers.

B - S2 periodic review method

For 2007, the S2 revaluation method entailed applying the annual change in the rent index for residential property to 2006 values, i.e. +3.2% (source INSEE).

III - Periodic Review Methods for Commercial Property (Non-residential)

In accordance with the provisions of CRBF Regulation No. 99-10, all of the following three valuation methods are applied to commercial use property depending on their characteristics:

A – E1 Method

This category covers commercial buildings whose value is greater than €450,000 or for which the outstanding principal on the loan that the property is securing is greater than €360,000.

Every property in this category is individually revalued each three years by an appraisal the statistically between appraisals using the S1 Method.

B – E2 Method

This category covers commercial buildings whose value is less than €450,000 and for which the outstanding principal on the loan that the property is securing is less than €360,000.

Every asset in this category is individually re-appraised every year. The appraiser determines a prudential mortgage value based both on an in-depth analysis of the nature of the asset in addition to its specific characteristics and a prudent long-term market outlook.

C – S1 Statistical Method

This category covers commercial-use buildings whose outstanding principal on the loan secured by the asset falls below 30% of the initial loan amount.

For real estate in this category, the S1 statistical revaluation method (See section II.a above) is applied to the most recent appraisal value.

IV - Summary of Methods

The aforementioned rules were applied in 2007 and are summarised in the table below:

Type of asset	Ratio of Outstanding Principal* to Initial Amount ≤ 30%		Ratio of Outstanding Principal* to Initial Amount > 30%		Disputed cases
	Cost of the transaction ≤ €450k or total authorised amount ≤ €360k	Cost of the transaction > €450k and total authorised amount > €360k	Cost of transaction ≤ €450k or total authorised amount ≤ €360k	Cost of the transaction > €450k and total authorised amount > €360k	
Residential	If private individual: S1 method				Specific individual appraisal
	If professional: S1 method	If professional: S2 method	If professional: S1 method	If professional: S2 method	
Commercial property	S1 method		E1 method	E2 method	

Annex 2007

Agglomerations (110 indices x 2)

City	Apartment Index	House Index
Agen	1.03	1.03
Albi	1.04	1.03
Alès	1.00	1.01
Amiens	1.03	1.02
Angers	0.95	1.00
Angoulême	1.04	1.07
Annecy	1.00	1.01
Arcachon	1.04	1.07
Arles	1.03	1.06
Armentières (French side)	1.08	1.07
Arras	1.05	1.04
Avignon	1.13	1.05
Bayonne	1.05	1.03
Beauvais	1.09	1.02
Belfort	1.11	1.09
Bergerac	1.05	1.06
Besançon	1.12	1.11
Béthune	1.03	1.03
Béziers	1.01	1.02
Blois	1.07	1.08
Bordeaux	1.04	1.06
Boulogne-sur-Mer	1.08	1.07
Bourg-en-Bresse	1.05	1.05
Bourges	1.10	1.10
Brest	1.04	1.04
Brive-la-Gaillarde	1.01	1.03
Caen	1.14	1.08
Calais	1.05	1.07
Castres	1.07	1.03
Châlons-en-Champagne	1.04	1.05
Chalon-sur-Saône	1.12	1.09
Chambéry	1.02	1.02
Charleville-Mézières	1.02	1.03
Chartres	1.08	1.08
Châteauroux	1.08	1.09
Cherbourg	1.08	1.07
Cholet	1.01	1.02
Clermont-Ferrand	1.00	1.02

City	Apartment Index	House Index
Cluses	1.05	1.00
Colmar	1.08	1.05
Compiègne	1.09	1.09
Creil	1.08	1.02
Dijon	1.12	1.10
Douai-Lens	1.03	1.02
Dunkerque	1.07	1.08
Elbeuf	1.09	1.13
Épinal	1.05	1.03
Évreux	1.07	1.05
Forbach (partie française)	1.07	1.06
Fréjus	1.09	1.04
Genève (CH) -Annemasse (French side)	1.02	0.98
Grenoble	1.04	1.03
Haguenau	1.10	1.09
La Rochelle	1.08	1.05
Laval	1.03	1.00
Le Havre	1.06	1.14
Lille (French side)	1.04	1.02
Limoges	1.02	1.03
Lorient	1.09	1.03
Lyon	1.06	1.06
Le Mans	0.98	0.98
Marseille-Aix-en-Provence	1.10	1.07
Maubeuge (French side)	1.00	1.00
Menton-Monaco (French side)	1.07	1.11
Metz	1.06	1.07
Montargis	1.08	1.08
Montauban	1.04	1.03
Montbéliard	1.06	1.07
Montluçon	1.00	1.00
Montpellier	1.04	1.04
Mulhouse	1.05	1.05
Nancy	1.07	1.07
Nantes	1.05	1.04
Nevers	1.04	1.03
Nice	1.04	1.07
Nîmes	1.07	1.02
Niort	1.04	1.07
Orléans	1.08	1.08
Pau	1.03	1.06
Périgueux	1.03	1.06

City	Apartment Index	House Index
Perpignan	1.07	1.03
Poitiers	1.05	1.06
Quimper	1.01	1.03
Reims	1.05	1.07
Rennes	1.04	1.04
Roanne	1.10	1.07
Romans-sur-Isère	1.03	1.03
Rouen	1.08	1.16
Saint-Brieuc	1.03	1.04
Saint-Chamond	1.09	1.05
Saint-Étienne	1.09	1.05
Saint-Malo	1.09	1.06
Saint-Nazaire	1.10	1.07
Saint-Omer	1.09	1.03
Saint-Quentin	1.06	1.08
Salon-de-Provence	1.04	1.07
Sète	1.03	1.02
Strasbourg (French side)	1.07	1.08
Tarbes	1.03	1.03
Thionville	1.07	1.08
Thonon-les-Bains	1.00	1.01
Toulon	1.09	1.08
Toulouse	1.12	1.04
Tours	1.08	1.07
Troyes	1.10	1.11
Valence	1.08	1.05
Valenciennes (French side)	1.04	1.03
Vannes	1.01	1.06
Vichy	1.05	1.07
Villefranche-sur-Saône	1.03	1.05

Regions (20 indices)

Region	Index
Alsace	1.06
Aquitaine	1.07
Auvergne	1.04
Basse-Normandie	1.04
Bourgogne	1.07
Bretagne	1.06
Centre	1.06
Champagne	1.04
Franche-Comté	1.07
Haute-Normandie	1.07
Languedoc-Roussillon	1.03
Limousin	1.08
Lorraine	1.05
Midi-Pyrénées	1.03
Nord	1.02
PACA	1.08
Pays de la Loire	1.00
Picardie	1.09
Poitou-Charentes	1.07
Rhône-Alpes	1.06

Paris (1 indice)

Departement	Index
Paris	1.08

Île-de-France (1 indice x 2)

Region	House Index	Apartment Index
Île-de-France	1.07	1.06

Chairman's report on the conditions under which the Board prepares and organises the internal control procedures established by the company (Pursuant to the provisions of Articles 117 and 120 of the Financial Security)

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1. Conditions for preparing and organising the tasks of the board of directors

1. Members of the board

At December 31, 2007, the Board of Directors of Compagnie de Financement Foncier consists of five members, including the Chairman of the Board (who also assumed the office of Chief Executive Officer on December 14, 2007) and the Deputy Chief Executive Officer. An advisor assists the Board in an advisory capacity. Members of the Board are listed in an attached table. Two statutory auditors and the company's Specific Controller also attend board meetings, depending on the items on the agenda.

2. Board meetings

The legal secretary to the Board of Directors is provided by the legal department of Crédit Foncier de France and establishes, in consultation with the executive officers, the agenda for the meetings as well as the information files distributed to the members documenting the various issues to be discussed. This department also drafts the minutes and keeps the legal registers. Internal regulations defining operational procedures for the Board have not been adopted.

Compagnie de Financement Foncier's Board of Directors meets at least once every three months with a set agenda. Special items can be added to the agenda depending on the period. Items discussed include:

- Approval of the accounts for the previous year
- Management forecasts
- Quarterly report of borrowings and analysis of the performance of obligations foncières issued by Compagnie de Financement Foncier on the primary and secondary markets
- Determining, at the end of each quarter, for the following quarter, the program for issuing obligations foncières and other preferred debt which requires certification by the Specific Controller
- Delegation of the powers necessary to contract these loans
- Half-year accounts
- Authorisation of any major transaction involving the company or any significant event affecting the company (governance, changes to bylaws, agreements with the parent company, update of EMTN programs, debt issues that exceed limits of delegated powers, etc.)
- Reports on internal control and risk measurement and monitoring pursuant to Articles 42 and 43 of CRB Regulation No. 97-02
- Information intended for publication concerning the quality of the assets as well as the congruence of maturity and rates for the company's assets and liabilities in accordance with Article 13 of CRB Regulation No. 99-10.

The records and documents submitted to the Board provide it with clear, comprehensive and accurate information about the company and its evolution.

The Board of Directors has not limited the powers of the Chief Executive Officer in any way. The Chief Executive Officer is vested with the broadest powers to act in all circumstances on behalf

of the company, within the limits of the corporate purpose, and subject to the powers expressly attributed by law to shareholders' meetings and the special powers of the Board of Directors. He represents the company in its relationships with third parties. The Deputy CEO is vested with the same powers as the Chief Executive Officer.

In 2007, the Board of Directors of Compagnie de Financement Foncier met eight times.

3. Committees and audits

The company has an audit committee. The internal regulations governing the operating procedures of this audit committee were approved by the Board of Directors in its meeting on June 29, 2004.

The Audit Committee's primary missions are to:

- Check the relevance and consistency of the accounting methods used to prepare the company's financial statements
- Verify the quality of internal controls
- Monitor risk levels
- Monitor the quality of the information system.

To carry out its missions, the Audit Committee:

- Examines drafts of the annual and half-year financial statements and any other accounting information that will be published or disclosed in connection with a specific transaction
- Examines the Specific Controller's annual report
- Analyses the results of the ALM system and management control.

