



Half-Year Report

Update at June 30, 2010 of the 2009 Reference Document
including a half-year Financial Report



**COMPAGNIE DE
FINANCEMENT
FONCIER**

CREDIT FONCIER GROUP



This document is a full translation of the original French text. The original document was filed with the Autorité des marchés financiers (French Financial Market's Authority) or AMF on August 31, 2010, under the number D. 10-0207-A01, in accordance with Article 212-13 of its general regulation. It completes the French "Document de Référence" of the Compagnie de Financement Foncier filed with the AMF on April 1, 2010 under the number D. 10-0207. As such, it may be used in support of a financial transaction when accompanied by a prospectus duly approved by the AMF.

This is a free translation into English of the update of the half-year report issued in the French language and is provided solely for the convenience of English speaking readers. This English version of the half-year report should be read in conjunction with, and construed in accordance with, French law. In case of discrepancy, the French version prevails.

Copies of this document are available at Compagnie de Financement Foncier, 4 quai de Bercy - 94224 Charenton-le-Pont, on Compagnie de Financement Foncier's website: www.foncier.fr, under the heading "Regulated information" and on the website of the Autorité des marchés financiers: www.amf-france.org

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Activity Report



Profile of Compagnie de Financement Foncier

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

A wholly-owned subsidiary of Crédit Foncier (A/Aa3/A+), which is itself fully-owned by Groupe BPCE (A+/Aa3/A+), Compagnie de Financement Foncier's corporate purpose is to finance real-estate loans and loans to Public Sector authorities originated by its parent company and of the Groupe BPCE as a whole.

Firmly rooted within Crédit Foncier, which has been issuing obligations foncières since 1852, Compagnie de Financement Foncier has since its creation been a major player in its market.

The first half of 2010 was marked by the turbulence caused by the European sovereign debt crisis and the austerity measures taken by the various governments.

In this challenging environment, Compagnie de Financement Foncier stood out in the markets with very notable issues. Furthermore, it re-launched the covered bonds segment in the United States - virtually inactive since 2007 - with 144A/RegS format issue for US investors. Its excellent credit quality and solid legal framework enabled it to further diversify its investor base and play a particularly active role in the primary market.

Against a background of growing concern about European public debt levels, Crédit Foncier continued to fulfil its Public Sector financing role and lend to private individuals while ensuring the quality of its loan portfolio by adopting a highly selective approach, in keeping with the Groupe BPCE's risk policy.

In these conditions, Compagnie de Financement Foncier stood out with investors for its diversified asset base procured through strict and rigorous acquisition procedures. At June 30, 2010, the coverage of privileged debt by balance sheet assets, *i.e.* the overcollateralisation ratio as defined in Article L. 515-20 of the French Monetary and Financial Code, stood at 111.4%.

Given the economic and market conditions described above, Compagnie de Financement Foncier's activity in the primary market was remarkable, with issues of *obligations foncières* totalling €8.8 billion.

More than half of the 2010 refinancing programme was completed in the first half, with some outstanding issues. For example, the issue of a new €600 million line of 15-year *obligations foncières* on June 15 was the longest-dated issue in the covered bonds market so far this year.

Moreover, Compagnie de Financement Foncier extended its investor base in the United States with a debut issue of USD2 billion in 144A/RegS format on April 16, 2010. The strong interest shown in the USMTS programme put in place at the beginning of July supports its expansion strategy in this market.

With a second issue of USD 1.8 billion in 144A/RegS format split into two tranches on July 13, 2010, Compagnie de Financement Foncier confirmed its position as the most active issuer in this US format. Backed by a highly diversified investor base, the conditions are set for 2010 to be another remarkable year for Compagnie de Financement Foncier.

Key Figures as of June 30, 2010

Issuer information

Issuer

Compagnie de Financement Foncier

Parent company

Crédit Foncier de France (100%), a subsidiary of Groupe BPCE

Type of bonds issued

Obligations foncières

Issuance programmes

EMTN, AMTN & USMTS

Rating agency ^(*)	Long-term rating	Outlook
Standard & Poor's	AAA	Stable
Moody's	Aaa	Stable
Fitch Ratings	AAA	Stable

Sole service provider

Crédit Foncier de France (A/Aa3/A+) ^(*)

^(*) Standard & Poor's/Moody's/Fitch Ratings - ratings updated as of filing date.

Simplified economic balance sheet at June 30, 2010 and December 31, 2009

(From the regulatory report of elements for calculating the coverage ratio)

	At June 30, 2010		At Dec. 31, 2009	
	€ bn	% Balance sheet	€ bn	% Balance sheet
Secured loans	43.61	43.8%	43.85	44.6%
Articles L. 515-14 and 16				
State subsidised mortgage loans	0.81	0.8%	0.96	1.0%
Mortgage loans guaranteed by FGAS [*]	7.41	7.4%	7.32	7.4%
Other mortgage loans	12.61	12.7%	11.69	11.9%
Senior residential mortgage-backed securities	13.66	13.7%	14.31	14.6%
Other loans with real estate guarantee	0.47	0.5%	0.52	0.5%
Mortgage notes	8.65	8.7%	9.05	9.2%
Exposures to public authorities	42.98	43.2%	41.74	42.5%
Articles L. 515-15 and 16				
State subsidised public loans	0.24	0.2%	0.25	0.3%
Other public loans	19.91	20.0%	20.08	20.4%
Public entities securities	15.22	15.3%	13.95	14.2%
Senior securitisation of public debt	7.61	7.7%	7.46	7.6%
Replacement securities	10.41	10.4%	9.45	9.6%
Article L. 515-17				
Other assets (interests on IFAT ^{**}, accruals, etc.)	2.58	2.6%	3.21	3.3%
Total assets	99.58	100.0%	98.25	100.0%

^{*} Fonds de garantie de l'accès social à la propriété (Government fund promoting access to home ownership).

^{**} Forward Financial Instruments.

	At June 30, 2010		At Dec. 31, 2009	
	€ bn	% Balance sheet	€ bn	% Balance sheet
Privileged resources	82.99	83.3%	83.95	85.4%
<i>Obligations foncières</i>	81.36	81.7%	81.96	83.4%
Other privileged resources	1.63	1.6%	1.99	2.0%
Non-privileged resources	16.58	16.7%	14.3	14.6%
Unsecured debt	10.77	10.8%	8.54	8.7%
Subordinated debt and similar debt	4.16	4.2%	4.18	4.3%
<i>of which redeemable subordinated notes (RSN)</i>	2.10	2.1%	2.1	2.1%
<i>of which participating loans ⁽¹⁾</i>	1.37	1.4%	1.35	1.4%
Shareholder's equity, provisions and FRBG ^{* (2)}	1.65	1.7%	1.59	1.6%
Total liabilities	99.58	100.0%	98.25	100.0%

Shareholder's equity and related items ^{(1) + (2)}

^{*} Fonds pour risques bancaires généraux (Fund for General Banking Risks).

Performance indicators:

€8.8 billion

Obligations foncières issued at June 30, 2010

€64.1 million

Net income

111.4%

Overcollateralisation ratio

60.6%

Average LTV

Outstanding privileged liabilities at June 30, 2010

€83 billion, including €81 billion in obligations foncières

Positioning

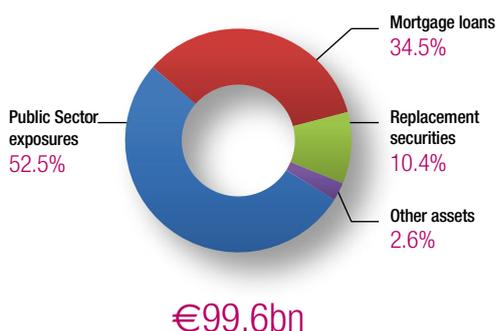
A leader in covered bonds in Europe

Breakdown of assets at June 30, 2010 and at December 31, 2009

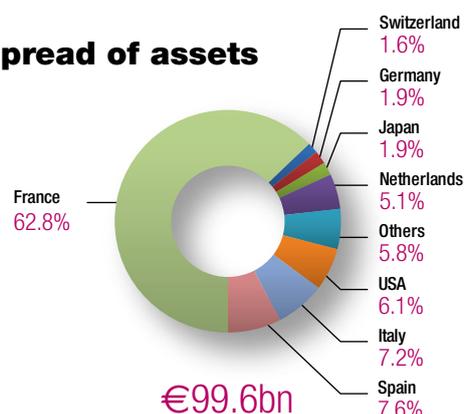
By taking into account the direct and indirect public guarantees on certain outstanding loans also backed by real estate collateral, especially loans secured by the FGAS guarantee fund, the assets secured by a public guarantee represented €52.25 billion at June 30, 2010, and 52.5% of all assets.

	At June 30, 2010		At Dec. 31, 2009	
	€ bn	% Balance sheet	€ bn	% Balance sheet
Mortgage loans	34.34	34.5%	32.97	33.5%
Mortgage loans and related items	20.68	20.8%	18.66	19.0%
European residential mortgage-backed securities	13.66	13.7%	14.31	14.5%
Public Sector exposures	52.25	52.5%	52.62	53.6%
Mortgage loans guaranteed by the French State or a European public institution	9.28	9.3%	10.88	11.1%
French Public Sector loans	18.42	18.5%	19.09	19.4%
International Public Sector securities	24.55	24.7%	22.65	23.1%
Other assets and replacement securities	12.99	13.0%	12.66	12.9%
Replacement securities	10.41	10.4%	9.45	9.6%
Other assets	2.58	2.6%	3.21	3.3%
Total assets	99.58	100.0%	98.25	100.0%

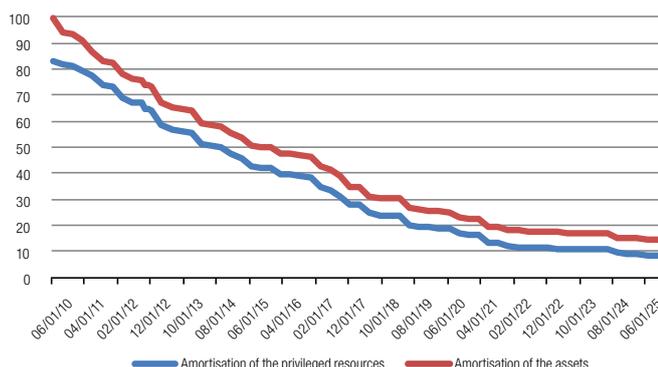
Breakdown total balance sheet



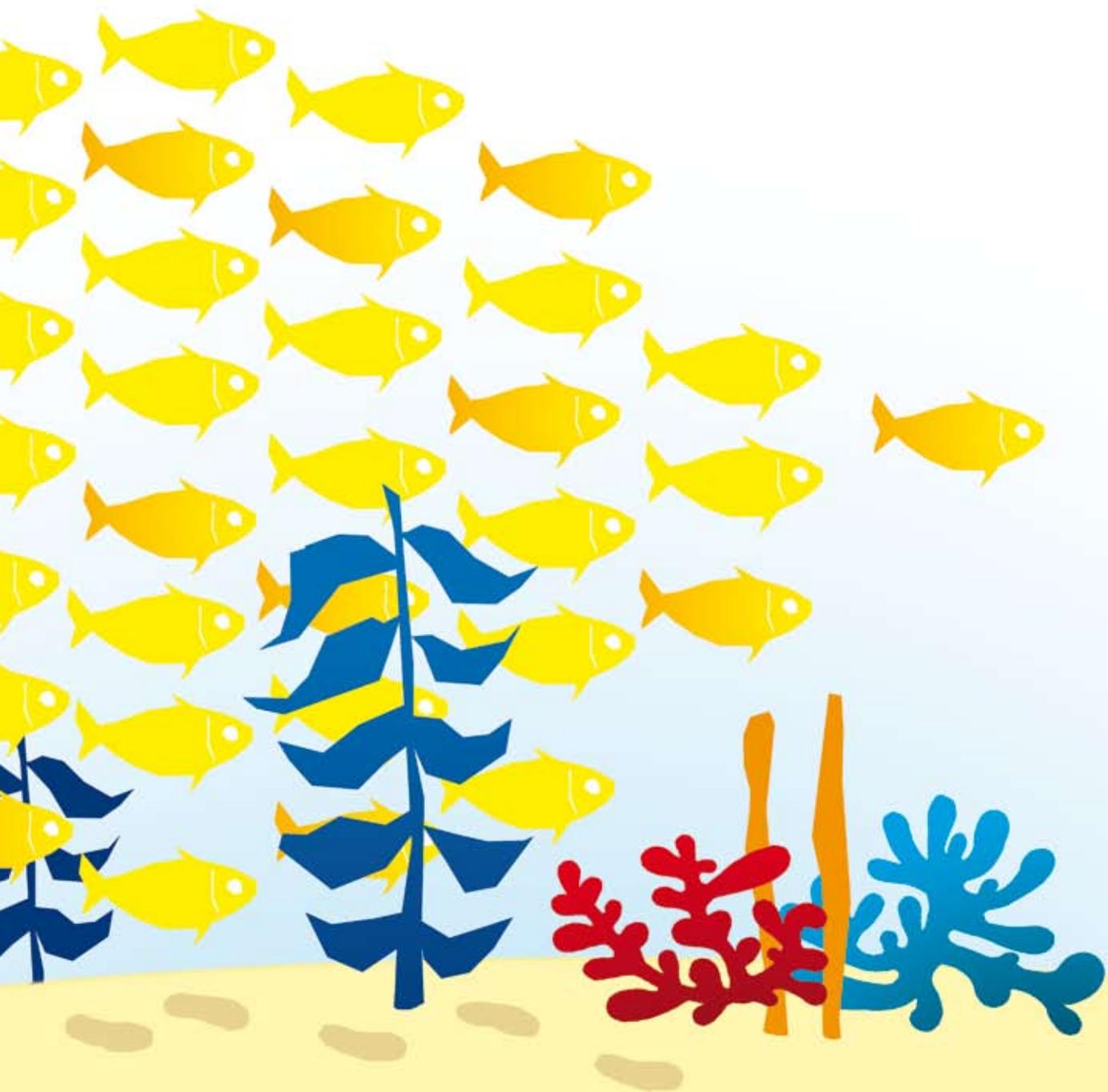
Geographic spread of assets



Amortisation of assets and privileged resources



Financial Report



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In the first half of 2010, Compagnie de Financement Foncier's activity was determined by the still difficult economic and financial conditions and by its determination to maintain a very stringent risk management policy, particularly with regard to credit and liquidity risks.

In this context, Compagnie de Financement Foncier acquired more than €5 billion of housing loans to private individuals and Public Sector financing transactions in France and abroad. It issued nearly €9 billion in *obligations foncières* all rated AAA/Aaa/AAA like all its privileged liabilities.

At end-June 2010, Compagnie de Financement Foncier had total assets amounting to €99.6 billion, up slightly over the period, and net income for the period came to €64 million, in line with its profitability targets.

Analysis of assets

Transactions in the first half of 2010

Acquisitions during the first half were divided fairly evenly between Compagnie de Financement Foncier's two core businesses:

- › in the mortgage market, activity consisted mainly of purchases of loans granted by Crédit Foncier. In the first half, Compagnie de Financement Foncier acquired €2.2 billion of retail loans granted mainly to finance first-time home buyers. More marginally, it made some purchases of continental European residential mortgage securitisation units on existing lines for €0.1 billion;
- › in the Public Sector, acquisitions totalled €3.1 billion, consisting of loans granted by Crédit Foncier to French Local Authorities for €2.0 billion and of financing transactions granted to or guaranteed by foreign public entities for €1.1 billion. These transactions concerned US state-guaranteed securitisation units for €0.2 billion, with the remainder composed of bonds issued or guaranteed by European governments.

In the short-term segment, cash management was ensured mainly by assets repurchase agreements with the ECB.

Changes in assets

Breakdown of assets by guarantee category

	At June 30, 2010		At December 31, 2009	
	€ million	% balance sheet	€ million	% balance sheet
Secured loans - Articles L. 515-14 and 16	43,607	43.8%	43,841	44.6%
State-subsidised mortgage loans	811	0.8	957	1.0
Mortgage loans guaranteed by the FGAS	7,411	7.4	7,320	7.5
Other mortgage loans	12,605	12.7	11,693	11.9
Senior residential mortgage-backed securities	13,664	13.7	14,310	14.6
Other loans with real estate guarantee	469	0.5	516	0.5
Mortgage notes	8,648	8.7	9,046	9.2
Exposures to public authorities - Articles L. 515-15 and 16	42,975	43.2%	41,741	42.5%
State-subsidised public loans	238	0.2	253	0.3
Other public loans	19,907	20.0	20,077	20.4
Public entity securities	15,216	15.3	13,946	14.2
Senior securitisation of public debt	7,614	7.6	7,465	7.6
Other assets (interest on IFAT, accruals, etc.)	2,578	2.6%	3,209	3.3%
Replacement securities - Article L. 515-17	10,415	10.5%	9,454	9.6%
Total assets	99,576	100.0%	98,245	100.0%

Taking into account the activity in the first half, the asset breakdown changed little between December 31, 2009 and June 30, 2010.

Total assets increased by €1.4 billion, particularly in terms of Public Sector loans. The weight of secured mortgage loans decreased slightly as amortisation of the residential mortgage securitisation portfolio was not offset by purchases of the same type.

Replacement securities, consisting mainly of bank loans with maturities of less than three months granted to Crédit Foncier, continued to account for a substantial part of the balance sheet, up by €1 billion over the period to more than 10% at June 30, 2010. Of the total amount, €6.3 billion are secured by assets held by Crédit Foncier.

Given the additional guarantees attached to a part of the mortgage loans, exposure to public entities is in fact higher than that of secured loans. When including loans to the subsidised sector and loans guaranteed by the FGAS, which are backed by the French Government, assets with a public guarantee represented 51% of the balance sheet at June 30, 2010 compared with 36% for mortgage loans.

When mortgage loans backed by indirect guarantees from European public entities are also included, Public Sector exposures accounted for 52% of assets, or €52 billion, in line with the situation at December 31, 2009.

The geographic diversification of assets also changed very little over the first six months of the year. At end-June 2010, €37 billion or 37.2% of assets were located outside France compared with 36.5% at end-December 2009.

There has been very little change in the breakdown by country and the changes there have been are mainly the result of natural amortisation of the RMBS portfolio, whose assets are located in Spain, Italy, Portugal and the Netherlands. The breakdown by country is as follows:

- › Spain (€7.6 billion at end-June 2010 versus €7.8 billion at end-December 2009);
- › Italy (€7.1 billion versus €7.5 billion);
- › United States (€6.1 billion versus €5.3 billion) and;
- › Netherlands (€5.0 billion versus €5.1 billion).

Assets located in these four countries amounted more than €25 billion, representing a quarter of the total.

The weight of other countries is smaller, with each of the following six countries accounting for between 1% and 2% of total assets at June 30, 2010: Japan with €2.0 billion, Germany with €1.9 billion, Switzerland with €1.6 billion, Portugal with €1.4 billion, Greece with €1.1 billion and Canada with €0.9 billion. Lastly, the remainder is spread across eleven other European countries, with less than €0.5 billion each.

Analysis of liabilities

Transactions in the first half of 2010

Against a background of renewed Financial Market turmoil linked to rising southern European sovereign risk, Compagnie de Financement Foncier issued €8.8 billion in *obligations foncières* during the first half, with an average maturity of 7 years, mainly in euro.

After receiving SEC approval at the end of 2009, Compagnie de Financement Foncier launched its first issue in the US home market in April 2010 with a three-year issue of \$2 billion.

The other public issues totalled €5 billion, featuring in particular a three-year €2 billion issue in January, a five-year €1 billion issue in April and a 15-year €0.6 billion issue in June.

These four transactions required approval by the Specific Controller, whose duties include ensuring that any issue of more than €0.5 billion complies with prudential regulations.

Private placements during the first half totalled €2.3 billion in long-term issues with a maturity of around 14 years (11 years if all the early redemption options are exercised).

Short-term liquidity requirements were met mainly through secured loans granted by the ECB, within the framework of its open-market operations, which remained stable at €3 billion over the period. On June 30, 2010, a new repurchase agreement was entered into for €1 billion over seven days.

Changes in liabilities

Breakdown of liabilities by guarantee rank

	At June 30, 2010		At December 31, 2009	
	€ million	% balance sheet	€ million	% balance sheet
Privileged resources	82,992	83.3%	83,946	85.4%
<i>Obligations foncières</i>	81,360	81.7	81,957	83.4
Other privileged resources	1,632	1.6	1,989	2.0
Non-privileged resources	16,583	16.7%	14,299	14.6%
Unsecured debt	10,773	10.8	8,537	8.7
Subordinated debt and similar debt	4,159	4.2	4,176	4.3
<i>of which redeemable subordinated notes (RSN)</i>	2,100	2.1	2,100	2.1
<i>of which participating loans ⁽¹⁾</i>	1,369	1.4	1,350	1.4
Shareholders' equity, provisions and FRBG ⁽²⁾	1,651	1.7	1,586	1.6
Total liabilities	99,576	100.0%	98,245	100.0%
Shareholders equity and related items ^{(1) + (2)}	3,020	3.0	2,936	3.0

The weight of non-privileged debt, which ensures the safety of preferred investors such as *obligations foncières* bondholders, increased to almost 17% of total liabilities during the period under the combined effects of a slight decrease in privileged debt and an increase in non-privileged debt.

Repayment of *obligations foncières* that matured during the

period totalled more than €10 billion, resulting in a €1 billion decrease in privileged debt to €83 billion at end-June 2010 despite new issues totalling €8.8 billion.

At the same time non-privileged resources, more specifically unsecured debt, increased by more than €2 billion. The increase concerned two elements in particular:

› debt representing assets deposited with Banque de

France to guarantee Eurosystem financing transactions, which increased from €3 billion at December 31, 2009 to €4 billion at June 30, 2010, and;

› deposits received on hedging transactions, which are all subject to payment of collateral in the case of a debit position. These deposits amounted to €2.6 billion at end-June 2010 compared with €1.3 billion at end-December 2009.

Subordinated debt, consisting mainly of very long term borrowings (30 and 33 years), and shareholders' equity remained stable over the period, representing 6% of the total balance sheet.

Coverage ratios

The various coverage ratios specific to *sociétés de crédit foncier* changed little, or in some cases improved, during the first half. Compagnie de Financement Foncier's *obligations foncières* bondholders therefore continue to enjoy high levels of security.

The coverage ratio increased from 110.5% at end-December 2009 to 111.4% at June 30, 2010.

The coverage ratio measures the overcollateralisation of risk-weighted assets relative to privileged resources and must at all times exceed 100%.

Risk-weighting reduces the value of some assets that do not provide an optimum level of security. This is the case of securitisation units and guaranteed loans rated lower than step-1 credit quality.

Assets pledged with the ECB under repurchase agreements and the portion of loans whose loan-to-value exceeds the regulatory threshold of eligibility for financing by privileged debt are also deducted from the assets.

At end-June 2010, Compagnie de Financement Foncier complied with the limits on holdings of certain assets, as follows:

- › guaranteed loans accounted for less than 2% of assets, very far below the 35% regulatory limit;
- › mortgage notes accounted for 8.7% of assets, well below the 10% limit;
- › the value of replacement securities equalled 10% of the nominal value of privileged resources, well below the 15% limit.

These levels were very similar to those recorded at the end of 2009.

Similarly, the amount not eligible for refinancing by privileged

resources remains very far below the amount of non-privileged liabilities.

The loans on which a loan-to-value (LTV) overrun was observed totalled €192 million at June 30, 2010, financed by non-privileged resources totalling €16,583 million. It takes into account all assets, directly-held mortgage loans, loans guaranteeing promissory notes and securitisation tranches.

At December 31, 2009, loans for which a loan-to-value overrun was observed amounted to €471 million compared with non-privileged liabilities totalling €14,299 million.

The average LTV ratio of directly-held mortgage loans (*i.e.* the ratio of the outstanding principal on the loan over the current value of the real-estate collateral) came to 60.6% at June 30, 2010 out of a loan portfolio of more than €20 billion. This was slightly higher than the 59.5% at the end of 2009 as an automatic effect of the replacement of older loans that are repaid by more recent loans with higher LTV ratios.

Furthermore, in the first half of 2010, 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 on a consolidated basis.

Analysis of net income

Net banking income

Net banking income for the first half of 2010 came to €139 million compared with €362 million for the full year in 2009 and €121 million in the first half of 2009. The bulk of net banking income consists of the interest margin generated by the acquisition of Public Sector and mortgage loans, which totalled €129 million in the first half of 2010 compared with €358 million for the full year in 2009.

For proper analysis of the profitability of Compagnie de Financement Foncier's operations, these amounts need to be restated for non-recurring elements during these periods.

In July 2009 a non-recurring gain of €92 million had been recorded on a debt restructuring operation carried out at an investor's request.

Non-recurring gains were far smaller in the first half of

2010, corresponding to the cancellation of the hedging arrangements entered into with CIFG for some securities. As these transactions no longer offered any real protection of the hedged assets, Compagnie de Financement Foncier decided to terminate the agreement before term. CIFG paid indemnities for breach of contract and Compagnie de Financement Foncier had to recognise as a loss for the period the remaining credit enhancement premiums still to be spread over the life of the hedged assets. The final impact was a net loss of €12 million.

The ordinary margin went from €266 million in 2009 to €141 million in the first half of 2010, reflecting firm remuneration of the assets held.

Excluding interest income, the changes in net banking income during the period concerned mainly:

- › a rise in prepayment indemnities on loans recognised under commissions (€19 million in the first half of 2010 versus €22 million for the full year 2009);
- › a provision of nearly €6 million to cover the fall in the market value of an AAA/Aa1/AAA rated line in the investment portfolio;
- › foreign exchange gains of €3 million on zero coupon lines arising from differences between the amortisation profile of the micro-hedging swap and that of the hedged asset.

