

Prospectus dated 15 March 2006



**Crédit Logement**  
**€800,000,000**  
**Undated Deeply Subordinated Non Cumulative Fixed to Floating Rate Notes**  
**Eligible as Tier 1 Regulatory Capital**

**Issue Price: 100 per cent.**

The €800,000,000 Undated Deeply Subordinated Non Cumulative Fixed to Floating Rate Notes (the "Notes") of Crédit Logement (the "Issuer") will be issued outside the Republic of France on 16 March 2006 (the "Issue Date").

The principal of and interest on the Notes will constitute direct, unconditional, unsecured, undated and lowest ranking subordinated obligations (*titres subordonnés de dernier rang*) of the Issuer and, subject to certain exceptions, rank and will rank *pari passu* and without any preference among themselves and equally and ratably with all other present or future Parity Securities (as defined in "Terms and Conditions of the Notes - Definitions"), behind to any *prêts participatifs* granted to, and *titres participatifs* issued by, the Issuer, Ordinary Subordinated Obligations (as defined in "Terms and Conditions of the Notes - Definitions") and Unsubordinated Obligations (as defined in "Terms and Conditions of the Notes - Definitions"), but in priority to Equity Securities (as defined in "Terms and Conditions of the Notes - Definitions"), as more fully described in "Terms and Conditions of the Notes - Status".

Each Note will bear interest on its then Principal Amount at a rate of 4.604 per cent. per annum from, and including, the Issue Date to, but excluding, 16 March 2011 (the "First Call Date"), payable annually in arrear on 16 March of each year and thereafter, at a rate per annum equal to the European inter-bank offered rate for three month euro deposits ("Euribor") plus 1.15 per cent. per annum, payable quarterly in arrear on the Floating Interest Payment Dates (as defined herein) falling on 16 March, 16 June, 16 September and 16 December, commencing on 16 June 2011, all as set out in "Terms and Conditions of the Notes - Interest".

For so long as the mandatory interest provisions do not apply, the Issuer may elect not to pay interest on the Notes, in particular with a view to allowing the Issuer to ensure the continuity of its activity without weakening its financial structure. Any interest not so paid shall be lost and shall no longer be due and payable by the Issuer (See "Terms and Conditions of the Notes - Interest"). In addition, the Issuer shall be required, in certain circumstances, to reduce the then principal amount of the Notes. The amount of any such reduction of principal may in certain circumstances be reinstated, as more fully described in "Terms and Conditions of the Notes - Loss Absorption and Reinstatement".

The Notes are undated and have no fixed maturity date. The Issuer may at its option, with the prior written consent of the *Secrétariat Général de la Commission Bancaire* ("SGCB"), redeem all, but not some only, of the Notes at their Original Principal Amount, together with accrued interest thereon, on the First Call Date or on any subsequent Interest Payment Date, as more fully described in "Terms and Conditions of the Notes - Redemption and Purchase - Redemption at the Option of the Issuer". In addition, the Issuer may, and in certain circumstances shall, with the prior written consent of the SGCB, redeem all, but not some only, of the Notes at their original principal amount, together with accrued interest thereon, for certain taxation and regulatory reasons, as more fully described in "Terms and Conditions of the Notes - Redemption and Purchase - Redemption for Taxation Reasons - Redemption for Regulatory Reasons".

**See "Risk Factors" below for certain information relevant to an investment in the Notes.**

Application has been made to the Luxembourg *Commission de Surveillance du Secteur Financier* (the "CSSF"), which is the Luxembourg competent authority for the purpose of Directive 2003/71/EC (the "Prospectus Directive"), for its approval of this Prospectus. Application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to trading on the Luxembourg Stock Exchange's Regulated Market, which is a regulated market within the meaning of Directive 2004/39/EC and to be listed on the Luxembourg Stock Exchange.

The Notes will on the Issue Date be inscribed (*inscription en compte*) in the books of Euroclear France which shall credit the accounts of the Account Holders (as defined in "Terms and Conditions of the Notes - Form, Denomination and Title") including Euroclear Bank SA/N.V., as operator of the Euroclear System ("Euroclear") and the depository bank for Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg"). The Notes have been accepted for clearance through Euroclear France, Clearstream, Luxembourg and Euroclear.

