

SECOND PROSPECTUS SUPPLEMENT DATED 29 OCTOBER 2007  
TO THE BASE PROSPECTUS DATED 16 JULY 2007



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

This Prospectus Supplement (the “**Second Prospectus Supplement**”) is supplemental to and must be read in conjunction with the Base Prospectus dated 16 July 2007 (the “**Base Prospectus**”) granted visa n° 07-256 on 16 July 2007 by the *Autorité des marchés financiers* (the “**AMF**”) and the First Prospectus Supplement dated 3 September 2007 granted visa n° 07-299 on 3 September 2007 prepared by Compagnie de Financement Foncier (“**Compagnie de Financement Foncier**” or the “**Issuer**”) with respect to the Euro 75,000,000,000 Euro Medium-Term Note Programme (the “**Programme**”).

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

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

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

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

Save as disclosed in this Second Prospectus Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus which is capable of

affecting the assessment of Notes issued under the Programme since the publication of the Base Prospectus. To the extent that there is any inconsistency between (a) any statements in this Second Prospectus Supplement and (b) any other statement in, or incorporated in, the Base Prospectus, the statements in (a) above will prevail.

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## **1. MODIFICATION OF THE GOVERNANCE REGULATIONS**

As of 31 July 2007 following the resignation of M. François Drouin, the role of Chairman of the Board of Directors of the Compagnie de Financement Foncier is fulfilled by M. Thierry Dufour, who is also Deputy Chief Executive Officer of the Crédit Foncier de France.

M. François Veverka will continue in his role of Chief Executive Officer of the Compagnie de Financement Foncier.

Ms. Sandrine Guérin will continue in her role of Deputy Chief Executive Officer of the Compagnie de Financement Foncier.

## 2. MANAGEMENT REPORT

### FINANCIAL REPORT FOR THE HALF-YEAR ENDED 30 JUNE 2007

The growth of Compagnie de Financement Foncier's business during the first half-year of 2007 resulted in an additional €10.6 billion on the balance sheet. It now stands at €81.2 billion at 30 June 2007.

Compagnie de Financement Foncier purchased a loan portfolio granted by IXIS-CIB to local authorities in a one-off transaction for €4 billion which includes a €3.5 billion in loan engagements. Recurring investments continued, amounting to more than €8 billion, mainly in the form of loans granted by Crédit Foncier, loans to the public sector outside of France and senior securitisation tranches of European first rank mortgage loans. Corresponding financing operations, through the issuance of preferred debt, amounted to more than €12 billion, up 18% compared to the same period in 2006.

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

In comparison with the previous legal framework, the main changes include the following:

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

## 1. ASSETS

The major event during the half-year was the purchase of a loan portfolio granted to French local authorities by IXIS-CIB. IXIS-CIB's disposal of its domestic, public sector financing business, carried out on behalf of the Caisse d'Epargne Group, to the Crédit Foncier Group ultimately led Compagnie de Financement Foncier to purchase, on 2 May 2007, the majority of IXIS-CIB's loans, i.e. total commitments worth €7.5 billion, including €3.5 billion in off-balance sheet commitments. As of 1 January 2007, Caisse Nationale des Caisse d'Epargne also transferred to Crédit Foncier its business of granting short-term credit lines to French local authorities.

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

- Purchases of loans from the Crédit Foncier Group amounting to €2.4 billion with first-rank mortgage guarantees or granted to public entities.
- Indirect purchases of first rank mortgage loans located in Europe by acquiring senior securitisation tranches rated AAA or Aaa by at least two rating agencies.
- Acquisitions of long-term debt in the international public sector by purchasing securities, direct production or securitisation units, amounting to €3.2 billion. All of these investments have received the highest ratings recognised by the Banking Commission (rated at or above AA- or Aa3) and, in majority, the highest ratings within that category.
- Up to €2.9 billion in open credit lines authorised for the French public sector.
- Increase of very short-term interbank loans of €0.7 billion.

These changes during the first half-year had a material impact on Compagnie de Financement Foncier's balance sheet and the manner in which its assets that meet exclusive criteria as eligible assets are broken down into the three major categories, as defined by Articles L. 515-14 to L. 515-17 of the French Monetary and Financial Code.

### Breakdown of assets

	30 June 07		30 Dec 06		30 June 06	
	€ M	% balance sheet	€ M	% balance sheet	€ M	% balance sheet
<b>SECURED LOANS</b>						
<b>Articles L. 515.14 and 16</b>	<b>39 608</b>	<b>48.7 %</b>	<b>31 668</b>	<b>44.8 %</b>	<b>31 248</b>	<b>48.5 %</b>
- State subsidised mortgage loans	1 843	2.3 %	2 141	3.0 %	2 491	3.9 %
- Mortgage loans guaranteed by the FGAS	6 768	8.3 %	6 602	9.3 %	6 251	9.7 %
- Other mortgage loans	9 101	11.2 %	8 410	11.9 %	7 687	11.9 %
- Senior mortgage backed securities	15 527	19.1 %	13 401	19.0 %	13 905	21.6 %
- Other loans with real estate guarantee	1 009	1.2 %	1 114	1.6 %	913	1.4 %
- Mortgage notes	5 359	6.6 %				
<b>EXPOSURES TO PUBLIC</b>						
<b>AUTHORITIES Articles L.515-15 and 16</b>	<b>30 590</b>	<b>37.7 %</b>	<b>23 636</b>	<b>33.4 %</b>	<b>19 425</b>	<b>30.2 %</b>
- State subsidised public loans	345	0.4 %	369	0.5 %	409	0.6 %
- Other public loans	14 003	17.2 %	8 897	12.6 %	7 401	11.5 %
- Public entity securities	8 958	11.0 %	8 431	11.9 %	7 196	11.2 %
- Securitisation tranches with public exposures	7 283	9.0 %	5 938	8.4 %	4 419	6.9 %
Other assets not recognised in the 2 previous categories	2 898	3.6 %	3 204	4.5 %	2 233	3.5 %
<b>REPLACEMENT SECURITIES</b>						
<b>Articles L. 515-17</b>	<b>8 152</b>	<b>10.0 %</b>	<b>12 184</b>	<b>17.2 %</b>	<b>11 476</b>	<b>17.8 %</b>
<b>TOTAL ASSETS</b>	<b>81 247</b>	<b>100.0 %</b>	<b>70 691</b>	<b>100.0 %</b>	<b>64 381</b>	<b>100.0 %</b>

This table accounts for new legislation in force at the closing date, 30 June 2007, with mortgage notes included in the secured loans category. For Compagnie de Financement Foncier, these assets consist of mortgage notes issued by Crédit Foncier which were previously recorded in the replacement securities category.

At 30 June 2007, secured loans thus increased by €7.9 billion essentially as a result of incorporating mortgage notes, amounting to €5.4 billion, and the increase of outstanding mortgage loan securitisation units, amounting to €2.1 billion. In this category, certain outstanding loans are backed by public exposures, either from the French state as subsidised sector loans or FGAS-guaranteed loans, totalling €8.6 billion, or from a European, public establishment with the highest credit ratings, totalling €1.8 billion.

Exposures to public authorities also increased significantly, by up to €7 billion, largely as a result of the purchase of IXIS-CIB's loan portfolio and acquisitions of securitisation tranches with public exposures.

At 30 June 2007, the share of the balance sheet with direct or indirect public exposures increased from €34.3 billion at 31 December 2006 (48.5%) to €41.0 billion (50.5%) six months later.

Geographical diversification of assets and guarantees continued during the past six months. Assets from countries outside of France made up 36% of assets on the balance sheet at 30 June 2007. These assets mainly consist of mortgage-backed securities in Europe (€13.3 billion), securitisation tranches with public exposures in the Netherlands and the United States (€7.3 billion) and securities or international public entity loans or loans guaranteed by such entities (€8.5 billion).

Compagnie de Financement Foncier's main asset exposures by country at 30 June 2007 were as follows:

- France, 64.2%
- Italy, 10.5%
- Spain, 7.6%
- the Netherlands, 6.5%
- the United States, 3.7%
- Germany, 2.7%
- Portugal, 1.1%
- Switzerland, 1.1%

In addition to the guarantees provided by the legislative and regulatory framework of *sociétés de crédit foncier* as well as the diversity of both the types of assets it holds, secured loans and exposures to public authorities, and their geographical location, the quality of Compagnie de Financement Foncier assets can also be measured by the level of independent ratings received for the most part for its assets located outside of France.

Indeed, the underlying assets of senior mortgage securitisation tranches consists of highly granular residential mortgage loans located in continental Europe; all tranches have received the highest rating from at least one rating agency. More specifically, out of a total of €16 billion, €10 billion is rated AAA/Aaa/AAA, €6 billion obtained two triple A ratings and only one line of €13 million has received only one Aaa rating. Securitised mortgage assets amounting to €13 billion are also covered by a guarantee from a leading financial establishment with ratings in the highest ratings category.

Senior securitisation tranches backed by public exposures, mainly provided by the United States and the Netherlands, of more than €7 billion, are all rated AAA or Aaa by at least one agency except for a €30 million line rated Aa2/AA-.

Securities issued or guaranteed by foreign public entities as well as related loan products from Compagnie de Financement Foncier, amounting to €8.5 billion, all have the best ratings, and nearly €5.3 billion of this outstanding debt is rated AAA/Aaa/AAA.

## 2. LIABILITIES

Compagnie de Financement Foncier funded these transactions by issuing €12.5 billion in preferred debt during the first half-year of 2007 compared to €10.6 billion during the same period one year earlier and €17.3 billion over the course of the entire year 2006.

Issues were mainly carried out publicly as medium-term debt with an average maturity of 7.5 years. In particular, eight issues required a declaration from the Specific Controller because their size exceeded €500 million or equivalent in any other currency:

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

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

The size of the issuance programme significantly increased the share of *obligations foncières* on the balance sheet.

#### Breakdown of liabilities

	June 30, 2007		December 31, 2006		June 30, 2006	
	€ M	% of balance sheet	€ M	% of balance sheet	€ M	% of balance sheet
<b>Preferred debt</b>	<b>75 243</b>	<b>92.6%</b>	<b>64 557</b>	<b>91.3%</b>	<b>58 735</b>	<b>91.2%</b>
<i>Obligations foncières</i> (with related liabilities)	71 537	88.0%	61 680	87.3%	56 847	88.3%
Other privileged debt	3 706	4.6%	2 877	4.1%	1 888	2.9%
<b>Non-preferred debt</b>	<b>6 004</b>	<b>7.4%</b>	<b>6 134</b>	<b>8.7%</b>	<b>5 646</b>	<b>8.8%</b>
<b>TOTAL LIABILITIES</b>	<b>81 247</b>	<b>100.0%</b>	<b>70 691</b>	<b>100.0%</b>	<b>64 381</b>	<b>100.0%</b>

Preferred debt increased by €10.7 billion to €75.2 billion during the half-year ended 30 June 2007 and now represents 92.6% of Compagnie de Financement Foncier's liabilities.