Gross operating income

Operating expenses comprise mainly 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. The trend was positive, with operating expenses down from €97 million for the full year 2009 to €46 million for the first six months of 2010.

Furthermore, the end of goodwill amortisation in respect of the elements transferred to Compagnie de Financement Foncier on its creation, scheduled since the beginning in June 2009, meant there was no amortisation charge in 2010 compared with a charge of €2 million in the first half of 2009.

Gross operating income came to €93 million for the six months ended June 2010 compared with €262 million for the full year 2009 and €73 million for the first half of 2009.

Cost of risk

The cost of risk remained low at €1.9 million for a total balance sheet of nearly €100 billion. This was perfectly in line with the €4.1 million recorded for the full year 2009 including €2 million for the first half.

The cost of risk comprises various elements:

- › allowance to provisions and impairment of €5.2 million;
- › reversals of provisions and impairment of €3.6 million;
- › total losses of €0.8 million, of which €0.1 million is covered by impairment provisions;
- › gains amounting to €0.6 million on amortised loans.

The overall risk charge comprises the cost of risk on capital flows, amounting to €1.9 million in the first half of 2010, and the income or expense charged to net banking income, *i.e.* income of €0.7 million in the first half of 2010. The overall risk charge therefore came to €1.1 million in the first half of 2010 compared with €5.8 million for the full year 2009. These risk factors are also analysed in the management report in the section on credit risk.

Net income

Compagnie de Financement Foncier recorded a non-recurring gain of €2 million on long-term investments arising from exercise of a clean-up call on two securitisation funds, with early termination resulting in recognition in income of part of the price difference recorded on purchase of the outstanding units still to be amortised.

First-half pre-tax income on ordinary activities came to €94 million. After tax, net income for the first half of 2010 came to €64 million compared with €50 million for the first half of 2009 and €175 million for the full year, including non-recurring income amounting to €61 million.

Credit risk analysis

In terms of credit risk, there are three main asset categories that require different methods for measuring and monitoring credit quality:

- › subsidised or competitive sectors, granted to individuals or professionals mainly in the Public Sector. This category includes mortgage notes as their underlying assets have the same risk characteristics as directly-held loans;
- › Public Sector securities and securitisation tranches rated by approved credit rating agencies. Pursuant to the legal requirement, at least 90% of a unit's assets must consist of loans or exposures that meet the eligible asset requirements

that apply to *sociétés de crédit foncier*;

> replacement securities, which are short-term investments with credit institutions with the highest short-term ratings. At Compagnie de Financement Foncier, the vast majority of these securities consist of loans of less than three months granted to Crédit Foncier. More than two thirds of these loans are secured by a portfolio of assets pledged as guarantee.

Credit risk analysis is described in greater detail in the report on risk management of this document, with customer segmentation and a breakdown of exposure by Basel II rating.

Loans and similar items

Risk indicators on outstanding loans

At June 30, 2010	Outstanding loans (€ million)	Percentage of total outstanding loans	Of which doubtful loans (€ million)	Doubtful loans (%)	Of which compromised doubtful (€ million)	Compromised doubtful (%)	Provisions (€ million)
Subsidised sector (run-off)	1,049.6	2.1%	66.6	6.3%	0.0	0.0%	0.1
Private sector	49,053.2	97.9%	392.4	0.8%	35.4	0.1%	22.4
Loans to individuals and mortgage notes	28,126.2	56.1	378.9	1.3	31.7	0.1	20.6
<i>of which mortgage notes</i>	<i>8,647.6</i>	<i>17.3</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<i>of which loans guaranteed by FGAS</i>	<i>7,411.2</i>	<i>14.8</i>	<i>169.2</i>	<i>2.3</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
Loans to public authorities	18,297.6	36.5	5.1	0.0	0.0	0.0	0.1
Loans to social housing	2,615.0	5.2	6.4	0.2	1.7	0.1	1.2
Loans to commercial property (run-off)	14.4	0.0	2.0	13.8	1.9	13.3	0.6
Total	50,102.8	100.0%	459.0	0.9%	35.4	0.1%	22.5

At December 31, 2009	Outstanding loans (€ million)	Percentage of total outstanding loans	Of which doubtful loans (€ million)	Doubtful loans (%)	Of which compromised doubtful (€ million)	Compromised doubtful (%)	Provisions (€ million)
Subsidised sector (run-off)	1,209.7	2.4%	68.9	5.7%	0.0	0.0%	0.1
Private sector	48,667.0	97.6%	341.8	0.7%	36.5	0.1%	21.6
Loans to individuals and mortgage notes	27,459.1	55.1	328.0	1.2	33.3	0.1	19.2
<i>of which mortgage notes</i>	<i>9,046.0</i>	<i>18.1</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<i>of which loans guaranteed by FGAS</i>	<i>7,319.55</i>	<i>14.7</i>	<i>163.4</i>	<i>2.2</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
Loans to public authorities	18,474.1	37.0	5.2	0.0	0.0	0.0	0.1
Loans to social housing	2,708.2	5.4	6.6	0.2	1.7	0.1	1.1
Loans to commercial property (run-off)	25.6	0.1	2.0	7.9	1.5	5.8	1.1
Total	49,876.7	100.0%	410.8	0.8%	36.5	0.1%	21.7

These assets account for half of Compagnie de Financement Foncier's total assets and have very low and highly controlled risk profiles.

The sectors that might seem the most exposed - subsidised and commercial property sectors - are in fact immaterial in terms of both amount and change over the period. As they are being run off, the non-performing loan ratio rises automatically with time, but the risk of end loss is limited to marginal amounts.

The risk most actively monitored is lending to the competitive sector: low income housing and public entities on the one hand (loan portfolio of €21 billion at June 30, 2010), whose doubtful debt ratio is close to zero, and loans to private

individuals on the other (loan portfolio of €28 billion at June 30, 2010) whose risk indicators remain very low although they rose slightly in the first half of 2010.

At June 30, 2010, the doubtful debt ratio for the entire private individuals loan portfolio was 1.3% with a ratio of 2.3% for loans guaranteed by the French Government through FGAS and of 1.7% for direct loans without FGAS guarantee.

Trends in provisions and impairment are similar. These amounted to €22.5 million at end-June 2010, versus €21.7 million at end-December 2009, and are mainly allocated to the portfolio of loans to private individuals acquired by Compagnie de Financement Foncier.

Risk Charge Analysis

	At June 30, 2010			At December 31, 2009		
	Outstanding loans (€ million)	Risk charge (€ million)	Risk charge (basis points)	Outstanding loans (€ million)	Risk charge (€ million)	Risk charge (basis points)
Subsidised sector (run-off)	1,049.6	-0.06	-0.6	1,209.7	0.14	1.2
Private sector	49,053.2	1.20	0.2	48,667.0	5.74	1.2
Loans to individuals and mortgage notes	28,126.2	1.24	0.4	27,459.1	6.21	2.3
Loans to public authorities	18,297.6	-0.05	0.0	18,474.1	0.00	0.0
Loans to social housing	2,615.0	0.03	0.1	2,708.2	-0.21	-0.8
Loans to commercial property (run-off)	14.4	-0.01	-8.3	25.6	-0.26	-102.1
Total	50,102.8	1.14	0.2	49,876.7	5.88	1.2

NB : The risk charge is an expense when positive and revenue when negative.

The overall risk charge, which includes the portion of outstanding principal recognized in the cost of risk and that of interest recognised in net banking income, remained very low in the first half of 2010 at €1.1 million on a total loan portfolio of nearly €50 billion, *i.e.* 0.2 basis point of the total outstanding loans.

This charge arises mainly from net provisions and impairments on competitive sector loans to private individuals and includes in particular an allowance of €1.8 million (of which €1.2 million in respect of the Neiertz provision) to collective provisions.

Securities and securitisation tranches

This portfolio consists of:

› two types of *senior* securitisation tranches: residential mortgage-backed securities (RMBS) which amounted

to €13.7 billion at end-June 2010, down slightly through natural amortisation, and Public Sector loans or loans guaranteed by public entities, which remained virtually unchanged during the period at €7.6 billion;

› securities issued or guaranteed by public entities, mostly foreign, which grew from €13.9 billion to €15.2 billion in the first half of 2010.

As in previous accounting periods, this category has no doubtful debt and no provisions and does not generate any cost of risk. Risk monitoring is based mainly on credit ratings and changes in ratings.

The high quality of the RMBS portfolio was maintained, despite some rating downgrades after review by the independent agencies, notably eight tranches of Spanish securitisation funds and two German funds. At June 30,

2010, the outstanding features of this portfolio included:

- › no exposure to “subprime” risk;
- › no direct or indirect exposure to US or UK real estate;
- › 34% of the portfolio is rated AAA/Aaa/AAA, while 86% received the highest rating from at least one agency;
- › 90% of the portfolio (€12.2 billion) has a credit-quality step rating of 1.

In addition, Crédit Foncier has agreed to provide compensation to its *société de crédit foncier* for the consequences of a rating downgrade below credit quality step 2 (A-/A3/A-) on a portion of its RMBS-type mortgage securitisation portfolio. €3.1 billion benefited from this additional guarantee at June 30, 2010.

The other loans in this category, totalling €22.8 billion at June 30, 2010, are Public Sector loans. These concern Public Sector securitisation funds for €7.6 billion and securities issued or guaranteed by public entities for €15.2 billion, all located outside France with the exception of €0.6 billion in securities.

At June 30, 2010, this category still enjoyed strong credit ratings with:

- › 83% with a step-1 credit quality rating, of which 19% with the top, i.e. AAA/Aaa/AAA;

- › 11% with a step-2 rating;
- › the balance has lower ratings and consists of exposure to Greece for €0.8 billion, to Italy for €0.4 billion, to Hungary for €0.1 billion, and an exposure of €15 million to Iceland.

Part of the securities and securitisation portfolio is counter guaranteed by monoline insurers. Following the cancellation of the arrangements with CIFG, the hedged portion decreased to €3 billion during the first half.

However, the very significant downgrading of these companies in the recent past means that their guarantee is ineffective as the transaction’s intrinsic credit rating is higher than that of the credit enhancer; only Assured Guaranty Municipals Corp (formerly FSA) continues to provide effective protection against credit risk on a portfolio amounting to €1.9 billion.

Overall analysis

The overall risk analysis covers all guaranteed loans and Public Sector exposures, excepting the subsidised loan sector. The latter is guaranteed by the French Government and amounted to only €1 billion at June 30, 2010 as it is gradually running off.

The Competitive Sector

	At June 30, 2010				At December 31, 2009			
	Outstanding loans (€ million)	Doubtful loans (€ million)	Doubtful loans (%)	Risk (basis points)	Outstanding loans (€ million)	Doubtful loans (€ million)	Doubtful loans (%)	Risk (basis points)
Loans to individuals and related	41,790	379	0.9	0.3	41,769	328	0.8	1.5
<i>of which securitisation tranches and mortgage notes</i>	22,311				23,355			
Exposures on public entities	41,127	5	0.0	0.0	39,886	5	0.0	0.0
<i>of which securities and securitisation tranches</i>	22,830				21,412			
Loans to social housing	2,615	6	0.2	0.1	2,708	7	0.2	-2.9
Loans to commercial property (run-off)	14	2	13.8	-8.3	26	2	7.9	-102.1
Total	85,547	392	0.5 %	0.1	84,388	342	0.4 %	0.1

NB : The risk charge is an expense when positive and revenue when negative.

In sum, in the competitive sector all the assets with mortgage or government guarantees in accordance with the requirements for *sociétés de crédit foncier* continue to present very low levels of risk, even though the risk indicators have been less favourable since the beginning of 2009.

The doubtful debt ratio for the retail loan portfolio, which could be the most sensitive at the moment, remains low at 0.9% compared with 0.8% at end-2009 and the overall risk charge came to €1.1 million in the first half, corresponding to 0.1 basis point of the loan portfolio that makes up Compagnie de Financement Foncier’s core business.

Financial risk analysis

Interest rate and exchange rate risk

In compliance with its internal management rules, Compagnie de Financement Foncier hedged the interest rate and exchange rate risks on all acquisitions and issues made in the first half of 2010.

Furthermore, the interest rate position on the remaining term of the loans was maintained within the tight limits with which Compagnie de Financement Foncier has undertaken to comply.

As a result, the macro and micro instruments used to hedge interest rate and exchange rate risks continued to represent substantial sums: with €106 billion of interest-rate swaps at end-June 2010 (vs. €115 billion at end-2009) and €42 billion of currency swaps (vs. €39 billion at end-2009).

Liquidity risk

A very prudent liquidity management policy was maintained over the first six months of the year, as Compagnie de Financement Foncier has undertaken to maintain adequate liquidity at all times to enable it to fulfil all the contractual obligations of its privileged liabilities over a 12-month period with no additional resources.

At June 30, 2010, the assets eligible for ECB refinancing held by Compagnie de Financement Foncier represented one third of its total assets, *i.e.* a nominal value of more than €33 billion, consisting of securities for €24 billion and Public Sector loans for €9 billion. During the first half, the amount of assets used for short-term refinancing averaged €3 billion.

Moreover, the vast majority of Compagnie de Financement Foncier's replacement securities consist of loans of less than three months. Replacement securities accounted for 10.5% of total assets at June 30, 2010 compared with 9.6% at December 31, 2009.

Compagnie de Financement Foncier ensures good balance sheet liquidity at all times by adequately matching the maturities of assets and liabilities; at June 30, 2010, the durations of assets and liabilities were identical at 6.6 years, virtually unchanged relative to the end of 2009.

Notes to the Management Report

List of securitisation tranches (FCTs) as of June 30, 2010

Senior securitisation tranches of residential mortgage loans: €13.7 billion (in outstanding principal)

Countries	Standard & Poor's/Moody's/Fitch Ratings
Germany	
E-MAC 2005-5	AA/Baa1/AA
EMAC DE 2006-II	AA-/Baa1/A+
Spain	
AYT GENOVA HIPOTECARIO 4	AAA/Aaa/AAA
AYT GENOVA HIPOTECARIO 7	AAA/Aaa/AAA
BANCAJA 10	AAA/Aa3/
BANCAJA 11	AAA/A2/
BANCAJA 4	/Aaa/AAA
BANCAJA 5	AAA/Aaa/AAA
BANCAJA 6	AAA/Aaa/AAA
BANCAJA 7	AAA/Aaa/AAA
BANCAJA 8	/Aaa/AAA
BANCAJA 9 A2	/Aa1/AAA
BANKINTER 10	AAA/Aaa/
BANKINTER 4	AAA/Aaa/
BANKINTER 5	AAA/Aaa/
BBVA RMBS 1	/Aaa/AAA
BBVA RMBS 2	AAA/Aaa/AAA
BBVA RMBS 3	/Aa1/AAA
GC SABADELL 1	AAA/Aaa/
HIPOTEBANSA VIII SERIE A	/Aaa/AAA
HIPOTEBANSA XI	AAA/Aaa/
IM CAJAMAR 3 Parts A	/Aaa/AAA
IM PASTOR 2	AAA/Aaa/
IM PASTOR 3	AA/Aa1/
MADRID RMBS III A3	AA/A3/A+
SANTANDER HIPOTECARIO 3 A3	AA-/A3/A+
TDA 27 A3	AAA//AAA
TDA 29 A2	/Aaa/AAA
TDA CAJAMAR A2	AAA//AAA
TDA CAJAMAR A3	AAA//AAA

TDA CAM 5	/Aaa/AAA
TDA CAM 6 Parts A2	/Aa2/AA+
TDA CAM 6 Parts A3	/Aa2/AA+
TDA CAM 9	AA-/Aa3/AA
TDA IBERCAJA 2	AAA/Aaa/
TDA PASTOR 1 - A2	/Aaa/AAA
UCI 14 CLASSE A 2043	AA+//AA
UCI 5 CLASS 5	/Aaa/
France	
ANTILOPE 1	AAA/Aaa/AAA
ANTILOPE 2	AAA/Aaa/AAA
Greece	
THEMELEION II	A/A2/AA-
Italy	
APULIA 3	AAA/Aaa/AAA
BERICA PARTS A2	AAA/Aaa/AAA
CREDICO FINANCE 5 A 2033	AAA/Aaa/
CREDICO FINANCE SPA	AAA/Aaa/AAA
INTRA MORTGAGE FINANCE SRL	AAA/Aaa/AAA
APULIA FINANCE 2	AAA//AAA
ARGO MORTGAGES 2	/Aaa/AAA
BERICA 3 PARTS A2	AAA//AAA
BERICA 6 A2	AAA/Aaa/AAA
BIPIELLE RESIDENTIAL	/Aaa/AAA
BPM2 A2	AAA/Aaa/AAA
CAPITAL MORTGAGE 2007-1	AAA/Aaa/AAA
CORDUSIO	AAA/Aaa/AAA
CORDUSIO 4	AAA/Aaa/AAA
CR FIRENZE MUTUI	AAA/Aaa/AAA
F-E MORTGAGES	AAA/Aaa/AAA
HELICONUS	AAA/Aaa/AAA
INTESABCI SEC 2	AAA/Aaa/AAA
MANTEGNA FINANCE SRL	/Aaa/AAA
MARCHE MUTUI	AAA/Aaa/
MARCHE MUTUI 2A2	AAA/Aaa/
SESTANTE FINANCE 2	AAA/Aa1/AAA
SESTANTE 3 A 2045	AAA/Aa1/AAA
SESTANTE 4	AAA/Aa2/AAA
SESTANTE FINANCE	AAA/Aaa/AAA
VELA ABS	AAA/Aaa/

VELA HOME	AAA/Aaa/
VELA HOME 3 A 2040	AAA/Aaa/
VELA HOME 4	AAA/Aaa/
Netherlands	
BELUGA 2006-I A2	AAA/Aaa/AAA
BELUGA 2006-I A3	AAA/Aaa/AAA
EMAC NL 2005 III BV	AAA/Aaa/AAA
E-MAC NL 2007 III	AAA/Aaa/AAA
HOLLAND HOMES 3 PARTS A 2083	/Aaa/AAA
Portugal	
DOURO MORTGAGE 1 A	AAA/Aaa/AAA
DOURO MORTGAGES 3	AAA/Aaa/AAA
LUSITANO 2	AAA/Aaa/AAA
LUSITANO 4	AAA/Aaa/AAA
LUSITANO 5	AAA/Aaa/AAA
LUSITANO 6	AAA/Aaa/AAA
LUSITANO MORTGAGE PLC 3	AAA/Aaa/AAA
MAGELLAN 3	AAA/Aaa/

Senior securitisation tranches of public debt: €7.6 billion (in outstanding principal)

United States	
NELNET 2006-1 A6	AAA/Aaa/AAA
NELNET 2006-2 A7	AAA/Aaa/AAA
SALLIE MAE 2003-10 A3	AAA/Aaa/AAA
SALLIE MAE 2003-2	AAA/Aaa/AAA
SALLIE MAE 2003-5	AAA/Aaa/AAA
SALLIE MAE 2003-7 A5	AAA/Aaa/AAA
SALLIE MAE 2004-2 A6	AAA/Aaa/AAA
SALLIE MAE 2004-5X	AAA/Aaa/AAA
SALLIE MAE 2004-5X A5	AAA/Aaa/
SALLIE MAE 2004-8-A5	AAA/Aaa/AAA
SALLIE MAE 2004-8-A6	AAA/Aaa/AAA
SALLIE MAE 2005 9 SENIOR A6A	AAA/Aaa/AAA
SALLIE MAE 2005-9 SENIOR A7A	AAA/Aaa/AAA
SALLIE MAE 2006-4 A6	AAA/Aaa/AAA



SALLIE MAE 2006-6 A4	AAA/Aaa/AAA
SALLIE MAE série 8 102004	AAA/Aaa/AAA
Italy	
ADRIATICA	AAA/Aa3/
ASTREA	A+/Aa2/AA-
POSILLIPO FINANCE SRL	BBB+/A3/
Netherlands	
DARTS FINANCE PARTS A 2064	/Aa1/AAA
E-MAC NL 2006-NHG 1	/A1/
E-MAC NL 2007-NHG II	/Aa3/
HOLLAND HOMES ORANJE	//AAA
PEARL 1 MBS	/Aa2/AAA
PEARL 2	/Aa2/AAA
SGML 1	//AAA

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Balance sheet

(in thousands of euros)

As per notes	Assets	06/30/2010	06/30/2009	12/31/2009
	Cash due from central banks and post office accounts	14,641	3,586	4,421
	Treasury notes and similar securities			
1	Due from banks	14,675,077	11,030,015	12,745,566
	<i>On demand</i>	469,762	2,362,343	971,601
	<i>At maturity</i>	14,205,315	8,667,672	11,773,965
2	Customer loans	36,584,259	35,249,808	37,183,708
	<i>Other customer loans</i>	36,584,259	35,249,808	37,183,708
3	Bonds and other fixed income securities	45,737,955	46,183,748	45,106,631
	Intangible fixed assets			
	Other	112,447	136,227	108,248
	Prepayments, deferred charges and accrued income	2,451,340	2,237,406	3,095,950
	Total assets	99,575,719	94,840,790	98,244,524

(in thousands of euros)

As per notes	Liabilities and equity	06/30/2010	06/30/2009	12/31/2009
4	Due to banks	7,562,071	11,426,561	6,687,428
	<i>On demand</i>	1,393	142,965	65,938
	<i>At maturity</i>	7,560,678	11,283,596	6,621,490
5	Customer deposits	9,915	2,512	5,297
	<i>On demand</i>	9,915	2,512	5,297
6	Debt securities	81,600,829	74,228,300	82,198,672
	<i>Inter-bank market securities and negotiable debt securities</i>	240,374	272,364	241,986
	<i>Bonds (obligations foncières)</i>	81,360,455	73,955,936	81,956,686
	Other liabilities	2,834,781	1,068,045	1,552,849
	Accruals and deferred income	2,447,819	3,176,562	2,764,267
	Provisions	6,542	9,937	5,339
7	Subordinated debt	3,469,248	3,474,338	3,450,250
8	Fund for general banking risks	20,000	20,000	20,000
8	Equity other than fund for general banking risks	1,624,514	1,434,535	1,560,422
	- <i>Subscribed capital stock</i>	1,008,000	1,008,000	1,008,000
	- <i>Share premiums</i>	302,462	302,462	302,462
	- <i>Reserves</i>	82,802	74,029	74,029
	- <i>Regulated provisions and investment subsidies</i>			
	- <i>Retained earnings (+/-)</i>	167,158	462	462
	- <i>Net income for the year (+/-)</i>	64,092	49,582	175,469
	Total liabilities & equity	99,575,719	94,840,790	98,244,524

Off-balance sheet

(in thousands of euros)

As per notes		06/30/2010	06/30/2009	12/31/2009
	Commitments given			
9	Financing commitments			
	- Commitments in favour of banks			
	- Commitments in favour of customers	3,397,162	4,209,539	2,174,598
	- Other values used as collateral	7,701,223	8,680,186	7,020,087
	Guarantee commitments			
	- Commitments for customers			
	Commitments on securities			
	- Others commitments given	150,568		
10	Commitments received			
	Financing commitments			
	- Commitments received from banks	5,032,576	903,217	3,497,498
	- Other values received as collateral	9,506,359	1,167,940	7,691,797
	Guarantee commitments			
	- Commitments received from banks	8,462,160	13,108,498	12,814,146
	- Commitments received from customers	35,870,361	28,438,449	32,674,266
	Commitments on securities			
	- Others securities to receive	17,000	5,000	
	Reciprocal commitments			
11	- Sale and purchase of foreign currencies	42,456,143	39,334,034	39,326,106
12	- Non-unwound financial instruments	110,768,964	115,025,888	118,929,668

Income statement

(in thousands of euros)

As per notes		06/30/2010	06/30/2009	12/31/2009
13	Interest and similar income	2,157,154	2,071,150	4,450,520
14	Interest and similar expenses	-2,027,786	-1,949,057	-4,092,210
15	Commission and fee income	18,910	19,840	41,447
15	Commission and fee expenses	-2,215	-15,408	-26,350
16	Gains or losses on investment securities transactions	2,683	160	-223
17	Gains or losses on investment securities transactions and similar instruments	-5,464	-1,052	1,591
18	Other income from banking operations	2,106	2,244	2,917
19	Other expenses on banking operations	-6,349	-7,078	-15,660
	Net banking income	139,039	120,799	362,032
20	General operating expenses	-45,620	-45,497	-97,320
	Depreciation, amortisation and provisions on tangible and intangible fixed assets		-2,480	-2,480
	Gross operating income	93,419	72,822	262,232
21	Cost of risk	-1,874	-2,030	-4,127
	Operating income	91,545	70,792	258,105
	Gains or losses on fixed assets	2,205	-35	225
	Ordinary income before tax	93,750	70,757	258,330
	Exceptional items			
	Income taxes	-29,658	-21,175	-82,861
	Increases and decreases in fund for general banking risks and provisions			
	Net income	64,092	49,582	175,469
	Earnings per share (in euros) ⁽¹⁾	1.02	0.79	2.78
	Diluted earnings per share (in euros)	1.02	0.79	2.78

⁽¹⁾ Earnings per share is calculated by dividing the net income by the number of shares in issue at the end of the fiscal year. The appendix on the following pages is part of the individual half-year report.

Notes to the financial statements of Compagnie de Financement Foncier

I - Legal and financial framework

Major events of the semester

I-1 Compagnie de Financement Foncier is approved to operate as a *société de crédit foncier* under the Act of June 25, 1999, which deals with savings and financial security. As such it is subject to 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 *Comité des établissements de crédit et des entreprises d'investissement* (CECEI). As such, they must comply with the following regulations:

› Regulation No. 2000-03, as amended, of the *Comité de la réglementation comptable* (CRC), concerning the preparation and presentation of the annual financial statements of credit institutions;

› Regulation No. 99-10 of the CRBF, which specifically concerns *sociétés de crédit foncier* and:

- the valuation of real property that is financed by loans that can be held as assets by *sociétés de crédit foncier*,
- the valuation of the assets and liabilities of such companies,
- their specific management policies.