The Notes are issued in dematerialised bearer form in the denomination of €50,000 each and will at all times be represented in book entry form (*dématérialisé*) in the books of the Account Holders in compliance with article L.211-4 of the French *Code monétaire et financier*. No physical document of title will be issued in respect of the Notes.

The Notes have been assigned a rating of A1 by Moody's Investors Service, Inc. and of A+ by Standard & Poor's rating Service. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the relevant rating agency. A revision, suspension, reduction or withdrawal of a rating may adversely affect the market price of the Notes.

**JOINT BOOKRUNNERS AND  
JOINT-LEAD MANAGERS**

**BNP PARIBAS**  
*Structuring Adviser*

**HSBC**

**SOCIETE GENERALE**  
**CORPORATE & INVESTMENT  
BANKING**

*This prospectus constitutes a prospectus (the "**Prospectus**") for the purposes of Article 5.3 of the Prospectus Directive and the Luxembourg law on prospectuses for securities of 10 July 2005 implementing the Prospectus Directive in Luxembourg.*

*The Issuer, having made all reasonable enquiries, confirms that this Prospectus contains or otherwise incorporates by reference all information with respect to the Issuer and the Notes which is material in the context of the issue and offering of the Notes; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions or intentions expressed in this Prospectus with regard to the Issuer are honestly held or made, have been reached after considering all relevant circumstances and are based on reasonable assumptions; there are no other facts in relation to the Issuer or the Notes the omission of which would, in the context of the issue and the offering of the Notes, make any statement in this Prospectus misleading in any material respect; and all reasonable enquiries have been made to ascertain and verify the foregoing. The Issuer accepts responsibility accordingly.*

*This Prospectus may only be used for the purposes for which it has been issued.*

*This Prospectus does not constitute an offer of, or an invitation or solicitation by or on behalf of the Issuer or the Managers (as defined in "Subscription and Sale" below) to subscribe or purchase, any of the Notes. The distribution of this Prospectus and the offering of the Notes in certain jurisdictions, including the United States, the United Kingdom and the Republic of France, may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers and sales of Notes and distribution of this Prospectus, see "Subscription and Sale" below.*

*The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and, subject to certain exceptions, may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")).*

*No person is authorised to give any information or to make any representation not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer or the Managers. The delivery of this Prospectus at any time does not imply that the information contained in it is correct as at any time subsequent to its date.*

*In making an investment decision regarding the Notes, prospective investors should rely on their own independent investigation and appraisal of the Issuer, its business and the terms of the offering, including the merits and risks involved. The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should consult its own advisers as to legal, tax, financial, credit and related aspects of an investment in the Notes.*

*See "**Risk factors**" certain information relevant to an investment in the Notes.*

*In this Prospectus, unless otherwise specified or the context requires, references to "euro", "EUR" and "€" are to the single currency of the participating member states of the European Economic and Monetary Union.*

*In connection with this issue, **BNP Paribas (the "Stabilisation Manager")** or any person acting for the **Stabilisation Agent** may over-allot Notes (provided that the aggregate principal amount of Notes allotted does not exceed 105 per cent. of the aggregate nominal amount of the Notes) or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the **Stabilising Manager** (or persons acting on behalf of the **Stabilising Manager**) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes.*

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**PERSONS RESPONSIBLE FOR THE INFORMATION GIVEN IN THE PROSPECTUS**

The Issuer accepts responsibility for the information contained (or incorporated by reference) in this Prospectus. The Issuer, having taken all reasonable care to ensure that such is the case, confirms that the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Crédit Logement  
50, boulevard de Sébastopol  
75003 Paris  
France

Duly represented by: Mr. Gabriel Benoin,  
*Directeur Général*

## INCORPORATION BY REFERENCE

This Prospectus shall be read and construed in conjunction with the following documents which have been filed with the Luxembourg *Commission de Surveillance du Secteur Financier* and which are incorporated in, and shall be deemed to form part of, this Prospectus:

- (a) the Issuer's 2003 annual report in the French language relating to its financial year ended on 31 December 2003, and
- (b) the Issuer's 2004 annual report in the French language relating to its financial year ended on 31 December 2004,

save that any statement contained in a document which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

Copies of the documents incorporated by reference are available without charge (i) on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and (ii) on request at the principal office of Issuer or of the Paying Agents (BNP Paribas Securities Services and BNP Paribas Securities Services, Luxembourg Branch) during normal business hours so long as any of the Notes is outstanding, as described in "General Information" below.