Non-preferred debt remained relatively stable with a slight decrease due to variation in the value of swaps negotiated by Compagnie de Financement Foncier to hedge against interest and exchange rate risk. As a result of increasing short-term interest rates, the value of funds left as guarantees by banking counterparties fell by €0.3 billion during the half-year; at the end of June 2007, the value of these deposits was close to zero. In the event the market value falls below zero for Compagnie de Financement Foncier, asymmetrical collateralisation agreements negotiated with counterparties come into effect; as for Compagnie de Financement Foncier, it does not have to provide security deposits to counterparties.

Subordinated debt also remained stable at €3.3 billion during the period under review. Shareholders' equity and provisions was affected by the capital increase following the payment of dividends in shares decided by the board of directors on June 26; shareholders' equity and provisions increased to €552 million at 30 June 2007 compared to €530 million at 31 December 2006.

In accordance with current regulations, the degree to which preferred debt is hedged is assessed every six months and certified by the Specific Controller. This hedge is determined by an overcollateralisation ratio equal to the assets of the *société de crédit foncier*, weighted for their level of security, as compared to the amount of preferred debt.

At 31 December 2006, this ratio stood at 108.5% and took into account a 100% weighting for all of Compagnie de Financement Foncier's loans and a 95% weighting for replacement securities as stipulated by previous regulations.

For the period ending 30 June 2007, new laws governing this calculation had yet to be finalised even though it has been determined that replacement securities will henceforth be weighted at 100%. Compagnie de Financement Foncier's overcollateralisation ratio can therefore only be estimated and thus stands at 108%.

### 3. INCOME

Net banking income for the half-year ended June 30, 2007 stood at €83.5 million compared to €97.3 million for the first half-year of the previous period and €195.7 million for the entire financial year 2006.

This decrease in net banking income was mainly due to non-recurring, material events that generated income of €24 million in 2006. During the first half-year of 2007, non-recurring expenses and income, much less for this period, brought down income by €0.8 million.

Recurring net banking income also fell slightly to €84.3 million at 30 June 2007 compared to €172.0 million for the full financial year 2006, despite strong growth of outstanding loans during the period. The essentially unchanged net banking income is due to changes in the composition of the Compagnie de Financement Foncier balance sheet and, in particular, to the ever-decreasing share of eligible loans transferred by Credit Foncier in 1999, which benefited from particularly high margins.

The relative weight of transferred loans has significantly decreased. This is due to the amortisation of a sector that will soon disappear in addition to significant new production.

In particular, as a result of specific accounting rules, outstanding subsidised sector loans, which continue to decrease (€2.2 billion at 30 June 2007 compared to €2.5 billion at 31 December 2006), contributed a material sum to net banking income because part of that gain is repaid as fees and appears as overhead expenses. Net banking income for the subsidised sector alone amounted to €17.4 million during the first half-year of 2007 compared to €22.9 million during the same period last year and €42.5 million for 2006.

As a result, current net banking income reflects the margins negotiated during recent acquisitions which are lower in light of the quality of the assets and their respective guarantees.

Interest payments on the subordinated loan, which will be reduced or even eliminated if Compagnie de Financement Foncier's income falls below €10 million, represent an expense of €42.3 million during the half-year.

Furthermore, indemnities for early repayment or loan portfolio renegotiating fell. This resulted in income of €9.8 million during the half-year compared to €25.4 million in 2006.

General operating expenses remained stable at €47.6 million for the first half-year of 2007 compared to €95.6 million for the fiscal year 2006. They mainly comprise management fees paid to Crédit Foncier for its services. Falling costs associated with the subsidised sector offset rising costs in the private sector. The significant growth in volume of this latter sector helped maintain a low rate of management fees.

Allocations to amortisation, which exclusively correspond to the amortisation of goodwill between the market value and the net book value of the items transferred in 1999, fell from €7.5 million in 2006 to €3.1 million for the first half-year of 2007.

The cost of risk remains extremely low at €0.3 million for the first half-year of 2007; it amounted to €0.7 million during the same period in 2006 and represented an overall gain of €2.7 million in 2006. The cost of risk is broken down into a net provision and impairments of €1.4 million, gross losses of €1.0 million and a gain of €2.1 million on loans written off.

In order to determine the overall risk expense, the interest income or expense from doubtful loans recognised in net banking income must be added. Income of €1.0 million was recognised to this end in the first half-year of 2007. The overall risk expense, i.e. a gain of €0.7 million, is broken down in the next section by counterparty.

Pre-tax current income for the first half-year of 2007 amounted to €32.5 million compared to €95.4 million for the fiscal year 2006 and €47.6 million during the first six months of 2006. The income tax charge was €11.0 million for the first half-year of 2007.

Compagnie de Financement Foncier' net income for the first half-year of 2007 was €21.5 million. It was €28.5 million for the first half-year of 2006 and €62.3 million for fiscal year 2006.

#### 4. ANALYSIS OF CREDIT RISK

In terms of credit risk, outstanding loans are separated into subsidised sector loans and private sector loans. The former are decreasing, though guaranteed by the State. The latter benefit from a variety of guarantees depending on the type of borrower.

##### Risk indicators for loans and related loans

(in millions of euros)	June 30, 2007			December 31, 2006		
	Subsidised sector	Private Sector	Total	Subsidised sector	Private sector	Total
Outstanding loans	2 234,6	39 810.7	42 045.3	2 512.4	33 471.6	35 984.0
Outstanding doubtful loans	268.6	345.8	614.4	300.7	375.1	675.8
<b>Rate of doubtful loans</b>	<b>12.0%</b>	<b>0.9%</b>	<b>1.5%</b>	<b>12.0%</b>	<b>1.1%</b>	<b>1.9%</b>
Outstanding compromised doubtful loans	0.0	11.4	11.4	0.0	43.5	43.5
Rate of compromised doubtful loans	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
<b>Total provisions and impairments</b>	<b>3.4</b>	<b>24.7</b>	<b>28.1</b>	<b>3.0</b>	<b>26.5</b>	<b>29.5</b>
Net losses	0,0	1,8	1,8	0.1	0.4	0.6
<b>Cost of risk</b>	<b>0,5</b>	<b>-1,2</b>	<b>-0,7</b>	<b>0.2</b>	<b>-4.1</b>	<b>-3.9</b>
Cost of risk (in basis points)	2.2pb	-0.3pb	-0.2pb	0.9pb	-1.2pb	-1.1pb

NB: By convention, losses and cost of risk represent costs when the number is positive.

Private sector loans amounting to €39.8 billion at 30 June 2007 (€33.5 billion at 31 December 2006) include the following outstanding loans:

- granted to individuals for €15.5 billion (€14.6 billion previously)
- granted to public authorities for €21.7 billion (€16.1 billion previously)
- granted to social authorities for €2.5 billion (€2.6 billion previously)
- granted to private sector real estate professionals for €0.1 billion (€0.1 billion previously), outstanding loans from the 1999 transfer..

In terms of outstanding loans, the major observations concern the decreasing importance of the subsidised sector, which no longer accounts for any production, and the significant growth of the public sector largely as a result of the purchase of IXIS-CIB's local authority loan portfolio.

Doubtful loans, essentially in the portfolio of loans to individuals, have fallen substantially during the half-year. The decrease of €29 million in the private sector resulted from improvements in the number of compromised doubtful loans.

This change is the result of two opposing outcomes: first, a significant decrease in outstanding loans due to improvements in the way doubtful loans that have become performing once again are accounted for, and second, a smaller increase in their absolute value notably due to the growth of outstanding loans held by Compagnie de Financement Foncier. The percentage of private sector doubtful loans fell from 1.1% at 31 December 2006 to 0.9% at 30 June 2007; for loans to individuals only, this percentage fell from 2.3% to 2.0% during the same period.

The amount of provisions remains very low in comparison with the number of outstanding loans under management. For the private sector, the total of €24.7 million includes €7.3 million for private real estate whose outstanding loans of €115 million are not related to Compagnie de Financement Foncier's business.

Losses remain very low. The €1.8 million loss recognised in the private sector is actually broken down into gross losses of up to €4.2 million, €3.8 million of which was covered by a provision, and a gain of €2.4 million on loans written off.

The cost of risk is still close to zero and continues to contribute positively to Compagnie de Financement Foncier' income. This contribution for the first six months of 2006 amounted to €0.7 million.

Furthermore, the private sector can be extended to include assets comprised of indirectly held loans such as:

- The senior securitisation portfolio so long as and pursuant to legislation related to the eligible assets of a *société de crédit foncier* their assets are made up of at least 90% of loans with the same characteristics as those of directly held loans.
- Mortgage notes (billets à ordre) which can legally securities loans that correspond to characteristics of eligible secured loans.

As for the securitisation portfolio, which must consist of senior tranches, the credit risks are covered by different mechanisms inherent in the fund's initial structure and are constantly monitored by rating agencies. Furthermore, the analysis of the underlying loans as well as the quality of the fund management, developed by Compagnie de Financement Foncier for these investments, confirms the quality of these assets. The overcollateralisation ratios of the funds at the end of June 2007 had all improved since they were acquired. During the half-year, there were no downgrades within the mortgage and public securitisation portfolios of €22.8 billion.

Concerning other foreign sector assets totalling €8.5 billion, only one outstanding loan of €15 million was downgraded, by one level and one agency only; the other two ratings for this security were not affected.

## Overall risk indicators for the private sector

(in millions of euros)	30 June 2007				31 December 2006			
	Outstanding loans	Rate of doubtful loans	Provisions	Cost of risk (in basis points)	Outstanding loans	Rate of doubtful loans	Provisions	Cost of risk (in basis points)
Private individuals (of which securitisation units and mortgage notes)	36 353 (20 886)	0,8%	16,0	0.1bp	28 047 (13 401)	1,2%	15,4	-0.2bp
Public authorities (of which securitisation units)	28 963 (7 283)	0,0%	0,2	0.0bp	22 080 (5 938)	0.0%	0,1	-0.8bp
Social housing	2 549	0,5%	1,3	-2.9bp	2 562	0,6%	3,4	-2.1bp
Commercial property	115	14,3%	7,3	-57.3bp	121	15,1%	7,7	-96.5bp
<b>TOTAL</b>	<b>67 980</b>	<b>0,5%</b>	<b>24,7</b>	<b>-0.2bp</b>	<b>52 811</b>	<b>0,7%</b>	<b>26,5</b>	<b>-0.8bp</b>
Total excluding securitisation units and mortgage notes	39 811	0,9%		-0.3bp	33 472	1,1%		-1,2

NB: By convention, losses and cost of risk represent costs when the number is positive.