I-2 During the first half-year 2010, Compagnie de Financement Foncier acquired for €2,171 million loans from Crédit Foncier de France, with an outstanding principal of €2,104 million and €166 million of loans not yet released and which were recorded as "Financing commitments given". The company also purchased a loan to a French public entity for €739 million and €261 million of loans not yet released and which were recorded as "Financing commitments given" too.

Purchases of residential mortgage loan securitization units were limited to €110 million. Those in the foreign Public Sector totaled €1,123 million including €851 million of securities, €50 million of loans plus €222 million of securitization units.

"Replacement securities" - as defined under Decree No. 2007-745 of May 9, 2007 relating to the solvency of credit institutions, investment companies and *sociétés de crédit foncier* totaled €10,415 million.

I-3 Compagnie de Financement Foncier issued €8,676.3 million of *obligations foncières* during the first half-year 2010, in line with the annual issuance program.

I-4 In the first half of 2010, Compagnie de Financement Foncier terminated the portfolio hedging transactions en-

tered into with CIFG as these no longer provided any real protection. The outstanding deferred credit enhancement premiums due were recognised as a charge, after deduction of a cash balance received, generating a net negative result of €12.4 million.

I-5 Compagnie de Financement Foncier booked an additional provision totalling €5.5 million for impairment of two investment securities in the period ended June 30, 2010. This provision reflects the deterioration in credit spreads, particularly in Spain.

I-6 Up to 2009, debt issuance expenses paid were recognised under commissions and then transferred to deferred charges and spread over the duration of the debt. Since then, issuance expenses on new debt issued have been included in the issuance rate and therefore included in period expenses of the debt. However, the balance of deferred expenses as at December 31, 2009 of past issues continues to be spread over the duration in the commissions accounts.

II - Accounting rules and principles

II-1 Evaluation and presentation methods used

Compagnie de Financement Foncier's half-year condensed financial statements are prepared and presented in accordance with the rules defined by BPCE 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 as amended by CRC Regulation No. 2001-02 and with recommendation No. 2001-R.02, the summary financial statements are presented in the format specific to credit institutions.

French generally accepted accounting practices have been applied in compliance with the principle of prudence, in accordance with the following basic assumptions:

- › going concern
- › consistency of accounting methods from one year to the next
- › independence of financial years

And in conformity with the general rules for preparing and presenting half-year financial statements.

The accounting methods and principles used are identical to those used in the preparation of the annual financial statements. Specifically, the expenses and income related to the half-year were calculated in compliance with the principle of the separation of financial periods.

II-2 Changes in accounting methods

No changes in accounting methods were applicable to the financial statements for the six months ended June 30, 2010.

Note 1a: due from banks

(in thousands of euros)

	Performing loans			Doubtful loans			Provisions			Net amounts		
	06/30/2010	06/30/2009	12/31/2009	06/30/2010	06/30/2009	12/31/2009	06/30/2010	06/30/2009	12/31/2009	06/30/2010	06/30/2009	12/31/2009
Non-Group loans												
On demand												
Customer accounts	6,194	2,885	1,986							6,194	2,885	1,986
Loans and accounts		2,341,000	800,000								2,341,000	800,000
Related receivables		16	5								16	5
Non-allocated securities	17,047	7,241	220							17,047	7,241	220
Sub-total on demand	23,241	2,351,142	802,211							23,241	2,351,142	802,211
At maturity												
Loans and accounts	1,691,919	2,990,989	1,599,387							1,691,919	2,990,989	1,599,387
Related receivables	8,641	9,919	30,528							8,641	9,919	30,528
Sub-total at maturity	1,700,560	3,000,908	1,629,915							1,700,560	3,000,908	1,629,915
Total non-Group loans	1,723,801	5,352,050	2,432,126							1,723,801	5,352,050	2,432,126
Group loans												
On demand	446,521	11,201	169,390							446,521	11,201	169,390
At maturity	3,001,097	5,666,764	2,601,197							3,001,097	5,666,764	2,601,197
Values received as long-term pension ⁽²⁾	9,503,658		7,542,853							9,503,658		7,542,853
Sub-total Group loans	12,951,276	5,677,965	10,313,440							12,951,276	5,677,965	10,313,440
Total Group loans	12,951,276	5,677,965	10,313,440							12,951,276	5,677,965	10,313,440
Grand total ⁽¹⁾	14,675,077	11,030,015	12,745,566							14,675,077	11,030,015	12,745,566

⁽¹⁾ of which subsidised sector 732 969 891 732 969 891

⁽²⁾ At June 30, 2009, values received as long-term pension, excluding related receivables, amounted €1,200 million and were included into maturity loans.

Note 1b: breakdown of loans at maturity to banks

(in thousands of euros)

	06/30/2010			06/30/2009	12/31/2009
	Gross	Provisions	Net		
Term loans					
Refinancing of subsidised residential property	732		732	1,006	891
Refinancing of unsubsidised residential property	1,720		1,720	2,612	2,172
Public authorities	1,698,108		1,698,108	1,587,103	1,626,852
Structured financing					
Other loans to banks	12,504,755		12,504,755	7,076,951	10,144,050
Doubtful term loans					
Total	14,205,315		14,205,315	8,667,672	11,773,965

Note 2: customer loans

(in thousands of euros)

	Performing loans			Doubtful loans			Provisions			Net amounts		
	06/30/2010	06/30/2009	12/31/2009	06/30/2010	06/30/2009	12/31/2009	06/30/2010	06/30/2009	12/31/2009	06/30/2010	06/30/2009	12/31/2009
Customer loans												
Commercial loans												
Export credits												
Short-term loans ⁽²⁾	2,703,728	2,816,404	4,089,999							2,703,728	2,816,404	4,089,999
Equipment loans	9,592,947	9,666,069	9,664,896	3,531	11,810	3,373	483	493	439	9,595,995	9,677,386	9,667,830
Residential property loans	23,489,859	21,982,370	22,693,251	451,985	389,615	404,172	14,641	12,086	15,124	23,927,203	22,359,899	23,082,299
Other customer loans	58,363	68,146	61,137	1,753	1,692	1,656	976	942	959	59,140	68,896	61,834
Loans to financial customers												
Non-allocated securities	74	15,280								74	15,280	
Subordinated loans												
Related receivables	296,379	310,401	280,172	1,740	1,542	1,574				298,119	311,943	281,746
Non-allocated securities												
Sub-total	36,141,350	34,858,670	36,789,455	459,009	404,659	410,775	16,100	13,521	16,522	36,584,259	35,249,808	37,183,708
Customer accounts												
Customer accounts												
Related receivables												
Sub-total												
Total loans	36,141,350	34,858,670	36,789,455	459,009	404,659	410,775	16,100	13,521	16,522	36,584,259	35,249,808	37,183,708
Grand total ⁽¹⁾	36,141,350	34,858,670	36,789,455	459,009	404,659	410,775	16,100	13,521	16,522	36,584,259	35,249,808	37,183,708

⁽¹⁾ of which subsidised sector 982,279 1,297,004 1,139,888 66,583 69,706 68,939 116 142 138 1,048,746 1,366,568 1,208,689

of which unsubsidised sector 35,159,071 33,561,666 35,649,567 392,426 334,953 341,836 15,984 13,379 16,384 35,535,513 33,883,240 35,975,019

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

⁽²⁾ In 2006, the Company acquired the Crédit Foncier loan on the *Trésor* concerning the *Découvert sur Prime d'Epargne Logement*. This *découvert* reached €724 million as of December 31, 2009 and €63 million as of June 30, 2010.

In 2007, it purchased Ixis CIB loans, which include revolving credit lines amounting to €3,371 million at the end of December 2009 and €2,641 million at the end of June 2010.

Note 2 bis a: depreciations and provisions for counterparty risks

(in thousands of euros)

	12/31/2008	Increases	Reversals	12/31/2009	Increases	Reversals	Misc. transaction	06/30/2010
Provisions recorded as a deduction from assets								
Customer loans and due from banks ⁽¹⁾	13,874	11,730	-9,082	16,522	8,019	-8,441		16,100
Provisions recorded in liabilities								
Customer loans and due from banks and from securities	5,837	536	-1,157	5,216	1,215			6,431
Total	19,711	12,266	-10,239	21,738	9,234	-8,441		22,531

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

Note 2 bis b: premiums/discounts on acquired loans

(in thousands of euros)

	12/31/2008	New entries	Amortisation	12/31/2009	New entries	Amortisation	06/30/2010
Due from banks							
Premiums	119,453		-9,847	109,606		-4,925	104,681
Discounts							
Net	119,453		-9,847	109,606		-4,925	104,681
Customer loans							
Premiums	333,427	77,132	-50,430	360,129	76,413	-32,443	404,099
Discounts	-382,997	-191,282	39,265	-535,014	-13,283	23,358	-524,939
Net	-49,570	-114,150	-11,165	-174,885	63,130	-9,085	-120,840
Total	69,883	-114,150	-21,012	-65,279	63,130	-14,010	-16,159

Note 2 ter: breakdown of outstanding customer loans

(in thousands of euros)

	06/30/2010			06/30/2009	12/31/2009
	Gross	Provisions	Net		
Individuals	18,481,237		18,481,237	16,862,957	17,702,190
Subsidised sector	529,148		529,148	753,230	642,055
Unsubsidised residential property	17,951,848		17,951,848	16,093,959	17,059,837
Other	241		241	15,768	298
Individual entrepreneurs	1,173,741		1,173,741	944,992	1,056,960
Subsidised sector	26,138		26,138	47,885	31,607
Unsubsidised residential property	1,147,355		1,147,355	897,073	1,025,070
Other	248		248	34	283
Regional Public Sector (local communities)	12,737,922		12,737,922	13,298,685	14,189,065
Subsidised sector	99,770		99,770		114,065
Unsubsidised residential property	392,705		392,705		393,003
Other	12,245,447		12,245,447		13,681,997
Social organisations	3,225,481		3,225,481	3,472,587	3,355,371
Subsidised sector	219,357		219,357	253,428	240,177
Unsubsidised residential property	2,923,791		2,923,791	3,167,747	3,028,541
Other	82,333		82,333	51,412	86,653
Real estate investors	109,723		109,723	199,728	124,837
Subsidised sector	97,278		97,278	118,001	101,306
Unsubsidised residential property	12,429		12,429	80,501	22,642
Other	16		16	1,226	889
Structured financing	409,052		409,052	44,632	356,373
Subsidised sector	10,588		10,588		10,678
Transportation	182		182	182	182
Large projects	354,780		354,780	44,450	299,022
Other	43,502		43,502		46,491
Other	4,194		4,194	35,089	4,659
Sub-total customer loans	36,141,350		36,141,350	34,858,670	36,789,455
Doubtful loans	459,009	16,100	442,909	391,138	394,253
- Of which subsidised sector	66,583	116	66,467	69,564	68,801
- Of which unsubsidised sector	392,426	15,984	376,442	321,574	325,452
Total customer loans ⁽¹⁾	36,600,359	16,100	36,584,259	35,249,808	37,183,708
⁽¹⁾ of which subsidised sector	1,048,862	116	1,048,746	1,366,568	1,208,689
of which unsubsidised sector	35,551,497	15,984	35,535,513	33,883,240	35,975,019

The breakdown of the outstanding customer loans of 2010 is based, as it was at December 31, 2009, upon Risk's segmentation reviewed in 2009. This approach allows a much finer understanding. The breakdown of June 30, 2009 has not been adjusted.

Note 2 quater: breakdown of doubtful loans

(in thousands of euros)

06/30/2010	Total doubtful loans			Of which compromised doubtful loans		
	Gross	Provisions	Net	Gross	Provisions	Net
Individuals	392,796	10,936	381,860	24,532	4,177	20,355
Subsidised sector	47,649	39	47,610			
Unsubsidised residential property	343,758	9,900	333,858	23,143	3,160	19,983
Other	1,389	997	392	1,389	1,017	372
Individual entrepreneurs	44,136	3,392	40,744	7,202	2,193	5,009
Subsidised sector	10,381	44	10,337			
Unsubsidised residential property	33,656	3,327	30,329	7,182	2,173	5,009
Other	99	21	78	20	20	
Regional Public Sector and Sovereigns	5,748	86	5,662			
Subsidised sector	669		669			
Unsubsidised residential property	1,357	7	1,350			
Other	3,722	79	3,643			
Social organisations	5,455	131	5,324	116	68	48
Subsidised sector	631		631			
Unsubsidised residential property	4,330	85	4,245	87	39	48
Other	494	46	448	29	29	
Real estate investors	6,587	546	6,041	1,923	508	1,415
Subsidised sector	4,589	33	4,556			
Unsubsidised residential property	1,535	391	1,144	1,460	386	1,074
Other	463	122	341	463	122	341
Structured financing	4,287	1,009	3 278	1,623	1,006	617
Subsidised sector	2,664		2 664			
Unsubsidised residential property						
Other	1,623	1,009	614	1 623	1 006	617
Other						
Total ⁽¹⁾	459,009	16,100	442,909	35,396	7,952	27,444

⁽¹⁾ of which subsidised sector

66,583 116 66,467

of which unsubsidised sector ⁽²⁾

392,426 15,984 376,442 35,396 7,952 27,444

⁽²⁾ The amount of doubtful loans in the competitive sector includes €169.20 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 of the subsidised sector and French State-guaranteed PAS loans.

(in thousands of euros)

06/30/2009	Total doubtful loans			Of which compromised doubtful loans		
	Gross	Provisions	Net	Gross	Provisions	Net
Individuals	329,343	6,402	322,941	12,343	4,164	8,179
Subsidised residential property	52,488	65	52,423			
Unsubsidised residential property	276,755	6,274	270,481	12,243	4,101	8,142
Other	100	63	37	100	63	37
Individual entrepreneurs	26,105	2,536	23,569	4,063	1,964	2,099
Subsidised residential property	6,949		6,949			
Unsubsidised residential property	19,121	2,503	16,618	4,028	1,931	2,097
Other	35	33	2	35	33	2
Regional Public Sector (local communities) ⁽³⁾	5,185	93	5,092	2	2	
Social organisations	16,297	656	15,641	28	27	1
Subsidised residential property	1,292	36	1,256			
Unsubsidised residential property	14,953	572	14,381			
Other	52	48	4	28	27	1
Real estate investors	18,201	3,834	14,367	6,169	3,732	2,437
Subsidised residential property	8,157	41	8,116			
Unsubsidised residential property	8,253	2,564	5,689	4,417	2,504	1,913
Other	1,791	1,229	562	1,752	1,228	524
Structured financing	8 223		8 223			
Transportation						
Large projects	8 223		8 223			
Other	1,305		1,305	114		114
Total ⁽¹⁾	404,659	13,521	391,138	22,719	9,889	12,830
⁽¹⁾ of which subsidised sector	69,706	142	69,564			
of which unsubsidised sector ⁽²⁾	334,953	13,379	321,574	22,719	9,889	12,830

⁽²⁾ The amount of doubtful loans in the competitive sector includes €103.53 million of SGFGAS-guaranteed loans.

⁽³⁾ Gross and net subsidised sector loans included into regional Public Sector: €820 thousands.

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 of the subsidised sector and French State-guaranteed PAS loans.

(in thousands of euros)

12/31/2009	Total doubtful loans			Of which compromised doubtful loans		
	Gross	Provisions	Net	Gross	Provisions	Net
Individuals	347,725	11,172	336,553	26,818	5,250	21,568
Subsidised residential property	49,229	63	49,166			
Unsubsidised residential property	297,148	10,125	287,023	25,470	4,266	21,204
Other	1,348	984	364	1,348	984	364
Individual entrepreneurs	40,182	3,580	36,602	6,476	2,808	3,668
Subsidised residential property	10,643	43	10,600			
Unsubsidised residential property	29,501	3,513	25,988	6,453	2,785	3,668
Other	38	24	14	23	23	
Regional Public Sector and Sovereigns	5,834	136	5,698			
Subsidised residential property	664		664			
Unsubsidised residential property	1,429	100	1,329			
Other	3,741	36	3,705			
Social organisations	5,535	104	5,431	113	66	47
Subsidised residential property	587		587			
Unsubsidised residential property	4,467	72	4,395	85	38	47
Other	481	32	449	28	28	
Real estate investors	6,906	558	6,348	1,491	391	1,100
Subsidised residential property	4,878	32	4,846			
Unsubsidised residential property	1,582	404	1,178	1,491	391	1,100
Other	446	122	324			
Structured financing	4,593	972	3,621	1,605	969	636
Subsidised residential property	2,938		2,938			
Unsubsidised residential property	1,383	768	615	1,216	765	451
Other	272	204	68	389	204	185
Other						
Total ⁽¹⁾	410,775	16,522	394,253	36,503	9,484	27,019

⁽¹⁾ of which subsidised sector 68,939 138 68,801

of which unsubsidised sector ⁽²⁾ 341,836 16,384 325,452 36,503 9,484 27,019

⁽²⁾ The amount of doubtful loans in the competitive sector includes €163.39 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 of the subsidised sector and French State-guaranteed PAS loans.

Note 3a: bonds and other fixed income securities

(in thousands of euros)

	06/30/2010			06/30/2009	12/31/2009
	Gross	Provisions	Net		
Bonds and other fixed income securities					
Short-term investment securities ⁽¹⁾	9,238,194	-12,323	9,225,871	11,866,668	9,674,329
Listed securities	76,444	-12,323	64,121	307,668	182,329
Unlisted securities	9,161,750		9,161,750	11,559,000	9,492,000
Long-term investment securities ⁽²⁾	36,232,489		36,232,489	34,054,950	35,217,682
Listed securities	32,944,748		32,944,748	30,825,774	32,006,419
Unlisted securities	3,287,741		3,287,741	3,229,176	3,211,263
Related receivables	279,595		279,595	262,130	214,620
Total ⁽³⁾	45,750,278	-12,323	45,737,955	46,183,748	45,106,631

⁽¹⁾ At June 30, 2010, the market value of short-term investment securities amounted €73,555K included €12,323K of depreciated unrealized capital loss (after swaps) and €2,602K of depreciated unrealized capital gain (before swaps)

⁽²⁾ At June 30, 2010, shares of securitisation funds under this item represent €21,254,974K (excluding related receivables). Moreover, no unrealized capital loss on long-term investment securities was recorded at June 30, 2010 (data communicated pursuant to regulation CRC 2004-16 of 11/23/2004 regarding information to be provided further to the transposition of the European Directives, "Fair value" and "Modernisation")

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

Note 3 bis: premiums/discounts

(in thousands of euros)

06/30/2010	Gross amount	Redemption value	Difference +/-
Short-term investment securities			
Bonds	76,444	76,437	-7
Other fixed income securities	9,161,750	9,161,750	
Long-term investment securities			
Bonds	14,922,515	14,888,705	-33,810
Other fixed income securities	21,309,974	21,356,948	46,974

Note 4: due to banks

(in thousands of euros)

	06/30/2010	06/30/2009	12/31/2009
Due to non-Group banks			
On demand			
Current accounts			
Other amounts due	233	558	64,505
Related payables			
Sub-total	233	558	64,505
At maturity			
At maturity BDF POO3G	4,000,000	7,500,000	3,000,000
Term loans ⁽¹⁾	105,550	151,266	144,660
Securities subject to repurchase agreements			
Related payables	33,010	36,119	20,718
Sub-total	4,138,560	7,687,385	3,165,378
Total due to non-Group banks	4,138,793	7,687,943	3,229,883
Due to Group banks			
On demand	1,160	142,407	1,433
At maturity	3,422,118	3,596,211	3,456,112
Term loans	2,822,804	2,995,914	2,856,687
Securities subject to repurchase agreements	599,314	600,297	599,425
Total due to Group banks	3,423,278	3,738,618	3,457,545
Grand total	7,562,071	11,426,561	6,687,428
⁽¹⁾ of which subsidised sector	14,472	15,855	14,921

Note 5: customer deposits

(in thousands of euros)

	06/30/2010	06/30/2009	12/31/2009
Other liabilities			
Non-Group			
On demand			
Other amounts due to customers	9,915	2,512	5,297
Total	9,915	2,512	5,297

Note 6: debt securities

(in thousands of euros)

	06/30/2010	06/30/2009	12/31/2009
Negotiable debt securities ⁽¹⁾	238,000	269,252	238,000
Related payables	2,374	3,112	3,986
Negotiable debt securities and related payables	240,374	272,364	241,986
Mortgage Bonds (" <i>obligations foncières</i> ") ⁽²⁾	79,866,787	72,611,844	79,887,330
Related payables	1,493,668	1,344,092	2,069,356
Mortgage Bonds and related payables	81,360,455	73,955,936	81,956,686
Grand total	81,600,829	74,228,300	82,198,672

⁽¹⁾ of which subsidised sector

31,252

⁽²⁾ of which subsidised sector ^(*)

122,332

817,357

812,600

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

^(*) Borrowings from the subsidised sector include a total of 100 million pounds sterling explicitly guaranteed by the French State.

Note 7: subordinated debt

I - Amount in financial statements

	(in thousands of euros)		
	Amount at 06/30/2010	Amount at 06/30/2009	Amount at 12/31/2009
Redeemable subordinated notes "RSN"	2,100,000	2,100,000	2,100,000
Subordinated participating loan	1,350,000	1,350,000	1,350,000
Related payables	19,248	24,338	250
Total subordinated debt	3,469,248	3,474,338	3,450,250

II - Detailed information concerning subordinated debt

a) Financial characteristics

	(in thousands of euros)				
	Issue date	Maturity date	Rate	Repayment terms	06/30/2010
Redeemable subordinated notes "RSN" ⁽¹⁾	12/30/2003	12/30/2043	Euribor 3 months + 0.5%	At maturity	2,100,000
Subordinated participating loan from Crédit Foncier de France <i>rescheduled on June 28, 2002</i>	10/22/1999	10/21/2040	TAM + 2.5%	At maturity	1,350,000

⁽¹⁾ Including €2bn issued December 28, 2007, similar to the issue carried out December 30, 2003.

b) Possibility 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, for reasons of prudence, are not deemed to represent shareholders' equity of the Crédit Foncier Group. Compagnie de Financement Foncier has undertaken 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. Redeemed 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 [*Commission bancaire*].

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 the net income for the year in respect of which the interest is due, after payment of that interest, is at least 10 million euros. As a consequence, if net income before payment of the interest were to be less than 10 million euros, no interest would be due and it would not be carried over to subsequent years. If net income, before payment of the interest, were greater than 10 million euros but would become less than this amount after payment of the interest, this interest is reduced by a corresponding amount, and the amount of interest greater than the interest thus reduced would not be carried forward to subsequent years.

- › On the redeemable subordinated notes "RSN"

Any interest not paid is carried over as unsecured debt.

Note 8: change in shareholders' equity

(in thousands of euros)

	Opening balance 01/01/2009	Allocations	Changes in capital and reserves		12/31/2009	Allocations	Changes in capital and reserves		06/30/2010
			Dividends paid in shares	Other change			Dividends paid in shares	Other change	
Capital stock ⁽¹⁾	924,000		84,000		1,008,000				1,008,000
Share premiums ⁽¹⁾	271,067		31,395		302,462				302,462
Reserves									
Legal reserve	15,400	3,112			18,512	8,773			27,285
General reserve	55,517				55,517				55,517
Regulated reserves									
of which									
Regulated revaluation reserves									
Special long-term capital gains reserves									
Retained earnings	56,843	-56,381			462	166,696			167,158
Net shareholders' equity before income for the year	1,322,827	-53,269			1,384,953				1,560,422
Income for the year before distribution	62,231	-62,231			175,469	-175,469			64,092
Net shareholders' equity after income for the year	1,385,058				1,560,422				1,624,514
Dividends distributed		-115,500	115,395	105					
	Opening balance 01/01/2009	Allocations	Changes in provisions		12/31/2009	Allocations	Changes in provisions		06/30/2010
			Increases	Reversals			Increases	Reversals	
Regulated revaluation reserves									
Other regulated reserves									
Regulated reserves									
Amount of shareholders' equity before dividends	1,385,058				1,560,422				1,624,514
	Opening balance 01/01/2009	Allocations	Changes in provisions		12/31/2009	Allocations	Changes in provisions		06/30/2010
			Increases	Reversals			Increases	Reversals	
Fund for general banking risks	20,000				20,000				20,000
Total	1,405,058				1,580,422				1,644,514

⁽¹⁾ The capital stock consists of 63,000,000 ordinary shares with a par value of €16, which all benefit from the same rights.
No revaluation has been carried out to date.
No capital increase since December 31, 2009.