At December 31, 2007, the Audit Committee had three members: the Chairman, Mr. François Chauveau, Chief Financial Officer of CNCE; Mr. Pierre Nuyts, Chief Financial Officer of Crédit Foncier; and Mr. Didier Patault, Chairman of the Executive Board of Caisse d'Épargne Pays de la Loire.

Until November 13, 2007, Mr. François Veverka, CEO of the company, was in charge of ongoing and periodic controls and of compliance at Compagnie de Financement Foncier. This function is now the responsibility of the Chief Executive Officer.

This appointment is a result of requirements set out in Article 7.1 of CRBF Regulation No. 97-02 as modified and the principle retained by the Executive Board of Crédit Foncier de France according to which the executive bodies of credit institution subsidiaries fulfil their ongoing and periodic controls and compliance responsibilities by drawing on the resources of their parent company.

2. Internal control procedures

A. Regulatory framework in connection with the Caisse d'Epargne Group

As both a credit institution and a société de crédit foncier, Compagnie de Financement Foncier is subject to a legislative and regulatory framework that comprehensively governs its operations and controls its activities.

- As a credit institution, this framework primarily stems from the French Monetary and Financial Code and the regulations set forth by the Banking and Finance Regulatory Committee (CRBF), and in particular, with regards to internal controls, by CRBF Regulation No. 97-02, last amended by the decree of March 31, 2005 and July 2, 2007.
- As a société de crédit foncier, Compagnie de Financement Foncier is subject to specific provisions in Articles L. 515-13 to L. 515-33 in particular of the CMF and in secondary legislation (Articles R. 515-2 to 14 of the CMF, CRBF Regulation No. 99-10, etc.). This legislative and regulatory framework governing sociétés de crédit foncier was modernised in 2007 by European directives defining the new procedures for calculating the solvency ratio, rules known as "Basel II".

This framework requires the company to appoint a Specific Controller approved by the Banking Commission. This person is in charge of monitoring compliance with the legal provisions: asset eligibility, overcollateralisation, the congruence of rates and liquidity and the valuation of assets or underlying securities. The controller drafts an annual report which is then submitted to the Banking Commission and executive officers.

In accordance with the regulations, Compagnie de Financement Foncier's executive management is responsible for establishing internal controls and implementing them. The internal controls encompass all procedures, systems and controls required to achieve Company objectives, comply with laws, regulations and general or Group rules and ensure that all risks are properly managed.

In connection with the legal framework that provides a «privilege» for holders of obligations foncières, the law stipulates that sociétés de crédit foncier may not have their own resources.

La Compagnie thus relies on the resources of its parent company to carry out its activities. Crédit Foncier de France provides the company with a number of services, as described in a set of agreements that were updated in 2006 and early 2007, including internal controls and compliance services.

These services must be subjected to controls according to the amended Regulation 97-02, which requires that the service provider's internal control system be adequate. Executive management is responsible for ensuring that controls be adequate as stated in Regulation 97-02: "outsourced services shall not dispense executive management of its responsibilities".

Outsourced activities are performed in accordance with ongoing and periodic controls implemented by the Crédit Foncier. These controls comply with the rules and standards validated by Caisse Nationale des Caisses d'Epargne (CNCE) .

As the central entity, CNCE determines ongoing and periodic control requirements for other entities of the Caisses d'Epargne Group.

Since CNCE holds a 75% stake in Crédit Foncier de France, the latter is subject to the former's system of controls, including its resources, organisation and guidelines to follow.

Crédit Foncier is also periodically audited by CNCE's General Inspection Department in order to assess its control systems.

B. Organisation of internal controls: connections and coherence of roles among different actors

The effectiveness of internal controls depends on a clear division of the roles and responsibilities of different governance structures as well as on that of ongoing operational control entities and finally on the arrangements made for periodic controls.

Corporate Governance

Compagnie de Financement Foncier's executive management is responsible for managing the company and dealing with its operational concerns. It is in charge of managing risks and internal controls including ongoing controls. The Board of Directors exercises control over the company's management and orients its strategy. It is involved in the most important decisions and is kept regularly informed of indicator developments. Its work is prepared by the Audit Committee, which carries out the essential tasks of ensuring that relevant and consistent accounting methods are used to prepare the company's financial statements and assessing the quality of internal controls, including the consistency of measurement, monitoring and risk management systems, and, if necessary, propose an appropriate course of action.

Ongoing control

Ongoing controls depend on:

- First level operational controls which are the responsibility of the Departments in charge of processing operations
- Controls performed by dedicated units within the structures, or even by specialised structures.

They also rely on the organisational separation of functions and powers.

Internal controls within the Crédit Foncier Group are divided into different levels:

- First level ongoing operational control is the job of the operating units' staff or managers as well as designated units. They are listed in procedural and operating manuals. Unit heads are responsible for producing and updating these manuals.

The largest departments have dedicated control units that are responsible for implementing and performing first level ongoing controls and qualifying control levels for operational processes. For example, the Accounting Control Unit («Service Contrôles Comptables») of the Accounting Department is responsible for reviewing accounts. It provides both internal and cross-functional ongoing controls for business activities.

Crédit Foncier departments have designated posts dedicated to Compagnie de Financement Foncier.

- Second level ongoing controls are the responsibility of non-operating units:
 - Risk Department: this entity is responsible for measuring, managing and monitoring loan and counterparty risks as well as financial and operational risk.
 - Compliance and Ongoing Control Department: created in December 2004, this department is responsible for controlling non-compliance risks and investment departments; its operations were organised in 2005 and its responsibility for ongoing control was added in 2007. It also covers the activities of the Ethics Officer (ethics and money laundering).
 - Head of Information Systems Security: in 2004, the Crédit Foncier Group created the position of Head of Information Systems Security, a post that reports directly to management.

The responsibilities of the Head of Information Systems Security are threefold:

- Define a policy for the security of information systems
- Supervise a network of contacts within the various entities of the Company
- Provide assistance and advice to the IT Department with respect to security issues.

The ongoing control system of the Crédit Foncier Group was organised in 2006: a formal system, known as the Risk Control System («Dispositif de Maîtrise des Risques»), was created in each unit. The Internal Control Committee replaced the Ongoing Control Committee in late 2007. Its main missions are to:

- Ensure that ongoing controls for business activities are comprehensive and well-organised and that monitoring and risk management systems are effective (including RCS oversight)
- Coordinate actions to manage risks, ensure compliance of internal procedures and transactions, and ensure the quality and availability of information processed by the IS as well as the security of such systems
- Oversee the resolution of malfunctions identified by the General Inspection Department and the implementation of recommendations.

Chaired by the Chief Executive Officer of Crédit Foncier, it meets at least five times per year and comprises representatives of control functions. The minutes of its meetings are submitted to Crédit Foncier's Audit Committee.

- The role of the «SCF and VMG Oversight Department»
For Compagnie de Financement Foncier: the SCF and VMG Oversight Department, part of the Financial Operations Department, is responsible for the oversight and ongoing control of outsourced services and for verifying that the agreements between the two establishments are properly enforced.
- Organisational principles for delegations and the separation of functions

Principle of the separation of functions

- The units in charge of transactional commitments and the units in charge of their accounting approval, settlement as well as oversight and control of related risks are independent from one another.

- The independence of the control units vis-à-vis the operating units is ensured by:
 - Oversight of counterparty, financial and transactional risks by the Risk Department
 - Accounting controls by the General Accounting Department and its dedicated unit
 - Ethics and compliance functions of the Compliance Department and the Ethics Officer
 - Periodic control functions of the General Inspection Department

Delegation system for initiating and monitoring transactions

The delegation system at Crédit Foncier ensures that decisions, based on the magnitude of the risks they present, are made at an appropriate level within the company (involvement of the competent decision-making committees or internal delegation systems).

Specialised committees are responsible for decisions that are not made by the executive board and that exceed the delegations granted to transaction managers. Among these committees, the most important are:

- National Loan Committee: authorises loans exceeding the powers delegated to the operating units and Business Committees
- Risk Committee: monitors overall changes in counterparty, financial and transactional risks and the ensuing decisions (delegations, limits and scoring rules); in 2008, a stand-alone Risk Committee for Compagnie de Financement Foncier will be created. Its mission is to monitor all of Compagnie de Financement Foncier's risks.
- National Committee of Sensitive Operations: manages strategy and decisions regarding substantial debts that are either in difficulty or exposed to risk.
- Asset and Liability Management Committee: analyses ALM indicators and ensuing decisions; a stand-alone Asset and Liability Management Committee for Compagnie de Financement Foncier also meets quarterly to review liquidity and rate positions as well as compliance with rating agency limits.
- Tariff Committee: sets financial terms and conditions of loans.
- Agreement Oversight Committee: oversees the interpretation and application of agreements, verifies that the outcome is fair and suggests any necessary changes.
- SCF Management Committee: an offshoot of the Agreements Monitoring Committee, is responsible for the operational oversight of Compagnie de Financement Foncier management and proposes solutions to problems related to compliance with the agreements.

Risk oversight measurement

Risk assessments, submitted to Compagnie de Financement Foncier's Executive Board through periodic activity reports and to committees, are regularly reported to the Audit Committee as well as to the Board of Directors of Compagnie de Financement Foncier.

Periodic control carried out by the General Inspection Department

Organisation and resources of the General Inspection Department

Evaluating ongoing control systems is the responsibility of the General Inspection Department's management team.

The head of the General Inspection Department reports on its missions to the Chief Executive Officer of Compagnie de Financement Foncier and to its Audit Committee. Information on its activities is made available to the Network Head (CNCE) and the Banking Commission.

At the end of 2007, the General Inspection Department had 27 staff members, including 2 supervisors, 3 project leaders and 16 auditors, all with advanced degrees and a combination of different skills (accounting, financial, legal and sales).