Credit risk defined as such for the entire private sector has once again remained very low over the period. The main indicators are confirmed at 30 June 2007:

- Reduction of the percentage of doubtful loans
- Very low provisions and impairments compared to the amount of outstanding loans
- An overall cost of risk close to zero, which generated €0.7million in income during the first half-year

## 5. ANALYSIS OF FINANCIAL RISKS

Having implemented of a series of protective mechanisms, Compagnie de Financement Foncier is only marginally exposed to interest rate risks. All the items on its balance sheet are transformed into variable rate assets and liabilities essentially through micro and macro-hedging swaps.

Furthermore, Compagnie de Financement Foncier has no open currency positions. Operations initiated in foreign currencies, primarily those negotiated in connection with issues of *obligations foncières*, are converted into euros at the time of their execution.

Finally, the asset and liability management policy requires a quarterly review of these positions and periodically leads to new macro-hedging swaps in order to maintain the quality of rates and currencies backing assets and liabilities.

Total hedging transactions at 30 June 2007 amounted to €135.9 billion, up by €20.9 billion. This strong growth reflects Compagnie de Financement Foncier's preferred debt issuance programme and asset acquisitions over the first six months of the year.

These financial instruments can be analysed, based on the desired hedging objective as:

- Macro-hedging rate swaps totalling €21.8 billion. This amount includes only €0.8 billion left in swaps transferred from Crédit Foncier in 1999 related to its former activity as a *société de crédit foncier* and swaps which closed the open positions that appeared at the time of the transfer's legal partition. The balance of this portfolio, i.e. €21.3 billion, fulfils two main objectives: hedging loan portfolio acquisitions as soon as these new assets are recognised on the balance sheet and correcting

balance sheet distortions caused by events such as prepayments in particular, occurring over the life of these loans.

- Micro-hedging swaps of assets acquired for €12.3 billion at end June 2007, up €4.5 billion over the previous six months. These primarily correspond to interest rate swaps negotiated by Compagnie de Financement Foncier to transform assets, investment securities or public sector loans granted to clients at fixed-rates into variable-rate assets. Currency swaps were also negotiated for the portion of non-euro denominated securities as soon as they were recognised on the balance sheet; the outstanding amount was €2.6 billion of currencies to be delivered and €2.8 billion to be received (in euros).
- Micro-hedging swaps for issued debt. Interest rate operations totalled €63.4 billion and those of currency exchange €15.8 billion to be delivered in euros (€14.7 billion to be received in currencies). These swaps recorded a sharp rise during the half-year, by over €7 billion for rate swaps alone, reflecting the increase in issues most often at fixed rates for secured debt and the active management of benchmark indices for the variable-rate component of the swaps.
- Micro-hedging conditional transactions for €1.3 billion, negotiated to protect the variable-rate loan portfolios with remuneration capped to the benefit of their borrowers.

Besides these different hedging mechanisms, Compagnie de Financement Foncier benefits from State guarantees for the subsidised sector and receives an indemnity from borrowers in the event of prepayment. As a result, fixed-rate outstanding loans in the private sector granted to individuals carry only a residual risk because of the 3% cap on the indemnity stipulated in the contract in the event of prepayment.

Fixed-rate loans granted to individuals in the private sector amounted to €5.2 billion at 30 June 2007. The low nominal rate of the loan amount exposed to interest rate risks constitutes an additional protection. Of these outstanding loans, interest-free loans stood at €1.8 billion and loans whose rate falls between zero and 6% amounted to €3.0 billion.

As with interest rate risk, Compagnie de Financement Foncier's asset and liability management rules provide minimal exposure to liquidity risk. Compagnie de Financement Foncier is committed to maintaining sufficient cash flow to cover its potential liquidity needs, without accessing the market, for a period of one year.

A significant portion of its assets are inherently easily negotiable, such as replacement securities comprised of safe and liquid investments, as required by the law pertaining to *sociétés de crédit foncier*, or its investment portfolio comprised of securities that are for the most part eligible for refinancing at the European Central Bank.

Accordingly, at 30 June 2007, Compagnie de Financement Foncier held €8.2 billion in replacement securities, the bulk of which had a remaining term of under 6 months, as well as €20 billion in securities that are repo eligible with the European Central Bank.

In light of the significant commitments entered into during the half-year, especially concerning the IXIS-CIB portfolio purchase, and in order to maintain its ability to manage future liquidity needs, Compagnie de Financement Foncier began, for the first time, as of April 2007, using measures to mobilise its securities and participated in the European Central Bank's call for bids of one-week and three-month funds. Holdings on the reserve account amounted to €1.3 million at 30 June 2007.

Furthermore, according to the same rules as those applied for monitoring interest rate risk, the liquidity position of Compagnie de Financement Foncier is reviewed quarterly and compliance with its commitments, regarding its short-term investments and realisable assets, is permanently monitored.

### 3. INTERIM FINANCIAL STATEMENTS

#### INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH-PERIOD ENDED 30 JUNE 2007

The company, created in December 1998 to satisfy any future needs, was approved by banking authorities (CECEI) as a “Société de Crédit Foncier” on 23 July 1999 in accordance with the law of 25 June 1999 on savings and financial security now integrated into the French Code monétaire et financier. Prior to 1 October 1999, the company was engaged in no business.

## COMPAGNIE DE FINANCEMENT FONCIER

### BALANCE SHEET

(in thousands of euros)

Notes	ASSETS	06/30/2007	06/30/2006	12/31/2006
	Cash due from central banks and post office accounts	7,280	166,851	4,725
	Treasury notes and similar securities			
1	Due from banks	6,711,916	6,086,091	6,049,202
	<i>On demand</i>	103,946	197,079	103,086
	<i>At maturity</i>	6,607,970	5,889,012	5,946,116
2	Customer loans	31,453,539	23,499,527	25,643,525
	<i>Other customer loans</i>	31,453,539	23,499,527	25,643,525
3	Bonds and other fixed income securities	40,182,993	32,562,710	17,119,338
4	Intangible fixed assets	10,944	17,805	31,144
5	Other assets	182,876	182,434	209,977
6	Prepayments, deferred charges and accrued income	2,696,967	1,865,949	2,974,849
	<b>TOTAL ASSETS</b>	<b>81,246,515</b>	<b>64,381,367</b>	<b>70,690,889</b>

## COMPAGNIE DE FINANCEMENT FONCIER

(in thousands of euros)

Notes	LIABILITIES AND EQUITY	06/30/2007	06/30/2006	12/31/2006
	Due to central banks and post office accounts			
7	Due to banks	3,081,678	1,246,988	1,466,703
	<i>On demand</i>	5,124	8,445	10,161
	<i>At maturity</i>	3,076,554	1,238,543	1,456,542
8	Customer deposits	3,931	27,823	122,416
	<i>On demand</i>	3,931	27,823	122,416
9	Debt securities	71,783,029	57,130,615	61,930,552
	<i>Inter-bank market securities and negociable debt securities</i>	246,120	283,419	250,329
	<i>Bonds</i>	71,536,909	56,847,196	61,680,223
10	Other liabilities	387,612	507,031	1,600,475
11	Accruals and deferred income	3,145,884	2,674,116	2,790,141
12	Provisions for liabilities and charges	10,414	24,548	10,377
13	Subordinated debt	2,292,752	2,284,106	2,250,550
14	Fund for general banking risks	20,000	20,000	20,000
	Equity other than fund for general banking risks:	521,215	466,140	499,675
	- <i>Subscribed capital stock</i>	154,000	132,000	132,000
	- <i>Share premiums</i>	271,067	209,742	209,742
	- <i>Reserves</i>	70,917	68,717	68,717
	- <i>Regulated provisions</i>			
	- <i>Retained earnings (+/-)</i>	3,691	27,140	26,874
	- <i>Net income for the year (+/-)</i>	21,540	28,541	62,342
	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>81,246,515</b>	<b>64,381,367</b>	<b>70,690,889</b>

# COMPAGNIE DE FINANCEMENT FONCIER

## OFF BALANCE SHEET

*(in thousands of euros)*

Notes	OFF BALANCE SHEET	06/30/2007	06/30/2006	12/31/2006
	<b>Commitments given</b>			
15	Financing commitments			
	- Commitments in favour of banks	96,659	19,142	
	- Commitments in favour of customers	7,962,329	980,552	1,714,692
	Guarantee commitments			
	- Commitments for customers			
16	<b>Commitments received</b>			
	Financing commitments			
	- Commitments received from banks	774,383	1,481,338	631,472
	Guarantee commitments			
	- Commitments received from banks	11,414,827	4,615,220	5,019,768
	- Commitments received from customers	19,887,827	16,606,708	18,561,261
	Commitments on securities	793,487		
	<b>Reciprocal commitments</b>			
17	- Sale and purchase of foreign currencies	36,624,187	28,746,975	29,198,318
18	- Non-unwound financial instruments	99,263,403	79,576,812	85,813,638

# COMPAGNIE DE FINANCEMENT FONCIER

## INCOME STATEMENT

*(in thousands of euros)*

Notes		06/30/2007	06/30/2006	12/31/2006
19	- Interest and similar income	1,637,906	1,378,586	3,091,113
20	- Interest and similar expenses	-1,555,843	-1,286,825	-2,905,677
21	- Commission and fee income	18,348	23,341	39,827
21	- Commission and fee expenses	-11,720	-10,886	-15,565
22	- Gains or losses on trading securities transactions	-393	-789	-1,207
23	- Gains or losses on investment securities transactions and similar instruments	-21	-21	-5
24	- Other income from banking operations	2,151	898	1,260
25	- Other expenses on banking operations	-6,895	-6,959	-14,002
	<b>NET BANKING INCOME</b>	<b>83,533</b>	<b>97,345</b>	<b>195,744</b>
26	- General operating expenses	-47,589	-45,271	-95,587
	- Depreciation, amortisation on tangible and intangible fixed assets	-3,125	-3,735	-7,470
	<b>GROSS OPERATING INCOME</b>	<b>32,819</b>	<b>48,339</b>	<b>92,687</b>
27	- Cost of risk	-325	-744	2,707
	<b>OPERATING INCOME</b>	<b>32,494</b>	<b>47,595</b>	<b>95,394</b>
	- Gains or losses on fixed assets	4		
	<b>ORDINARY INCOME BEFORE TAX</b>	<b>32,498</b>	<b>47,595</b>	<b>95,394</b>
	- Exceptional items			
	- Income tax	-10,958	-19,054	-33,052
28	- Increases and decreases in fund for general banking risks and provisions			
	<b>NET INCOME</b>	<b>21,540</b>	<b>28,541</b>	<b>62,342</b>
	- Earnings per share (1)	2,24	3,46	7,56
	- Diluted earnings per share	2,24	3,46	7,56

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

## NOTES TO THE FINANCIAL STATEMENTS OF COMPAGNIE DE FINANCEMENT FONCIER

### I - Key events during the half-year

**I-1** Compagnie de Financement Foncier acquired €2,660 million in loans from Crédit Foncier during the first half-year of 2007. The company also acquired loans to local authorities from Caisse d'Épargne for €126 million.