Note 9: commitments given

Financial commitments

(in thousands of euros)

	06/30/2010		06/30/2009		12/31/2009	
	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						313
Sub-total subsidised sector						313
Competitive sector						
Non-Group commitments						
Other values given as a guarantee ⁽¹⁾	7,701,223		8,680,186		7,020,087	
Banks						
Customers	137,494	3,259,668	103,285	4,106,254	110,158	2,064,127
Sub-total competitive sector	7,838,717	3,259,668	8,783,471	4,106,254	7,130,245	2,064,127
Total ⁽²⁾	11,098,385		12,889,725		9,194,685	

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⁾ This line represents assets and securities given as collateral to the Banque de France, in the framework of the pool of the Overall collateral management program or Gestion Globale des Garanties (3G) of which:

- Securities	3,978 M€	4,940 M€	3,360 M€
- Loans	3,723 M€	3,740 M€	3,660 M€

⁽²⁾ At June 30, 2010, doubtful commitments came to €2,030K

Main changes concerning financing commitments given to customers are:

	In millions of €	06/30/2010	06/30/2009	12/31/2009
Interactive cash-flow lines		-	107	-
Local authority Public Sector		-	-	-
Revolving credit lines (outstandings purchased from Ixis CIB)		1,882	2,986	1,315
Treasury housing savings accounts (" <i>primes d'épargne logement</i> ")		937	534	281

Note 10: commitments received

(in thousands of euros)

	06/30/2010	06/30/2009	12/31/2009
Financing commitments			
NON-GROUP COMMITMENTS ⁽¹⁾			
<i>Banks ⁽¹⁾</i>	4,980,455	344,186	3,442,050
Sub-total	4,980,455	344,186	3,442,050
GROUP COMMITMENTS ⁽²⁾	52,121	559,031	55,448
<i>Other values received as collateral from the Group ⁽⁶⁾</i>	9,506,359	1,167,940	7,691,797
Total	14,538,935	2,071,157	11,189,295
Guarantee commitments			
NON-GROUP COMMITMENTS			
<i>Banks ⁽³⁾</i>	3,497,904	3,349,022	3,286,211
<i>Customers ⁽⁴⁾</i>	35,869,784	28,437,851	32,674,266
Sub-total	39,367,688	31,786,873	35,960,477
GROUP COMMITMENTS ⁽⁵⁾	4,964,833	9,760,074	9,527,935
Total	44,332,521	41,546,947	45,488,412
Commitments on securities			
Others securities to be received	17,000	5,000	
Total	44,349,521	41,551,947	45,488,412
Total commitments received	58,888,456	43,623,104	56,677,707

⁽¹⁾ At June 30, 2010, the non-group financing commitments represented the commitment received from the Banque de France as part of the Global Management guarantee pool which amounted to €4,980.4 million compared to €3,442.1 million at December 31, 2009.

(thousands of euros)

⁽²⁾ Group commitments included FCC share repurchase agreements amounting to:

52,121

⁽³⁾ Includes rated AA/AA-

454,665

Guarantees received from Créserfi:

25,235

Security enhancement guarantees received from insurance companies:

3,018,004

⁽⁴⁾ 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 June 30, 2010, these guarantees are broken down as follows:

State guarantees on subsidised sector loans: 1,048,642

SFGAS guarantees on FGAS-eligible loans and repurchased by the state: 7,618,167

Mortgage guarantees for mortgage loans benefiting from only one such guarantee: 11,584,909

Guarantees granted by local authorities and other entities: 2,282,003

Security enhancement guarantees granted by European States, identified since 2007: 13,336,640

⁽⁵⁾ At June 30, 2010, guarantee commitments received include transactions of credit risk transfer, directly or indirectly, totalling €978 million to a AAA rated European public entity. They also include a guarantee received from BPCE in connection with French Local Authority Public Sector loans purchased from Ixis CIB for €3,931 million.

⁽⁶⁾ Guarantees related to loans held by Crédit Foncier and put in place within the framework of loans authorized outline Article L. 211-38.

Note 11: foreign exchange transactions

(in thousands of euros)

	06/30/2010		06/30/2009		12/31/2009	
	Currency receivable	Currency payable	Currency receivable	Currency payable	Currency receivable	Currency payable
Forward transactions ⁽¹⁾						
Transactions directly with counterparties						
Hedging transactions						
Financial swaps						
Micro-hedging transactions						
Subsidised sector	122,332	161,891	117,357	161,891	112,600	161,891
Unsubsidised sector	20,919,296	21,252,624	19,076,179	19,978,607	19,132,965	19,918,650
Macro-hedging transactions						
Subsidised sector						
Unsubsidised sector						
Total hedging transactions	21,041,628	21,414,515	19,193,536	20,140,498	19,245,565	20,080,541
Forward transactions (nominal amounts)	21,041,628	21,414,515	19,193,536	20,140,498	19,245,565	20,080,541
Forward transactions (fair value) ⁽²⁾	-675,331		-870,491		-721,838	
Current cash transactions						
Total foreign currency transactions	21,041,628	21,414,515	19,193,536	20,140,498	19,245,565	20,080,541
Total	42,456,143		39,334,034		39,326,106	

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

⁽²⁾ Data communicated pursuant to regulation CRC 2004-16 of 11/23/2004 regarding information to be provided further to the transposition of the European directives, "Fair value" and "Modernisation".

Note 12: forward financial instruments

(in thousands of euros)

	06/30/2010		06/30/2009		12/31/2009	
	Euros ⁽¹⁾	Other currencies ⁽²⁾	Euros ⁽¹⁾	Other currencies ⁽²⁾	Euros ⁽¹⁾	Other currencies ⁽²⁾
Transactions directly with counterparties						
Conditional transactions						
Micro-hedging transactions						
Purchases						
Sales	6,860		9,909		6,860	
Macro-hedging transactions						
Purchases	1,305,340		731,130		1,131,021	
Sales						
Other conditional transactions						
Purchases						
Sales						
Conditional transactions (nominal amounts)	1,312,200		741,039		1,137,881	
Conditional transactions (fair value)	14,354		7,901		14,833	
Firm transactions						
Micro-hedging transactions	80,901,294	319,947	78,149,540	300,223	82,273,050	292,603
Interest rate instruments	80,901,294	319,947	78,149,540	300,223	82,273,050	292,603
Exchange rate instruments						
Other instruments						
Macro-hedging transactions	25,159,107		33,901,280		32,127,103	
Interest rate instruments	25,159,107		33,901,280		32,127,103	
Exchange rate instruments						
Other instruments						
Other transactions	3,076,416		1,933,806		3,099,031	
Interest rate instruments						
Exchange rate instruments						
Other instruments ⁽³⁾	3,076,416		1,933,806		3,099,031	
Firm transactions (nominal amounts)	109,136,817	319,947	113,984,626	300,223	117,499,184	292,603
Firm transactions (fair value) ⁽⁴⁾	3,265,325	-6,166	-1,417,143	-2,275	2,593,080	1,218
Firm and conditional transactions	110,449,017	319,947	114,725,665	300,223	118,637,065	292,603
Total (nominal amounts) ⁽⁵⁾	110,768,964		115,025,888		118,929,668	
Total (fair value)	3,273,513		-1,411,517		2,609,131	

⁽¹⁾ Euro equivalent for non-euro currencies IN.

⁽²⁾ Euro equivalent currencies that became the euro OUT.

⁽³⁾ This amount represents a guarantee from Crédit Foncier on the RMBS tranches held on Compagnie de Financement Foncier's balance sheet. This portfolio was protected against credit risk following Crédit Foncier's implementation of a mirror operation of a Credit Default Swap. Because this guarantee ended during the first half of 2008, Crédit Foncier accorded an equivalent protection June 15, 2008 on a portion of the portfolio by committing to compensate for a drop in the weighting if the rating agencies downgrade the rating to under A-/A3/A-.

⁽⁴⁾ Data communicated pursuant to regulation CRC 2004-16 of 11/23/2004 regarding information to be provided further to the transposition of the European directives, "Fair value" and "Modernisation".

⁽⁵⁾ At 06/30/2010, there were no outstanding doubtful loans relating to transactions on financial instruments.

Note 13: interest and similar income ⁽¹⁾⁽²⁾

(in thousands of euros)

	06/30/2010	06/30/2009	12/31/2009
On transactions with banks	78,643	99,856	157,774
On transactions with customers	649,746	739,464	1,415,662
On bonds and other fixed income securities	1,428,715	1,231,830	2,849,901
Other interest and similar income	50		27,183
Total	2,157,154	2,071,150	4,450,520
⁽¹⁾ including income from the subsidised sector	55,050	63,139	121,359
⁽²⁾ Including reversals of discounts on restructured loans under non-market conditions	3	3	6

Note 14: interest and similar expenses ⁽¹⁾

(in thousands of euros)

	06/30/2010	06/30/2009	12/31/2009
On transactions with banks	-71,629	-142,797	-217,743
On transactions with customers	-75,590	-22,927	-83,793
On bonds and other fixed income securities	-1,605,895	-1,548,937	-3,263,368
Related to subordinated debt	-31,426	-53,013	-87,797
Other interest and similar expenses	-243,246	-181,383	-439,509
Total	-2,027,786	-1,949,057	-4,092,210
⁽¹⁾ of which expenses from the subsidised sector	-48,054	-52,026	103,652

Note 15: net commissions and fees

(in thousands of euros)

	06/30/2010	06/30/2009	12/31/2009
Income	18,910	19,840	41,447
On transactions with banks			
On transactions with customers	18,738	8,083	21,881
Transfer of loan issuance costs/expenses		11,622	19,465
On securities transactions			101
Other commissions and fees	172	135	
Expenses	-2,215	-15,408	-26,350
On transactions with banks	-303	-562	-868
On transactions with customers			
On securities transactions ⁽¹⁾	-1,739	-12,101	-22,050
On payment method transactions			
Other commissions and fees	-173	-2,745	-3,432
Net balance	16,695	4,432	15,097
⁽¹⁾ of which loan issuance costs		-12,101	19,465

Note 16: gains and losses on trading portfolio transactions

(in thousands of euros)

	06/30/2010	06/30/2009	12/31/2009
Foreign exchange and arbitrage transactions	2,683	160	-223
Gains on foreign exchange and arbitrage transactions	2,683	1,715	2,259
Losses on foreign exchange and arbitrage transactions		-1,555	-2,482
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	2,683	160	-223

Note 17: gains and losses on investment securities transactions

(in thousands of euros)

	06/30/2010	06/30/2009	12/31/2009
Gains on disposal			
Losses on disposal			
Reversals of provisions for loss of value	64	2,191	3,571
Increases in provisions for loss of value ⁽¹⁾	-5,528	-3,243	-1,980
Net balance	-5,464	-1,052	1,591

⁽¹⁾ At June 30, 2010, the stock of bonds depreciation was amounted €12,323K including €12,080K for AYT CEDULA 4% bonds.

Note 18: other income from banking operations

(in thousands of euros)

	06/30/2010	06/30/2009	12/31/2009
Reversals of provisions relating to banking transactions			
Surplus of reversals over increases in provisions for amortisation of loans			
Provision for claims and litigation on banking transactions			
Other income from banking operations			
Transfer of operating expenses			
* Flat-rate commissions on PAS loans			
Other sundry income from banking operations ⁽¹⁾	2,106	2,244	2,917
Total	2,106	2,244	2,917

⁽¹⁾ of which dividends on PAS commissions received by FGAS 2,064 2,027 2,003

Following the termination of the FGAS guarantee system, Compagnie de Financement Foncier received in 2010, from FGAS, dividends on PAS flat commissions for the periods 1993 to 2005.

Note 19: other expenses from banking operations

(in thousands of euros)

	06/30/2010	06/30/2009	12/31/2009
Increases in provisions relating to banking operations			
Provision for claims and litigation on banking transactions			
Other expenses on banking operations			
Commissions on PAS and PTZ loans paid to FGAS			
Amortisation of loan issuance expenses	-5,845	-5,754	-11,934
Amortisation of flat-rate commissions on PAS loans			
Amortisation of the correcting account on PC and PAS loans	-219	-411	-772
Other sundry expenses from banking operations	-285	-913	-2,954
Total	-6,349	-7,078	-15,660

Note 20: general operating expenses

(in thousands of euros)

	06/30/2010	06/30/2009	12/31/2009
Personnel expenses	-176	-162	-495
Taxes and duties	-3,874	-5,354	-12,847
External services	-2,785	-1,985	-4,412
Expenses invoiced by Crédit Foncier de France	-38,785	-37,996	-79,566
Total	-45,620	-45,497	-97,320

Note: The total amount of compensation received by members of management entities during the first half of 2010 amounted €115K.

Note 21: cost of risk

(in thousands of euros)

	06/30/2010	06/30/2009	12/31/2009
Provisions and losses on doubtful loans	-2,432	-2,248	-5,316
Increases in provisions (See Note 21b)	-5,210	-3,808	-6,407
Reversals of provisions	3,491	2,357	2,642
Losses not covered by provisions	-713	-797	-1,551
<i>Of which discounts on restructured loans</i>		-16	
Losses provisioned for unrecoverable loans			
Losses covered by provisions	-118	-1,142	-1,707
Reversals of provisions used	118	1,142	1,707
Recoveries on amortized loans ⁽¹⁾	558	218	1,189
Net balance	-1,874	-2,030	-4,127

⁽¹⁾ of which recoveries for correcting account

Note 21 bis: increases in provisions for doubtful loans

(in thousands of euros)

	06/30/2010	06/30/2009	12/31/2009
Provisions for doubtful loans	-3,995	-3,272	-5,871
Provisions for loans to customers	-3,995	-3,272	-5,871
Provisions - cost of risk	-1,215	-536	-536
Provision for losses and charges on commitments			
Provision for counterparty risks ⁽¹⁾	-1,215	-536	-536
Total	-5,210	-3,808	-6,407

⁽¹⁾ In 2009, provision of €112K was made for client dynamic provision and €424K for Neiertz provision.

In 2010, provision of €1,215K was made for Neiertz dynamic provision.

Note 21 ter: reversals in provisions for doubtful loans

(in thousands of euros)

	06/30/2010	06/30/2009	12/31/2009
Provisions for doubtful loans	3,609	3,273	3,193
Provisions for loans to banks			
Provisions for loans to customers	3,609	3,273	3,193
Provisions - cost of risk		226	1,157
Provision for losses and charges on commitments			
Provision for counterparty risks ⁽¹⁾		226	1,157
Total	3,609	3,499	4,350

⁽¹⁾ At June 30, 2009, reversal of €218K of the "client" dynamic provision and of €9K of the sector provision.

At December 31, 2009, reversal of €488K of the "client" dynamic provision, reversal of €60K of the Neiertz provision, reversal of €12K of the sector provision and reversal of €48K of the securities dynamic provision

Note 22: transactions with related enterprises and other investments

(in thousands of euros)

06/30/2010	Related enterprises		Other investments	Total
	Group ⁽¹⁾	Non-Group		
Loans receivable from banks				
On demand	446,521			446,521
At maturity	3,001,097			3,001,097
Values received as long-term pension	9,503,658			9,503,658
Loans payable to banks				
On demand	1,160			1,160
At maturity	2,822,804			2,822,804
Securities subject to repurchase agreement	599,314			599,314
Commitments given				
Financing				
Guarantee				
Commitments received				
Financing	52,121			52,121
Guarantee	4,964,833			4,964,833
On securities transactions				
Bonds and other fixed income securities	9,908,229			9,908,229
Debt securities				
Subordinated debt	3,469,248			3,469,248

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

Note 23: schedule of foreign exchange positions

C.O.B. recommendation 89.01

(in thousands of euros)

06/30/2010	Australian \$	Canadian \$	US \$	Hong Kong \$	£ Sterling	Swiss franc	Yen	Hungarian Forint	New Zealand \$	Danish Krone	Total
Balance sheet											
Financial assets	14,344	111,018	3,940,292	469	144,291	1,714,597	2,368,679	8,151	30	7	8,301,878
Financial liabilities	791,834	550,834	4,816,431	54,786	1,823,565	4,895,469	996,117	71			13,929,107
Balance sheet differential (I)	-777,490	-439,816	-876,139	-54,317	-1,679,274	-3,180,872	1,372,562	8,080	30	7	-5,627,229
Off-balance sheet											
Commitments received	777,616	623,739	6,279,831	54,318	2,094,163	6,493,511	1,777,535				18,100,713
Commitments given		183,863	5,403,119		414,794	3,312,305	3,150,046	8,080			12,472,207
Off-balance sheet differential (II)	777,616	439,876	876,712	54,318	1,679,369	3,181,206	-1,372,511	-8,080			5,628,506
Overall differential (I)+(II)	126	60	573	1	95	334	51		30	7	1,277

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 for the subsidised sector.

Note 24: cash flow statement

1. Principles

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 *Conseil national de la comptabilité*, concerning the format of company financial summary as part of the Finance and Banking Regulatory.

It is prepared using the indirect method: the 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 payable expenses and receivables 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, increase in a provision by allocation on 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;
- › the issue of *obligations foncières* and other unsubordinated long-term resources.

Financing activities include:

- › dividends paid in cash;
- › the issue and reimbursement 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

(in thousands of euros)

	06/30/2010	06/30/2009	12/31/2009
Operating activities			
Net income for the year	64,092	49,582	175,469
Restatement of earnings, related to operating activities			
Tangible and intangible fixed assets, excluding goodwill		2,480	2,479
Net provisions/customers and banks	-422	-353	2,649
Net provisions/short-term investment securities	5,464	1,052	-1,591
Net provisions for risks/loans	1,203	309	-4,289
Net gain on sale of fixed assets			
Other transactions without cash payments	-625,491	-126,720	-232,400
Cash flow on loans to banks and customers	-1,841,635	918,017	-4,134,181
Cash flow on short-term investment securities	442,993	-225,392	1,969,589
Cash flow on long-term investment securities	-812,688	-563,434	-1,928,285
Cash flow on other assets	74,918	523,216	405,953
Cash flow on debts/banks and customers	871,193	5,402,679	833,009
Net borrowing	-20,543	-5,302,818	1,941,416
Cash flow on other liabilities	1,333,953	319,667	716,868
Net cash flow used for operating activities	-506,963	998,285	-253,314
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		115,395	115,395
Dividends paid		-115,500	-115,500
Net issue of subordinated debt			
Other			
Net cash flow from financing activities		-105	-105
Net change in cash position	-506,963	998,180	-253,419
Cash position at start of year	974,315	1,227,734	1,227,734
Cash position at end of year	467,352	2,225,914	974,315
Net	-506,963	998,180	-253,419
Cash	14,641	3,586	4,421
Treasury notes			
Due to banks at maturity	452,711	2,222,328	969,894
Total	467,352	2,225,914	974,315

Note 25: privileged/non-privileged liabilities

(in thousands of euros)

	06/30/2010	06/30/2009	12/31/2009
Privileged debt	82,992,406	76,390,648	83,945,847
Due to banks	106,596	155,512	149,545
Debts represented by a security	81,600,829	74,228,300	82,198,672
Amounts due under forward financial instruments	1,270,295	2,005,072	1,596,367
Amounts due under the agreement covered by Article L. 515-22 of the French Monetary and Financial Code	14,686	1,764	1,263
Debt resulting from related expenses mentioned in the last paragraph of Article L. 515-19 of the French Monetary and Financial Code			
Non-privileged debt	16,583,313	18,450,142	14,298,677
Unsecured debt	10,773,051	12,770,891	8,537,336
Subordinated and similar debt of which:	4,159,206	4,214,779	4,175,580
<i>Redeemable subordinated notes "RSNs"</i>	<i>2,100,074</i>	<i>2,100,095</i>	<i>2,100,141</i>
<i>Participating loan</i>	<i>1,369,173</i>	<i>1,374,243</i>	<i>1,350,108</i>
Shareholders' equity and provisions	1,651,056	1,464,472	1,585,761
Total liabilities	99,575,719	94,840,790	98,244,524

Statutory auditors' review report on the 2010 interim financial information

KPMG Audit

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PricewaterhouseCoopers Audit

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Statutory auditors' review report on the 2010 interim financial information

This is a free translation into English of the statutory auditors' review report issued in French 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.

To the Shareholders

In compliance with the assignment entrusted to us by your Annual General Meeting and in accordance with the requirements of Article L. 451-1-2 III of the French Monetary and Financial Code (*Code monétaire et financier*), we hereby report to you on:

- › the review of the accompanying condensed interim financial statements of Compagnie de Financement Foncier for the six months ended 30 June 2010;
- › the verification of the information contained in the interim management report.

These condensed interim financial statements are the responsibility of the Board of Directors. They were prepared against the backdrop of the economic and financial crisis, under the same conditions of extremely volatile financial markets and uncertainty with regard to economic environment. Our role is to express a conclusion on these financial statements based on our review.

› Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not give a true and fair view of the assets and liabilities and of the financial position of the company as at 30 June 2010, and of the results of its operations for the six-month period then ended, in accordance with the accounting rules and principles applicable in France.

› Specific verification

We have also verified the information given in the interim management report on the condensed interim financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed interim financial statements.

Paris La Défense and Neuilly-sur-Seine, 27 August 2010

The statutory auditors

KPMG Audit

Division of KPMG S.A.
Rémy Tabuteau

PricewaterhouseCoopers Audit

Jean-Baptiste Deschryver

Details of the overcollateralisation ratio

Name: Compagnie de Financement Foncier

Closing date: 06/30/2010

CIB: 30051

(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	404,890	0%	0
Guaranteed loans for which the issuer of the guarantee has the 2 nd highest grade of credit quality	203	0	50%	0
Securitisation tranches with the 2 nd highest grade of credit quality	204	1,938,158	50%	969,079
Fixed assets resulting from the acquisition of real estate under implementation of guarantees	205	0	50%	0
Safe and liquid securities	206	10,415,018	100%	10,415,018
Of which:				
Due from banks with the highest grade of credit quality	2061	9,809,763		
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 R. 515-7)	2062			
Securities	2063	594,121		
Receivables related to these items	2064	11,134		
Of which:				
Securities, amounts and receivables received as guarantees under the 2 nd paragraph of Article R. 515-7 for assets and liabilities	2065	2,549,740		
II. Other asset items				
Other 1 st category asset items	211	14,641	100%	14,641
2 nd category asset items:	212	41,441,063	100%	41,441,063
Of which:				
Mortgage loans of which:	2121	20,826,876		
mortgage loans also guaranteed by the FGAS guarantee fund	2121a	7,411,179		
mortgage loans also guaranteed by a bank or an insurance company	2121b	5,190		
mortgage loans also guaranteed by a public authority	2121c	893,876		
Guaranteed loans for which the issuer of the guarantee has the highest grade of credit quality	2122	451,025		
Exposures to public authorities:	2123	20,145,447		
Of which exposures described in item 5 of CMF Article L. 515-15	2123a			
Other 2 nd category assets	2124	17,716		

3 rd category asset items:	213	45,361,949	100%	45,361,949
Of which:				
Securitisation tranches with the 2nd highest grade of credit quality :	2131	18,934,699		
Securitisation tranches compliant with conditions of sections II and IV of CMF Article R. 515-4	2131a	11,924,263		
Securitisation tranches compliant with conditions of sections III and IV of CMF Article R. 515-4	2131b	323,386		
Securitisation tranches compliant with conditions of section II of CMF Article R. 515-4 but not compliant with conditions of section IV of CMF Article R. 515-4	2131c			
Securitisation tranches compliant with conditions of section III of CMF Article R. 515-4 but not compliant with conditions of section IV of CMF Article R. 515-4	2131d			
Securitisation tranches made up of at least 90% as stipulated in Article L. 515-15	2131e	6,687,049		
Exposures to public authorities	2132	15,215,828		
Of which: Exposures described in item 5 of CMF Article L. 515-15	2132a			
Promissory notes regulated by CMF Articles L. 313-42 <i>et seq.</i>	2133	8,647,635		
Other 3 rd category asset items	2134	2,563,787		
4 th category asset items:	214	0	100%	0
Of which				
Exposures to public authorities	2141			
Other 4 th category asset items	2142			
Transactions deducted from assets:				
Amounts received from clients awaiting allocation, recorded as liabilities	215	0	100%	0
Repurchase agreement transactions: repurchase securities	216	-551,366	100%	-551,366
Collateral operation: POOL 3G	217	-5,026,570	100%	-5,026,570
LTV overrun amount	218	-172,560	100%	-172,560
For information: Assets deducted from shareholders' equity				
Total weighted assets (230 = 201+202+203+204+205+206+211+212+213+214+215+216+218) R	230			92,451,254

Resources benefiting from the privilege as defined in Article L. 515-19 of the French Monetary and Financial Code: liabilities	Item code			Weighted amounts
I. Privileged funding from banks	101			106,596
Of which nominal amount	101a			104,531
II. Privileged resources from customers				
Financial customers	102			
Non-financial customers	103			
Subtotal	104			
Of which nominal amount	104a			
Of which nominal of obligations foncières and other privileged resources being processed	104b			

III. Securities benefiting from the privilege			
<i>Obligations foncières</i>	115		79,866,787
Negotiable debt instruments	116		238,000
Other securities benefiting from the privilege	117		
Liabilities related to these securities	118		1,496,042
Subtotal	119		81,600,829
Of which nominal amount	119a		80,104,787
IV. Amounts due in respect to the contract provided for by Article L. 515-22 of the French Monetary and Financial Code	125		14,686
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	126		1,270,295
Of which impact on variations of exchange rate on the nominal amount of privileged resources	126a		-1,071,246
VI. Liabilities resulting from the incidental expenses mentioned in the last paragraph of Article L. 515-19 of the French Monetary and Financial Code	127		
Privileged resources (140 = 101+104+119+125+126+127) T	140		82,992,406
Nominal amount of privileged resources (141 = 101A+104A+104B+119A+126A)	141		79,138,072
COVERAGE RATIO (to 2 decimal points) (R/T*100)	240		111.40%

Additional details of the overcollateralisation ratio

Name : Compagnie de Financement Foncier
Closing date : 06/30/2010
CIB : 30051

(in thousands of euros)

Respect of limits regarding composition of assets	Item code	Net accounting values	Regulatory threshold	Weighting as %
Total net assets	300	99,575,719		
Nominal amount of preferred	141	79,138,072		
Total loans guaranteed (201+ 203 + 2122) + guaranteed loans mobilized classified notes or in replacement value/net assets (300)	301	1,568,625	35%	1.58%
Promissory notes (2133)/net assets (300)	302	8,647,635	10%	8.68%
Total shares of meeting the FCC requirements of III Article R. 515-4 of CMF and do not respond to IV of Article R. 515-4 of the CMF/nominal amount of preferred	303	0	20%	0%
Total shares of FCC meeting the requirements of Article II R. 515-4 of the MFC and do not respond to IV of Article R. 515-4 of the CMF/nominal amount of preferred	304	0	20%	0%
Total exposures specified in 5° of Article L. 515-15 of the CMF (2123a+2132a)/nominal amount of preferred (141)	305	0	20%	0%
Safe and liquid assets (206 - 2065)/nominal amount of preferred (141)	306	7,865,278	15%	9.94%

STATEMENT FROM THE PERSON WHO ASSUMES RESPONSIBILITY FOR THE UPDATING OF THE REFERENCE DOCUMENT INCLUDING A HALF-YEAR FINANCIAL REPORT AT JUNE 30, 2010

I certify, after having taken all reasonable measures to this purpose, that the information provided in the present updating is provided, 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 my knowledge, that the condensed financial statements for the previous half-year have been established in compliance with the applicable accounting standards and accurately represent the Company's assets, financial situation and its earnings and that the half-year activity management report included herein is an accurate representation of the important events that occurred in the first six months of the financial year, of their impact on the financial statements as well as a description of the primary risks and uncertainties in the remaining six months of the year.