An annual audit plan is prepared by managers at the General Inspection Department, together with the CNCE General Inspection Department, then approved by the Compagnie de Financement Foncier's Executive Board and submitted for approval to the Audit Committee. It falls under the responsibility of the General Inspection Department, and is covered by a multi-annual plan that takes into account the maximum audit cycle of four years. The major shareholder auditing unit helps draft the audit plan.

During the year, special investigations or missions may be conducted at the behest of the Chief Executive Officer.

The missions and follow-up on their recommendations are reported to the Executive Board, Audit Committee and if necessary Compagnie de Financement Foncier's Board of Directors if they are called for in the company's annual audit plan or Crédit Foncier's annual audit plan and may have an impact on Compagnie de Financement Foncier's activities.

Compagnie de Financement Foncier's service provider, Crédit Foncier, carries out its missions as stipulated by the various agreements signed between the two companies. Most of the missions are reported to the executive and deliberative bodies.

Inspection assignments conducted in 2007

A total of 55 assignments were conducted by the General Inspection Department of Crédit Foncier in 2007. In addition, 13 assignments, begun at the end of 2006, were completed and their recommendations approved in 2007.

Most of these assignments had been included in the annual audit plan approved by Crédit Foncier's Audit Committee on December 6, 2006, and concerned various sectors of the Crédit Foncier Group and the oversight of regulatory projects:

- Network of branches
- Commercial loans
- Financial management
- Development and Commitments
- Management information
- Logistics
- Risks

Assignments carried out in 2007 that specifically concerned Compagnie de Financement Foncier focused on:

- Arrears and losses evolution
- Assessment of provisions
- Control of collateral revaluation
- Quality of information provided to agencies

In addition, four assignments were carried out by CNCE's General Inspection Department.

Follow-up on recommendations from previous assignments

In 2007, the General Inspection Department followed up on the implementation of recommendations by the audited units. The procedure for following up on recommendations complies with the methodology used by the CNCE General Inspection Department, namely a systematic semi-annual follow-up accompanied by an action plan. The actions taken need to be systematically corroborated by an evidence file that is kept at Crédit Foncier's audited unit.

The action taken by audited units is subject to consistency controls, rated by the General Inspection Department. A summary is then forwarded to the Audit Committee. This summary includes comments when delays in the implementation have been recorded.

In addition to this procedure, the follow-up can also be carried out by other means:

Recommendations from some important missions result in specific follow-up audits conducted on-site by the General Inspection Department

At the behest of executive and deliberative bodies, the most sensitive recommendations were subject to specific follow-up in the fall of 2007

Recommendations are also subject to specific follow-up by Compagnie de Financement Foncier's Management Committee.

C. Audit of accounting and financial statements

Role of CNCE

The CNCE Group Regulations and Consolidation Department is responsible for standardisation, supervision, appraisals, oversight, forecasting, regulatory monitoring and representation of the Group for prudential, accounting and fiscal matters.

In this capacity, it defines and updates the Group's accounting indicators through accounting rules and methods applicable to all Group institutions. These rules and methods include accounting and generic operating forms and are summarised in a manual used by all the Group's institutions, which is updated regularly based on changes in accounting regulations. Furthermore, the rules for preparing half-year and annual financial statements are communicated in a specific announcement in order to harmonise accounting procedures and statements among the different companies in the Group.

Compagnie de Financement Foncier Audit Committee

Accounting and financial statements (annual and half-year financial statements and notes) are presented to the Audit Committee. This committee analyses the statements, receives the conclusions of the auditors and submits a report on its work to the Board of Directors.

Organisation of the accounting function at the Crédit Foncier Group

Accounting at the Crédit Foncier Group is performed by the General Accounting Department, which is responsible for preparing balance sheets, income statements, notes to the financial statements and statutory reports concerning the different companies in the Group.

Pursuant to the agreement concerning accounting and administrative management, Crédit Foncier's General Accounting Department is in charge of Compagnie de Financement Foncier's accounting.

The entire process is coordinated by the Crédit Foncier's General Accounting Department, which in turn is divided into main units, the responsibilities of which have been assigned as follows:

Units	Principal responsibilities in accounting system operations	Principal responsibilities in compiling and summarising data
General Accounting Unit	Financial statements: - Accounting for Compagnie de Financement Foncier - Tax returns	- Balance sheets, income statements and their notes - Monthly profit statements - Reports on the cost of risk
Loan accounting	- Oversight and control of interface operations between loan management departments, accounting software packages and reporting databases	Reports on outstanding loans and loan flows
Accounting Standards Unit	- Definition and monitoring of accounting standards, verification that they comply with those of the CNCE Group - Maintenance of the chart of accounts and implementation of audit trails	- Procedural manuals
Accounting Control Unit	- Ongoing accounting controls	- Accounting audit reports
Regulatory Reporting Unit	Prudential reporting to the Banking Commission (via CNCE, central entity) - Calculation of regulatory ratios (liquidity, ESR, etc.) and specific ratios Compagnie de Financement Foncier - Monitoring the Group's position in terms of regulatory requirements	- Reporting to the Banking Commission (via CNCE, central entity)
Database Support Unit	- Parameters for daily income accounting forms and management of accounting parameters of loan chains - Follow-up on technical problems related to production - Management of accounting software packages	

The Chief Accounting Officer reports to the Executive Committee member who is in charge of finances.

Accounting controls

Crédit Foncier's accounting system is largely based on accounting data supplied by management chains.

After decentralising most of the tasks, the organisational principles of accounting control were formalised by the new Accounting Charter distributed in July 2007. Operational accounting controls are the responsibility of the decentralised accountants (bookkeepers and operations managers). Standardised financial statements are substantiated and certified every quarter in a single centralised computer system (the Account Justification Database), managed by the Accounting Standards and Control Unit. Activity reports track the progress made in substantiating the accounts

(in terms of quantity and quality). These reports are used to verify the quality of the supporting documentation and to guide on-site audits.

These auditing assignments are part of an annual programme approved by the Head of the General Accounting Department and result in auditing reports. A summary is presented to all business lines and is sent to the external auditors if necessary.

Recommendations from the statutory auditors and the General Inspection Department are presented to the management of the appropriate companies. These recommendations are summarised and submitted to the Audit Committee. Periodic verifications are performed to ensure that recommendations are acted upon.

All of these prudential and regulatory reports are cleared by CNCE, which runs automated consistency controls before sending them to the Banking Commission.

Audit of financial data

The financial data disclosed to third parties (annual reports for shareholders, regulatory restitutions intended specifically for the Banking Commission and reference documents submitted to the Autorité des marchés financiers) are carefully audited by the competent departments: Management Control, ALM Management, General Accounting, Risk Department, Financial Operations Department, and the SCF and VMG Oversight Department.

The «SCF and VMG Oversight Department» is in charge of auditing documents sent to the Specific Controller and the rating agencies.

Notes

Compagnie de Financement Foncier

Board of directors at december 31, 2007

Range of the possible number of members: 3 to 18

Actual number of members: 5

Number of Board meetings: 8

Average attendance rate: 77%

Directors' fees: yes

First and last names Company name and permanent representative	Function at the com- pany and on the Board	Date of appointment	Date term of office expires	Comments
Crédit Foncier de France Represented by Mr. François BLANCARD	Director	June 25, 1999	AGO 2011	
Mr. Thierry DUFOUR	Director – Chairman and CEO	Director since December 18, 1998 Chairman since July 31, 2007 Chairman and CEO since December 14, 2007	AGO 2013	Replacing Mr. François DROUIN, who resigned. Following the resignation of Mr. Francis VEVERKA, Chief Executive Officer and non-Director
Mrs. Sandrine GUÉRIN	Director and Deputy CEO	Director since March 25, 2002 Deputy Chief Executive Officer since May 17, 2002	AGO 2012	Following the separation of the offices of Chairman and CEO
Mr. Francois CHAUVEAU	Director	December 16, 2004	AGO 2011	
Mr. Pierre-Eric FUZIER	Director	December 18, 1998	AGO 2013	
Mr. Guy LAFITE	Censor	May 25, 2005	AGO 2009	Resigned in September 30, 2007

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

Statutory auditors' report, prepared in accordance with article L. 225-235 of the French Commercial Code, on the report prepared by the Chairman of the Board of Compagnie de Financement Foncier, on the internal control procedures relating to the preparation and processing of the financial and accounting information.

Year ended 31 December 2007

To the shareholders,

In our capacity as statutory auditors of Compagnie de Financement Foncier, and in accordance with article L. 225 235 of the French Commercial Code (Code de commerce), we hereby report to you on the report prepared by the Chairman of your company in accordance with article L. 225-37 of the French Commercial code for the year ended 31 December 2007.

It is the Chairman's responsibility to describe in his report the preparation and organization of the Board's work and the internal control procedures implemented by the company. It is our responsibility to report to you on the information set out in the Chairman's report on internal control procedures relating to the preparation and processing of the financial and accounting information.

We performed procedures in accordance with French professional standards. These standards require that we perform procedures to assess the fairness of the information set out in the Chairman's report on internal control procedures relating to the preparation and processing of financial and accounting information. These procedures mainly consisted of:

- obtaining an understanding of the internal control procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report and existing documentation are based;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation.
- determining if any material weaknesses in the internal control relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly described in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control procedures relating to the preparation and processing of financial and accounting information, set out in the Chairman of the board's report, prepared in accordance with article L. 225-37 of the French Commercial Code.

Paris La Défense and Neuilly-sur-Seine, 31 March 2008

The Statutory Auditors

KPMG Audit	PricewaterhouseCoopers Audit
Département de KPMG S.A.	
Rémy Tabuteau	Anik Chaumartin
Philippe Saint-Pierre	

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1. Corporate governance

Members of the Board of Directors in 2007 and their professional addresses.