Compagnie de Financement Foncier also acquired residential mortgage-backed securities (€2,920 million), public sector securitisation units (€1,456 million), long-term bonds from public authorities (€1,572 million) and granted €222 million in loans to public authorities.

Lastly, CFF acquired public sector loans from IXIS for €3,961 million, in addition to the €3,672 million in loans not yet released which are recognised as "Financing commitments given".

Acquisitions during the first half-year of 2007 amounted to €12,917 million.

**I-2** Compagnie de Financement Foncier issued €12,514 million in *obligations foncières* during the first half-year of 2007.

### II - Presentation of financial statements and accounting methods

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

*Sociétés de crédit foncier* are credit institutions, authorised as financial companies by ruling of the French Credit Institutions and Investment Companies Committee. As a result, they are subject to the following accounting regulations:

- Regulation No. 99-04 and 2000-03 of the CRC [French Accounting Committee], concerning the preparation and disclosure of credit institutions' annual individual financial statements
- Regulation No. 99-10 of the CRBF [French Banking Regulation Committee], which concerns *sociétés de crédit foncier* and refers to:
  - The valuation of buildings financed by loans recognised as eligible assets for *sociétés de crédit foncier*
  - The valuation of the assets and liabilities of such companies
  - Their specific management policies

Since Crédit Foncier joined the Caisse d'Épargne Group in 1999, Compagnie de Financement Foncier, affiliated to the CNCE, the central body of the CE Group, has applied the accounting standards of this group.

#### II - 1 Accounting methods

Compagnie de Financement Foncier's half-yearly financial statements are prepared in accordance with current regulations and accounting methods set forth in recommendation No. 2001-R-02 from the CNC (*Conseil National de la Comptabilité* – French Accounting Standards Board).

Accounting principles and methods used are identical to those used for the annual financial statements. General accounting standards have been applied with respect for the principles of prudence, in accordance with the following basic assumptions:

- Continuity of operations
  - Consistency of the methods from one year to the next
  - Independence of financial years
- and in accordance with general company and annual financial statement rules.

#### II-2 Changes in accounting methods

Accounting methods remained unchanged during the first half-year of 2007.

## Note 1 : Due from banks

*(in thousands of euros)*

	Performing loans			Doubtful loans			Depreciations			Net amounts		
	06/30/06	06/30/06	12/31/06	06/30/07	06/30/06	12/31/06	06/30/07	06/30/06	12/31/06	06/30/07	06/30/06	12/31/06
<b><u>NON-GROUP LOANS</u></b>												
<b><u>- On demand</u></b>												
Customer accounts	22,916	743	1,859							22,916	743	1,859
Loans and accounts												
Related receivables												
Non-allocated securities												
<b>Sub-total</b>	<b>22,916</b>	<b>743</b>	<b>1,859</b>							<b>22,916</b>	<b>743</b>	<b>1,859</b>
<b><u>- At maturity</u></b>												
Loans and accounts	3,312,159	2,438,265	1,847,957		123					3,312,159	2,438,388	1,847,957
Related receivables	30,028	26,211	37,833							30,028	26,211	37,833
<b>Sub-total</b>	<b>3,342,187</b>	<b>2,464,476</b>	<b>1,885,790</b>		<b>123</b>					<b>3,342,187</b>	<b>2,464,599</b>	<b>1,885,790</b>
<b>Total non-group loans</b>	<b>3,365,103</b>	<b>2,645,219</b>	<b>1,887,649</b>		<b>123</b>					<b>3,365,103</b>	<b>2,465,342</b>	<b>1,887,649</b>
<b><u>GROUP LOANS</u></b>												
On demand	81,030	196,336	101,227							81,030	196,336	101,227
At maturity	3,265,783	3,424,413	4,060,326							3,265,783	3,424,413	4,060,326
<b>Total group loans</b>	<b>3,346,813</b>	<b>3,620,749</b>	<b>4,161,553</b>							<b>3,346,813</b>	<b>3,620,749</b>	<b>4,161,553</b>
<b>Grand total (1)</b>	<b>6,711,916</b>	<b>6,085,968</b>	<b>4,161,553</b>		<b>123</b>					<b>6,711,916</b>	<b>6,086,091</b>	<b>4,161,553</b>
(1) Of which subsidised sector		1,854	1,606		51						1,905	1,606

### Note 1a : Breakdown of term loans to banks

(in thousands of euros)

	06/30/2007			06/30/2006	12/31/2006
	GROSS	DEP.	NET		
<i>Term loans:</i>					
- Refinancing of subsidised residential property	1,409	0	1,409	1,854	1,606
- Refinancing of unsubsidised residential property	4,528	0	4,528	5,549	5,073
- Public authorities	1,610,324	0	1,610,324	1,655,330	1,659,043
- Structured financing	0	0	0	0	0
- Other loans to banks	4,991,709	0	4,991,709	4,226,156	4,280,394
- Doubtful term loans	0	0	0	123	0
<b>TOTAL</b>	<b>6,607,970</b>	<b>0</b>	<b>6,607,970</b>	<b>5,889,012</b>	<b>5,946,116</b>

## Note 2 : Customer loans

	Performing loans			Doubtful loans			Depreciations			Net amounts		
	06/30/07	06/30/06	12/31/06	06/30/07	06/30/06	12/31/06	06/30/07	06/30/06	12/31/06	06/30/07	06/30/06	12/31/06
<b><u>Non-group loans</u></b>												
Customer loans :												
Commercial loans												
Export credits												
Short-term loans	2,059,118		715,190							2,059,118		715,190
Equipement loans	8,045,004	4,427,613	4,700,364	6,538	12,845	10,602	635	3,239	3,637	8,050,907	4,436,859	4,707,329
Residential property loans	20,522,274	18,248,934	19,400,655	604,131	660,018	660,673	20,267	21,063	19,870	21,106,138	18,887,889	20,041,458
Other customer loans	8,658	14,319	18,738	1,322	1,191	1,391	794	759	771	9,186	14,751	19,358
Loans to financial customers												
Non-allocated securities	184	206	200							184	206	200
Subordinated loans												
Related receivables	225,650	155,804	156,859	2,356	4,018	3,131				228,006	159,822	159,990
Non-allocated securities												
<b>Sub-total</b>	<b>30,860,888</b>	<b>22,846,876</b>	<b>24,992,006</b>	<b>614,347</b>	<b>677,712</b>	<b>675,797</b>	<b>21,696</b>	<b>25,061</b>	<b>24,278</b>	<b>31,453,539</b>	<b>23,499,527</b>	<b>25,643,525</b>
<b><u>Customer accounts</u></b>												
Customer accounts												
Related receivables												
<b>Sub-total</b>												
<b>Total non-group loans</b>	<b>30,860,888</b>	<b>22,846,876</b>	<b>24,992,006</b>	<b>614,347</b>	<b>677,712</b>	<b>675,797</b>	<b>21,696</b>	<b>25,061</b>	<b>24,278</b>	<b>31,453,539</b>	<b>23,499,527</b>	<b>25,643,525</b>
<b><u>Group loans</u></b>												
<b>Total loans (1)</b>	<b>30,860,888</b>	<b>22,846,876</b>	<b>24,992,006</b>	<b>614,347</b>	<b>677,712</b>	<b>675,797</b>	<b>21,696</b>	<b>25,061</b>	<b>24,278</b>	<b>31,453,539</b>	<b>23,499,527</b>	<b>25,643,525</b>
(1) Of which subsidised sector	1,966,003	2,576,855	2,211,663	268,579	325,313	300,682	3,442	5,041	2,971	2,231,140	2,897,127	3,414,010
Of which unsubsidised sector	28,894,885	20,270,021	22,780,343	345,768	352,399	375,115	18,254	20,020	21,307	29,222,399	20,602,400	22,229,515

## Note 2 a : Depreciations and Provisions for counterparty risks

(in thousands of euros)

	12/31/2005	Increases	Reversals	12/31/2006	Increases	Reversals	06/30/2007
<b><u>Depreciations recorded as a deduction from assets</u></b>							
Customer loans and due from banks (1)	25,656	42,377	-43,755	24,278	7,322	-12,466	18,796
<b><u>Provisions recorded as liabilities</u></b>							
Customer loans and due from banks and from securities	9,594	72	-3,292	6,374	2,114	-2,005	9,383
<b>Total provisions</b>	<b>35,250</b>	<b>42,449</b>	<b>-47,047</b>	<b>30,652</b>	<b>9,436</b>	<b>-14,471</b>	<b>28,179</b>

## Note 2 b : Breakdown of customer loans (2)

*(in thousands of euros)*

	06/30/2007			06/30/2006	12/31/2006
	GROSS	DEP.	NET		
<b>Loans to households :</b>	<b>16,634,690</b>		<b>16,634,690</b>	<b>14,794,489</b>	<b>15,765,988</b>
- Individuals	<b>15,760,482</b>		<b>15,760,482</b>	<b>14,079,131</b>	<b>15,008,163</b>
. Subsidised residential property	1,389,182		1,389,182	1,893,875	1,590,578
. Unsubsidised residential property	14,370,235		14,370,235	12,183,447	13,416,374
. Other	1,065		1,065	1,809	1,211
- Individual entrepreneurs	<b>874,208</b>		<b>874,208</b>	<b>715,358</b>	<b>757,825</b>
. Subsidised residential property	83,627		83,627	109,211	92,820
. Unsubsidised residential property	790,376		790,376	605,694	664,696
. Other	205		205	453	309
<b>Loans to companies :</b>					
- Regional public sector (local communities)	<b>10,840,991</b>		<b>10,840,991</b>	<b>4,949,498</b>	<b>5,904,081</b>
- Social organisations	<b>3,208,795</b>		<b>3,208,795</b>	<b>2,916,652</b>	<b>3,144,564</b>
. Subsidised residential property	308,262		308,262	362,563	333,166
. Unsubsidised residential property	2,849,747		2,849,747	2,404,404	2,398,383
. Other	50,786		50,786	148,685	213,015
- Real estate professionals					
. Unsubsidised residential property					
. Other					
- Real estate investors	<b>126,688</b>		<b>126,688</b>	<b>134,100</b>	<b>133,643</b>
. Subsidised residential property	27,914		27,914	27,992	30,619
. Unsubsidised residential property	95,586		95,586	99,183	98,765
. Other	3,188		3,188	6,925	4,259
- Structured financing	<b>7,773</b>		<b>7,773</b>	<b>9,173</b>	<b>8,610</b>
. Transportation	6,972		6,972	9,173	7,425
. Large projects	801		801		1,185
- Other	<b>41,951</b>		<b>41,951</b>	<b>42,964</b>	<b>35,120</b>
<b>Sub-total Customer loans</b>	<b>30,860,888</b>		<b>30,860,888</b>	<b>22,846,876</b>	<b>24,992,006</b>
Doubtful loans	<b>614,347</b>	<b>21,696</b>	<b>595,551</b>	<b>652,651</b>	<b>651,519</b>
<b>Total Customer loans (1)</b>	<b>31,475,235</b>	<b>21,696</b>	<b>31,456,439</b>	<b>23,499,527</b>	<b>25,643,525</b>
(1) Of which subsidised sector	2,234,582	3,442	2,231,140	2,897,127	2,509,374
Of which unsubsidised residential sector	29,240,653	18,254	29,225,299	20,602,400	23,134,151