I have 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 update of the Reference Document as well as a review of the entire document.

Signed in Charenton-le-Pont, on August 27, 2010

**Deputy Chief Executive Officer
of Compagnie de Financement Foncier
Sandrine GUÉRIN**

Risk Management report



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1. Foreword

With a view to transparent financial disclosure, and above and beyond its regulatory obligations, Compagnie de Financement Foncier, since 2008, has included in its shelf registration document a detailed Risk Management report based on IFRS (not applicable to Compagnie de Financement Foncier) and Basel II rules. This report is prepared using the data that feeds the risk monitoring tool. The Risk Department verifies the consistency of this data with the accounting data.

2. Organisational overview: risk management

2.1. Implementation of prudential regulations applicable to sociétés de crédit foncier

As a credit institution authorised to operate as a financial company - *société de crédit foncier*, Compagnie de Financement Foncier performs specialised operations relating to its exclusive purpose: granting or acquiring assets secured by a first-rank mortgage or assets from public authorities or those that are fully secured by them.

Beyond the security provided by the legal framework, Compagnie de Financement Foncier observes stringent management rules to optimise the quality of the assets on its balance sheet and improve its risk profile (AAA rating). The security of the legal framework relies on the following key provisions of the French Monetary and Financial Code, in addition to its issue privilege:

- › an exclusive purpose as well as eligibility rules (Articles L. 515-13 to L. 515-17) that limit granting or acquisition to assets that are highly secure;
- › loan assignment conditions that stipulate a binding asset transfer (Article L. 515-21);
- › the overcollateralisation rule (Article L. 515-20) requiring that the total amount of assets, after weighting if necessary, should exceed privileged liabilities;
- › Compagnie de Financement Foncier's protection against the consequences arising from the bankruptcy of its shareholders and the continuity of contracts with the Company in charge of servicing or recovering the loan (Articles L. 515-27 and L. 515-28);
- › additional auditing and management control measures, in particular on account of the Specific Controller whose appointment must be approved by banking authorities (Articles L. 515-29 to L. 515-31).

As well as strict compliance with the regulatory obligations applicable to *sociétés de crédit foncier*, Compagnie de Financement Foncier applies additional measures to enhance

the overall security of its business model. These measures are based on the following rigorous principles:

- › additional rules for asset selection and acquisition in every line of business (retail lending, loans to public authorities or loans guaranteed by them);
- › prudential standards that are always superior to the threshold dictated by law or regulations, which provides an additional safeguard. This prudential approach covers specific ratios and those related to its status as a credit institution;
- › an organisational framework for relations between Compagnie de Financement Foncier and Crédit Foncier, Compagnie de Financement Foncier's sole servicer, in strict compliance with the provisions set forth in CRBF Regulation No. 97-02 as amended. These relations are governed by a set of agreements that provide Compagnie de Financement Foncier with the means to fulfil its responsibilities. Compagnie de Financement Foncier is thus assisted by Crédit Foncier's Risk Department, whose organisation has been strengthened within a thoroughly renewed operating framework (continuing urbanisation of central information systems, progress with Basel II implementation, improved teams and expertise).

2.2. General risks of Compagnie de Financement Foncier

Compagnie de Financement Foncier's economic model is built on solid foundations whose ultimate goal is to ensure security. The legislative framework prohibits it from holding a trading portfolio, which protects it against market risks associated with proprietary trading, and from holding shares in any company whatsoever, which protects it against any difficulties originating outside its own asset base.

Compagnie de Financement Foncier is potentially exposed to two main types of risks:

- › credit and counterparty risk;
- › liquidity risk and interest rate risk (ALM).

Crédit Foncier's "risk policy" provides the guidelines for selecting, monitoring, controlling and overseeing risks, and provides a framework within which Compagnie de Financement Foncier can develop its activities while safeguarding profitability, equity and its creditors, including first and foremost, the holders of French legal covered bonds (*obligations foncières*).

2.2.1. Credit risks

The credit risk on outstanding customer loans corresponds to the risk of a borrower's deteriorating financial situation and the attendant risk of default and non-repayment of part of the principal and interest.

Compagnie de Financement Foncier's particularly low credit risk profile is due to:

- › the intrinsic quality of the counterparties: the French or international Public Sectors and retail lending (private individuals) for mortgage loans;
- › the performance of the lending system which is based on expert procedures and increasingly sophisticated loan rating and selection systems;
- › the type of financing as well as the number and diversity of guarantee mechanisms;
- › an extremely rigorous selection process when acquiring debt.

Private individuals

Compagnie de Financement Foncier acquires debt on private individuals in two distinct markets:

- › the French mortgage market (loans originated by CFF);
- › the mortgage market outside France (debt acquired in almost all cases in the form of *senior* units in securitisation funds).

Crédit Foncier has a long history of retail mortgage financing in France, in particular with low-income households via regulated loans (interest-free loans and state-subsidised loans guaranteed by the FGAS). Financing for private homes has grown in recent years. Individuals in the market for new and older homes, for home ownership or rental investments, can now choose from a range of products that are guaranteed by mortgages.

Besides its retail direct financing business in France, Crédit Foncier has diversified internationally by purchasing *senior* tranches of secured debt backed by prime residential mortgages in continental Europe.

Compagnie de Financement Foncier acquires retail loans originated by Crédit Foncier that meet very strict guarantee (first-rank mortgage) and selection criteria. Compagnie de Financement Foncier's acquisition process for debt securitisation units also respects strict quality and profitability rules.

Public Sector clientele

French Public Sector exposures acquired by Compagnie de Financement Foncier are originated by the Groupe BPCE, either by the Caisses d'Epargne or by Crédit Foncier.

Crédit Foncier serves the French Local Authorities (FLA) market, which consists of regional, departmental and local bodies and institutions in France, including health facilities and low-income housing organisations and institutions.

Compagnie de Financement Foncier also acquires Public Sector exposures with minimal counterparty risk. The low-income housing financed by Compagnie de Financement Foncier is guaranteed directly by the Local Authorities and/or by mortgage guarantees.

Compagnie de Financement Foncier is also active outside France via its direct lending business and through purchases of securities in the international public financing sector (IPF), or tranches of securitisation benefiting from public guarantee. This business, which has been developed gradually since 2005 to support the group and complement its business in France, concerns:

- › the financing of sovereign States in Europe, either directly or through state-guaranteed institutions. The credit analysis of these entities is carried out by BPCE's analysts;

› the financing of international public bodies in Europe, the United States, Canada and Japan. In this segment, Crédit Foncier has developed proprietary methods with an internal rating model that enables it to operate with three levels of counterparties:

- Federal States, *Länder*, *cantons*, *provinces* and Local Authorities with real fiscal autonomy, according to the jurisdiction,
- regions, departments, counties, police districts,
- municipalities.

Purchases of IPF debt are systematically subject to specific approval at *ad hoc* Committee Meetings.

2.2.2. Financial risks (ALM)

The law prohibits Compagnie de Financement Foncier from investing its own financial resources in volatile markets.

Interest and exchange rate risks are managed by systematically hedging production against both types of risk. The residual risk is controlled by Compagnie de Financement Foncier's Asset and Liability Management Committee in order to maintain its net interest margin.

Further details about these risks are provided in section 8 of this document.

2.2.3. Operational risk

Operational risk is inherent in any type of banking activity. It can be defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including improbable events that could lead to significant material losses. This definition excludes only strategic risk.

The Crédit Foncier group has a group-wide operational risk management system, based on BPCE's rules, that covers Compagnie de Financement Foncier via a series of service agreements.

The main operational risks relate to services outsourced to the parent company under service agreements. Operational risk is above all borne by CFF.

Section 9 provides more details about the supervision of operational risk.

2.2.4. Other risks

Compagnie de Financement Foncier's other risks, explained in greater detail in section 10, include:

- › settlement and settlement-delivery risks;
- › non-compliance risk;
- › other risks (insurance, information technology, legal, strategy, reputation, etc.).

2.3. Missions assigned to the Risk and Compliance Departments

Under the new charters governing the organisation of internal control, the permanent control missions drafted by BPCE are now performed by the risk and compliance departments and coordinated by a new organisational structure.

For further information, please refer to the 2009 Registration Document (Volume 3, pages 5 & 6)

2.4. Organisation of the CFF Risk Department

To ensure closer links between the risk and compliance functions, these were grouped within a single division in the first half of 2010 and placed under the responsibility of a Deputy General Manager. A dedicated unit within this division coordinates permanent control for both functions.

For further information, please refer to the 2009 Registration Document (Volume 3, pages 6 to 8)

Relations between Crédit Foncier committees

Compagnie de Financement Foncier is included in Crédit Foncier's overall organisation. Compagnie de Financement Foncier has its own Risk Committees and Asset & Liability Management Committee and is specifically dealt with whenever necessary by other committees that include Compagnie de Financement Foncier.

In addition to the committees described in the 2009 Registration Document (Volume 3, page 7), which should be referred to for any further information, a provisions/cost of risk Committee has been created. This committee meets twice a year, chaired by a Board member, and reviews all provisions, both individual and collective.

2.5. Information system and data quality

See Registration Document (Volume 3, page 8).

2.6. Highlights of the first half of 2010

2.6.1. Economic situation

Although 2009 ended on a more positive note with the promise of an improvement in economic conditions, the first half of 2010 was marked by the sovereign debt crisis that affected South European countries.

From the beginning of the year, signs of doubt about the credit quality of a number of European countries emerged in the market and grew steadily as the months went by. Investor distrust triggered by the upward revision of Greece's public deficit and the subsequent downgrade of its rating, increased sharply, pushing interest rates on Greek 10-year government bonds up from 6.5% at the beginning of April to 12.4% in May. Fears of contagion to other European countries emerged, particularly concerning Spain and Portugal.

The tensions eased towards the end of the period thanks to the support provided by the EU via the creation of the European Financial Stability Facility (EFSF) and by the IMF's support package.

At the beginning of the second half, investors regained confidence as the market's perception of sovereign risk improved in the wake of the austerity measures announced by numerous governments and the reassuring results of the stress tests performed on most of the major European banks in July. These tests confirmed the banks' capacity to withstand unfavorable macroeconomic scenarios.

With these phases now over and the announced easing of the future so-called Basel III regulations, activity in the bank debt market could return to stronger levels.

Although temporarily affected by this volatile environment, spreads on Compagnie de Financement Foncier's *obligations foncières* against French Government bonds (OAT) very quickly returned to the levels recorded at the beginning of the year. The quality of its assets and the solid legal framework governing *sociétés de crédit foncier* enabled Compagnie de Financement Foncier to continue to issue *obligations foncières* in the various markets, in both Europe and the United States, without difficulty. Despite the challenging market conditions, Compagnie de Financement Foncier was able to issue €8.8 billion in *obligations foncières* in the first half. The end of the ECB's €60 billion covered bond purchase programme had no significant impact on the market as this segment was boosted by the definition of the future criteria for liquidity reserves.

Lastly, the mortgage lending markets have begun to recover in Europe, in terms of both volumes and of the stabilisation of the underlying residential property markets. Only Spain and Ireland are still recording downward trends in house prices. Also, in Spain payment defaults are beginning to stabilise and even decrease slightly, thanks in particular to interest rates which are at a record low and to signs of a stabilisation in the unemployment rate, although at a very high level of nearly 20%.

2.6.2. Significant events for credit risk

The difficult conditions that prevailed in the first half of 2010 did not jeopardise Compagnie de Financement Foncier's low risk profile or the overall quality of its loan portfolio.

The risk profile of the FLA and IPF loan portfolios remained very sound with extremely low loss ratios.

The mortgages portfolio held up particularly well. This highlights the efficiency of Compagnie de Financement Foncier's loan selection procedures as the default rate of loans acquired after the year 2000 is lower than that of the loans that remained

in Crédit Foncier's portfolio.

Note that Compagnie de Financement Foncier does not have and has never had any exposure, whether direct or indirect, to the US mortgage market.

2.6.3. Operating in a Basel II environment

See presentation in the 2009 Registration Document (Volume 3, page 9).

3. Internal capital adequacy and capital requirements

3.1. Capital management

Compagnie de Financement Foncier's capital management is directly supervised by its Executive Board. Its oversight aims to ensure constant compliance with regulatory ratios, to optimise the allocation of capital and to secure its overcollateralisation ratio. It therefore contributes directly to its AAA/Aaa/AAA ratings.

Capital management

The capital adequacy ratio is calculated at the consolidated Crédit Foncier level. Compagnie de Financement Foncier is not subject to Basel II capital adequacy requirements. However, for internal management purposes, *ad hoc* calculations have been carried out to simulate the result according to Basel standards.

The capital management system implemented for Compagnie de Financement Foncier concerns in particular:

- › the capital adequacy ratio and COREP (prudential reporting, common to all European Banking Supervisors, relating to the European capital adequacy ratio) each half-year based on accounting data;
- › simulations/projected capital needs according to different Basel II approaches;
- › integrating projections of capital requirements with forecasted results and the definition of the risk policy;
- › a risk adjusted return measurement.

3.2. Breakdown of capital

Prudential capital is determined in accordance with CRBF Regulation No. 90-02 as amended and consists of three broad categories:

Core capital (Tier 1)

Core capital is calculated from consolidated equity.

Supplementary capital (Tier 2)

Supplementary capital consists of redeemable subordinated debt that meet the requirements set forth in Article 4d of the abovementioned regulation.

Deductions

Since Compagnie de Financement Foncier is not legally allowed to hold equity interests, it is not subject to any capital deductions.

3.3. Capital requirements

The capital requirement, calculated using the simulation technique of the capital adequacy ratio as at June 30, 2010, according to the standard method, came to €1,631 million. These increased by €123 million relative to December 31, 2009 due to a €3.5 billion increase in credit risk exposure due to the activity and to the exercise in March 2010 by CFF of the put option on CDS KFW linked to the MLF 2007 synthetic securitisation (See section 5-3 - Effect of credit risk mitigation techniques).

3.4. Management of regulatory ratios

The technical simulation of Compagnie de Financement Foncier's solvency ratio at June 30, 2010, was established according to the standard method, with the following calculation options, voluntarily conservator:

- › the loan participating in the character of capital was not included in core capital, but in additional capital;
 - › intra group guarantees made to Compagnie de Financement Foncier by the credit institutions of the Groupe BPCE remain weighted at 20% instead of 0% for eligible members.
- Furthermore, in case of partial cession of loan and in connection with cession and recovery provisions, the calculation considers that the mortgage guarantees related to the loan

are totally affected to the Compagnie de Financement Foncier. This allows to adjust the weighting level in the standard approach, to signify the priority in affectation of the recoveries for the Compagnie de Financement Foncier and the lower loss rate which results from it.

This simulation led to the following result:

	12/31/2009	06/30/2010
Tier 1 + Tier 2	12.6%	12.1%
Tier 1	8.4%	8.1%

The decrease of Tier 1 and Tier 2 ratios during this period is due to the increase of the exposure base to credit risk of €3.5 bn and to the exercise by the Crédit Foncier of the put option of the CDS KFW linked to the MLF 2007 synthetic securitisation in March 2010.

3.5. Management of specific ratios

In addition to their obligations as a credit institution, *sociétés de crédit foncier* are required to comply with specific ratios and limits described in Articles L. 515-13 *et seq.* of the French Monetary and Financial Code. French Banking Commission order ⁽¹⁾ No. 2008-05 points out the calculation of specific ratios.

The Specific Controller of Compagnie de Financement Foncier also controls the calculation of these ratios and certifies them every semester.

The Risk Management of Credit Foncier supervises these specific indicators on a second level every semester.

Overcollateralisation ratio

French law (Article L. 515-20) requires all *sociétés de crédit foncier* to 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.

Compagnie de Financement Foncier's overcollateralisation ratio has increased at June 30, 2010, at 111.4% compared with 110.5% at the end of December 2009. This ratio has always been superior to 108% since Compagnie de Financement Foncier was created in 1999 and has therefore remained well above the regulatory limit of 100%.

⁽¹⁾The reform of the French Supervision system led to the merger of the Banking Commission and the Supervisory Authority of Insurance and Mutual insurance (ACAM), within the Prudential Control Authority (ACP - *Autorité de Contrôle Prudentiel*).

Asset composition ratio

The replacement securities ratio is determined by comparing replacement values with nominal value of privileged liabilities. These replacement securities are defined by law (pursuant to Article L. 515-17 of the MFC) as being “sufficiently, secure and liquid” values and make up Compagnie de Financement Foncier cash position.

Compagnie de Financement Foncier’s strict management rules have always enabled it to comply with this ratio’s regulatory limit of 15%.

Other assets including promissory notes and guaranteed loans are also limited by regulations.

Asset composition	Limit	12/31/2009	06/30/2010
Replacement securities (R. 515-7)	15.0%	10.1%	9.9%
Promissory notes (L. 515-16-1)	10.0%	9.2%	8.7%
Guaranteed loans (R. 515-6)	35.0%	1.5%	1.6%

LTV overrun ratio

By calculating the amounts eligible for refinancing by privileged resources and comparing them to asset valuations at the period closing date, overruns in respect of non-privileged resources can be determined and calculated.

In accordance with the Banking Commission order, the calculation of overruns on loans relies on the mortgage and guaranteed loans that are assigned and/or securitised of Compagnie de Financement Foncier (excluding loans from the original transfer).

LTV overruns are updated based on the value of the receivables at the balance sheet date and on the value of the pledged assets revised at the end of each year.

At June 30, 2010, the overruns on loans acquired and mobilised came to €172.5 million (comprised of €168.4 million for loans assigned and €4.1 million for loans mobilised) in addition to €19.3 million in overruns on debt securities and units of securitisation funds. The total amount of overruns was €191.8 million at June 30, 2010 compared with €471 million at December 31, 2009. The total of overruns remained very significantly lower than the amount of non-privileged resources, which amounted to €16,583 million at the same date.

A stress test of LTV overruns assuming that all the real estate assets pledged as collateral lose 10% of their value, performed on the portfolio of loans purchased and mobilised (€27,197 million at June 30, 2010) resulted in LTV overruns amounting to €1,354 million. This amount increases to €2,101 million in the event of a 15% fall in the value of collateral. In both cases the level is well below that of non-privileged resources.

These tests therefore confirm the excellent quality and solidity of Compagnie de Financement Foncier’s loan portfolio.

4. Credit and counterparty risk management

The system used by Compagnie de Financement Foncier to select and monitor commitments is the one applied by its parent company combined with a specific purchasing filter. Compagnie de Financement Foncier applies a very strict selection process for acquiring assets. In addition to eligibility criteria (as defined by the law) and Compagnie de Financement Foncier’s specific criteria (definition of Public Sector, exclusion of commercial real estate), this process includes a “filter” that takes into account the origination and outstanding principal ratings provided by the loan originator, CFF. Compagnie de Financement Foncier also finances CFF’s production of mortgage loans to retail customers by purchasing mortgage notes issued by the latter. These promissory notes have been grouped with secured loans since April 2007. They meet the strict eligibility criteria that apply to *sociétés de crédit foncier*.

4.1. Procedures for selecting and measuring risks

4.1.1. Crédit Foncier’s debt selection system

See 2009 Registration Document for further information on this subject (Volume 3, pages 12 to 14), in particular sections 4.1.1.1. Commitment selection and monitoring system and 4.1.1.2. External credit ratings.

4.1.1.3. Internal ratings

See sub-sections 4.1.1.3.1. Private individuals - and 4.1.1.3.2. French Public Sector of the 2009 Registration Document.

4.1.1.3.3. International public financing (IPF) and Sovereign

The rating method for international Public Sector counterparties remains unchanged (see 2009 Registration Document, Volume 3, page 13). For Sovereign counterparties, Compagnie de Financement Foncier uses BPCE's ratings system. During the first half of 2010, Crédit Foncier changed its Sovereign rating scale to that used by the Groupe BPCE, involving the switch from an S&P-type ratings scale to a score-based (grades of 1 to 8) scale. The correspondence between the two scales is as follows: grade 1 corresponds to a step one rating (\geq AA-), grade 2 corresponds to a rating of between A+ and A, grade 3 corresponds to a rating of between A- and BBB+ and grade 4 corresponds to a rating of between BBB and BBB-.

The breakdown of sovereign exposure by internal rating is provided in section 4.2.3.1. - Breakdown of exposures by credit quality. The ratings at June 30, 2010 are compared with those at end-December 2009 presented using the same rating scale.

Origination rating

Before each investment decision, the IPF counterparty undergoes a double rating (by the business line and by the Risk Department) using the internal rating model. The rating is then presented to the appropriate committee together with a detailed credit analysis of the counterparty.

Annual re-rating

All IPF and Sovereign counterparties undergo an annual re-rating by the Risk Department, which will be performed in the second half of 2010.

4.1.2. Eligibility criteria for the *société de crédit foncier* and the acquisition filter

Compagnie de Financement Foncier applies a stringent asset acquisition procedure steered by prudence and knowhow. Although the quality of the assets that are eligible under the current regulations ensure a high level of security, Compagnie de Financement Foncier applies additional constraints that limit its credit risk exposure, using an acquisition filter in addition to the specific internal rating tools for the type of exposure being analysed.

See the 2009 Registration Document, in particular sections 4.1.2.2 - French Public Sector and 4.1.2.3 - International

public financing (Volume 3, pages 14 & 15).

4.1.2.1. Private individuals

Compagnie de Financement Foncier may acquire loans:

- › whose purpose is homeownership and, more marginally, rental housing; it does not allow the financing of commercial property;
- › that are backed by a prime mortgage or equivalent security.

Virtually all these loans are originated by CFF, using a scoring system based on the characteristics of the property financed, customer information and the historical default probability. Compagnie de Financement Foncier nonetheless has the possibility of acquiring loans from other credit institutions, in which case the debt selection process described below for CFF loans is adapted accordingly.

In a second phase, Compagnie de Financement Foncier uses an acquisition score calculation tool for residential mortgage loans to private individuals. This acquisition filter is used to select, after an observation period if necessary, the loans whose probability of default is below a certain threshold. The threshold applicable from March 2007 to May 2010 is described in the 2009 Registration Document (Volume 3, pages 14 & 15).

This acquisition filter has been adjusted to give greater weight to the loan rating calculated monthly. The adjusted filter is applicable from June 2010 for acquisitions of new loans and outstanding CFF loans not yet assigned.

The adjusted filter crosses the loan's rating, age and origination rating, which is differentiated according to the probability of default (PD) at the origination date.

The loan score enables loans that are excessively risky to be eliminated, based on acceptable PD levels, *i.e.* a score of 6, 7, 8, 9, D or X for rental property and a score of 8, 9, D or X for homebuyers.

The origination rating qualifies default over a three to five-year horizon. It is consistent with the loan rating over this horizon. A four-year duration has been used to differentiate the acquisition filter's algorithm as follows:

- › for loans of \leq 4 years: the acquisition is based above all on the origination rating and the related PD (updated when the assignment is examined) and the loan score;
- › for loans of $>$ 4 years: the acquisition is based solely on the loan's score: rejection of loans with scores of 8, 9, X or D for homebuyer loans, and with scores of 6, 7, 8, 9, X or D

for rental property loans, taking into account the reference PD in the applicable scale.

These rules are shown in the two grids below:

Homebuyer

Eligibility criteria for Compagnie de Financement Foncier and acquisition filter						
Monthly loan score						Not scored
0 to 7						8, 9, X or D ^(*)
Age of the loans						
≤ 4 years			> 4 years			
Origination score						
Rate of default at origination ^(*)		0 to 3	4 to 6	7 to 9	Transferable	Non-transferable
Discounted default rate according to the age of the loan	≤ 1.4%	Transferable	Transferable	Transferable		
	≤ 1.8%			Non-transferable		
	> 1.8%					

^(*) Or discounted default rate according to the age of the loan.

^(*) Monthly outstanding loan score X for doubtful loans and D for past dur loans.

Rental property

Eligibility criteria for Compagnie de Financement Foncier and acquisition filter						
Monthly loan score						Non-rated
0 to 5						6, 7, 8, 9, X or D ^(*)
Age of the loans						
≤ 4 years			> 4 years			
Origination score						
Rate of default at origination ^(*)		0 to 3	4 to 6	7 to 9	Transferable	Non-transferable
Discounted default rate according to the age of the loan	≤ 1.3%	Transferable	Transferable	Transferable		
	≤ 1.6%			Non-transferable		
	> 1.6%					

^(*) Or discounted default rate according to the age of the loan.

^(*) Monthly outstanding loan score X for doubtful loans and D for past dur loans.

In addition to the rating filter, the eligible guarantees are:

- › prime mortgages or similar;
- › *Société de gestion du fonds de garantie à l'accession sociale à la propriété* (or SGFGAS) guarantee, which provides a State guarantee for low-income homebuyer loans within the scope of the subsidised loans regulations and guaranteed by a first-rank surety (mortgage or privilege of money lender). As such, it benefits from the external rating assigned to the French State (AAA);
- › a guarantee from *Crédit Logement*, a financial company rated AA- by the rating agencies.

The weightings applied to the value of the guarantees to determine the loan portfolio that Compagnie de Financement Foncier can acquire are:

- › 100% for SGFGAS guarantees;
- › 80% for residential mortgage loans granted to natural persons;
- › 60% for the others (relating mainly to low-income housing).

4.1.3. Assigning credit limits

Compagnie de Financement Foncier's credit limit system uses the same levels as that of BPCE, as adapted to CFF, notably with regard to country limits and individual limits.