Mr. François DROUIN

Director and Chairman of the Board of Directors since June 25, 2003

Chairman & Chief Executive Officer since September 4, 2006

Chairman of the Board of Directors since January 15, 2007

Resignation from the offices of Director and Chairman of the Board of Directors with effect from July 23, 2007

4, quai de Bercy - 94220 Charenton-le-Pont

Mr. Thierry DUFOUR

Director since December 18, 1998

Chairman from December 18, 1998 to June 25, 1999

Chief Executive Officer from June 25, 1999 to May 16, 2001

Deputy Chief Executive Officer from May 16, 2001 (following the promulgation of the New Economic Regulations Act) to May 17, 2002

Chief Executive Officer since May 17, 2002 (following the separation of the offices of Chairman of the Board and Chief Executive)

Resignation from the office of Chief Executive on September 4, 2006

Chairman of the Board of Directors since July 31, 2007

Chairman & Chief Executive Officer since December 14, 2007

4, quai de Bercy - 94220 Charenton-le-Pont

Ms. Sandrine GUÉRIN

Deputy Chief Executive Officer since May 17, 2002

Director since March 25, 2002

4, quai de Bercy - 94220 Charenton-le-Pont

Mr. François CHAUVEAU

Director since December 16, 2004

CNCE – 50, avenue Pierre Mendès France – 75013 Paris

Mr. Pierre-Éric FUZIER

Director since December 18, 1998

4, quai de Bercy – 94220 Charenton-le-Pont

Crédit Foncier de France

Director since June 25, 1999

Represented by Mr. François BLANCARD

4, quai de Bercy – 94220 Charenton-le-Pont

As of January 15, 2007, the Board of Directors has decided to separate once again the office of the company's Chairman from its Chief Executive Officer. As of this date, Mr. Francis DROUIN assumed the chairmanship of the Board of Directors; Mr. François VEVERKA and Ms. Sandrine GUÉRIN took the offices of Chief Executive Officer and Deputy CEO respectively.

Following Mr. François DROUIN and Mr. François VEVERKA's resignations, Mr. Thierry DUFOUR was appointed Chairman & Chief Executive Officer of the company on December 14, 2007. Ms. Sandrine GUÉRIN was reappointed Deputy CEO.

2. General information concerning the company

a. Registered office

The registered office of Compagnie de Financement Foncier is located at 19, rue des Capucines, 75001 Paris.

b. Activity

Compagnie de Financement Foncier is the société de crédit foncier of the Crédit Foncier de France Group, specifically governed by the provisions of section IV of the second part of French law 99-532 of June 25, 1999 governing savings and financial security, which has been incorporated into Articles L. 515-13 to L. 515-33 of the French Monetary and Financial Code.

Pursuant to Article 110 of this law, Crédit Foncier de France transferred to Compagnie de Financement Foncier, on October 21, 1999, assets and liabilities covered by the specific legislative and regulatory requirements that applied to it before its transfer.

The purpose of Compagnie de Financement Foncier is the production or the purchase of secured loans and loans to public authorities financed by the issuance of obligations foncières, or by other resources which may or may not benefit from the preferred status, or privilege, as defined by Article L. 515-19 of the French Monetary and Financial Code.

c. Structure of the relationship between Compagnie de Financement Foncier and Crédit Foncier de France

New production by Crédit Foncier de France may be financed by Compagnie de Financement Foncier as long as it meets the eligibility criteria stipulated by law contained in the provisions of Articles L. 515-13 to L. 515-33 of the French Monetary and Financial code.

As stipulated by law, Compagnie de Financement Foncier draws on the technical and human resources of its parent company under agreements binding the two companies. These agreements, which are regulated as defined by Articles L. 225-38 and L. 225-86 of the French Commercial Code (previously Articles 101 and 143 of Law No. 66-537 of July 24, 1966), cover all of the company's activities.

The general principles applied in preparing these agreements are described below.

The texts as drafted take into account the special nature of the relationship between Crédit Foncier de France and its subsidiary Compagnie de Financement Foncier.

Seventeen agreements have been entered into by Crédit Foncier de France and Compagnie de Financement Foncier, namely:

- A framework agreement, setting forth the general principles
- An agreement for loan assignments
- An agreement for loan servicing and recovery
- An agreement governing financial services
- An ALM agreement
- An administrative and accounting management agreement
- A service agreement on internal control and compliance
- An agreement related to the implementation of information technology services
- An agreement concerning human resources
- An agreement concerning compensation for services
- An agreement related to settlement bank services
- A guarantee agreement for adjustable-rate loans

- A guarantee and compensation agreement
- An agreement concerning disbursing agent agreement
- An agreement relating to management and collection of loans subsidised by the French state
- An agreement regarding participation loans
- An agreement related to redeemable subordinated notes

As a result, with the exception of Directors and Officers, Compagnie de Financement Foncier does not have any salaried employees.

d. Legal form and applicable legislation

Compagnie de Financement Foncier is a credit institution authorised as a financial company and a *société de crédit foncier* by a decision of the French Credit Institutions and Investment Companies Committee (CECEI - Comité des Établissements de Crédit et des Entreprises d'Investissement) on July 23, 1999. It is thus subject to all regulations and legislation applicable to credit institutions and, as a *société de crédit foncier*, it is also subject to Articles L. 515-13 to L. 515-33 of the French Monetary and Financial Code.

It was formed as a French *société anonyme* and, for this reason is also subject, apart from certain exemptions, to the requirements applicable to commercial companies under the French Commercial Code.

A *société de crédit foncier* benefits from a certain number of exemptions from ordinary laws, of which:

- Article L. 515-19 of the French Monetary and Financial Code, which establishes a “privilege” for bondholders of obligations foncières
- Article L. 515-27 of the French Monetary and Financial Code, which stipulates that the legal receivership or liquidation of a company holding shares of a *société de crédit foncier* cannot be extended to the *société de crédit foncier*
- Furthermore, Article L. 515-28 of the French Monetary and Financial Code stipulates that, notwithstanding any legal or regulatory requirements to the contrary, notably those of Section II of Volume VI of the Commercial Code, contracts for servicing and recovering loans of a *société de crédit foncier* can be immediately terminated in the event that a company responsible for the servicing of such loans is placed in legal receivership or liquidation.

e. Period

The company was incorporated on December 22, 1998 for a period of 99 years.

f. Corporate purpose (Article 2 of the bylaws)

Article 2 - PURPOSE

The purpose of the company, in the context of the laws and regulations applicable to *sociétés de crédit foncier*, is to:

- 1° Carry out all transactions referred to in Articles L. 515-13 et seq. of the French Monetary and Financial Code and without any restriction as to the countries in which it can operate other than those set out in such laws and regulations.

According to the legislation that went into effect April 21, 2007, these transactions include:

- Granting or acquiring secured loans, exposures to public authorities and securities as defined in Articles L. 515-14 to L. 515-17 of the French Monetary and Financial Code
- Financing these types of loans, exposures, investments and securities by issuing *obligations foncières* benefiting from the «privilege» defined in Article L. 515-19 of the French Monetary and Financial Code and by raising other resources whose issuance or subscription contract mentions this “privilege”.

The company may also finance the activities mentioned above by issuing bonds or resources that do not benefit from the «privilege». It can not issue promissory notes referred to in Articles L. 313-42 to L. 313-48 of the French Monetary and Financial Code.

Notwithstanding any other provisions or stipulations to the contrary, the company can securitise, in accordance with Articles L. 313-23 to L. 313-34 of the Monetary and Financial Code, all or some of the loans that it holds, regardless of the nature of such loans. The company may also carry out temporary transfers of its securities under the conditions set forth in Articles L. 432-6 to L. 432-19 of the French Monetary and Financial Code. The loans or securities thus securitised or transferred are not booked pursuant to Article L. 515-20 of the abovementioned Code.

The company cannot hold equity investments.

2° Contract with any credit institution all needed agreements:

- To service and recover loans, exposures and securities,
- To manage bonds and other financing,
- More generally, to provide all services necessary to manage the assets, liabilities and the financial stability of the company,
- As well as all agreements concerning the distribution and refinancing of loans;

3° Acquire and own all property and equipment necessary to fulfil its purpose or arising from the recovery of its loans

- Contract with any third party any agreement related to the acquisition, ownership, management, maintenance and disposal of such assets;

4° Contract with any insurance company any agreement, which serves the company purpose, notably to cover risks related to borrowers, risks related to both assets securing the loans and assets owned by the company, and the liability risks of the company or its Directors and Officers;

5° In connection with its own activity, or on behalf of other companies, provide customers with and manage payment processes, in particular:

- For issuing payment of funds or the receipt of all sums arising from loan activities
- For managing any accounts for financial transactions with other credit institutions or public entities
- For the management of technical accounts in respect to expenses and receipts;

6° Participate in any system for interbank settlements, settlement-delivery of securities, as well as in any transaction within the framework of the monetary policy of the European Central Bank, which contribute to the development of the company's activities;

7° More generally

- Carry out all operations contributing to the fulfilment of its corporate purpose as long as such transactions comply with the purpose of sociétés de crédit foncier as defined in the legislation and regulations that regulate their activity.
- Enter into any agreement allowing the company to use outsourcing services

g. Trade Register Number

Compagnie de Financement Foncier is registered in the Paris Trade Register under number RCS B 421 263 047.

h. Location where legal documents concerning the company may be consulted

Legal documents concerning Compagnie de Financement Foncier may be consulted at 4 quai de Bercy, 94224 Charenton Cedex.

i. Financial year

The financial year begins on January 1 and ends on December 31.

j. Provisions of the bylaws governing appropriation of earnings

If the financial statements for a given financial year, as approved by the Shareholders' Meeting, show distributable earnings as defined by law, shareholders shall decide either to attribute them to one or more reserve accounts, the allocation and use of which it determines, to retained earnings or to distribute them.

After ascertaining the existence of the reserves at its disposal, the Shareholders' Meeting may decide to distribute amounts drawn from those reserves. In such a case, the decision shall specify the reserve accounts from which the distributed amounts are to be drawn.

However, dividends shall be withdrawn first from the distributable earnings for the financial year.