## Note 2c : Breakdown of doubtful loans

*(in thousands of euros)*

June 30, 2007	Total doubtful loans			Of which compromised doubtful loans		
	<i>GROSS</i>	<i>DEP.</i>	<i>NET</i>	<i>GROSS</i>	<i>DEP.</i>	<i>NET</i>
<b>Loans to households :</b>	<b>414,758</b>	<b>11,379</b>	<b>406,279</b>	<b>9,592</b>	<b>964</b>	<b>8,628</b>
<b>Individuals</b>	<b>379,819</b>	<b>8,327</b>	<b>374,392</b>	<b>7,812</b>	<b>379</b>	<b>7,433</b>
- Subsidised residential property	97,078	155	96,923			
- Unsubsidised residential property	282,635	8,121	277,414	7,812	379	7,433
- Other	106	51	55			
<b>Individual entrepreneurs :</b>	<b>34,939</b>	<b>3,052</b>	<b>31,887</b>	<b>1,780</b>	<b>585</b>	<b>1,195</b>
- Subsidised residential property	12,213		12,213			
- Unsubsidised residential property	22,662	3,013	19,649	1,780	585	1,195
- Other	64	39	25			
<b>Loans to companies :</b>	<b>199,589</b>	<b>10,317</b>	<b>189,272</b>	<b>113,058</b>	<b>3,727</b>	<b>109,331</b>
Regional public sector (local communities)	<b>11,009</b>	<b>183</b>	<b>10,826</b>			
Social organisations	<b>39,854</b>	<b>480</b>	<b>39,374</b>			
- Subsidised residential property	27,079		27,079			
- Unsubsidised residential property	12,341	448	11,893			
- Other	434	32	402			
Real estate professionals						
- Unsubsidised residential property						
- Other						
Real estate investors	<b>147,771</b>	<b>9,632</b>	<b>138,139</b>	<b>1,800</b>	<b>675</b>	<b>1,125</b>
- Subsidised residential property	131,355	3,287	128,068			
- Unsubsidised residential property	14,597	5,141	9,456	1,775	658	1,117
- Other	1,819	1,204	615	25	17	8
Structured financing						
- Transportation						
- Large projects						
Other	<b>955</b>	<b>22</b>	<b>933</b>			
<b>Total (1)</b>	<b>614,347</b>	<b>21,696</b>	<b>595,551</b>	<b>11,392</b>	<b>1,639</b>	<b>9,753</b>
(1) Of which subsidised sector	268,579	3,442	265,137			
Of which unsubsidised residential sector	345,768	18,254	330,414	11,392	1,639	9,753

Comparison June 30, 2006	Total doubtful loans			Of which compromised doubtful loans		
	GROSS	DEP.	NET	GROSS	DEP.	NET
<b>Loans to households :</b>	<b>438,609</b>	<b>9,993</b>	<b>428,616</b>	<b>24,151</b>	<b>7,190</b>	<b>16,961</b>
<b>Individuals</b>	<b>389,603</b>	<b>6,737</b>	<b>382,866</b>	<b>17,448</b>	<b>4,146</b>	<b>13,302</b>
- Subsidised residential property	111,710	256	111,454			
- Unsubsidised residential property	277,735	6,434	271,301	17,367	4,109	13,258
- Other	158	47	111	81	37	44
<b>Individual entrepreneurs :</b>	<b>49,006</b>	<b>3,256</b>	<b>45,750</b>	<b>6,703</b>	<b>3,044</b>	<b>3,659</b>
- Subsidised residential property	20,425		20,425			
- Unsubsidised residential property	28,507	3,204	25,303	6,652	2,993	3,659
- Other	74	52	22	51	51	
<b>Loans to companies :</b>	<b>239,103</b>	<b>15,068</b>	<b>224,035</b>	<b>13,516</b>	<b>8,972</b>	<b>4,544</b>
Regional public sector (local communities)	<b>5,256</b>	<b>78</b>	<b>5,178</b>	<b>2</b>	<b>2</b>	
Social organisations	<b>48,990</b>	<b>3,273</b>	<b>45,717</b>	<b>2,915</b>	<b>2,748</b>	<b>167</b>
- Subsidised residential property	27,877	49	27,828			
- Unsubsidised residential property	18,258	497	17,761	59	21	38
- Other	2,855	2,727	128	2,856	2,727	129
Real estate professionals						
- Unsubsidised residential property						
- Other						
Real estate investors	<b>183,523</b>	<b>11,473</b>	<b>172,050</b>	<b>10,441</b>	<b>6,220</b>	<b>4,221</b>
- Subsidised residential property	164,221	4,698	159,523			
- Unsubsidised residential property	17,443	5,641	11,802	8,703	5,089	3,614
- Other	1,859	1,134	725	1,738	1,131	607
Structured financing						
- Transportation						
- Large projects						
Other	<b>1,334</b>	<b>244</b>	<b>1,090</b>	<b>158</b>	<b>2</b>	<b>156</b>
<b>Total (1)</b>	<b>677,712</b>	<b>25,061</b>	<b>625,651</b>	<b>37,667</b>	<b>16,162</b>	<b>21,505</b>

(1) Of which subsidised sector	325,313	5,041	320,272			
Of which unsubsidised residential sector	352,399	20,020	332,379	37,667	16,162	21,505

In accordance with CNC recommendation no. 2005-07 dated June 21, 2005, amending CRC Regulation no. 2002-03, as of December 31, 2005 compromised doubtful loans do not include loans benefiting from a guarantee covering virtually all risks. This applies in particular to loans in the subsidised sector and PAS loans guaranteed by the State.

*(in thousands of euros)*

Comparison December 31, 2006	Total doubtful loans			Of which compromised doubtful loans		
	GROSS	DEP.	NET	GROSS	DEP.	NET
<b>Loans to households :</b>	<b>461,653</b>	<b>11,072</b>	<b>450,581</b>	<b>29,789</b>	<b>7,010</b>	<b>22,779</b>
<b>Individuals</b>	<b>413,880</b>	<b>7,961</b>	<b>405,919</b>	<b>22,809</b>	<b>4,365</b>	<b>18,444</b>
- Subsidised residential property	104,584	159	104,425			
- Unsubsidised residential property	309,178	7,757	301,421	22,725	4,321	18,404
- Other	118	45	73	84	44	40
<b>Individual entrepreneurs :</b>	<b>47,773</b>	<b>3,111</b>	<b>44,662</b>	<b>6,980</b>	<b>2,645</b>	<b>4,335</b>
- Subsidised residential property	18,114		18,114			
- Unsubsidised residential property	29,597	3,060	26,537	6,928	2,594	4,334
- Other	62	51	11	52	51	1
<b>Loans to companies :</b>	<b>214,144</b>	<b>13,206</b>	<b>200,938</b>	<b>13,755</b>	<b>9,618</b>	<b>4,137</b>
Regional public sector (local communities)	<b>3,007</b>	<b>60</b>	<b>2,947</b>	<b>9</b>	<b>2</b>	<b>6</b>
Social organisations	<b>42,746</b>	<b>3,375</b>	<b>39,371</b>	<b>3,248</b>	<b>3,113</b>	<b>135</b>
- Subsidised residential property	27,815		27,815			
- Unsubsidised residential property	11,715	287	11,428	32	25	7
- Other	3,216	3,088	128	3,216	3,088	128
Real estate professionals						
- Unsubsidised residential property						
- Other						
Real estate investors	<b>167,335</b>	<b>9,751</b>	<b>157,584</b>	<b>10,340</b>	<b>6,499</b>	<b>3,841</b>
- Subsidised residential property	149,071	2,811	142,260			
- Unsubsidised residential property	16,146	5,774	10,372	8,535	5,335	3,200
- Other	2,118	1,166	952	1,805	1,164	641
Structured financing						
- Transportation						
- Large projects						
Other	<b>1,056</b>	<b>20</b>	<b>1,036</b>	<b>158</b>	<b>3</b>	<b>155</b>
<b>Total (1)</b>	<b>675,797</b>	<b>24,278</b>	<b>651,519</b>	<b>43,544</b>	<b>16,628</b>	<b>26,916</b>

(1) Of which subsidised sector	300,682	2,971	297,111			
Of which unsubsidised residential sector	375,115	21,307	353,808	43,544	16,628	26,916

### Note 3 : Due to banks

(in thousands of euros)

	06/30/2007	06/30/2006	12/31/2006
<b>DUE TO NON-GROUP BANKS</b>			
<u>On demand</u>			
Current accounts		1,720	
Other amounts due	141	6,124	317
Related payables			
<b>Sub-total</b>	<b>141</b>	<b>7,844</b>	<b>317</b>
<u>At maturity</u>			
At maturity (1) (2)	1,497,651	257,596	175,970
Related payables	5,651	6,906	4,832
<b>Sub-total</b>	<b>1,503,302</b>	<b>264,502</b>	<b>180,802</b>
<b>TOTAL DUE TO NON-GROUP BANKS</b>	<b>1,503,443</b>	<b>272,346</b>	<b>181,119</b>
<b>DUE TO GROUP BANKS</b>			
<u>On demand</u>	4,983	601	9,844
<u>At maturity</u>	1,573,252	974,041	1,275,740
<b>TOTAL DUE TO GROUP BANKS</b>	<b>1,578,235</b>	<b>974,642</b>	<b>1,285,584</b>
<b>GRAND TOTAL</b>	<b>3,081,678</b>	<b>1,246,988</b>	<b>1,466,703</b>

