

FIRST PROSPECTUS SUPPLEMENT DATED 3 SEPTEMBER 2007  
TO THE BASE PROSPECTUS DATED 16 JULY 2007



**Euro 75,000,000,000**  
**Euro Medium Term Note Programme**  
**for the issue of *Obligations Foncières* due from one month from the date of**  
**original issue**

This Prospectus Supplement (the “**Supplement**”) is supplemental to and must be read in conjunction with the Base Prospectus dated 16 July 2007 (the “**Base Prospectus**”) granted visa n° 07-256 on 16 July 2007 by the *Autorité des marchés financiers* (the “**AMF**”) prepared by Compagnie de Financement Foncier (“**Compagnie de Financement Foncier**” or the “**Issuer**”) with respect to the Euro 75,000,000,000 Euro Medium-Term Note Programme (the “**Programme**”).

Terms defined in the Base Prospectus have the same meaning when used in this Supplement.

Application has been made to the *Autorité des marchés financiers* (the “**AMF**”) in France for approval of this Supplement to the Base Prospectus, in its capacity as competent authority pursuant to Article 212-2 of its *Règlement Général* and, at the same time for the notification of a certificate of approval released to the *Commission de Surveillance du Secteur Financier in Luxembourg* for Notes issued under the Programme to be listed and admitted to trading on the Regulated Market of the Luxembourg Stock Exchange, both of approval and notification being made in its capacity as competent authority under Article 212-2 of the *Règlement Général* of the *Autorité des marchés financiers* which implements the Directive 2003/71/EC of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading.

This Supplement has been prepared pursuant to Article 16.1 of Directive 2003/71/EC (the “**Prospectus Directive**”) for the purposes of incorporating narrative statement of the half-yearly financial report of the Issuer.

Copies of this Supplement will be available without charge (i) on the website of the AMF ([www.amf-france.org](http://www.amf-france.org)) and (ii) and copies may be obtained at the Principal place of Business of the Issuer, 4, Quai de Bercy, 94224 Charenton- France.

Save as disclosed in this Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus which is capable of affecting the assessment of Notes issued under the Programme since the publication of the Base Prospectus.

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## **1. NARRATIVE HALF-YEARLY FINANCIAL REPORT**

Compagnie de Financement Foncier's business grew steadily during the first half-year of 2007, helping to substantially increase the balance sheet to €81.3 billion at 30 June 2007 compared to €70.7 billion six months ago.

Furthermore, European directives defining the new procedures for calculating the solvency ratio, rules known as "Basel II", were transposed into French law, effectively modernising the regulatory framework of *sociétés de crédit foncier*. During the 2<sup>nd</sup> quarter of 2007, the relevant articles in the French Monetary and Financial Code were revised so that obligations foncières would retain their status as attractive investments.

### **Significant transactions during the half-year**

The major event was the purchase of a loan portfolio granted to French local authorities by IXIS-CIB. On 2 May 2007, Compagnie de Financement Foncier acquired loans amounting to €7.5 billion, including €3.5 billion in off-balance sheet commitments.

In addition to this one-off transaction, Compagnie de Financement Foncier continued its normal operations including:

- Purchases of loans from the Crédit Foncier Group amounting to €4.8 billion, including €2.8 billion in off-balance sheet commitments; these loans are either guaranteed by a first-rank mortgage or granted to public entities.
- Indirect purchases of first-rank mortgage loans, located in Europe, by acquiring senior securitisation tranches rated AAA or Aaa by at least two rating agencies.
- Acquisitions of long-term debt in the international public sector amounting to €3.2 billion. All of these investments have received ratings pertaining to the highest category recognised by the Banking Commission (rated at or above AA- or Aa3) and, for the most part, the highest ratings within that range.

Compagnie de Financement Foncier funded these transactions by issuing €12.5 billion in secured debt during the first half-year of 2007.

Issues were mainly carried out publicly with an average maturity of 7.5 years.

In particular, eight issues required a declaration from the Specific Controller because their size exceeded €500 million:

- CFF 4.250% maturing 22 May 2009, €1 billion
- CFF 5.125% maturing 1<sup>st</sup> February 2010, \$1 billion
- CFF 3.750% maturing 26 February 2010, €0.5 billion
- CFF 4% maturing 25 October 2012, €1 billion
- CFF 4.750% maturing 25 June 2015, €1 billion
- CFF 5.625% maturing 19 June 2017, \$1 billion
- CFF 4.125% maturing 25 October 2017, €1 billion
- CFF 4.375% maturing 25 April 2019, €1.25 billion

All of these new lines as well as past benchmark subscriptions reinforce Compagnie de Financement Foncier's position across the entire yield curve in euros but also in dollars with this year's 10-year, \$1 billion issue in international markets.