Shareholders also have the right to grant each shareholder, for all or part of the dividend or interim dividend to be distributed, an option to receive payment either in the form of cash or in shares.

k. Shareholders' Meetings

Shareholders' Meetings shall be called and shall deliberate under the conditions stipulated by law. An Ordinary Meeting must be held each financial year within five months of the closing date of the preceding financial year. Meetings shall be held at the corporate offices or at another location stated in the notice of meeting. Any shareholder may participate personally, or by proxy, in Shareholders' Meetings with proof of identity and ownership of shares in the form of a record in his name on the company's books five days before the date of the Shareholders' Meeting.

He may also vote by mail under the conditions stipulated by law. Meetings are chaired by the Chairman of the Board of Directors or, in his absence, by a Director specially designated to do so by the Board. Otherwise, the Shareholders' Meeting shall appoint a Chairman. An attendance sheet shall be kept under the conditions stipulated by law. Minutes of General Shareholders' Meetings shall be drawn up and copies shall be certified and issued pursuant to law.

3. General information concerning the capital stock

a. Capital stock

At December 31, 2007, the company's subscribed capital amounted to €154,000,000. It is divided into 9,625,000 fully paid up shares with a par value of €16 each.

b. Share capital authorised but not subscribed

No authorisation exists to increase the company's capital which has not been used, nor does any potential capital.

c. Ownership of capital and voting rights

Principal shareholders at December 31, 2007

Shareholders	Number of shares	%
Crédit Foncier de France	9,624,994	100.00
Directors and other individuals	6	
Total	9,625,000	100.00%

d. Changes in shareholders over the last five years

The Board of Directors, in its meeting on June 29, 2005, noted that, following payment of the dividend in shares, the capital was increased by €10,000,000 due to the creation of 625,000 new shares with a par value €16, fully subscribed by Crédit Foncier de France.

The Board of Directors, in its meeting on June 22, 2006, noted that, following payment of the dividend in shares for the 2005 financial year, the capital was increased to €22,000,000 due to the creation of 1,375,000 new shares with a par value €16, fully subscribed by Crédit Foncier de France.

The Board of Directors, in its meeting on June 26, 2007, noted that, following payment of the dividend in shares for the 2006 financial year, the capital was increased to €22,000,000 due to the creation of 1,375,000 new shares with a par value €16, fully subscribed by Crédit Foncier de France.

e. Individuals or companies that exercise control over the Company

Crédit Foncier de France
19, rue des Capucines – 75001 Paris
542 029 848 RCS Paris

f. Information on the Crédit Foncier de France Group, to which Compagnie de Financement Foncier belongs

The principal business of Crédit Foncier de France is to grant mortgage loans to individuals and real estate professionals, grant loans to local authorities, provide structured financing and to issue bonds to finance these loans.

From its creation in 1852 and until 1999, Crédit Foncier de France held the special status as a société de crédit foncier.

A key player in the specialised real estate financing market responsible for distributing French state subsidised loans, following the real estate crisis in the 1990s and the government's elimination of subsidised loans, in 1999 Crédit Foncier joined the private sector after its 90% acquisition by the Caisse d'Epargne Group.

In the context of legislation governing this acquisition, parliament created a specific new status for property lending companies. The Compagnie de Crédit Foncier was then formed and authorised as a *société de crédit foncier* by the CECEI. The Crédit Foncier de France transferred all its property commitments and pledged assets to the CECEI pursuant to article 110 of law 99-532 of 25 June 1999.

Since then a member of the Caisse d'Epargne Group, Crédit Foncier de France has been able to resume its role as a major player in real estate and local government financing.

Key events of Crédit Foncier Group:

The years 2002 to 2006 were marked by the following events:

- The acquisition of A3C which enabled Crédit Foncier de France to acquire an effective administrative organisation in the areas of real estate leasing and savings;
- The acquisition of Entenial, a direct competitor in specialised real estate financing;
- A 66% investment in the capital of Crédit Foncier et Communal d'Alsace and Lorraine-Banque (CFCAL-Banque), a French *société anonyme* with a banking licence, which owned in addition a wholly-owned subsidiary with the status of a *société de crédit foncier* with the name "Crédit Foncier et Communal d'Alsace et de Lorraine – Société de Crédit Foncier" (CFCAL-SCF);
- Buyout transactions involving Crédit Foncier shares resulted in Caisse Nationale des Caisses d'Epargne (CNCE) acquiring 100% of the capital and voting rights of Crédit Foncier;
- The creation of the real estate leasing subsidiary of the Caisse d'Epargne Group: the grouping of various specialised Crédit Foncier subsidiaries (Foncier Bail and Investimur, Cicobail, Mur Ecureuil, Cinergie). These companies were merged under the aegis of Cicobail to constitute the real estate leasing division of the Caisse d'Epargne Group;
- The opening of an office in Brussels and a representative office in London;
- The creation, in Portugal, of Banco Primus, specialised in mortgage lending, drawing on the skills of the Crédit Foncier Group and Communal d'Alsace et de Lorraine;

2007 was marked by:

- Finalisation of the project announced in 2006 with Nexity; in the context of the agreement reached with CNCE, Nexity acquired 25% of the capital of Crédit Foncier; This industrial project has led to synergies between the various business sectors of the Caisse d'Epargne Group and enabled the sales networks to distribute Nexity real estate products, in particular to investor clients. It has also opened up the possibility of capitalising on Group relations with local authorities to offer them more integrated products. Finally, it has helped increase Caisse d'Epargne's market share in the financing of real estate transactions carried out by Nexity and its franchised networks;
- Crédit Foncier's investment in Locindus in the context of consolidation of its leasing business resulted in Crédit Foncier holding 67.95% of the capital of Locindus;

- The creation of Swiss Public Finance Solutions. In August 2007, Banque Cantonale de Genève (BCGE), the Caisse d'Epargne Group with its subsidiary Crédit Foncier and Caisse d'Epargne Rhône Alpes (CERA); signed a partnership agreement designed to facilitate the financing of corporations operating under Swiss law. This agreement led to the creation of the new entity called Swiss Public Finance Solutions (SPFS);
- The sale of Foncier Vignobles to CNCE;
- Internal restructurings (asset transfers in favour of Crédit Foncier: Auxiliaire du Crédit Foncier de France, Crédit Foncier Assurance Courtage, Comptoir Assurance Service) enabled the capital structure of the Crédit Foncier Group to be simplified;
- The acquisition of the IXIS-CIB's local authority loan portfolio, a subsidiary of Natixis for an amount of €8.4 billion and the acquisition of Caisse d'Epargne Group's public sector loan origination activity for major French public authorities accounts.
- The acquisition, in the context of the strategic project developed with Nexity, of the 15% investment held by Crédit Lyonnais in the capital of Crédit Financier Lillois (CFL);
- Implementation of the Fontec solution, between Foncier Expertise, a Crédit Foncier subsidiary, and Socotec;
- Modifications to the governance of Crédit Foncier, which required changes to Crédit Foncier by-laws, which adopted the legal form of a société anonyme with a Board of Directors.

Specialised subsidiary within a large group

Supported by its subsidiary, the Compagnie de Financement Foncier, a société de crédit foncier, Crédit Foncier has been able to obtain, both for itself and the Caisse d'Epargne Group, particularly advantageous financing conditions (AAA) and top-notch financial engineering. It is now positioned within the Caisse d'Epargne Group as a specialised real estate lending entity.

4. Resolutions submitted to the shareholders' meeting

Combined shareholders Meeting of May 26, 2008

PROPOSED RESOLUTIONS

Ordinary resolutions

First resolution (approval of annual accounts)

The Shareholders' Meeting, after having heard the reports of the Board of Directors and the Auditors for the financial period ending December 31, 2007, approves the accounts as presented.

Second resolution (earnings allocation)

The Shareholders' Meeting, after noting the existence of net earnings of €53,151,105.24 hereby decides to allocate said profits in its entirety to retained earnings:

Pursuant to Articles 47 of the law of July 12, 1965 and 243b of the General tax code, it is recalled that the dividend and the overall remuneration per share have evolved as follows over the last three financial periods:

Financial year	Number of shares	Overall remuneration per share	Dividend distributed	Tax already paid to the Treasury (tax credit)
2004	6,250,000	€5.71	€5.71	
2005	6,875,000	€12.73	€12.73	
2006	8,250,000	€10.10	€10.10	

Third resolution

(approval of agreements related to article L. 225-38 of the French Commercial Code)

The shareholders' meeting, after hearing the special report of the auditors on the transactions described in Article L. 225-38 of the French Commercial Code, note the terms of the report and approve the transactions entered into during the financial period.

Fourth resolution

(approval of agreements related to article L. 225-38 of the French Commercial Code)

The shareholders' meeting, after hearing the special report of the auditors hereby approve the agreement related to the issuance of reimbursable subordinated instruments dated December 28, 2007 which is presented to it in application of article L. 225-42 of the French Commercial Code.

Fifth resolution (renewal of permanent Statutory Auditor's mandate)

The Shareholders' Meeting, noting that the mandate of PricewaterhouseCoopers Audit, permanent Statutory Auditor, is ending, decides to renew this mandate for a period of six years ending at the shareholders' meeting which will approve the financial statements for the 2013 financial year.

Sixth resolution (renewal of mandate of an alternate Statutory Auditor's)

The Shareholders' Meeting, noting that the mandate of Mr. Pierre COLL, alternate Statutory Auditor, has ended, decides to name, in order to replace said mandate, Mr. Boris ETIENNE for a period of six years ending at the shareholders' meeting which will approve the financial statements for the 2013 financial year.