(1) Of which subsidised sector	18,854	95,180	18,854
(2) Of which repurchase agreements	1,330,189		

## Note 4 : Customer deposits

(in thousands of euros)

	06/30/2007	06/30/2006	12/31/2006
<b>Other liabilities</b>			
On demand			
Customer current accounts			
Other amounts due to customers	3,931	27,823	122,416
<b>Total</b>	<b>3,931</b>	<b>27,823</b>	<b>122,416</b>

## Note 5 : Debt securities

(in thousands of euros)

	06/30/2007	06/30/2006	12/31/2006
Negotiable debt securities (1)	246,120	278,449	241,924
Mortgage bonds (“ <i>Obligations foncières</i> ”) (2)	70,149,309	55,795,633	60,167,293
Related payables	1,387,600	1,056,533	1,521,335
<b>Grand Total</b>	<b>71,783,029</b>	<b>57,130,615</b>	<b>61,930,552</b>

(1) Of which subsidised sector	41,923	41,923	41,923
(2) Of which subsidised sector *	1,206,232	2,456,320	1,668,777

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

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

## Note 6 : Subordinated debt

### 1) Amounts in financial statements (in thousands of euros)

Description	Amount at 06/30/07	Amount at 06/30/06	Amount at 12/31/06
Reimbursable subordinated instruments "TSR"	900,000	900,000	900,000
Subordinated participating loan	1,350,000	1,350,000	1,350,000
Related payables	42,750	33,956	550
<b>Total subordinated debt</b>	<b>2,292,750</b>	<b>2,283,956</b>	<b>2,250,550</b>

### 2) Detailed information concerning subordinated debt

#### a) Financial characteristics

Description	Date of issue	Maturity date	Rate	Repayment terms	Amount at 06/30/07
Reimbursable subordinated instruments "TSR"	12/30/2003	12/30/2043	Euribor 3 months +0,5%	At maturity	900,000
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

#### 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 reimbursable subordinated instruments "TSR"

The "TSRs" 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 "TSRs" 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 "TSRs" are cancelled. Nevertheless, if Crédit Foncier were to sell these securities to entities outside the Group, they would become representative of shareholder's equity and their purchase would require the prior agreement of the French Banking Authority [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 lower 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, the 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 reimbursable subordinated instruments "TSR"

Any interest not paid is carried over as unsecured debt.

## Note 7 : Change in shareholders' equity

(in thousands of euros)

	Opening balance 01/01/06	Allocations	Changes in capital and reserves		Balance at 12/31/06	Allocations	Changes in capital and reserves		Balance at 06/30/07
			Dividends paid in shares	Other changes			Dividends paid in shares	Other changes	
Capital stock (1)	100,000		22,000		132,000		22,000		154,000
Share premiums (1)	144,223		65,519		209,742		61,325		271,067
Reserves									
- Legal reserve	11,000	2,200			13,200	2,200			15,400
- General reserve	55,517				55,517				55,517
- Regulated reserves									
Of which :									
<i>Regulated revaluation reserves</i>									
<i>Special long-term capital gains reserves</i>									
Retained earnings	30,923	-3,783		-266	26,874	-23,183			3,691
<b>Net shareholders' equity before income for the period</b>	<b>351,663</b>	<b>-1,583</b>	<b>87,519</b>	<b>-266</b>	<b>437,333</b>	<b>-20,983</b>	<b>83,325</b>		<b>499,675</b>
Income for the period before distribution	85,936				62,342				21,540
<b>Net shareholders' equity after income for the period</b>	<b>437,599</b>	<b>-1,583</b>	<b>87,519</b>	<b>-266</b>	<b>499,675</b>	<b>-20,983</b>	<b>83.325</b>		<b>521,215</b>
Dividends distributed		35,687				87,519			
	<b>Opening balance 01/01/06</b>	<b>Allocations</b>	<b>Changes in provisions</b>		<b>Balance at 12/31/06</b>	<b>Allocations</b>	<b>Changes in provisions</b>		<b>Balance at 06/30/07</b>
			<b>Increases</b>	<b>Reversals</b>			<b>Increases</b>	<b>Reversals</b>	
Regulated revaluation reserves									
Other regulated reserves									
<b>Regulated reserves</b>									
<b>Amount of shareholders' equity before dividends</b>	<b>437,599</b>	<b>-1,583</b>	<b>87,519</b>	<b>-266</b>	<b>499,675</b>	<b>-20,983</b>	<b>83.325</b>		<b>521,215</b>
	<b>Opening balance 01/01/06</b>	<b>Allocations</b>	<b>Changes in FRBG</b>		<b>Balance at 12/31/06</b>	<b>Allocations</b>	<b>Changes in FRBG</b>		<b>Balance at 06/30/07</b>
			<b>Increases</b>	<b>Reversals</b>			<b>Increases</b>	<b>Reversals</b>	
Fund for general banking risks	20,000				20,000				20,000
<b>TOTAL</b>	<b>457,599</b>	<b>-1,583</b>	<b>87,519</b>	<b>-266</b>	<b>519,675</b>	<b>-20,983</b>	<b>83.325</b>		<b>541,215</b>

(1) The capital stock at June 30, 2007 consists of 9,625,000 ordinary shares with a par value of 16 euros, which all benefit from the same rights. No revaluation has been carried out to date

## Note 8 : Commitments given

### FINANCING COMMITMENTS

(In thousands of euros)

	06/30/2007		06/30/2006		12/31/2006	
	Net authorisations	Amounts not drawn down	Net authorisations	Amounts not drawn down	Net authorisations	Amounts not drawn down
<b><u>Subsidised sector</u></b>						
NON-GROUP COMMITMENTS						
Banks						
Customers				151		8
GROUP COMMITMENTS						
		-		-		-
<b>Sub-total subsidised sector</b>				<b>151</b>		<b>8</b>
<b><u>Competitive sector</u></b>						
NON-GROUP COMMITMENTS						
Banks	96,659		19,142			-
Customers (1)	370,824	7,591,505	281,904	698,497	498,927	1,215,757
GROUP COMMITMENTS						
		-		-		-
<b>Sub-total competitive sector</b>	<b>467,483</b>	<b>7,591,505</b>	<b>301,046</b>	<b>698,497</b>	<b>498,927</b>	<b>1,215,757</b>
	467,483	7,591,505	301,046	698,648	498,927	1,215,765
<b>Total</b>	<b>8,058,988</b>		<b>999,694</b>		<b>1,714,692</b>	

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) Of which doubtful commitments: €2,426 K at 06/30/2007, €1,554 K at 06/30/2006 and €2,033 K at 12/31/2006.

## Note 9 : Commitments received

*(in thousands of euros)*

	06/30/2007	06/30/2006	12/31/2006
<b>Financing commitments</b>			
NON-GROUP COMMITMENTS			
Banks	193,013	260,000	40,000
<b>Sub-total</b>	<b>193,013</b>	<b>260,000</b>	<b>40,000</b>
GROUP COMMITMENTS (1)	581,370	1,221,338	591,472
<b>Total</b>	<b>774,383</b>	<b>1,481,338</b>	<b>631,472</b>
<b>Guarantee commitments</b>			
NON-GROUP COMMITMENTS			
Banks (2)	1,727,061	547,973	1,102,765
Customers (3)	19,887,827	16,606,708	18,561,261
<b>Sub-total</b>	<b>21,614,888</b>	<b>17,154,651</b>	<b>19,664,026</b>
GROUP COMMITMENTS (4)	9,687,766	4,067,277	3,917,003
<b>Total</b>	<b>31,302,654</b>	<b>21,221,928</b>	<b>23,581,029</b>
<b>Commitments on securities</b>	<b>793,487</b>		
<b>Total commitments received (5)</b>	<b>32,870,524</b>	<b>22,703,266</b>	<b>24,212,501</b>

(1) At June 30, 2007 group commitments include a €500,000 K line of credit granted by Crédit Foncier and securitisation unit repurchase agreements amounting to €81,370 K.

(2) Of which €750,112 K rated at least AA/Aa2. The rest rated at least AAA

(3) In fiscal year 2003, Compagnie de Financement Foncier began recognising guarantees that are explicitly or implicitly attached to certain types of customer loans on the balance sheet according to their materiality.

At June 30, 2007, these guarantees are broken down as follows:

- Government guarantees on subsidised sector loans: €2,267,840 K
- SFGAS guarantees on FGAS-eligible loans assumed by the State: €6,891,042 K
- Mortgage guarantees for mortgage loans benefiting from only one such guarantee: €9,016,248 K
- Guarantees granted by local municipalities and other entities: €1,712,697 K

(4) Guarantee commitment received in connection with the establishment of a credit risk transfer transaction, indirectly on a German public entity rated AAA, for €1,838,799k, €2,062,141k related to commitments received by CIFG, €150,000k guarantee on LTI Région Ile de France as well as a guaranteed received from the CNCE on public sector loans acquired from IXIS for €5,635,776k at 30 June 2007.

(5) CFF is also covered by implicit guarantees of €544,024k on securities with integrated credit enhancements

## Note 10 : Foreign currency transactions

*(in thousands of euros)*

	06/30/2007		06/30/2006		12/31/2006	
	Currency receivable	Currency payable	Currency receivable	Currency payable	Currency receivable	Currency payable
<b>FORWARD TRANSACTIONS</b>						
<u>Transactions directly with counterparties (1)</u>						
<u>Hedging transactions</u>						
Financial swaps						
Micro-hedging transactions						
Subsidised sector	148,368	161,891	216,732	249,780	223,380	249,780
Unsubsidised sector	17,715,635	18,573,197	13,812,290	14,365,927	14,025,118	14,700,040
Macro-hedging transactions						
Subsidised sector						
Unsubsidised sector						
Exchange swaps						
Subsidised sector						
Unsubsidised sector			31,904	31,970	-	-
Total hedging transactions	17,864,003	18,735,088	14,060,926	14,647,677	14,248,498	14,949,820
<b>FORWARD TRANSACTIONS (nominal amounts)</b>	<b>17,864,003</b>	<b>18,735,088</b>	<b>14,060,926</b>	<b>14,647,677</b>	<b>14,248,498</b>	<b>14,949,820</b>
<b>FORWARD TRANSACTIONS (fair value) (2)</b>	<b>-1,236,104</b>	<b>-</b>	<b>-763,157</b>	<b>-</b>	<b>-537,473</b>	<b>-</b>
<b>CURRENT CASH TRANSACTIONS</b>	12,537	12,559	19,142	19,230	-	-
<b>TOTAL FOREIGN CURRENCY CASH TRANSACTIONS</b>	<b>17,876,540</b>	<b>18,747,647</b>	<b>14,080,068</b>	<b>14,666,907</b>	<b>14,248,498</b>	<b>14,949,820</b>
<b>TOTAL</b>	<b>36,624,187</b>		<b>28,746,975</b>		<b>29,198,318</b>	

(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 Nov. 23, 2004 regarding information to be provided further to the transposition of the European directives, "Fair Value" et "Modernisation".