Country limits

BPCE sets the geographical "country risk" limits. A "country risk" is defined as the combination of a sovereign risk (the inability of a country to honour its payments), political risk (risk of not transferring assets), and an economic risk (increase in the credit risk).

In connection with its international activities, country limits are assigned to the CFF Group, which then manages them at its level. These limits are authorised by the Country Committee based on recommendations from the Groupe BPCE Risk Department.

These limits naturally apply to Compagnie de Financement Foncier's commitments, as it holds the great majority of CFF's international exposures.

A restrictive management of outstanding loans even a general freeze was implemented for some countries in coherence with the policy of Groupe BPCE. It initially concerned Greek and Spanish Sovereigns and the Public Sector in those two countries (at the end of 2009). In a second time those restrictions have been extended to three other European Sovereigns: Portugal, Italy and Ireland.

Individual limits

In addition to the regulatory limits related to major risk management, individual limits (excluding private individuals and French Local Authorities) are defined for counterparties and banking institutions.

These limits are approved by Compagnie de Financement Foncier's Risk Committee and are reported to its Audit Committee.

In 2010, particular attention continued to be paid to the banking sector, whose limits had been lowered substantially in 2008 and 2009.

Compagnie de Financement Foncier also has a limit on exposure to its parent company, CFF, which may not exceed 20% of Compagnie's total assets. This limit is calculated based on direct exposure to CFF with no additional guarantees such as pledging of receivables portfolios, for example.

4.1.4. Managing overruns and alert procedures

See 2009 Registration Document (Volume 3, page 16).

4.1.5. Risk monitoring

Watch List and Risk Review

In the first half of 2010, Crédit Foncier adopted the new criteria defined by BPCE for inclusion in or exclusion from the Group Watch List.

Crédit Foncier has also adopted these criteria for its local Watch List, adapting them to take into account the specific characteristics of its activities.

Note that the Watch List includes all counterparties requiring special attention due to the higher risk they represent. The Watch List concerns performing or doubtful loans but not loans already being managed by the litigation department. When a counterparty has been placed on the Watch List, it requires closer monitoring but does not imply automatic suspension of credit facilities or a transfer to doubtful loans. Monitoring these counterparties makes it possible to track risk trends and anticipate default risk.

In addition to the Watch List and as required by the regulations, the Risk Department reviews its credit risks once a quarter to assess the credit quality of its loan commitments. For significant transactions, this implies a stringent analysis of the quality of commitments by the business lines and the Risk Department. The scope of this review covers transactions included in the Watch List or classified in the litigation perimeter and, in the case of events, certain other commitments with the aim of assessing the potential risk and its coverage in the prevailing conditions.

Please refer to the 2009 Registration Document (Volume 3, page 17) for further information on this subject.

4.2. Breakdown of commitments at June 30, 2010

4.2.1. Exposure to credit risk

The following tables break down gross customer loans, excluding off-balance sheet commitments and financial guarantees, which totalled €99,576 million at end-June 2010, and the non-performing loan ratio, which stood at 0.5% for the period.

Risk Coverage of Compagnie de Financement Foncier - synthesis at end-June 2010

(in millions of euros)

Risk exposures ^(*)	12/31/2009			06/30/2010		
	Balance sheet	Doubtful loans	Rate of doubtful loans	Balance sheet	Doubtful loans	Rate of doubtful loans
Private individuals	42,508	0.9%	0.8%	42,440	0.9%	0.8%
French mortgage loans ^(**)	19,111	2.0	1.8	20,106	2.2	2.0
French mortgage notes	9,042	0	0	8,632	0	0
Mortgage total	28,153	1.4%	1.2%	28,738	1.6%	1.4%
Securitised French mortgage (originated by Crédit Foncier)	1,384	n/a	n/a	1,262	n/a	n/a
European residential mortgage-backed securities	12,971	n/a	n/a	12,440	n/a	n/a
Securitised mortgages total	14,355	n/a	n/a	13,702	n/a	n/a
Public Sector	38,044	0%	0%	40,103	0%	0%
Low-income housing	3,361	0.2	0.2	3,231	0.2	0.2
French Local Authorities (FLA)	11,919	0	0	10,972	0.1	0.1
FLA L. 211-38	1,202	0	0	3,156	0	0
Sovereign debt (France)	1,848	0	0	909	0	0
French Public Debt	18,330	0.1%	0.1%	18,268	0.1%	0.1%
Private-Public-Partnership	318	0%	0%	361	0%	0%
International Public Financing	8,836	0	0	10,206	0	0
International Sovereign	3,094	0	0	3,653	0	0
Securitisations backed by mortgage loans benefiting from State safeguards	7,465	n/a	n/a	7,614	n/a	n/a
International Operators	19,395	0%	0%	21,473	0%	0%
Commercial mortgages disappearing (resulting from the legal transfer in October 1999)	179	6.4%	6.3%	173	6.5%	6.3%
Banking sector exposures	14,271	0%	0%	14,265	0%	0%
of which <i>Banque de France</i> and CDC	1,520	0	0	617	0	0
of which other banks with public or semi-public guarantees	3,201	0	0	3,170	0	0
of which other banks	3,208	0	0	4,131	0	0
of which BCTG (Crédit Foncier's exposures guaranteed by asset collateral)	6,342	0	0	6,347	0	0
Total risk exposure	95,001	0.4%	0.4%	96,981	0.5%	0.4%
Miscellaneous adjustments and other assets ^(***)	3,243	0%	0%	2,595	0%	0%
Total	98,245	0.4%	0.4%	99,576	0.5%	0.4%

^(*) Balance sheet commitments (excluding off-balance sheet commitments and liabilities) representing overall exposure to credit risk, gross figures (performing and doubtful) according to French accounting standards from management data.

^(**) This line includes a limited outstanding of Dutch debts (€80 million at December 31, 2009 and €83 million at June 30, 2010).

^(***) The line "miscellaneous adjustments and other assets" is essentially composed of accrued interests on financial forward instruments and adjustment accounts.

The analysis by business segment is as follows:

- › the French retail lending segment grew by 5%. The ratio of doubtful loans to total outstanding loans (excluding subsidised sector) for this segment rose slightly to 2.0% compared with 1.8% at end-December 2009. This is due to the rise in unpaid loans in previous months but does not call into question the loan portfolio's intrinsic quality;
- › for the French Public Sector, for which outstanding loans remained stable in the first half of 2010 (-0.3%), this ratio remains very low at 0.1%, including the low-income housing sector (0.2%). Loan downgrades to doubtful in the low-income housing or French Local Authorities segments are very rare; outstanding FLA loans governed by Article L. 211-38 increased sharply in the first half of 2010, rising to €3,156 million following the mobilisation of FLA loans originated by CFF during the half year. The amortisation of the overall FLA loan portfolio continued, bringing the total to just under €11 billion; the French Sovereign portion amounted to less than €1 billion at June 30, 2010, *i.e.* less than half the amount at December 31, 2009 following repayment of a €300 million facility and reduced amounts drawn on a €1 billion facility;
- › for the Private Corporate mortgage segment, it should be noted that Compagnie de Financement Foncier does not permit itself from acquiring commercial property loans. The existing loan portfolio (€173 million) is a legacy portfolio that is being run off and represents only 0.2% of the total balance sheet. The high doubtful debt ratio on this portfolio (6.5% at June 30, 2010) should be viewed in perspective as this is a run-off portfolio and doubtful loans are slower to run off than performing loans, which automatically pushes up the doubtful debt ratio;
- › for Public-Private Partnerships, the doubtful debt ratio is zero. Compagnie de Financement Foncier acquired these outstanding loans originated by CFF after the borrowers had entered their operating phase. The part acquired by Compagnie de Financement Foncier concerns the 'public' portion of the receivables, excluding all the parts corresponding to the development phase or maintenance costs. A significant part of the portfolio (€361 million at June 30) relates to the funding of regional express rail links (*transports express régionaux* - TER);

- › lastly, the international public financing segment (IPF, Sovereign, securities backed by receivables on bodies guaranteed by the State and other financial portfolios) has no doubtful debt. The overall loan portfolio grew by more than 10% in the first half of 2010, reflecting a 16% increase in IPF loans and an 18% increase in international sovereign debt. These increases are partly the result of new lending and partly the result of changes in exchange rates over the period, as the amounts concerned are the carrying amount before taking swaps into account (all foreign currency IPF and Sovereign transactions are micro-hedged against foreign exchange risk).

Exposure to credit risk by category

The data below shows only balance sheet commitments. The breakdown of exposures by Basel counterparty type, concerns counterparties excluding guarantees received and other risk mitigation factors.

Exposure according to Basel classifications

At June 30, 2010, Compagnie de Financement Foncier's assets amounted to €99.6 billion. The percentage breakdown of exposures by Basel classification was stable overall. The table below provides the breakdown of exposures by Basel classification:

Breakdown of Compagnie de Financement Foncier exposures by Basel classification (Groupe BPCE format)

(in millions of euros)

Basel classification	12/31/2009		06/30/2010	
	Total amount	% of total	Total amount	% of total
Local associations	4	0	4	0
Private individuals	28,153	29	28,738	29
Professional (craftsman, retailer and liberal profession)	9	0	21	0
Retail subtotal	28,166	29%	28,763	29%
SME ^(*)	21	0	19	0
Social economy	488	0	467	1
Low-income housing institutions	2,146	2	2,060	2
Government-owned corporations	727	1	704	1
French Local Authorities	13,121	14	14,128	14
Private real estate professionals ^(*)	109	0	97	0
Private-Public-Partnership (PPP)	318	0	361	0
Regional development bank subtotal	16,930	17%	17,836	18%
Large corporations	2	0	0	0
Banks ^(**)	14,271	14	14,266	14
Sovereign States	4,942	5	4,562	5
Securitisation (external)	20,436	21	20,053	20
Private finance initiatives	33	0	32	0
International Public Financing (IPF)	8,836	9	10,206	10
Major counterparties subtotal	48,521	49%	49,120	49%
Securitised French mortgage (originated by Crédit Foncier)	1,384	1%	1,262	1%
Adjustments and other assets	3,243	4%	2,595	3%
TOTAL	98,245	100%	99,576	100%

^(*) Disappearing amounts.

^(**) Of which Sovereign guarantees, *Banque de France* and CDC.

Credit risk exposure is analysed below in terms of geographical and sector diversification.

4.2.2. Breakdown of credit risk exposure

4.2.2.1. Geographic breakdown of material exposures ^(*), by exposure category

Like at the end of 2009, the portfolio at end-June 2010 remained concentrated in the European Union (89%) and more particularly in France (63%).

Breakdown of exposures by geographical area ^()*

	12/31/2009	06/30/2010	
	%	Balance sheet (M€)	%
France	63.5	62,499	62.8
Other countries within European Economic Area	27.1	26,493	26.6
Other European countries	1.5	1,587	1.6
North America (USA & Canada)	6.3	7,044	7.0
Africa/Middle east			
Central and Latin America (including Mexico)			
Asia excluding Japan			
Japan	1.6	1,953	2.0
Oceania			
Others			
Total (€ millions)	100,0% 98,245	99,576	100,0%

^(*) Accounting management data: "Balance sheet" commitments portion (excluding off balance sheet commitments and financial guarantees) of the overall exposure to credit risk, based on gross customer loans (performing and doubtful) according to French accounting standards.

4.2.2.2. Breakdown of exposure by product family

Compagnie de Financement Foncier is not legally allowed to hold equity interests or trading portfolios. Its balance sheet commitments by product family (loans, securities and financial transactions) at June 30, 2010 show a *de facto* concentration on loans (64% including short term credit facilities) and debt securities (20% for securitisations and 16% for bonds).

(in millions of euros)

Product families ^(*) Breakdown by %	12/31/2009	06/30/2010
Shares/Funds	0	0
Other balance sheet products	0	0
Short term credit facilities ^(**)	4	4
Loans ^(***)	60	60
Bonds ("Banking" ^(****))	15	16
Bonds ("Trading" ^(****))	0	0
Securitisation	21	20
Balance sheet total	100%	100%
Balance sheet assets ^(*) € millions	98,245	99,576

^(*) Accounting management data: "Balance sheet" commitments portion (excluding off balance sheet commitments and financial guarantees) of the overall exposure to credit risk, based on gross customer loans (performing and doubtful) according to French accounting standards.

^(**) "Short term credit facilities" essentially include adjustments accounts and forward financial instruments.

^(***) Customer loans excluding short term credit facilities.

^(****) The bonds it holds are held in the context of lending transactions with a view to being held until maturity.

^(*****) Compagnie de Financement Foncier does not hold legally securities for trading purposes.

4.2.3. Quality of the portfolio exposed to credit risk

Rating (internal)⁽¹⁾ and quality of outstanding retail mortgage loans

4.2.3.1. Breakdown of exposures by credit quality

> Private individuals (end risk)

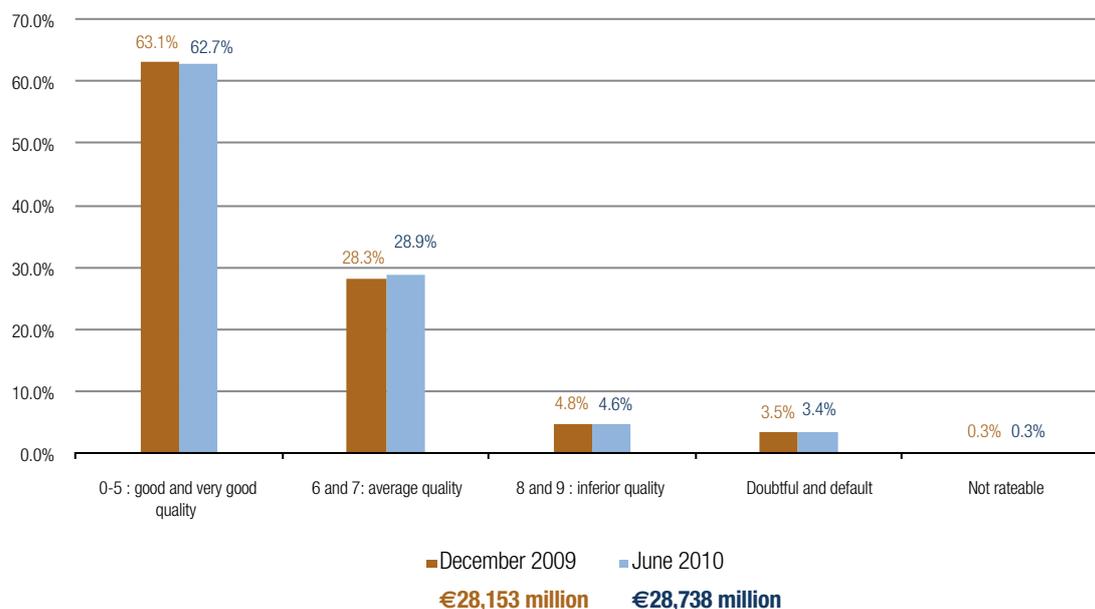
The internal rating system for retail loans is described in section 4.1.1.3.1. of the 2009 Registration Document (Volume 3 pages 12 & 13).

The breakdown of outstanding loans by rating at June 30, 2010 presented below is established using this system.

The breakdown below confirms the quality of Compagnie de Financement Foncier's outstanding retail loans portfolio: nearly 63% are good or very good quality loans (score between 0 and 5). When integrating average quality loans (scores 6 and 7), the percentage rises to close to 92%. The proportion of doubtful loans remained stable: 3.4% at end-June 2010 versus 3.5% at end-December 2009. The risk profile is similar to that at the end of 2009.

⁽¹⁾ Basel II rating established using the methods described in section 4.1.1.3.1.

Internal rating of outstanding mortgage loans to individuals



The base includes mortgage loans and loans in guarantee of French mortgage notes.

Breakdown by internal rating of exposure to securitised mortgage loans in France (internal securitisation)

In accordance with its regulations, Compagnie de Financement Foncier underwrote AAA *senior* units originated by CFF for €1.3 billion as at June 30, 2010. Of the total loan portfolio covering the *senior* and subordinated portions, the internal ratings of the underlyings are very good (87.8%).

Breakdown by internal rating of exposure to securitisations backed by retail residential mortgage loans in Europe (excluding France)

Compagnie de Financement Foncier's RMBS portfolio comprises the *senior* portions of securitised residential mortgage loans granted to private individuals, of which a very small proportions is composed of professional tradesmen.

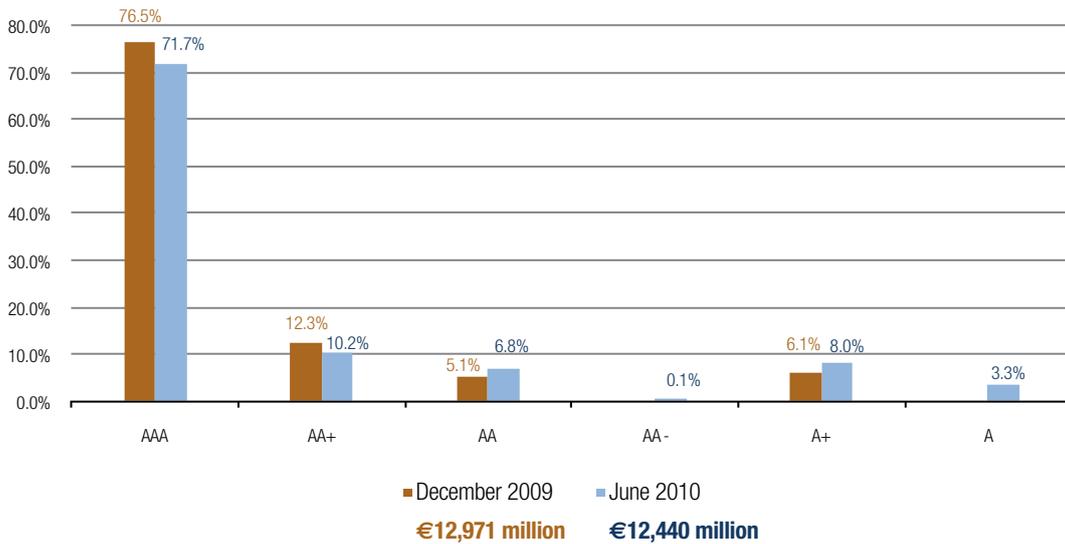
These are prime assets with high granularity located in Europe (excluding France).

At end-June 2010, this portfolio totalled €12,440 million. The Basel II rating method for securitisations uses the lower of the two best ratings assigned by the three independent rating agencies (S&P, Moody's and Fitch). While 71.7% of the RMBS in the portfolio had a Basel II AAA rating at June 30, 2010, 85.5% still had an AAA rating from one of the three agencies.

Slight rating downgrades have had an impact on the Basel II rating of some of the RMBS in the portfolio. At end-June 2010, 17% of RMBS were rated AA (AA+ to AA-) and 11% were A rated (A+ to A-).

More than €3 billion were hedged by Crédit Foncier against the consequences of a downgrade below step two rating category.

Breakdown by internal rating of exposure to securitised mortgage loans to individuals in Europe (excluding France)



Public Sector loan portfolio

French Public Sector loan portfolio

For all its French Local Authority and low-income housing financing activities, Crédit Foncier uses Groupe BPCE's internal rating tools which are based on scoring functions and specific criteria for each customer segment (regions, departments, municipalities, social economy, low-income housing, healthcare institutions, etc.). The scores assigned are on a scale of 0 to 9: 0 to 5 for the favorable category, 6 to 7 for the acceptable category, and 8 to 9 for the doubtful category. Unrated counterparties are analysed on an individual basis and in great detail.

French Local Authorities (FLA) portfolio - breakdown by Basel II rating

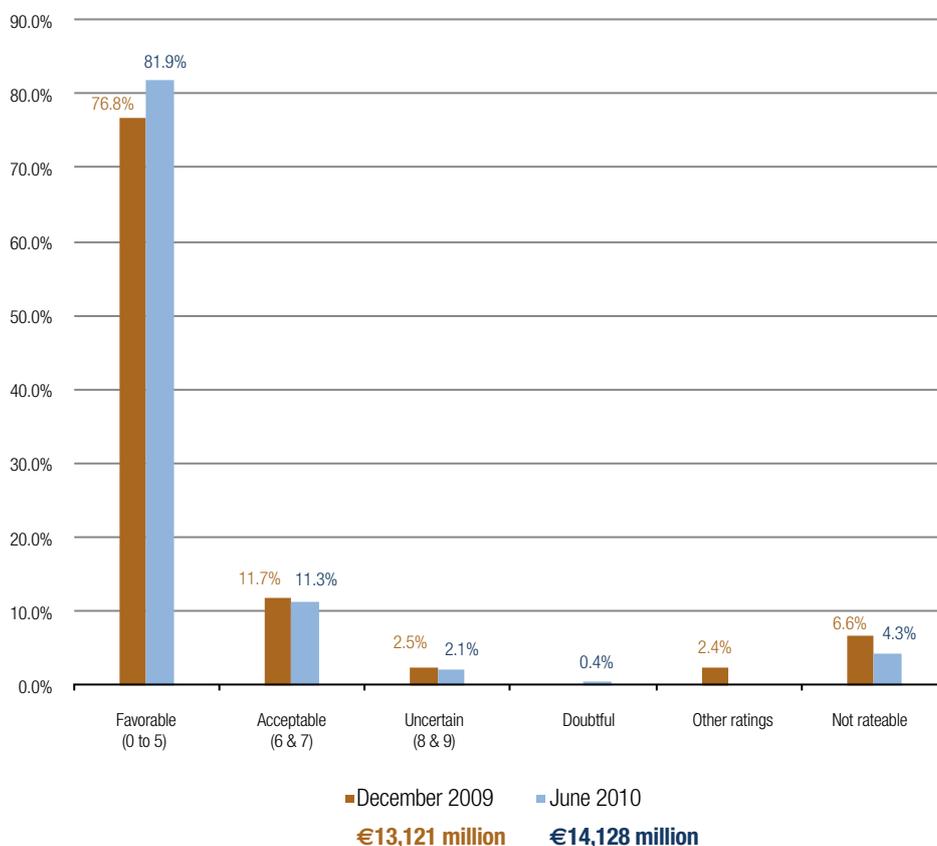
Nearly 82% of the outstanding loans to French Local Authorities have a "favorable" rating. This percentage

increases to more than 93% if loans rated as "acceptable" are included.

In the first half of 2010, the portion of outstanding FLA loans with a favorable rating increased to 82% compared with 77% at end-2009; the relative weights of loans with an acceptable rating and with a doubtful rating declined slightly. The changes relative to end-2009 reflect mainly the increase in the rated portion of the portfolio relative to the unrated portion, which represented a little more than 4% at end-June 2010. The lack of rating is due to technical factors unrelated to the quality of the counterparties and in particular comprises an exposure to cities and municipalities in France. The ratio of non-performing/doubtful loans in this portfolio remains very low at 0.4%.

Note that analysis is established without taking into account the additional guarantees on outstanding loans, in particular the Groupe BPCE guarantee for €3.8 billion, of which €3.2 billion on the balance sheet.

French Public Sector portfolio Breakdown by Basel II rating



Low-income housing portfolio - breakdown by Basel II rating

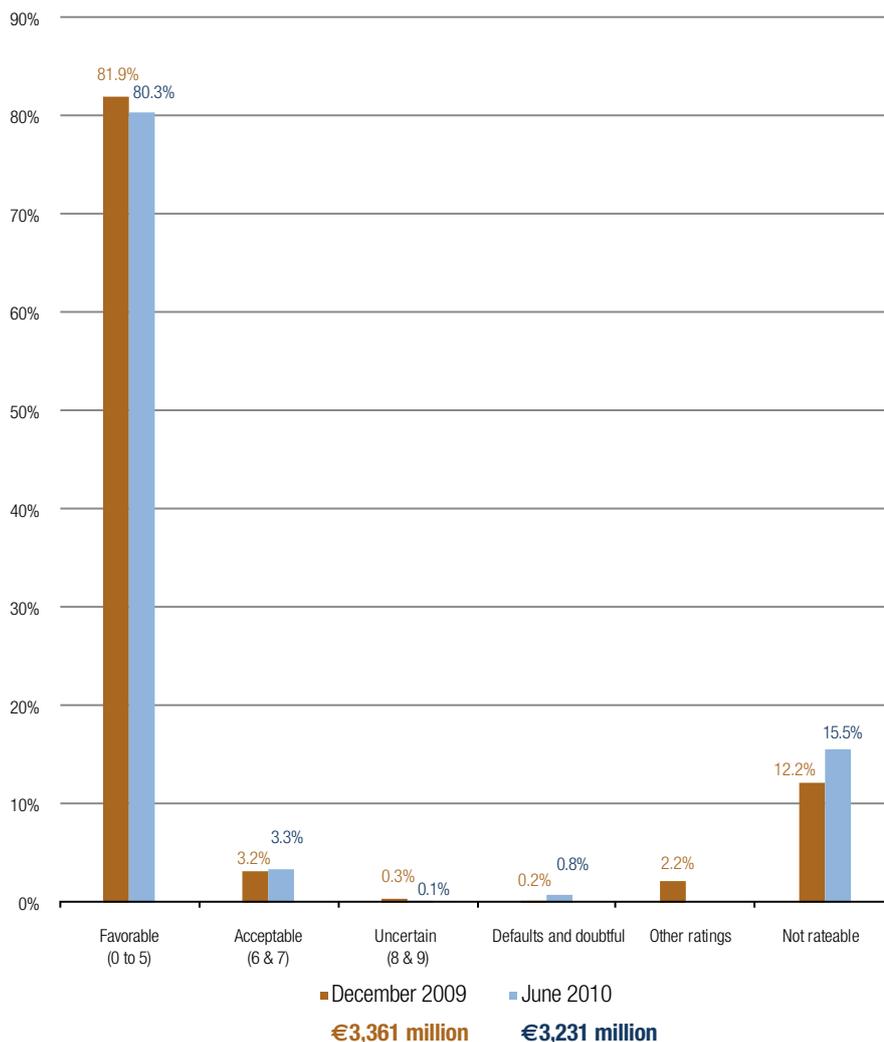
Of the loans in Compagnie de Financement Foncier’s low-income housing portfolio, more than 80% have a “favorable” rating. This percentage rises to nearly 84% if loans with “acceptable” ratings are included, which demonstrates the excellent quality of the portfolio and the rigorous loan selection process.