Seventh resolution (indemnity package for Mr. Thierry DUFOUR)

Seventh resolution (indemnity package for Mr. Thierry DUFOUR)

Upon proposal of the Board of Directors and after having heard the special report of the auditors and pursuant to the law N°2007-1223 of August 21, 2007 on the promotion of work, employment and purchasing power, also known as "TEPA", the Shareholders' meeting hereby approves the following indemnity package for Mr. Thierry DUFOUR:

- in the event that his term of office is not renewed at its ending date, of revocation or loss of accreditation that is not linked to a major professional error and that would therefore lead to a definitive departure from Caisse d'Epargne Group,
- and wherein the Group would earn a net accounting profit during the financial year preceding the end of his term of office

- M. Thierry DUFOUR will receive, in the event Compagnie de Financement Foncier achieves 50% on average of the forecasted earnings or the minimum amount of issuance forecasted by the closed budgets decided on by the Board of Directors; during the duration of the current term, an gross indemnity equal to the greater of the following two amounts: either 36 months of the gross monthly remuneration or the average gross monthly remuneration of the 3 previous years and variable within the company. In the event an average of 40% of forecasted earnings is achieved or forecasted issuance, M. Thierry Dufour will receive 75% of the aforementioned indemnity; in the event an average of 30% of average forecasted earnings he will receive 50% of the amount of this indemnity.

Extraordinary resolutions

Eighth resolution (issue of investment securities with preferential subscription rights, providing immediate or future entitlement to share capital)

The Shareholders' Meeting, convened as an Extraordinary General Meeting, having considered the Board of Directors' report and the Statutory Auditors' special report,

In accordance with the provisions of Article L. 225-129-2 of the French Commercial Code:

1) Hereby delegates to the Board of Directors the power to issue shares in the company and other investment securities, at its sole discretion, on one or more occasions, in France or abroad, providing immediate or future entitlement to shares in the company.

It decides to set the maximum amount of share capital increases at €800 million which may be made pursuant to this delegation, given that to this nominal amount could be added a nominal amount of additional shares to be issued to preserve, in accordance with the law, the rights of holders of investment securities who are entitled to shares that would be created.

2) Specifies that, as part of this current delegation, when shares or securities mentioned in part 1) above are issued, shareholders can, under the conditions prescribed by law, exercise their preferential subscription rights on an irrevocable basis.

Moreover, the Board of Directors will have the possibility to confer upon shareholders the right to subscribe on a revocable basis to a number of investment securities in excess of what they could subscribe for on an irrevocable basis, proportional to the preferential rights they enjoy and, in any event, within the limits of their request.

If the irrevocable subscriptions, and, if necessary, revocable ones, do not absorb all of the share or investment securities issue, as mentioned in part 1) above, the Board of Directors will be able to use, in the way it sees fit, any of the rights hereafter:

- limit, within the conditions prescribed by law, the issue to the amount of subscriptions received
- freely distribute all or part of the unsubscribed shares

Without being able to offer the public all or part of the unsubscribed shares.

3) Notes that the present delegation automatically supersedes to the benefit of holders of investment securities providing future entitlement to shares in the company which may be issued, shareholders waive their preferential rights on the shares to which these investment securities grant rights.

4) Decides that the Board of Directors will have full powers to implement this delegation, including the power to decide on the date and conditions of issues as well as the form and characteristics of the investment securities to be created, establish pricing and issue terms, amounts to be issued, the entitlement date, even retroactively, of securities to be issued, define how shares or other issued securities will be released, define how the rights of holders of investment securities providing immediate or future entitlement to share capital will be preserved and this in conformity with legal and regulatory provisions.

In addition, the Board of Directors may allocate, as necessary, all allocation on any issuance premiums and especially those fees arising from executing the issue, take the necessary measures to successfully complete the issue, declare capital increases resulting from any issue carried out pursuant to this delegation and amend the bylaws accordingly.

5) This delegation shall be valid from the date of this meeting and for a duration of twenty-six months and supersedes all former delegations of a similar nature.

Common resolution

Ninth resolution (powers)

The Shareholders' Meeting gives all necessary powers to the holder of a copy or an extract of the minutes of this Meeting to carry out any submission and publication formalities.

5. Bylaws

Title I

Form - purpose – corporate name – registered offices – term of the company

Article 1 - FORM

The company is a French société anonyme (limited liability company).

It is governed by the terms of current legislation and regulations applicable

Article 2 - PURPOSE

The purpose of the company, in the context of the laws and regulations applicable to sociétés de crédit foncier, is to:

- 1° Carry out all transactions referred to in Articles L. 515-13 et seq. of the French Monetary and Financial Code and without any restriction as to the countries in which it can operate other than those set out in such laws and regulations.

According to the legislation in force as of April 21, 2007, these transactions include:

- Granting or acquiring secured loans, exposures to public authorities and securities as defined in Articles L. 515-14 to L. 515-17 of the French Monetary and Financial Code
- Financing these categories of loans, exposures, investments and securities by issuing obligations foncières benefiting from the «privilege» defined in Article L. 515-19 of the French Monetary and Financial Code and by raising other resources whose issuance or subscription contract mentions this “privilege”.

The company may also finance the activities mentioned above by issuing bonds or resources that do not benefit from the «privilege». It cannot issue promissory notes referred to in Articles L. 313-42 to L. 313-48 of the French Monetary and Financial Code.

Notwithstanding any other provisions or stipulations to the contrary, the company can securitise, in accordance with Articles L. 313-23 to L. 313-34 of the Monetary and Financial Code, all or some of the loans that it holds, regardless of the nature of such loans. The company may also carry out temporary transfers of its securities under the conditions set forth in Articles L.432-6 to L. 432-19 of the French Monetary and Financial Code. The loans or securities thus securitised or transferred are not booked pursuant to Article L. 515-20 of the abovementioned Code.

The company cannot hold equity investments.

2° Contract with any credit institution all agreements necessary:

- To service and recover loans, exposures and securities
- To manage bonds and other financing
- More generally, to provide all services necessary to manage the assets, liabilities and the financial balances of the company
- As well as all agreements concerning the distribution and refinancing of loans;

3° Acquire and own all property and equipment necessary to fulfil its corporate purpose or arising from the recovery of its loans

- Contract with any third party any agreement related to the acquisition, ownership, management, maintenance and disposal of such assets.

4° Contract with any insurance company any agreement, which serves the company purpose, notably to cover risks related to borrowers, risks in respect of both assets securing the loans and assets owned by the company, and the liability risks of the company or its Directors and Officers

5° In connection with its own activity, or on behalf of other companies, provide customers with and manage payment processes, in particular:

- For the payment of funds or the receipt of all sums arising from loan activities
- For holding any account of financial relations with any other credit institution or public entity
- For the management of technical accounts in respect of expenses and receipts

6° Participate in any system for interbank settlements, settlement-delivery of securities, as well as in any transactions within the framework of the monetary policy of the European Central Bank, which contribute to the development of the company's activities

7° More generally:

- Carry out all operations contributing to the fulfilment of its corporate purpose as long as such transactions comply with the purpose of sociétés de crédit foncier as defined in the legislation and regulations that regulate their activity.
- Contract any agreement allowing the company to use outsourcing services.

Article 3 - CORPORATE NAME

The company's name is: "COMPAGNIE DE FINANCEMENT FONCIER"

Article 4 - REGISTERED OFFICES

The registered offices are located at 19, rue des Capucines, in PARIS (75001).

If the location of the head office is moved by the Board of Directors in accordance with the conditions set out in the applicable legislation, the new location shall be automatically substituted for the previous one in this Article, provided the move is ratified by an Ordinary Shareholders' Meeting.

Article 5 - TERM

The duration of the company is ninety-nine years from its registration in the Trade Register, unless the period is extended or the company is liquidated, in accordance with the legislation in force or these bylaws.

Title II

Capital stock - shares

Article 6 - CAPITAL STOCK

The capital stock is set at €154,000,000 (one hundred and fifty-four million euros).

It is divided into 9,625,000 shares with a par value of €16 (sixteen euros) each, all of which belong to the same category and are fully paid up in cash.

Article 7 - FORM OF THE SHARES

The shares are in registered form.

They are registered in accordance with the terms and conditions set forth by law.

Article 8 - RIGHTS AND OBLIGATIONS ATTACHED TO SHARES

Each share confers a right to ownership of the company's assets and a share in its profits proportional to the fraction of the company's capital that it represents.

All shares which comprise or will comprise the company's capital, as long as they are of the same type and the same par value, are strictly equivalent to each other so long as they have the same dividend-bearing date; both during the company's existence and its liquidation, they provide payment of the same net amount on all allocations or redemptions, so that, if applicable, all shares are aggregated without distinction with respect to all tax savings or charges resulting from such allocations or redemptions.

The rights and duties follow the ownership of the share, regardless of holder.

Ownership of a share legally implies acceptance of the bylaws and the decisions of Shareholders' Meetings.

The beneficiaries, creditors, successors or other representatives of a shareholder cannot cause legal seals to be placed on the assets and securities of the company or request the distribution or division of such assets and securities or interfere in any manner in the company's administration. They must refer to the financial statements and to the decisions of Shareholders' Meetings to exercise their rights.

Each time ownership of several shares is needed to exercise a given right, in cases of exchange, grouping or allotment of shares, or as a result of an increase or decrease in capital stocks, splits

or reverse splits of shares, or any other operation on the company's capital, the owners of single shares or of less than the required number of shares, may exercise their rights only if they undertake to combine, sell or purchase the necessary number of shares.

Article 9 - TRANSFER OF SHARES

Shares can be traded freely.

Shares can be transferred, with respect to third parties and the company by an order to transfer them from one account to another.

Article 10 - INDIVISIBILITY OF SHARES

Shares are indivisible vis-à-vis the company, which only recognises one owner for each share. Joint owners of a share are required to be represented within the company by one of the joint owners or by a single agent.

The beneficial owner shall represent the bare owner in Ordinary Meetings; however, the bare owner is the only one entitled to vote in Extraordinary Meetings.

Title III

Administration of the company

Article 11 - BOARD OF DIRECTORS

The company is administered by a Board of Directors comprised of at least three and at most eighteen members, selected from among the shareholders and appointed by the Ordinary Meeting. Each Director must own at least one share during his or her term of office.

Article 12 - TERM OF OFFICE OF DIRECTORS

The term of office of Directors is six years.

Each Director reaching the end of his or her term of office may be re-elected; however, the number of Directors over 70 years of age may not be greater than three.