## Note 11 : Forward financial instruments

*(in thousands of euros)*

	06/30/2007		06/30/2006		12/31/2006	
	Euros (1)	Other currencies (2)	Euros (1)	Other currencies (2)	Euros (1)	Other currencies (2)
<b>TRANSACTIONS DIRECTLY WITH COUNTERPARTIES (3)</b>						
<b><u>CONDITIONAL TRANSACTIONS</u></b>						
<b>Micro-hedging transactions</b>						
Purchases (4)			1,457,957			
Sales	17,532		21,343		18,294	
<b>Macro-hedging transactions</b>						
Purchases (4)	1,238,320				1,334,523	
Sales						
<b>Other conditional transactions</b>						
Purchases						
Sales						
<b>CONDITIONAL TRANSACTIONS (nominal amounts)</b>	<b>1,255,852</b>		<b>1,479,300</b>		<b>1,352,817</b>	
<b>CONDITIONAL TRANSACTIONS (fair value) (4)</b>	<b>10,439</b>		<b>6,736</b>		<b>5,452</b>	
<b><u>FIRM TRANSACTIONS</u></b>						
<b>Micro-hedging transactions</b>	<b>75,809,070</b>	<b>357,148</b>	<b>64,797,689</b>	<b>352,784</b>	<b>63,555,478</b>	<b>360,072</b>
Interest rate instruments	75,809,070	357,148	64,797,689	352,784	63,555,478	360,072
Exchange rate instruments						
Other instruments						
<b>Macro-hedging transactions</b>	<b>21,841,333</b>		<b>12,947,039</b>		<b>20,545,271</b>	
Interest rate instruments	21,841,333		12,947,039		20,545,271	
Exchange rate instruments						
Other instruments						
<b>Other transactions</b>						
Interest rate instruments						
Exchange rate instruments						
Other instruments						
<b>FIRM TRANSACTIONS (nominal amounts)</b>	<b>97,650,403</b>	<b>357,148</b>	<b>77,744,728</b>	<b>352,784</b>	<b>84,100,749</b>	<b>360,072</b>
<b>FIRM TRANSACTIONS (fair value) (5)</b>	<b>-650,104</b>	<b>7,492</b>	<b>713,621</b>		<b>709,187</b>	<b>1,798</b>
<b>FIRM AND CONDITIONAL TRANSACTIONS</b>	<b>98,906,255</b>	<b>357,148</b>	<b>79,224,028</b>	<b>352,784</b>	<b>85,453,566</b>	<b>360,072</b>
<b>TOTAL (6) (nominal amounts)</b>	<b>99,263,403</b>		<b>79,576,812</b>		<b>85,813,638</b>	
<b>TOTAL (4) (fair value)</b>	<b>-632,173</b>		<b>720,357</b>		<b>716,437</b>	

(1) Euro equivalent for currencies that became the euro.

(2) Euro equivalent for non-euro currencies.

(3) Compagnie de Financement Foncier does not transact any forward financial instruments on regulated markets.

(4) At the end of 2006, the Company reclassified as macro-hedging cap rate contracts, previously classified as micro-hedging.

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

(6) At June 30, 2007, there were no outstanding doubtful loans relating to transactions on financial instruments.

## NOTES TO THE INCOME STATEMENT

### NOTE 12 – INTEREST AND SIMILAR INCOME (1) (2)

*(in thousands of euros)*

	06/30/2007	06/30/2006	12/31/2006
- On transactions with banks	125,196	88,156	204,329
- On transactions with customers	614,743	560,897	1,195,288
- On bonds and other fixed income securities	897,967	729,533	1,691,496
- Other interest and similar income		112	
<b>Total</b>	<b>1,637,906</b>	<b>1,378,698</b>	<b>3,091,113</b>

*(1) Of which income from the subsidised sector*

103,875

163,566

321,119

*(2) Of which reversals of discounts on restructured loans under non-market conditions*

3

4

### NOTE 13 – INTEREST AND SIMILAR EXPENSES (1)

*(in thousands of euros)*

	06/30/2007	06/30/2006	12/31/2006
- On transactions with banks	-45,734	-34,962	-75,494
- On transactions with customers	-484	-25,161	
- On bonds and other fixed income securities	-1,427,274	-1,123,604	-2,465,472
- Related to subordinated debt	-61,849	-47,881	-104,527
- Other interest and similar expenses	-20,502	-55,217	-260,184
<b>Total</b>	<b>-1,555,843</b>	<b>-1,286,825</b>	<b>-2,905,677</b>

*(1) Of which expenses from the subsidised sector*

-86,968

-140,217

-274,911

### NOTE 14 – NET COMMISSIONS AND FEES

*(in thousands of euros)*

	06/30/2007	06/30/2006	12/31/2006
<b>Income</b>	<b>18,348</b>	<b>23,341</b>	<b>39,827</b>
- On transactions with banks	2	2	2
- On customers transactions	8,412	12,440	25,402
- Transfer of loan issuance costs/expenses	9,801	9,728	12,497
- On securities transactions			
- Other commissions and fees	133	1,171	1,926
<b>Expenses :</b>	<b>-11,720</b>	<b>-10,886</b>	<b>-15,565</b>
- On transactions with banks	-135	-26	-72
- On customers transactions	-82	-352	-512
- On securities transactions (1)	-9,887	-9,905	-12,809
- On payment method transactions		-1	-18
- Other commissions and fees	-1,616	-602	-2,154
<b>Net balance</b>	<b>6,628</b>	<b>12,455</b>	<b>24,262</b>

*(1) Of which loan issue costs*

-9,801

-9,728

-12,809

**NOTE 15 – GAINS AND LOSSES ON TRADING PORTFOLIO TRANSACTIONS**

*(in thousands of euros)*

	06/30/2007	06/30/2006	12/31/2006
<b>Foreign exchange and arbitrage transactions :</b>	<b>-393</b>	<b>-799</b>	<b>-1,207</b>
- Gains on foreign exchange and arbitrage transactions	447	163	326
- Losses on foreign exchange and arbitrage transactions	-840	-952	-1,533
<b>Forward financial instrument transactions :</b>			
- Income from forward financial instruments			
- Expenses on forward financial instruments			
- Reversals in provisions for unrealised losses on forward financial instruments			
- Increases in provisions for unrealised losses on forward financial instruments			
<b>Net balance</b>	<b>-393</b>	<b>-789</b>	<b>-1,207</b>

**NOTE 16 – GAINS AND LOSSES ON INVESTMENT SECURITIES TRANSACTIONS**

*(in thousands of euros)*

	06/30/2007	06/30/2006	12/31/2006
- Gains on disposal			
- Losses on disposal			
- Reversals in provisions for loss of value	-58		22
- Increases in provisions for loss of value	37	-21	-27
<b>Net balance</b>	<b>-21</b>	<b>-21</b>	<b>-5</b>

**NOTE 17 – OTHER INCOME FROM BANKING OPERATIONS**

*(in thousands of euros)*

	06/30/2007	06/30/2006	12/31/2006
<b>Reversals of provisions relating to banking transactions :</b>			
- Provisions for amortisation of loans (1)		822	822
- Provision for claims and litigation on banking transactions			332
<b>Other income from banking operations :</b>			
- Transfer of operating expenses			
* Flat-rate commissions on PAS loans			0
- Other sundry income from banking operations (2)	2,151	76	106
<b>Total</b>	<b>2,151</b>	<b>898</b>	<b>1,260</b>

(1) Of which subsidised sector

(2) In 2007, the surplus paid out by the FGAS and resulting from up-front payments (*commissions flat*) to the aforementioned reserve for PAS loans between 1993 and 2002 amounted to €1,886 K

-	-	-
1,886	-	-

**NOTE 18 – OTHER EXPENSES ON BANKING OPERATIONS**

*(in thousands of euros)*

	<b>06/30/2007</b>	<b>06/30/2006</b>	<b>12/31/2006</b>
<b>Increases in depreciations relating to banking operations :</b>	-	-	-
<b>Other expenses on banking operations :</b>			
- Commissions on PAS and PTZ loans paid to FGAS	-	-	-
- Amortisation of loan issuance expenses	-5,148	-4,453	-10,389
- Amortisation of the correcting account on PC and PAS loans	-1,745	-2,403	-4,486
- Other sundry expenses from banking operations	-2	-103	-110
<b>Total</b>	<b>-6,895</b>	<b>-6,959</b>	<b>-14,002</b>

**NOTE 19 – GENERAL OPERATING EXPENSES**

*(in thousands of euros)*

	<b>06/30/2007</b>	<b>06/30/2006</b>	<b>12/31/2006</b>
- Personnel expenses	-7	-137	-196
- Taxes and duties	-4,108	-4,537	-8,043
- External services	-2,561	-1,095	-3,848
- Expenses invoiced by Crédit Foncier de France	-40,913	-39,502	-83,500
<b>Total</b>	<b>-47,589</b>	<b>-45,271</b>	<b>-95,587</b>

**NOTE 20 – COST OF RISK**

*(in thousands of euros)*

	<b>06/30/2007</b>	<b>06/30/2006</b>	<b>12/31/2006</b>
<b>Depreciations, provisions and losses on doubtful loans :</b>	<b>-2,424</b>	<b>-1,200</b>	<b>1,807</b>
- Increases in depreciations and provisions (See note 20a)	-6,114	-6,367	-35,589
- Reversals of depreciations and provisions (See note 20b)	4,041	5,607	38,007
- Losses not covered by depreciations and provisions	-341	-440	-611
<b>Bad debt losses :</b>			
- Losses covered by depreciations and provisions	-698	-156	-515
- Reversals of depreciations and provisions used	698	156	515
<b>Recoveries on loans written off</b>	<b>2,099</b>	<b>456</b>	<b>900</b>
<b>Net balance</b>	<b>-325</b>	<b>-744</b>	<b>2,707</b>

**NOTE 20a – INCREASES IN DEPRECIATIONS AND PROVISIONS FOR DOUBTFUL LOANS***(in thousands of euros)*

	<b>06/30/2007</b>	<b>06/30/2006</b>	<b>12/31/2006</b>
<b>Depreciations for doubtful loans :</b>			
- Depreciations for loans to customers	-4,000	-6,295	-35,517
<b>Provisions– Cost of risk</b>			
- Provisions for losses and charges on commitments			
- Provisions for counterparty risks	-2,114	-72	-72
<b>Total</b>	<b>-6,114</b>	<b>-6,367</b>	<b>-35,589</b>