The percentage of counterparties rated “doubtful” or nonperforming remains insignificant, at 0.1% and 0.8%, respectively.

Unrated outstandings (15.5% of the portfolio) concern essentially bodies involved in collecting employers’ contributions to the construction effort (*Participation des employeurs à l’effort de construction - PEEC*) ⁽¹⁾ and their subsidiaries which are not covered by BPCE’s rating tools. Prior to any commitment decision, these counterparties undergo an in-depth analysis on a case by case basis. Also, the PEEC sector is closely overseen and supervised by the French State.

⁽¹⁾ The PEEC is a contribution to the construction of new housing levied on non-agricultural private sector companies with more than 20 employees (10 employees up to 2006). It was formerly known as the 1% Housing tax.

*Social housing portfolio
Breakdown by Basel II rating*



Breakdown of exposures to Public Sector securitisations by internal rating

Compagnie de Financement Foncier’s portfolio of Public Sector securitisations, totalling €7,614 million at end-June 2010, is comprised of three different types of debt:

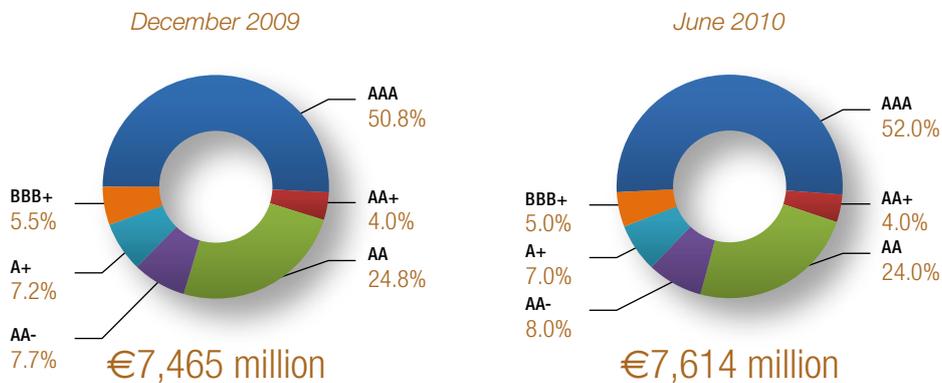
- › securitisations of Dutch mortgage loans backed by an NHG guarantee (€3,932 million). NHG is a Dutch public entity that is very similar to the FGAS in France. This debt is secured by the Dutch government and was traditionally rated AAA. In 2009 Moody’s decided to change its rating methodology and approach for NHG transactions following a change in assumptions with regard to correlation and compensation risk. This resulted in part of the NHG transactions being downgraded to AA and even A+. Rated by only one or two independent agencies, the NHG outstandings saw their Basel II rating (lower of two best agency ratings) drop to between A+ and AA. At June 30, 2010 72.5% of Compagnie de Financement Foncier’s NHG RMBS still had an AAA rating from one of the three agencies;

- › securitisations of American FFELP student loans (€3,222 million) that are guaranteed by the United States Federal government for at least 98% of the loan principal and are rated AAA;

- › three positions involving transactions on Italian Public Sector debt (€460 million), one of which (€7 million) is guaranteed by the Italian government (rated AA-). The two other positions, rated respectively AA- and BBB+, concern securitised healthcare debt in Italy amounting to €47 million and €404 million respectively. The rating in the first case reflects FSA credit enhancement while in the second it is a direct reflection of the credit rating of the local authority concerned.

At June 30, 2010, 100% of Public Sector securitisations with AA+ and AA ratings still had an AAA rating from one of the three independent agencies. Of those rated AA-, A+ and BBB+, none did.

Breakdown by internal rating of exposures to Public Sector securitisation



Breakdown by internal rating of exposures^() to international public financing (IPF)^(**)*

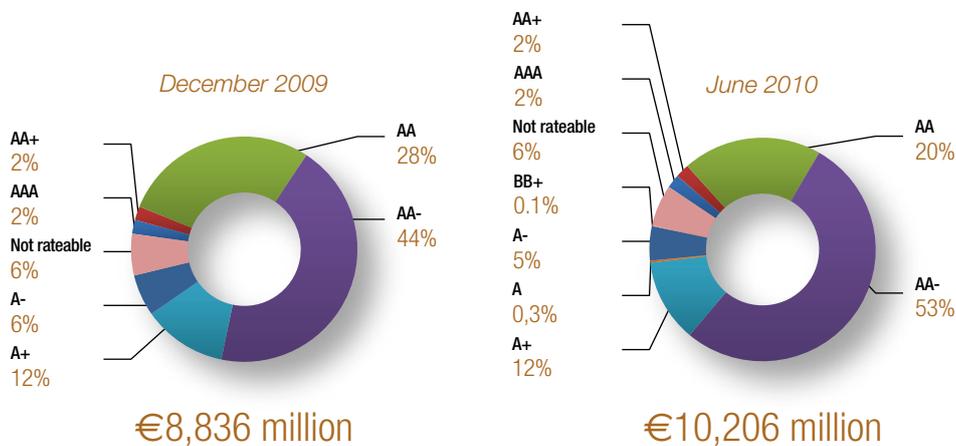
At end-June 2010, 77% of the portfolio had a step one rating (\geq AA-), unchanged relative to end-December 2009. The portion of AA exposures was down to 20% versus 28% at end-2009 reflecting the impact of production and deteriorating public finances on the ratings of Local Authorities. In the IPF segment, the only speculative grade asset held by Compagnie de Financement Foncier is a BB+ debt of €15 million representing an indirect debt on the Icelandic government linked to the energy and electricity production

sector and in no way linked to the country's banking or financial sectors.

The "not provided" values (6%) correspond to a few counterparties that have not yet been subjected to an internal rating. The corresponding underlying assets are nonetheless assessed as A or higher.

As is explained in the 2009 Registration Document (Volume 3, page 14, section 4.1.3.3.), internal ratings assigned to IPF counterparties are on average between half a notch and one notch more conservative than those assigned by the independent agencies.

Breakdown of exposures^() to the international public financing sector^(**) by internal rating*



^(*) "Balance sheet" commitments portion (excluding off balance sheet commitments and financial guarantees) of the overall exposure to credit risk, based on gross customer loans (performing and doubtful) according to French accounting standards.

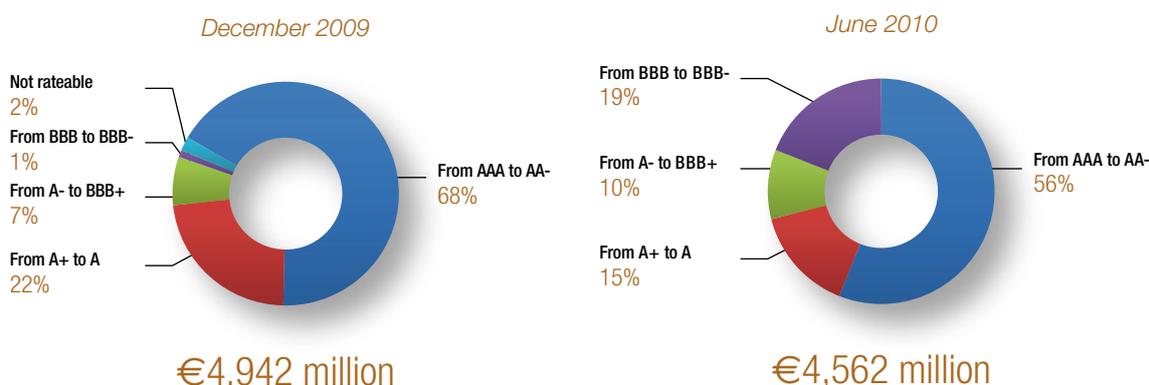
^(**) Loans and bonds of Local Authorities; scope determined based on Basel II segments.

Breakdown by internal rating of exposures to sovereign debt

The sovereign portfolio is in the highest rating category, with a significant concentration of Basel II step 1 ratings (AA- or higher) as the investments concern sovereign debt issued by several of the 15 long-standing EU member States (EU 15), including France.

The relative weight of step 1 (AA- or higher) debt dropped from 67% at end-2009 to 56% at end-June 2010 following the downgrading of some of the sovereign issuers in the portfolio and to several transactions in European sovereign debt with a step 2 rating (A- to A+).

Breakdown of sovereign exposures () by internal rating*



(*) "Balance sheet" commitments portion (excluding off balance sheet commitments and financial guarantees) of the overall exposure to credit risk, based on gross customer loans (performing and doubtful) according to French accounting standards.

(**) Loans and bonds of Local Authorities; scope determined based on Basel II segments.

4.2.3.2. Risk Charge

At June 30, 2010, Compagnie de Financement Foncier's risk charge came to €1.14 million compared with an amount of €5.83 million at December 31, 2009. On an individual base (€0.66 million), the decrease of the charges level is due to a larger reversal of unused provisions compared to the end of 2009 which reflects prudence in the estimates approach. Nevertheless new increases in provisions follow the increase of doubtful loans. On a collective base the charge of €1.21 M is mostly due to the Neiertz provision. Income of €0.73 million recognised in net banking income, corresponds to reduced allowances to provisions.

Risk Charge (M€)	12/31/2009	06/30/2010
Individual cost of risk (a)	(4.74)	(0.66)
Collective provisions (b)	0.62	(1.21)
Cost of risk (a+b)	(4.12)	(1.87)
Risk charge net banking income (c)	(1.71)	0.73
Overall charge of risk (a+b+c)	(5.83)	(1.14)

4.3. Risk diversification and concentration risk

The following table represents the weight of the first counterparties in the exposure of a given category, respectively the 10, 20, 50 or 100 largest exposures.

It should be viewed against the relative weight of the latter in terms of amount. This classification applies to groups of counterparties and on and off balance sheet exposures. For securitisation which represents a significant part of the major counterparty portfolio, over 85% of the risks are concentrated in the top 50 exposures. This concentration is due to Compagnie de Financement Foncier's strategy of acquiring, after in-depth analysis, sizeable assets in the

primary market. In terms of credit risk, this concentration is superficial since the underlying loans are predominantly residential housing loans that are, consequently, highly granular.

Concentration levels are much lower in the large corporate and French Local Authorities/low-income housing sectors, thereby contributing to the group's risk diversification policy. Direct exposures to sovereign States are relatively concentrated (less than ten counterparties) since they concern only

a few European countries.

The IPF portfolio however is more diversified (the top 20 account for 67% of exposures compared with 71% at end-2009). The concentration of risk in this portfolio should continue to decline as Compagnie de Financement Foncier pursues its strategy to develop and diversify into this sector. Compagnie de Financement Foncier has exposures to European, Japanese and North American Local Authorities.

Summary of counterparty groups concentration for Compagnie de Financement Foncier at 06/30/2010
Direct exposures

(in millions of euros)

	Top 10	Top 20	Top 50	Top 100	Total
Private finance initiatives	n.s.				
Large corporations	n.s.				
Sovereign States	5,355 [97%]	5,513 [100%]	5,513 [100%]	5,513 [100%]	5,513
External securitisation	6,911 [34%]	10,856 [54%]	17,003 [85%]	20,000 [100%]	20,054
French Local Authorities and low-income housing	4,657 [25%]	6,283 [34%]	9,044 [48%]	11,606 [62%]	18,661
IPF (International Public Financing)	4,931 [48%]	6,881 [67%]	9,686 [95%]	10,206 [100%]	10,206

⁽¹⁾ Source: management data. Gross commitments (including off balance sheet commitments and financial guarantee) at year end (performing and doubtful).

^(*) The French Local Authorities and low-income segment is defined for Crédit Foncier, *i.e.* it includes the central public administration.

4.4. Comments on commitments at June 30, 2010

4.4.1. Private individuals market

The overall quality of the retail loan portfolio has been maintained, in particular for the foreign mortgage debt acquired in the form of debt securities.

Direct loans

Portfolio of direct mortgage loans in France

The portfolio of direct retail mortgage loans in France increased by 5.2% in the first half of 2010 relative to end-December 2009. The doubtful loan ratio came to 1.6% at end-June 2010 compared with 1.4% at end-2009. The doubtful loan ratio excluding subsidised loans was limited to 1.4% (see table of risk coverage in section 4.2.1.).

This very slight deterioration relates mainly to adjustable rate loans.

All the loans have Basel II eligible guarantees (mortgages and various additional guarantees - see section 5.3. - impact of credit risk mitigation techniques). Risk measurement using the Basel II advanced method confirms the quality of Compagnie de Financement Foncier's portfolio, originated by Crédit Foncier.

A part of the adjustable rate loans that benefited from the so-called PTR measures proposed unilaterally by Crédit Foncier to its customers via riders were assigned, before January 1, 2008, to Compagnie de Financement Foncier by Crédit Foncier, which continues to manage the loans.

Note that the immunisation agreement signed in 2008 between Crédit Foncier and Compagnie de Financement Foncier stipulates that the full financial impact of the measures taken by Crédit Foncier shall be borne by the same.

Under the terms of the draft mediation agreement signed on November 12, 2009, Crédit Foncier has undertaken (i) to offer its customers the option of switching to a preferential fixed rate, and (ii) to allocate a financial budget to settling individual situations in personalised conditions.

Acquisition of loans to individuals by Compagnie de Financement Foncier in the first half of 2010

In the first half of 2010, Compagnie de Financement Foncier continued its acquisitions of CFF mortgage loans for a total of €2,163 million, comprising €1,085 million of first-home buyer loans, €524 million of loans to the Rental sector, €554 million in subsidised loans (first-time home buyer and interest free loans), demand for which was boosted by government measures implemented since 2008 to encourage first-time home purchases (doubling of ceiling for interest-free loans, local interest-free loans and aid from Local Authorities), which also secure these transactions.

Losses in the private individuals market in France

Insofar as Compagnie de Financement Foncier makes its acquisitions based on a purchasing score that factors in the Crédit Foncier origination score, it selects only the best loans and its loss ratio (in arrears for more than 6 months) is well below that of Crédit Foncier by construction.

Mortgage notes

The portfolio of mortgage notes came to €8.6 billion at end-June 2010, down by around 5% relative to end-December 2009. They are guaranteed by a portfolio of mortgage loans granted by Crédit Foncier to private individuals to finance home purchases which respect the same regulatory constraints as those of the loans held directly, especially in term of maximal loan to value.

Securitised mortgage loans in France

This portfolio totalled €1,262 million at June 30, 2010. Its risk profile is similar to that of the rest of the portfolio of loans to private individuals.

Securitisation - acquisition of mortgage loans in Europe

The securitisation/acquisition of mortgage loans activities are discussed in another section of this report (see section 6).

4.4.2. Comments on the French and international Public Sectors

French Local Authorities

In the first half of 2010, the portfolio of loans to French Local Authorities, including FLA transactions governed by Article L. 211-38, increased by nearly 8% following the mobilisation of receivables originated by CFF during the period. In a general environment marked by tightening budgetary restrictions for Local Authorities, the risk profile of Compagnie de Financement Foncier's FLA portfolio remained low with a stable loss ratio.

The Group is a signatory of the Gissler Charter which defines the obligations of lending establishments with regard to Local Authorities in terms of the marketing of structured products and the information provided about the changes in the value of these instruments over time. The portfolio of structured-rate FLA loans is monitored over time by CFF's staff in collaboration with Groupe BPCE.

Low-income housing

The portfolio of low-income housing loans remained stable at €3,231 million in the first half of 2010 versus €3,361 million at end-2009. No new transfer to doubtful loans was recorded in the first half for this sector, confirming the solidity of its risk profile with a stable default ratio of 0.2%.

International public financing - IPF

Production in the first half of 2010 amounted to €464 million and was concentrated essentially on Local Authorities in:

- › North America (financing of some States and large cities);
- › Spain (on a very selective basis taking into account the restrictive management of loans for this country);
- › Belgium (Public Sector bodies and Local Authorities).

Sovereign

New lending in the first half of 2010 amounted to €437 million and concerned solely European countries (EU-27).

5. Risk mitigation techniques

5.1. Valuation methods and periodic review of the value of real estate assets

For more information on this subject, please refer to the 2009 Registration Document (Volume 3, pages 31 to 39).

5.2. Guarantee providers

Part of Compagnie de Financement Foncier's loan portfolio is guaranteed by credit institutions, Local Authorities (notably for loans concerning public-private partnerships), and insurance companies. The guarantees are additional to the ones imposed by law, such as the first-rank mortgage.

The main suppliers of personal guarantees on mortgage loans to individuals are the SGFGAS as well as other credit institutions (mainly *Crédit Logement* and intragroup bank guarantees):

- › the *Société de gestion du fonds de garantie à l'accession sociale à la propriété* (SGFGAS) provides a guarantee by the French State for home ownership loans controlled by regulated loan agreements and guaranteed by first-rank collateral (mortgage or lender's lien). For this reason, it benefits from the French State's external ratings (AAA), and allows a 0% weighting for loans for which FGAS coverage was signed prior to December 31, 2006. Due to a change in the FGAS coverage methods, protections granted thereafter have a 15% weighting for the loans in question;
- › *Crédit Logement* is a financial institution, subsidiary of most large French Banking networks, whose long-term rating is Aa2 at Moody's and AA at Standard & Poor's. Both agencies assign it a stable outlook. Loans covered by *Crédit Logement* receive a 20% weighting in the standardised approach, related to the regulatory weighting applicable to credit institutions and deducted from the credit worthiness ratings of the country where the underlying collateral is located (France in this case);
- › intragroup guarantees (the insurers being mainly *Crédit Foncier de France*, *BPCE* and the various *Caisses d'Épargne*);
- › the KFW indirect guarantee for a synthetic securitisation tranche (MLF2004), in the form of CDS, enabling the underlying loans to benefit from a 0% Basel II weighting. CFF exercised its option to sell CDS KFW linked to the MLF 2007 synthetic securitisation in March 2010.

Excluding loans to individuals, the main guarantee providers are the main credit institutions and, in the case of the Public Sector authorities, the Local Authorities themselves. The FLA loan portfolio taken over from IXIS CIB in 2008 is guaranteed by Groupe BPCE in an amount of €3,848 million, of which €3,172 million on the balance sheet.

5.3. Effect of credit risk mitigation techniques

In connection with COREP production at June 30, 2010, the application of credit risk mitigators (*i.e.* collateral received, personal guarantees, and credit risk hedging derivatives) allows Compagnie de Financement Foncier to reduce its exposure to credit risk as follows:

- › €20,333 million of debt guaranteed by personal guarantees eligible for reduction of regulatory capital requirements which usually supplement mortgages or similar guarantees;
- › €20,943 million of debt covered by mortgages or equivalent surety (first charge on property or lender's lien).

The table below summarises the breakdown of debt covered by personal guarantees by Basel classification (excluding mortgages).

Guarantee providers (excluding residential mortgage)

(in millions of euros)

06/30/2010	National governments or central banks	Institutions (*)	Other guarantee providers	Total
Basel classification				
National governments and central banks				
Institutions	2,559	5,921 (*)	-	8,480
Companies	482	1,666	-	2,148
Retail clientele	8,251	476	978	9,705
Shares				
Securitisation positions				
Total	11,292	8,063	978	20,333

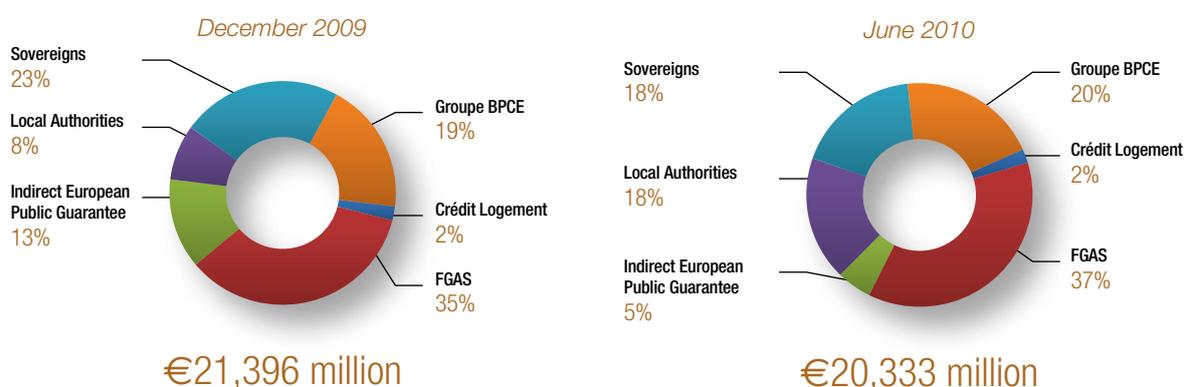
Source COREP 06/30/2010 - balance sheet and off balance sheet data.

(*) Credit institutions and Local Authorities sector.

(**) This amount does not take into account the guarantees provided by the Public Sector on exposure to the same sector. The resumption of the loans of the activity "French Local Authorities" to IXIS CIB is guaranteed by BPCE at €3,848 million (including €3,172 million at balance sheet).

The charts below show the breakdown as a percentage of the amounts of loans covered by guarantee providers:

Breakdown as a percentage of the amounts of loans covered by guarantee providers (Excluding residential mortgages) - All Basel segments



Source COREP - 12/31/09 and 06/30/10 (balance sheet and off balance sheet).

The table below shows the breakdown of the various guarantees attached to the private individuals portfolio in the context of COREP reporting (June 30, 2010 compared with December 31, 2009).

The totality of Compagnie de Financement Foncier's portfolio of direct loans to private individuals (€20,189 million at June 30, 2010, including off-balance sheet commitments) is covered by mortgage or personal guarantees that mitigate the credit risk.

In accordance with the legislation of *sociétés de crédit foncier* and in the Basel II system, 100% of direct loans to Private Individuals in France are covered by:

- › personal guarantees eligible for reducing Basel II regulatory capital requirements (mutual guarantee bodies, bank guarantees, etc.), which usually supplement mortgage or similar guarantees;
- › by prime mortgages or equivalent guarantees (first charge on property or lender's lien).

(in millions of euros)

Schemes		Individuals	
		12/31/2009	06/30/2010
Regulated schemes	FGAS (100% - State guarantee)	7,371	7,571
	Subsidised sector (State guarantee)	709	597
Mortgage insurance companies	<i>Crédit Logement</i> ⁽¹⁾	498	451
	CRESERFI ⁽²⁾	27	25
International financial organisations	Indirect European public guarantee	2,923	1,061
A - Loans guaranteed by a personal surety complementing mortgage or equivalent guarantee		11,527	11,527
B - First-rank mortgage		7,694	7,694
(A + B) guarantees + 1st rank mortgage		19,222	19,222
C - Outstanding French mortgage loans		19,230	19,230
Percentage of the amount of loans with guarantees (Basel II-eligible) compared to total outstanding loans		100%	100%

Source COREP - at 06/30/2010, outstanding loans including off balance sheet commitments & source COREP.

⁽¹⁾ *Crédit Logement*: rated Aa2/AA by Moody's and AA by Standard & Poor's. Loans guaranteed by *Crédit Logement* also benefit from the promise of mortgage allocation.

⁽²⁾ CRESERFI: public employees mutual guarantee fund. Loans guaranteed by CRESERFI also benefit from a first rank mortgage allocation.

⁽³⁾ Indirect European public guarantee:

- of which, as of 06/30/2010: €978 million of guarantee PROVIDE 1 (indirect guarantee of KFW) and €83 million of guarantee from NHG (Dutch State) on the GMAC portfolio. CFF also exercised its put option on CDS KFW linked to the MLF 2007 synthetic securities option in March 2010.

- of which, as of 12/31/2009: 2,522 M€ of guarantee PROVIDE 1 and PROVIDE 2 (indirect guarantee of KFW), €321 million of indirect guarantee from the European institution PMI and €80 million of guarantee from NHG (Dutch State) on the GMAC portfolio.

Loans concerned by this Provide operation also benefit from a first rank mortgage loan or equivalent.

5.4. Balance sheet and off-balance sheet netting

The group measures exposures linked to off-balance sheet derivatives by applying an add-on (BIS weightings) to current exposures. Compagnie de Financement Foncier has a policy of systematically signing asymmetrical master netting agreements with its banking counterparties, meaning that only the counterparties provide collateral if need be.

6. Securitisations

This section does not give a detailed description of internal securitisations (mortgage loans securitised in France, *i.e.* €1,262 million at June 30, 2010).

6.1. Objectives, activities and level of involvement

Please refer to the 2009 Registration Document (Volume 3, page 41).

6.2. Compagnie de Financement Foncier's exposure to external securitisation transactions

In terms of purchases of shares in securitisation funds that do not belong to the Groupe Crédit Foncier, Compagnie de Financement Foncier held a portfolio of *senior* securities amounting to €20,054 million at end-June 2010.

Compagnie de Financement Foncier's external securitisation exposures at 06/30/2010

(in millions of euros)

Type	Underlying guarantees	Total	Final risk	Total
MIX	First-rank mortgage on mixed housing (private/commercial)	323	Private individuals	12,440
	First-rank mortgage on private individual assets	12,116		
RMBS	First-rank mortgage on private individuals assets + guarantee from the Dutch state	3,932	Public Sector	7,614
	Sovereigns	7		
Public Sector	Local authorities	452		
Student loans FFELP	FFELP (US Federal government guarantee)	3,222		
Total		20,054		20,054

MIX: securitisations of residential mortgage loans (private individuals/professionals, more than 80% private individuals).

RMBS: securitisations of residential mortgage loans.

Sovereign: securitisation of debt explicitly guaranteed by the Italian State.