When more than three of the Directors are past the age limit, the terms of office of the eldest Directors expire at the end of the Annual Meeting following the date on which this occurs, whatever the initial term of office of these Directors.

Article 13 - MEETINGS AND PROCEEDINGS OF THE BOARD – MINUTES

The Board of Directors is called by its Chairman, as often as the interest of the company requires, either at the registered offices, or at any other location indicated on the notice. Meetings may be called by all means, even verbally.

If no meeting has been held for more than two months, at least one third of the members of the Board can request that the Chairman call a Board meeting with a specific agenda.

The Chief Executive Officer can also request that the Chairman call a Board meeting with a specific agenda.

The Chairman must comply with requests that have been made to him in accordance with the two previous paragraphs.

Resolutions are adopted with the quorum and majority required by law. In the event of a tie vote, the Chairman shall cast the deciding vote.

The internal regulations may stipulate that, for the purposes of calculating a quorum and majority, Directors participating in the meeting through videoconferencing or other means of telecommunications that allow them to identify themselves and effectively participate shall be considered present.

This rule is not applicable for the adoption of resolutions that require, in accordance with current legislation, the physical presence of Directors.

Sufficient proof of the number of Directors in office and of their presence at a meeting of the Board is provided by the production of a copy or an excerpt of the minutes of the Board meeting. The minutes of the meeting are prepared, and the copies or excerpts are delivered and certified as required by law.

Article 14 - POWERS OF THE BOARD

The Board of Directors determines the strategic direction of the company's activities and supervises the implementation of such strategies. Subject to the powers expressly attributed to Shareholders' Meetings, and within the limits of the company's purpose, the Board deals with any issue affecting the company's operations and settles, through its decisions, all matters concerning the company.

The Board carries out such controls and verifications that it considers appropriate. Each Director receives all the information necessary to perform his or her duties and can request all documents that he considers pertinent.

In its relations with third parties, the company is responsible for the acts of the Board of Directors which are not in accordance with the company's purpose, unless it can prove that the third party knew that the act in question was not in accordance with the company's purpose or that the third party could not have been unaware of this fact given the circumstances. The sole fact that the company's bylaws are published does not constitute sufficient proof.

Article 15 - REMUNERATION OF THE BOARD OF DIRECTORS

An Ordinary Meeting can allocate to the Board of Directors a fixed annual remuneration in the form of directors' fees, the amount of which it shall determine. This remuneration remains applicable until a General Meeting decides otherwise.

The Board of Directors shall allocate this remuneration in the proportions that it considers appropriate.

Article 16 - CHAIRMAN OF THE BOARD OF DIRECTORS

The Board of Directors elects, from among its non-corporate members, a Chairman and determines his remuneration. It determines his term of office as Chairman, which may not exceed his term as Director. The individual can be re-elected.

The term of the Chairman must end no later than the end of the Ordinary Meeting that follows the date on which the Chairman reaches the age of sixty-five.

The Chairman represents the Board of Directors. He organises and directs the work of the Board, and reports to the shareholders' meetings on such work. He verifies that the company's decision-making bodies function properly and ensures, in particular, that the Directors are able to fulfil their responsibilities.

The Board may confer on one or more of its members or on third parties, whether or not they are shareholders, special mandates for one or more specific purposes.

It may also appoint one or more committees, the structure and roles of which it shall determine. These committees, which can include both Directors and third parties chosen for their expertise, study the questions that the Board or the Chairman submits for their review.

In these various cases, the Board may allocate special compensation to the appointed Directors.

Article 17 – MANAGEMENT

Management of the company is directed, under his/her responsibility, either by the Chairman of the Board, or by another individual appointed by the Board of Directors with the title of Chief Executive Officer. The selection of the individual for this position, which may be changed at any time, is made by the Board of Directors voting with a majority of three quarters of the members present or represented. The Board of Directors reports, in its annual report, on the choice that it has made and explains the reasons for this choice.

The Board of Directors determines the period for which the Chief Executive Officer is appointed.

The Chief Executive Officer has the broadest powers to act in all circumstances in the name of the company, within the limits of its purpose, and subject to the specific powers expressly attributed to shareholders' meetings by law and to the specific powers of the Board of Directors. The Chief Executive Officer represents the company in its relationships with third parties. The company is responsible for the acts of the Chief Executive Officer which are not in accordance with the company's purpose, unless it can prove that the third party knew that the act in question was not in accordance with the company's purpose, or that the third party could not have been unaware of this fact in light of the circumstances. The sole fact that the company's bylaws are published does not constitute sufficient proof.

On the recommendation of the Chief Executive Officer, the Board of Directors can appoint one or more individuals, whether directors or not, to assist the Chief Executive Officer, with the title of Deputy Chief Executive Officer. The number of Deputy Chief Executive Officers may not exceed five. The scope and duration of the powers of the Deputy Chief Executive Officers shall be determined by the Board of Directors with the consent of the Chief Executive Officer.

With respect to third parties, Deputy Chief Executive Officers have the same powers as the Chief Executive Officer.

The Board of Directors determines the compensation of the Chief Executive Officer and the Deputy Chief Executive Officers.

The Chief Executive Officer and, if they have been appointed, Deputy Chief Executive Officers, even if not members of the Board, are invited to the meetings of the Board of Directors.

The duties of the Chief Executive Officer and Deputy Chief Executive Officer must cease no later than the end of the Ordinary Meeting, which follows the date at which the person reaches the age of sixty-five.

The Chief Executive Officer may be removed at any time by the Board of Directors. The same applies, on the recommendation of the Chief Executive Officer, to the Deputy Chief Executive Officers. If the removal is decided without just cause, it may result in legal damages, unless the Chief Executive Officer is appointed Chairman of the Board of Directors.

If the Chief Executive Officer resigns, or cannot carry out his duties, the Deputy Chief Executive Officers retain, unless the Board decides otherwise, their positions and the responsibilities assigned to them until a new Chief Executive Officer is appointed.

Article 18 - ADVISORS

An Ordinary Meeting may, on the recommendation of the Board of Directors, appoint one or more Advisors.

The term of office of an Advisor is three years. They may be re-appointed.

The Advisors attend meetings of the Board of Directors and have an advisory role.

The Board of Directors determines their compensation in the context of the allocation of the directors' fees allocated by the Shareholders' Meeting.

Title IV

COMPANY AUDIT

Article 19 - STATUTORY AUDITORS

The Shareholders' Meeting shall designate one or more Statutory Auditors and one or more alternate Auditors, under the conditions stipulated by law.

Article 20 - SPECIFIC CONTROLLER

Under the conditions stipulated by law and by the regulations applicable to a société de crédit foncier, and after obtaining the opinion of the Board of Directors, the Chief Executive Officer shall appoint one Specific Controller and an alternate.

The Specific Controller and, if applicable, the alternate shall perform the duties assigned to them by the laws governing a société de crédit foncier.

Title V

SHAREHOLDERS' MEETING

Article 21 - SHAREHOLDERS' MEETING

Shareholders' Meeting shall be called and shall deliberate under the conditions stipulated by law.

Each year, an Ordinary Shareholders' Meeting must be convened within five months following the financial year-end.

Meetings shall be held at the corporate offices or at another location stated in the notice of meeting.

Any shareholder may participate personally, or by proxy, in Shareholders' Meetings with proof of identity and ownership of shares in the form of a record in his name on the company's books five days before the date of the Shareholders' Meeting.

He may also vote by mail under the conditions stipulated by law.

Shareholders who participate in the Shareholders' Meeting by videoconference or telecommunications that enable them to be identified shall be considered present for calculating the quorum and the majority.

Shareholders' Meetings shall be chaired by the Chairman of the Board of Directors or, in his absence, by a Director specially authorised for that purpose by the Board. Otherwise, the Shareholders' Meeting shall appoint a Chairman.

An attendance sheet shall be kept under the conditions stipulated by law. Minutes of General Shareholders' Meetings shall be drawn up and copies shall be certified and issued pursuant to law.

Article 22 - DELIBERATIONS OF THE SHAREHOLDERS' MEETING

Ordinary and Extraordinary Shareholders' Meetings ruling with the quorum and majority set by law shall exercise the powers that are vested in them by law.

Title VI

Annual financial statements - appropriation of earnings

Article 23 - FINANCIAL YEAR

The financial year shall begin on January 1 and shall end on December 31.

The Board of Directors shall be authorised to change the closing date of the financial year if it determines such a change to be in the company's best interest.

As an exception, the first financial year ran from the date of registration to December 31, 1998.

Article 24 - APPROPRIATION OF EARNINGS

If the financial statements for the financial year, as approved by the Shareholders' Meeting, show distributable earnings as defined by law, the Shareholders' Meeting shall decide either to allocate them to one or more reserve accounts, the allocation and use of which it determines, to retain earnings or to distribute them.

After ascertaining the existence of the reserves at its disposal, the Shareholders' Meeting may decide to distribute amounts drawn from those reserves. In such a case, the decision shall specify the reserve accounts from which the distributed amounts are to be drawn.

However, dividends shall be withdrawn first from the distributable earnings for the financial year. The above provisions shall apply if non-voting preferred shares are created.

Shareholders also have the right to grant each shareholder, for all or part of the dividend or interim dividend to be distributed, an option to receive payment either in the form of cash or in shares.

Title VII

DISSOLUTION - LIQUIDATION - DISPUTES

Article 25 - DISSOLUTION AND LIQUIDATION

At the expiration of the company or in the event of early dissolution, the Shareholders' Meeting shall determine the method of liquidation and shall appoint one or more liquidators, whose powers it shall determine and who shall perform their duties pursuant to law.

Article 26 - DISPUTES

All disputes that might arise during the term of the company or at the time of liquidation, either among the shareholders, the Directors and the company, or among the shareholders themselves, concerning the company's business shall be adjudicated as required by law and shall be subject to the jurisdiction of the competent courts.