**NOTE 20b – REVERSALS IN DEPRECIATIONS AND PROVISIONS FOR DOUBTFUL LOANS***(in thousands of euros)*

	<b>06/30/2007</b>	<b>06/30/2006</b>	<b>12/31/2006</b>
<b>Depreciations for doubtful loans</b>			
- Depreciations for loans to banks			
- Depreciations for loans to customers	2,036	5,065	35,230
<b>Provisions– Cost of risk</b>			
- Provisions for losses and charges on commitments			
- Provisions for counterparty risks	2,005	542	3,292
<b>Total</b>	<b>4,041</b>	<b>5,607</b>	<b>38,522</b>

## Note 21 : Transactions with related enterprises and other investments

(in thousands of euros)

	Related enterprises		Other investments	Total
	Group	Non-group		
<b>Transactions with banks</b>				
Loans receivable				
- On demand	81,030			81,030
- At maturity	3,265,783			3,265,783
Loans payable				
- On demand	4,983			4,983
- At maturity	1,573,252			1,573,252
Commitments given				
- Financing				
- Guarantee				
Commitments received				
- Financing	581,370			581,370
- Guarantee	9,687,766			9,687,766
<b>Transactions with customers</b>	-			-
<b>Securities transactions</b>				
Bonds and other fixed income securities	10,068,971			10,068,971
Debt securities	-			-
Subordinated debt	2,292,750			2,292,750

## Note 22: Schedule of foreign exchange positions

C.O.B. Recommendation 89.01

Headings	Canadian \$	Australian \$	US \$	Hong-Kong \$	£ Sterling	Swiss franc	Yen	South African Rand	New Zealand \$	Brasilian Real	Other (1)	Total
<b>Balance Sheet</b>												
Financial assets	46 868	15 672	863 549	830	106 818	989 724	653 818	3 811	53 714	5 654	13 537	3 142 763
Financial liabilities	568 061	846 612	7 367 932	102 092	2 553 397	2 170 309	1 002 565	62 994	60	211 393	196	15 274 387
<b>Balance sheet differential (I)</b>	<b>- 521 193</b>	<b>-830 940</b>	<b>- 6 504 383</b>	<b>- 101 262</b>	<b>- 2 446 579</b>	<b>- 1 180 585</b>	<b>- 348 747</b>	<b>- 59 183</b>	<b>53 654</b>	<b>- 205 739</b>	<b>13 341</b>	<b>- 12 131 624</b>
<b>Off-balance sheet</b>												
Commitments received	561 600	830 973	7 380 627	101 261	2 803 378	2 589 138	1 461 789	59 183		205 739	13 072	15 910 764
Commitments given	40 361		875 951		356 790	1 408 594	1 112 980		53 631		26 401	3 778 722
<b>Off balance sheet differential (II)</b>	<b>521 239</b>	<b>830 973</b>	<b>6 504 676</b>	<b>101 261</b>	<b>2 446 588</b>	<b>1 180 544</b>	<b>348 809</b>	<b>59 183</b>	<b>- 53 631</b>	<b>205 739</b>	<b>- 13 329</b>	<b>12 132 042</b>
<b>Overall differential (I) + (II)</b>	<b>46</b>	<b>33</b>	<b>293</b>	<b>- 1</b>	<b>9</b>	<b>- 41</b>	<b>62</b>	<b>0</b>	<b>23</b>	<b>0</b>	<b>12</b>	<b>418</b>

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 the French State.

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

## NOTE 23: 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 documents as part of the Finance and Banking Regulatory Committee (Comité de la Réglementation Bancaire et Financière).

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 depreciations, provisions, other transactions without cash payments (such as expenses payable and accrued income).
- \* Cash flow related to operating, investment, and financing activities is determined by the difference between items in the financial statements of the previous year and those of the current year.
- \* Transactions concerning capital that do not generate cash flow or have no impact on income are neutral: payment of dividends in shares, 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 credit foncier*.

Operating activities include:

- \* The acquisition of eligible loans
- \* The acquisition of securitisation units, shares in public authorities
- \* 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)

	06/30/2007	06/30/06	2006
<b>Operating activities</b>			
Net income for the year	21,540	28,541	62,342
Restatement of earnings, related to operating activities			
Tangible and intangible fixed assets, excluding goodwill	3,125	3,735	7,470
Net depreciations / customers and banks	-2,562	-595	-1,378
Net depreciations / short-term investment securities	21	21	-261
Net provisions for risks / loans	37	13,414	-757
Net gain on sale of fixed assets			
Other transactions without cash payments	163,279	539,433	795,357
Cash flow on loans to banks and customers	-6,412,933	-2,040,736	-4,243,247
Cash flow on short-term investment securities	-409,781	-1,201,079	-1,946,165
Cash flow on long-term investment securities	-3,898,977	-3,679,646	-6,224,835
Cash flow on other assets	334,564	-289,978	-400,632
Cash flow on debts / banks and customers	1,495,982	-39,241	273,947
Net borrowing	9,982,016	7,095,975	11,431,109
Cash flow on other liabilities	-1,272,873	-337,710	83,064
<b>Net cash flow used for operating activities</b>	<b>3,418</b>	<b>92,134</b>	<b>-163,986</b>
<b>Investment activities</b>			
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			
<b>Net cash flow used for investment activities</b>			
<b>Financing activities</b>			
Cash flow from share issues	62,342	85,936	85,936
Dividends paid	-62,342	-85,936	-85,936
Net issue of subordinated debt			
Other			
<b>Net cash flow from financing activities</b>			
<b>Net change in cash position</b>	<b>3,418</b>	<b>92,134</b>	<b>-163,986</b>
Cash position at start of year	107,810	271,796	271,796
Cash position at end of year	111,228	363,930	107,810
net	3,418	92,134	-163,986
Cash	7,280	166,851	4,725
Treasury notes	-	-	-
Due to banks at maturity	103,948	197,079	103,085
	111,228	363,930	107,810

#### **4. STATUTORY AUDITORS' REVIEW REPORT ON THE INTERIM FINANCIAL STATEMENTS AT JUNE 2007**

##### **STATUTORY AUDITORS' REVIEW REPORT ON THE INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2007**

*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.*

### **Compagnie de Financement Foncier**

19, rue des Capucines  
75001 Paris

To the Shareholders,

In our capacity as Statutory Auditors of the Company and in compliance with the assignment entrusted to us, we have performed a review of the accompanying interim financial statements of Compagnie de Financement Foncier for the six months ended 30 June 2007.

These interim financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

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.

## **Compagnie de Financement Foncier**

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Based on our limited review, nothing has come to our attention that causes us to believe that the interim financial statements are not presented fairly, in all material respects, in accordance with French accounting rules and principles, or that they do not give a true and fair view of the Company's financial position and its assets and liabilities, as of 30 June 2007, and of the results of its operations for the period then ended.

**Paris La Défense and Neuilly-sur-Seine, 25 October 2007**

The Statutory Auditors

**KPMG Audit**  
*Division of KPMG SA*

**PricewaterhouseCoopers Audit**

Philippe Saint-Pierre

Rémy Tabuteau

Anik Chaumartin

**KPMG Audit**  
Immeuble KPMG  
1, cours Valmy  
92923 Paris La Défense Cedex

**PricewaterhouseCoopers Audit**  
63, rue de Villiers  
92200 Neuilly-sur-Seine

RAPPORT DES COMMISSAIRES AUX COMPTES  
SUR L'EXAMEN LIMITE DES COMPTES  
SEMESTRIELS AU 30 JUIN 2007

Aux actionnaires

**Compagnie de Financement Foncier**

19, rue des Capucines  
75001 Paris

Mesdames, Messieurs,

A la suite de la demande qui nous a été faite et en notre qualité de commissaires aux comptes de la Compagnie de Financement Foncier, nous avons procédé à l'examen limité des comptes semestriels de la Compagnie de Financement Foncier relatifs à la période du 1er janvier au 30 juin 2007, tels qu'ils sont joints au présent rapport.

Ces comptes semestriels ont été établis sous la responsabilité du Conseil d'Administration. Il nous appartient, sur la base de notre examen limité, d'exprimer notre conclusion sur ces comptes.

Nous avons effectué notre examen limité selon les normes professionnelles applicables en France. Un examen limité de comptes intermédiaires consiste à obtenir les informations estimées nécessaires, principalement auprès des personnes responsables des aspects comptables et financiers, et à mettre en œuvre des procédures analytiques ainsi que toute autre procédure appropriée. Un examen de cette nature ne comprend pas tous les contrôles propres à un audit effectué selon les normes professionnelles applicables en France. Il ne permet donc pas d'obtenir l'assurance d'avoir identifié tous les points significatifs qui auraient pu l'être dans le cadre d'un audit et, de ce fait, nous n'exprimons pas une opinion d'audit.

## **Compagnie de Financement Foncier**

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Sur la base de notre examen limité, nous n'avons pas relevé d'anomalies significatives de nature à remettre en cause, au regard règles et principes comptables français, la régularité et la sincérité des comptes semestriels et l'image fidèle qu'ils donnent du patrimoine, de la situation financière ainsi que du résultat de la société à la fin de cette période.

**Paris la Défense et Neuilly-sur-Seine, le 25 octobre 2007**

Les Commissaires aux comptes

**KPMG Audit**  
*Département de KPMG S.A.*

**PricewaterhouseCoopers Audit**

Philippe Saint-Pierre

Rémy Tabuteau

Anik Chaumartin

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

### In the name of the Issuer

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

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

Compagnie de Financement Foncier  
19, rue des Capucines  
75001 Paris  
France

Duly represented by: François VEVERKA  
Directeur Général / C.E.O.  
Duly authorised



### *Autorité des marchés financiers*

In accordance with Articles L.412-1 and L.621-8 of the French *Code monétaire et financier* and with the General Regulations (*Règlement général*) of the *Autorité des marchés financiers* (AMF), in particular Articles 212-31 to 212-33, the AMF has granted to this Second Prospectus Supplement the visa No. 07-376 on 29 October 2007. This document and the Base Prospectus may only be used for the purposes of a financial transaction if completed by Final Terms. It was prepared by the Issuer and its signatories assume responsibility for it. In accordance with Article L.621-8-1-I of the French *Code monétaire et financier*, the visa was granted following an examination by the AMF of "whether the document is complete and comprehensible, and whether the information it contains is coherent". It does not imply that the AMF has verified the accounting and financial data set out in it. This visa has been granted subject to the publication of Final Terms in accordance with Article 212-32 of the AMF's General Regulations, setting out the terms of the securities being issued.