## Balance sheet changes

Activities during the first half-year essentially resulted in:

- A stronger position in the public sector with total outstanding debt amounting to €41 billion, i.e. 50.5% of the balance sheet at 30 June 2007
- More issues of *obligations foncières* with the highest AAA/Aaa/AAA rating from the three major rating agencies and whose outstanding balance by the close of the half-year reached nearly €72 billion
- Further commitments granted to French local authorities

In terms of credit risk, the extremely high quality of the assets has not changed during the period:

- The risk charge remains negligible and the share of doubtful loans has decreased significantly.
- None of the assets that have an external rating saw their rating deteriorate.

Among the current holdings at 30 June 2007, the main debt security portfolios were evaluated as follows:

- The underlying of senior mortgage securitisation tranches consists of highly granular residential mortgage loans located in continental Europe; all tranches have received the highest rating from at least one rating agency. More specifically, out of a total of nearly €16 billion, €10 billion is rated AAA/Aaa/AAA and only one line of €13 million has only received an Aaa rating.
- Senior securitisation tranches backed by public exposures, mainly provided by the United States and the Netherlands, of more than €7 billion, are all rated AAA or Aaa by at least one agency except for a €30 million line rated Aa2/AA-.
- Securities issued or guaranteed by public entities, amounting to €9 billion, all have ratings in the highest range and nearly €6 billion of this outstanding debt is rated AAA/Aaa/AAA.

Furthermore, Compagnie de Financement Foncier continues to respect its commitments in terms of overcollateralisation. Interest rate and liquidity hedging mechanisms are maintained, and the residual gaps observed during the half-year comply with the limits set by Compagnie de Financement Foncier as published yearly in its annual report.

Looking into the second half of the year, Compagnie de Financement Foncier's activity should remain guided by the strategy defined early in the year, meaning:

- maintain the quality of its assets through a highly selective purchasing policy and rigorous risk management
- confirm its place as a leading European issuer in the covered bond market.

## 2. PERSON RESPONSIBLE FOR THE INFORMATION GIVEN IN THE PROSPECTUS SUPPLEMENT

### In the name of the Issuer

We declare, having taken all care to ensure that such is the case and to the best of our knowledge, that the information contained in this First Prospectus Supplement (when read together with the Base Prospectus) is in accordance with the facts and that it contains no omission likely to affect its import.

The historical financial data for the financial year ended 31 December 2005 and the financial year ended 31 December 2006 presented in the Base Prospectus 2006 dated 1 August 2006 which received visa n°06-279 from the AMF on 1 August 2006 and in the Prospectus Supplement dated 16 April 2007 which received visa n°07-116 from the AMF on 16 April 2007 (both documents are incorporated by reference in the Base Prospectus) have been discussed in the statutory auditors' report found on pages 138 and 139 of the Base Prospectus 2006 and pages 83 to 85 of the Prospectus Supplement, which both contain observations.

Compagnie de Financement Foncier  
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France

Duly represented by: Sandrine GUÉRIN  
Directeur Général Délégué / Deputy C.E.O.  
Duly authorised



*Autorité des marchés financiers*

In accordance with Articles L.412-1 and L.621-8 of the French *Code monétaire et financier* and with the General Regulations (*Règlement général*) of the *Autorité des marchés financiers* (AMF), in particular Articles 212-31 to 212-33, the AMF has granted to this Prospectus Supplement the visa No. 07-299 on 3 September 2007. This document and the Base Prospectus may only be used for the purposes of a financial transaction if completed by Final Terms. It was prepared by the Issuer and its signatories assume responsibility for it. In accordance with Article L.621-8-1-I of the French *Code monétaire et financier*, the visa was granted following an examination by the AMF of "whether the document is complete and comprehensible, and whether the information it contains is coherent". It does not imply that the AMF has verified the accounting and financial data set out in it. This visa has been granted subject to the publication of Final Terms in accordance with Article 212-32 of the AMF's General Regulations, setting out the terms of the securities being issued.