6. General information

Person responsible for financial information

Mr. Thierry DUFOUR, Chief Executive Officer

Compagnie de Financement Foncier
4, quai de Bercy - 94220 Charenton-le-Pont
Telephone: 01 57 44 92 12 - Fax: 01 57 44 92 88

**Statement from the person who assumes responsibility
for the reference document**

I certify, after having taken every reasonable measure to this purpose, that the information provided in this reference document is, to my knowledge, true to fact and that no information has been omitted that would change the interpretation of the information provided.

I certify, to the best of my knowledge, that the financial statements have been prepared in compliance with applicable accounting standards and accurately represent the company's assets, financial situation and its earnings and that the information contained in the management report on section "B" depicts an accurate representation of company trends, earnings, its financial situation as well as a description of the primary risks and uncertainties the company faces.

I received a letter from the Statutory Auditors indicating that they have completed their work which consisted of verifying the information on the financial position and the financial statements provided in this reference document as well as a reading of the entire document.

The financial information for the year ended December 31, 2006 was the subject of a report containing comments from the Statutory Auditors. This report is found on pages 180-182 of the reference document D. 07-0431 submitted to the French Financial Markets Authority on May 9, 2007, which contains comments on the change in accounting method.

Signed in Charenton-le-Pont, on April 11, 2008

Chief Executive Officer of Compagnie de Financement Foncier
Thierry DUFOUR

Outlook for Compagnie de Financement Foncier

Current events

The company did not record any current events that significantly impact the evaluation of its solvency.

Trends

No significant deterioration has affected the outlook of the company since its last financial report was audited and published.

No known trend, uncertainty, claim, commitment or event is reasonably susceptible to influence the company's outlook.

Audit

To the company's knowledge, no agreement exists whose implementation at a later date could lead to a change of its audit.

Material events

Since the end of the last financial year for which the financial report was audited and published, no material event has affected the company's situation.

Complementary information

No potential conflicts of interest exist between the duties with regard to Compagnie de Financement Foncier and the private interests and/or other duties of members of the board.

At December 31, 2007 there were no exceptional events or legal disputes (government procedures, legal or arbitration) likely to have or to have had a material impact on Compagnie de Financement Foncier's activity, financial position or results. Compagnie de Financement Foncier conducts itself and its corporate entities with respect to the corporate governance framework in practice in France.

Persons responsible for auditing the financial statements

Statutory

KPMG Audit - Department of KPMG SA

Represented by Mr. Philippe SAINT-PIERRE and Mr. Rémy TABUTEAU

Address: 1 cours Valmy - 92923 La Défense cedex

775 726 417 RCS Paris

Member of Compagnie Régionale des Commissaires aux Comptes de Versailles

Start of term: May 25, 2005

Length of term: Six financial years

Expiration of term: at the end of the Shareholder's Meeting called to approve the financial statements for the financial year ending December 31, 2010.

PricewaterhouseCoopers Audit

Represented by Anik CHAUMARTIN

Address: 63, rue de Villiers - 92200 Neuilly-sur-Seine

302 474 572 RCS Paris

Member of Compagnie Régionale des Commissaires aux Comptes de Versailles

Start of term: May 17, 2002
Length of term: Six financial years
Expiration of term: at the end of the Shareholder's Meeting called to approve the financial statements

Alternate

Ms. Marie-Christine FERRON-JOLYS
Address: 1 cours Valmy - 92923 La Défense cedex
Start of term: May 25, 2005
Length of term: Six financial years
Expiration of term: at the end of the Shareholder's Meeting called to approve the financial statements for the financial year ending December 31, 2010.

Mr. Pierre COLL
Address: 63, rue de Villiers - 92200 Neuilly-sur-Seine
Start of term: May 17, 2002
Length of term: Six financial years
Expiration of term: at the end of the Shareholder's Meeting called to approve the financial statements for the financial year ending December 31, 2007.

The Specific Controller

Statutory

Cailliau Dedouit & Associés
represented by Mr. Laurent BRUN
Address: 19, rue Clément Marot – 75008 Paris
Date of approval from the Banking Commission: June 23, 2004
Start of term: June 29, 2004
Length of term: period remaining in predecessor's term, then renewed for a term of four years.
Expiration of term: after submission of the report and certified statements for the financial year ending December 31, 2010

Alternate

Monsieur Didier CARDON
Address: 19, rue Clément Marot – 75008 Paris
Date of approval from the Banking Commission: June 23, 2004
Start of term: June 29, 2004
Length of term: period remaining in predecessor's term, then renewed for a term of four years.
Expiration of term: after submission of the report and certified statements for the financial year ending December 31, 2010

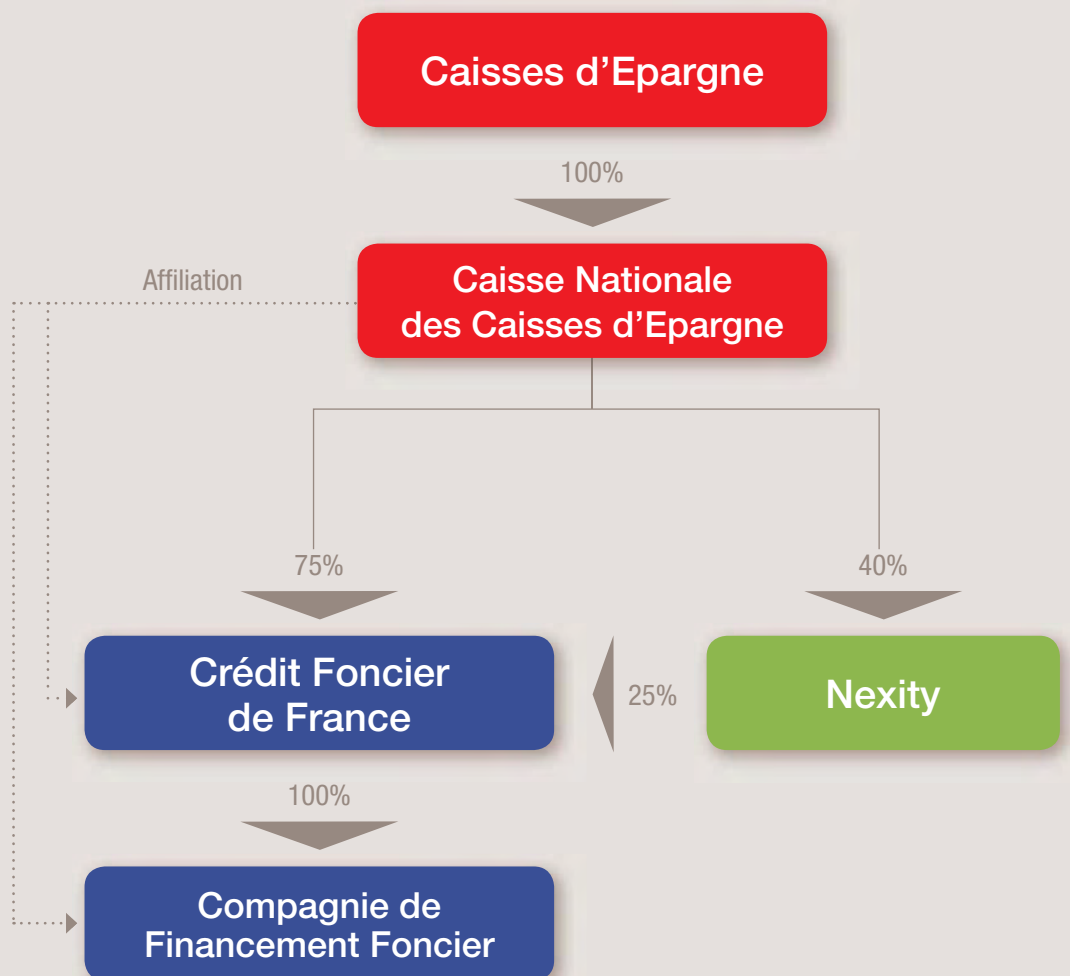
Note 1: Fees for the statutory auditors and the members of their networks

Financial years covered: 2007 and 2006

(In thousands of euros)

	Auditor:KPMG				Auditor:PricewaterhouseCoopers			
	amount (before tax)		%		Amount (before tax)		%	
	2007	2006	2007	2006	2007	2006	2007	2006
Audit								
Statutory auditors, certification, review of individual and consolidated accounts								
-Issuer	140	130	59	66	140	130	59	66
-Fully consolidated subsidiaries								
Other duties and services directly related to the Statutory Auditors' mission								
-Issuer	95	66	41	34	95	66	41	34
-Fully consolidated subsidiaries								
Subtotal	235	196	100%	100%	235	196	100%	100%
Other services provided by the networks to fully consolidated subsidiaries								
Legal, tax, corporate								
Other (specify if > 10% of audit fees)								
Subtotal	0	0			0	0		
Total	274	196	100%	100%	276	196	100%	100%

Note 2: Focus on Compagnie de financement foncier in the Caisse d'Epargne Group
At December 31, 2007



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(*) In application of article 28 of regulation no. 809-2004 on prospectuses, the corporate financial statements for the accounting period ended December 31, 2006 and the Statutory Auditors' report on the corporate financial statements, printed on pages 111 to 179 of reference document no. D.07-0431 filed with the Autorité des marchés financiers (AMF – French financial markets authority) on May 9, 2007, are incorporated by reference in this document.

The sections of reference document no. D.07-0431 not referred to above are either of no consequence to investors or covered by another section of this reference document.

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Contacts

Compagnie de Financement Foncier

4, quai de Bercy
94224 Charenton-le-Pont cedex
Tel: + 33 1 57 44 92 05

Financial Information:

Vincent MICHON
Tel: + 33 1 57 44 80 21
The annual reports of the Compagnie de
Financement Foncier can be downloaded at
www.foncier.fr



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**COMPAGNIE DE
FINANCEMENT
FONCIER**

CREDIT FONCIER GROUP

4, quai de Bercy
94224 Charenton-le-Pont Cedex - France
Tel. : + 33 (0)1 57 44 92 05