Healthcare: securitisation of healthcare debt; the end risk is borne by the Italian regional authorities.

Student loans FFELP: *senior* tranches of securitisation of American student loans with a guarantee from the Federal government for at least 97% of the capital.

No arrears or losses were recorded on Compagnie de Financement Foncier's securitisation portfolio in the first half of 2010.

Securitisation positions that meet the criteria set by the Financial Stability Forum are explained in detail in section 7 (G7 reporting). Outstanding debt is analysed below in terms of the nature of securitised assets, the breakdown by rating, geographical distribution and quality (breakdown by weighting).

6.2.1. Breakdown by rating

Securitisation positions acquired by Compagnie de Financement Foncier are broken down in the table below by exposure category and rating. In application of Basel II methodology based on external ratings, CFF continues to monitor and use in its reports agency ratings of securitisation, using the lower of the two best ratings issued by the three agencies. The portion of AAA-rated securitisations dropped from 67.1% at end-2009 to 64.3% at end-June 2010. The transactions that

lost their AAA ratings in the first half were German mortgage securitisations with deteriorated servicing quality and Spanish transactions that were adversely affected by the economic conditions and the slump in the Spanish property market. The rating agencies also revised all their ratings of Greek structured products to reflect the sovereign debt crisis. The rating of the only Greek RMBS in the portfolio (9 million) was therefore downgraded even though its intrinsic performance remains very good.

Securitisation transactions have been the subject of close monitoring by Crédit Foncier since mid-2008, which in particular includes regular stress tests. Although only 64.3% of Compagnie's RMBS retained a Basel II AAA rating at end-June 2010, 85.5% still had AAA ratings from one of the three independent agencies.

The A+ positions correspond to two Spanish RMBS, a German RMBS and an NHG RMBS in the Netherlands. The A position corresponds to a Spanish RMBS and a Greek RMBS. The BBB+ position corresponds to a healthcare securitisation operation in Italy and the rating is the direct reflection of the local authority's credit quality.

External securitisation positions

(in millions of euros)

06/30/2010		Breakdown by rating							Total
Category of FCTs		AAA	AA+	AA	AA-	A+	A	BBB+	
Residential mortgage	MIX	323							323
	RMBS	8,590	1,265	845	9	1,001	406		12,116
Total residential mortgage		8,914	1,265	845	9	1,001	406		12,440
Public Sector	Healthcare				47			405	452
	RMBS NHG	751	300	1,800	558	522			3,932
	Sovereign				7				7
	Student loans FFELP	3,222							3,222
Public Sector total		3,973	300	1,800	613	522		405	7,614
Total		12,887	1,565	2,645	622	1,523	406	405	20,054

MIX: securitisations of residential mortgage loans (private individuals/professionals, more than 80% private individuals).

RMBS: securitisations of residential mortgage loans.

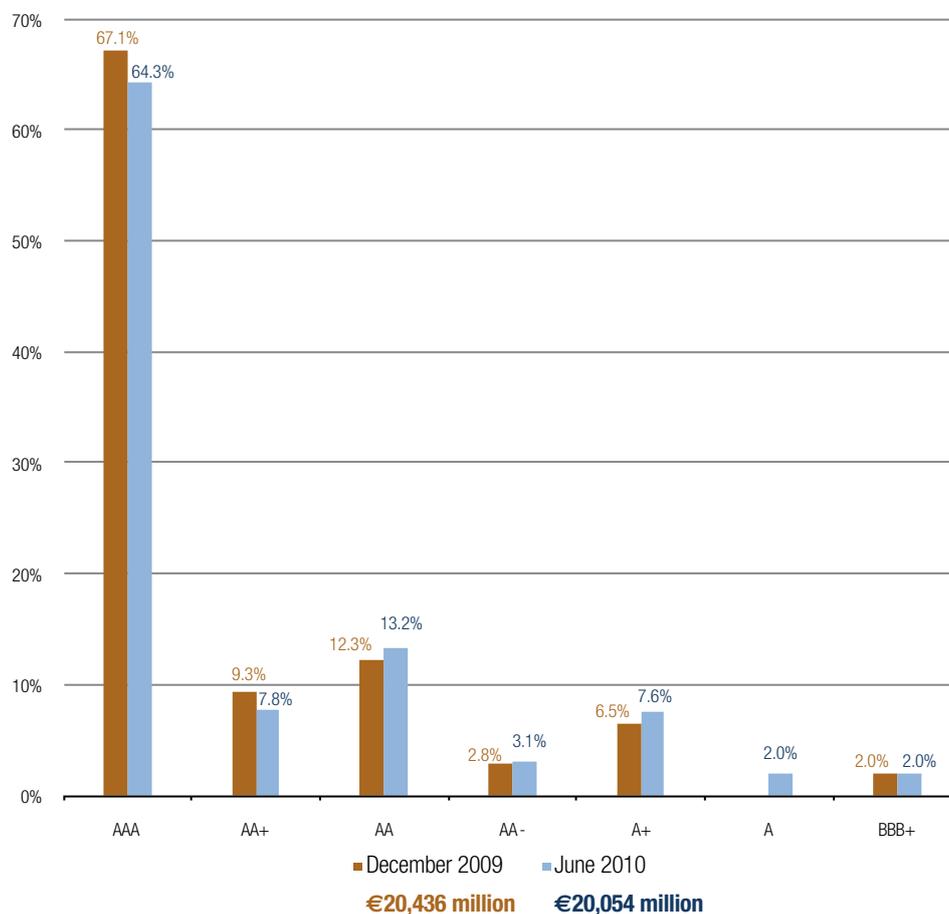
RMBS NHG: securitisations of residential mortgage loans guaranteed by NHG in the Netherlands.

Sovereign: securitisation of debt explicitly guaranteed by the Italian State.

Healthcare: securitisation of healthcare debt; the end risk is borne by the Italian regional authorities.

Student loans FFELP: *senior* tranches of securitisation of American student loans with a guarantee from the Federal government for at least 97% of the capital.

External securitisations positions by internal rating



6.2.2. Monoline enhancement of the external securitisation portfolio

Only two transactions for a total of €452 million were enhanced by monoline financial guarantees. At end-June 2010, only one security (€47 million) was still enhanced by FSA (now Assured Guaranty Aa3/AAA/-) to the -/AAA/- level. The other historically enhanced security (€405 million) is currently rated BBB+ based solely on its intrinsic credit quality.

6.2.3. External securitisation portfolio - Breakdown by country and asset class

The Securitisation portfolio is exposed mainly to Europe (RMBS in the Netherlands, Italy and Spain) but also has exposure to the United States (only the FFELP Student loans).

External securitisation positions - Breakdown by country and asset class

(in millions of euros)

06/30/2010									
Category of FCTs		Germany	Spain	USA	Greece	Italy	Netherlands	Portugal	Total
Residential mortgage	MIX					323			323
	RMBS	300	6,580		9	3,113	1,017	1,096	12,116
Total residential mortgage		300	6,580		9	3,437	1,017	1,096	12,440
Public Sector	Healthcare					452			452
	RMBS NHG						3 932		3,932
	Sovereign					7			7
	Student loans FFELP			3,222					3,222
Public Sector total				3,222		460	3 932		7,614
Total		300	6,580	3,222	9	3,896	4,950	1,096	20,054

6.2.4. Stress scenario for the external RMBS portfolio

All the RMBS positions held by Compagnie de Financement Foncier in Europe remain in the step one (\geq AA-) rating category, except for three Spanish securities (two rated A+ and one rated A) and a German security rated A+. All these transactions show particularly good resistance to stress test scenarios combining a severe deterioration in default rates, a sharp fall in real estate prices, and a drastic decrease in the prepayment rate.

Only the most damaging scenarios are likely to generate ultimate cash flow deficits on some of Compagnie de Financement Foncier's RMBS positions. These assume a combination of events of such a magnitude that they appear highly unlikely: an explosion in default rates in the European markets culminating at 6% per year, or cumulatively more than 20% over the duration of these transactions, a dramatic and lasting drop in real estate prices (45% to 50% depending on the country, 37.5% for Germany) and a drastic reduction

in prepayment rates (halved). These stress scenarios are applied to the most recent official indices published in each country, which means that the stress applied comes on top of the fall in the real estate markets already recorded in the preceding months. In such a "catastrophe" scenario, an ultimate cash flow deficit may occur at the transactions' maturity date, representing 0.9% of the outstanding principal of the stressed transactions. As this cash flow deficit occurs at a distant time horizon, the discounted loss of revenue represented only 0.4% at the end of June 2010. Note that even after this "catastrophe" scenario, the return would still be higher than the EURIBOR and than the cost of refinancing.

The defaults modelled in the stress scenarios correspond to property seizures, which is a conservative assumption as defaulting loans do not systematically give rise to seizure of the assets.

To date, no default has been recorded in Compagnie de Financement Foncier's securitisation portfolio.

6.2.5. Breakdown by weighting

The very strong proportion of good quality securities, rated AAA or AA in the securitisation portfolio, puts 88% of the portfolio in a 20% weighting category (using the standard approach).

Breakdown by weighting - External securitisation positions

(in millions of euros)

Basel II weighting using the standardised approach	Basel II ratings	12/31/2009		06/30/2010	
		Outstanding loans	% of portfolio	Outstanding loans	% of portfolio
20%	AA- to AAA	18,700	92%	17,711	88%
50%	A to A+	1,327	6%	1,938	10%
100%	BBB- to BBB+	409	2%	405	2%
Total		20,436	100%	20,054	100%

7. G7 reporting

At June 30, 2010, and in conformity with the recommendations issued by the Financial Stability Forum, Compagnie de Financement Foncier had no exposure to the following asset classes:

- › CDO and exposures to monoline insurers and other credit enhancers;
- › exposures to CMBS (Commercial mortgage-backed securities);
- › other subprime and Alt-A exposures (RMBS, loans, etc.);
- › special purpose entities;
- › leveraged buyouts.

The carrying amount of assets guaranteed by monoline insurers is provided in the table below.

These assets do not correspond to direct exposures to monoline insurers but to credit enhancements acquired from them for assets in the portfolio. Compagnie de Financement Foncier therefore has an initial claim with a counterparty other than the monoline. All of these enhancements are on underlying assets in the Public Sector (loans or securities) either granted directly to a sovereign State or to a local authority (see healthcare securitisation transaction described in section 6.2.2.) or public institution. The overall breakdown at June 30, 2010 of the rating-enhanced underlying asset portfolio is provided below.

Intrinsic Basel II rating (before enhancement)

(in millions of euros)

Monoline	Monoline rating	From AA+ to AA-	From A+ to A	From A- to BBB+	From BBB to BBB-	Not avail.	Total	%
AMBAC ⁽¹⁾	CCC		147	483			630	21%
CIFG	Not avail.			162	18		180	6%
FGIC	Not avail.					114	114	4%
FSA ⁽²⁾	AA-	451	644	432	309	47	1,884	61%
MBIA ⁽³⁾	BBB+		78	12		168	258	8%
	Total	451	869	1 089	327	329	3,066	100%
	%	15%	29%	35%	11%	11%	100%	

⁽¹⁾ Rating of Ambac Assurance Corporation.

⁽²⁾ Rating of Assured Guaranty Municipal Corp (for FSA).

⁽³⁾ Rating of National Public Finance Guarantee Corp (for MBIA).

These enhancing commitments are all backed by financial guarantees (and not CDS) that constitute an additional security for the enhanced asset. These guarantees are not valued and are not recognised on Compagnie de Financement Foncier's balance sheet (only the enhancement premium is recognised as an expense when the enhancement is not settled at the same time as the security or loan).

The monoline rating is the lower of the two best ratings from Standard & Poor's, Moody's and Fitch Ratings at June 30, 2010. The intrinsic rating of the underlying asset is its Basel II rating before enhancement at the same date. The entire portfolio has good investment-grade intrinsic quality and 15.1% is rated step 1 (\geq AA). Taking into account the restructuring undergone by the monoline sector, the rating retained for securities initially enhanced by FSA is now that of Assured Guaranty Municipal Corp. This monoline was rated Aa3 (Moody's) and AAA (S&P) at June 30, 2010. In the same way, those enhanced by MBIA are now assigned the rating of National Public Finance Guarantee Corporation, the entity that now guarantees North American Local Authorities. Exposures in the BBB (BBB- to BBB+) category correspond to commitments with the Greek government, a securitisation position in Italy (a CMBS) and a transaction in the French Local Authorities sector. The score of 6 obtained by the Ecocale internal model used for French Local Authorities is considered equivalent to a BBB rating.

The 11% classified as "Unavailable" do not have a Basel II intrinsic rating but are assessed by Crédit Foncier as being investment grade (*i.e.* \geq BBB-). These essentially concern direct commitments on Public Sector entities in the United States (€281 million) and a healthcare ABS on an Italian regional authority (€47 million).

CIFG Commutation

Between 2005 and 2007, Compagnie de Financement Foncier had recourse to monoliners to guarantee some of its IPF debt. One of these monoliners was CIFG, enhancing the rating of the debt concerned to AAA. However, weakened by the deteriorating quality of the securities it guaranteed, CIFG lost its AAA rating in 2008 and subsequently ran into financial difficulties. Moody's and S&P progressively downgraded CIFG, reaching Ca/CC in 2009. In these conditions and in view of CIFG's growing insolvency, in the first half of 2010 Crédit Foncier reached an agreement with CIFG resulting in cancellation of the guarantees purchased by Compagnie de Financement Foncier in return for a cash payment of €7.5 million. Only three transactions (one FLA transactions and two Italian Public Sector transactions), intrinsically enhanced and for which no insurance premiums

were paid, were excluded from the agreement. Exposure to CIFG therefore decreased from €2,404 million at end-2009 to €180 million at end-June 2010.

8. Market risks and asset & liability management risks

8.1. to 8.2. Organisation of ALM risk monitoring and methodology used for assessing liquidity, interest rate, and exchange rate risks

For further information on the above, please refer to the 2009 Registration Document (Volume 3, pages 47 to 48).

8.3. Liquidity risk monitoring

Organisation of Compagnie de Financement Foncier's refinancing

The bulk of Compagnie de Financement Foncier's resources come from medium- and long-term issues of covered bonds (*obligations foncières*).

Its additional resources consist of a significant securities and loan portfolio (approximately €33.4 billion in nominal), that can be refinanced by the ECB.

In the first half of 2010, Compagnie de Financement Foncier was able to refinance loans with the ECB for an amount of €3 billion. With the operation on the 06/30/2010 amounting €1bn on 7 days the stock amounts €4bn.

Monitoring liquidity risk

Liquidity risk is the risk that Compagnie de Financement Foncier may not be able to pay its short-term liabilities.

Compagnie de Financement Foncier's ALM rules ensure that its exposure to liquidity risk remains very limited. Compagnie de Financement Foncier is committed to maintaining sufficient short-term liquidity to cover its privileged debt commitments for a period of one year.

In addition, some of its assets, known as replacement securities, consist of safe and liquid investments, as required by law for *sociétés de crédit foncier*, and are very short-term or easily tradable.

In addition, a large part of its investment portfolio is negotiable or directly eligible for refinancing with the ECB. At June 30, 2010, Compagnie de Financement Foncier had €10.4 billion in replacement securities and held €33.4 billion in securities and loans eligible for refinancing with central banks.

Liquidity needs are analysed using a combination of static

and dynamic approaches. They are managed by a system of internal limits, approved annually by Compagnie de Financement Foncier's ALM Committee.

With the static approach, liquidity monitoring ensures that medium-term liquidity management does not concentrate liquidity requirements excessively over certain periods. The main indicator used is the static liquidity gap that takes into account Compagnie de Financement Foncier's capacity to raise liquidity over the next 20 years.

Compliance with limits

At June 30, 2010, Compagnie de Financement Foncier had a liquidity ratio (new SURFI ratio) of 818.40%.

Compagnie de Financement Foncier also determines the terms of its assets and liabilities to ensure that their maturities are properly matched and is committed to a maximum spread of two years. At June 30, 2010, this rule was still complied with, as the average duration was 6.59 years for assets and 6.61 years for liabilities.

8.4. Monitoring of overall interest rate risk

For more information, please refer to the 2009 Registration Document.

As in previous years, all the limits linked to interest-rate risk monitoring were respected throughout the first half of 2010.

8.5. Monitoring of foreign exchange risk

Foreign exchange risk arises from exchange rate movements in currencies in which Compagnie de Financement Foncier's assets and liabilities are denominated that negatively affect the value of assets or commitments denominated in foreign currencies. Compagnie de Financement Foncier prohibits any open foreign exchange positions.

Its policy in this area remains unchanged and consists of not assuming any foreign exchange risk. This means that all assets and liabilities denominated in currencies other than the Euro are systematically swapped as soon as they are recognised on the balance sheet. This hedging can be achieved using exchange rate swaps, term loans or currency swaps. Residual differences arising from the adjustment of balance sheet positions, particularly those created by margins, are hedged monthly.

They are monitored by the permanent control unit of CFF's Financial Operations Department, which centralises foreign exchange positions at the end of the month, by currency and by total amounts of foreign currencies.

The foreign exchange risk exposure limit for Compagnie de Financement Foncier was changed in the first half of 2010: the limit on spot currency positions is now set at 5% of total assets in the currency concerned. This limit only applies if the outstanding loans in the currency concerned exceed the equivalent of €1 million.

This limit is reported on a quarterly basis to the Asset and Liability Management Committee (CGB).

All these limits were complied with throughout the first half of 2010.

9. Operational risks

Compagnie de Financement Foncier's operational risk management is performed by Crédit Foncier under service agreements signed between the two institutions. The greater part of operational risk is linked to the services outsourced to the parent company. Compagnie de Financement Foncier's operational risks are limited to those inherent in its debt acquisition and refinancing activities and to the size in terms of gross value of the balance sheet and off balance sheet movements (hedges, etc.) linked to its business model.

Operational risk includes in particular accounting, legal, regulatory and tax risks, as well as risks relating to staff, property and information system security.

At June 30, 2010, the operational risk management and monitoring system comprised 326 people, of whom 7 dedicated specifically to Compagnie de Financement Foncier with responsibility for ensuring the compliance of the services provided by CFF.

For any further information, please refer to the 2009 Registration Document.

10. Other risks

For further information relating to settlement risk, non-compliance risk and other risks (insurance, outsourced activities, IT risk, business continuity planning (BCP) and legal risks), please refer to the 2009 Registration Document, Volume 3, pages 51 & 52).



Legal information

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The following information outlines significant changes to the legal information that occurred during the first half-year 2010. All other legal information contained in the reference document (D.10-0207) for the financial year ending December 31, 2009 remains in effect.

Corporate governance

Members of the Board of Directors as of June 30, 2010 and their professional addresses.

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
 Crédit Foncier de France
 4, quai de Bercy - 94220 Charenton-le-Pont

Ms. Sandrine GUÉRIN

Deputy Chief Executive Officer (non-Director) since October 15, 2001
 Director since March 25, 2002
 Deputy Chief Executive Officer since May 17, 2002 (following the separation of the offices of Chairman of the Board and Chief Executive Officer)
 Crédit Foncier de France
 4, quai de Bercy - 94220 Charenton-le-Pont

Mr. Stéphane CAMINATI

Director since December 17, 2008
 BPCE
 50, avenue Pierre Mendès France - 75013 Paris

Mr. Nicolas DARBO

Director since December 15, 2009,
 Crédit Foncier de France
 4, quai de Bercy - 94220 Charenton-le-Pont

Mr. Alain DENIZOT

Director since September 26, 2008
 Caisse d'Epargne Picardie
 2 boulevard Jules Verne - 80000 Amiens

Mr. Didier PATAULT

Director since September 26, 2008
 Caisse d'Epargne Bretagne Pays de Loire
 4 place Graslin - 44000 Nantes

Mr. Djamel SEOUDI

Director since September 26, 2008 until August 31, 2010
 Crédit Foncier de France
 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

Resolutions submitted to the Shareholders' Meeting

Combined Shareholders' Meeting of May 18, 2010

All proposed resolutions were adopted.

General information

Current events

The Company did not record any current events that had a significant impact on 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

No significant changes in the financial or commercial situation have occurred between August 27, 2010, the date at which the Board of Directors closed the accounts, and the filing data of this Reference Document.

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.

› As of June 30, 2010, 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.

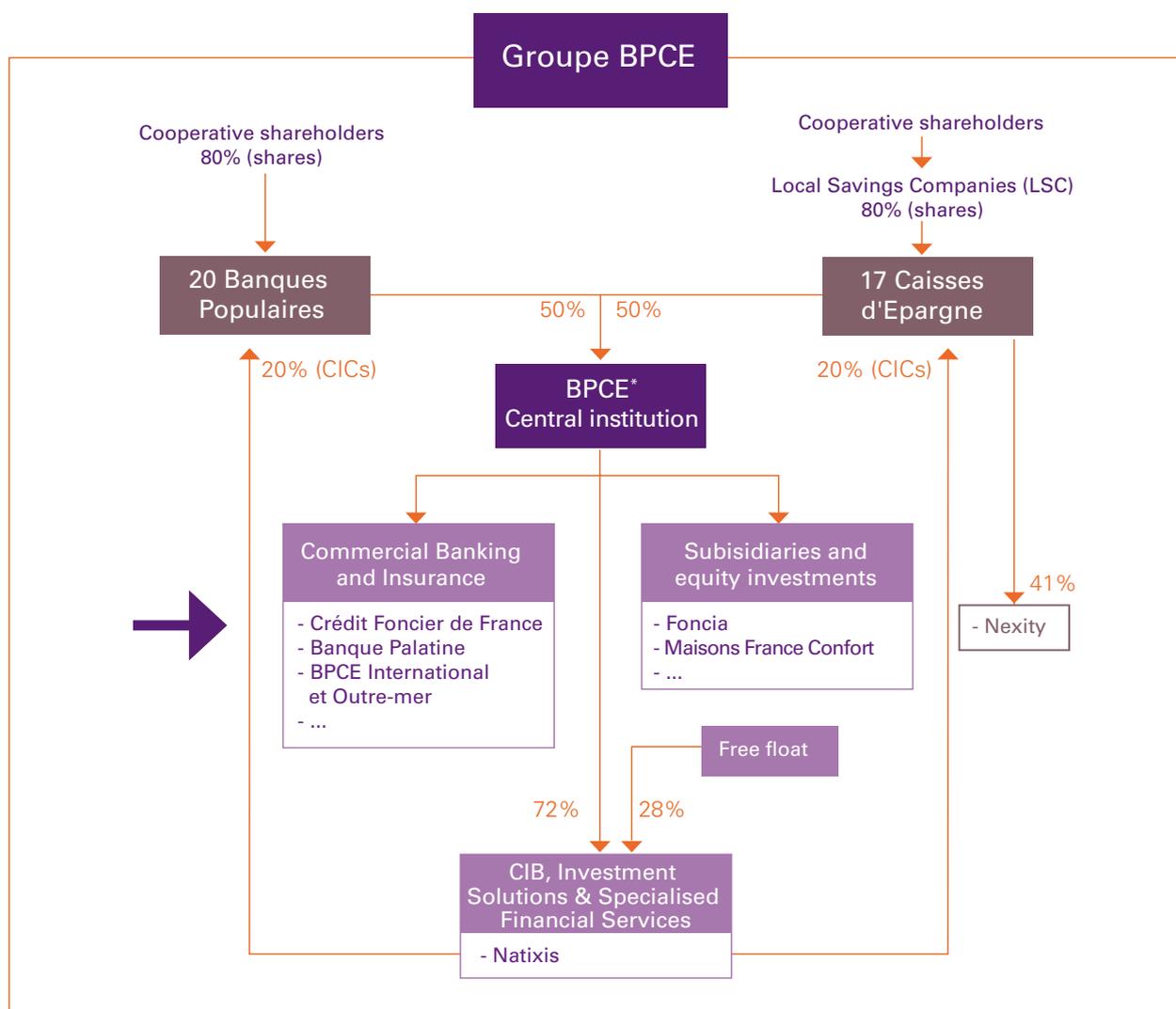
› Compagnie de Financement Foncier conducts itself and its corporate entities in accordance with the corporate governance framework in practice in France.

Appendix: focus on Compagnie de Financement Foncier within Groupe BPCE

Groupe BPCE, created in July 2009, is the result of the merger of Caisse Nationale des Caisses d'Epargne's central body (CNCE) with the Banque Fédérale des Banques Populaires's central body (BFBP).

The merger-takeover of the holding companies BP Participations (Banques Populaires Participations) and CE Participations (Caisses d'Epargne Participations) with BPCE, result of the transformation of CNCE and BFBP into equity investment holding companies, was implemented on August 5, 2010. It allows the simplification of Groupe BPCE's structure.

Crédit Foncier, of which Compagnie de Financement Foncier is a fully-owned subsidiary, is directly owned by Groupe BPCE.



* Preference shares, without voting rights, held by the French State.

As of August 5, 2010

AMF Reference Document cross-reference index

Only the pages that have been modified are listed herein.

N/A: information unchanged as of June 30, 2010.

References from the diagram in annex IV of European Commission Regulation (EC) N°. 809/2004

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13.2.	Consolidated financial statements	N/A	N/A	N/A
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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, 2008 and the statutory auditors' report on the corporate financial statements, of Reference Document no. D. 09-0176 filed with the Autorité des marchés financiers (AMF - French Financial Markets Authority) on April 1st, 2009, are incorporated by reference in 2009 Reference Document.

The sections of Reference Document no. D. 09-0176 not referred to above are either of no consequence to investors or covered by another section of this Reference Document.

In application of the Article 212-13 of the general Regulation of the AMF, the present updating includes the information of the biannual Financial Report mentioned in the Article L. 451-1-2 of the Monetary and Financial Code.

Information required for annual financial statements	Information provided in the present document on page:	Information provided in Compagnie de Financement Foncier's Reference Document filed with the AMF on April 1 st , 2009 under the number D.10-0207 on page:	
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