The information incorporated by reference in this Prospectus shall be read in connection with the cross reference list below. Any information not listed in the following cross-reference lists but included in the documents incorporated by reference in this Prospectus is given for information purposes only.

### Cross-reference list

INFORMATION INCORPORATED BY REFERENCE (Annex IX of the European Regulation 809/2004/EC)	REFERENCE
<b>11. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES</b>	
<b><u>Issuer's audited annual financial statements for the year ended 31 December 2003</u></b>	
- Balance sheet	2003 Issuer's annual report pages 26-27.
- Profit and loss Account	2003 Issuer's annual report page 28.
- Notes	2003 Issuer's annual report pages 29-46.
- Auditor's report relating to the above	2003 Issuer's annual report page 22.
<b><u>Issuer's audited annual financial statements for the year ended 31 December 2004</u></b>	
- Balance sheet	2004 Issuer's annual report pages 34-35.
- Profit and loss Account	2004 Issuer's annual report page 36.
- Notes	2004 Issuer's annual report pages 37-52.

## **RISK FACTORS**

*Prior to making an investment decision, prospective investors should consider carefully all of the information set out and incorporated by reference in this Prospectus, including in particular the following risk factors. Prospective investors should be aware that this section is not intended to be exhaustive and that the risks described therein may combine and thus modify one another. They should make their own independent evaluations of all risk factors and should also read the detailed information set out elsewhere in this Prospectus. Terms defined in "Terms and Conditions of the Notes" below shall have the same meaning in the following section.*

### **RISK FACTORS RELATING TO THE ISSUER**

#### **Capital Adequacy**

The introduction, planned for 31 December 2007, of the general agreement of the Basle Committee for Bank Supervision for the International Convergence of Capital Measurement and Capital Standards of June 2004, or Basle II, is likely to bring changes to banks' capital ratios, including those of the Issuer. See section "Information relating to Solvency Ratios and Issues of Securities qualifying as Tier 1 Regulatory Capital" of this Prospectus.

The direction and magnitude of the impact of Basle II will depend on the particular asset structures of each bank and its precise impact on the Issuer cannot be quantified with certainty at this time. No insurance can be given as to the consequences of the new guidelines..

#### **Market Risk**

The Issuer is exposed to:

- interest rate risk;
- lack of liquidity in wholesale funding markets in periods of economic or political crisis;
- illiquidity and downward price pressure in France and Euro zone real estate markets, particularly consumer-owned real estate markets;
- recessions and employment fluctuations;
- consumer perception as to the continuing availability of credit, and price competition in the market segments served by the Issuer; and
- the effects of competition in the markets where the Issuer operates.

#### **Changes in Governmental Policy and Regulation, including :**

- the monetary, interest rate and other policies of central banks and bank and other regulatory authorities, including the French Financial Markets Authority (*Autorité des Marchés Financiers - AMF*), the French Banking Commission (*Commission Bancaire*), the Banque de France, the European Central Bank and the central banks of other leading economies and markets where the Issuer operates;
- initiatives by national regulatory agencies or legislative bodies to revise practices, pricing or responsibilities of financial institutions serving their consumer markets;
- changes in legislation in the principal markets in which the Issuer operates, in particular the French property market, and the consequences thereof; the activity of the Issuer depends on the evolution of the French property market and the developments of the mortgages in France.

The French government has launched a study to consider the possibility to use mortgages to sustain consumer loans and develop the home ownership for lower classes.

At the end of 2004, the French government published a report analyzing the ways to meet these goals. New regulations are in the course of being drafted by the French government and focus in particular, on the following topics:

- Introduction of a rechargeable mortgage, where a borrower can draw on its mortgage, when mortgage margin is available,
- Introduction of a reverse mortgage, to help finance the late period of life,
- Simplification in the mortgage release

The modifications might be introduced together with a decrease of the mortgage cost. French law on mortgages will need to be considerably amended to allow these modifications to come into force.

- other unfavourable political or diplomatic developments producing social instability or legal uncertainty which in turn may affect demand for the Issuer's products and services; and
- the costs, effects and outcomes of regulatory reviews, actions or litigation, including any additional compliance requirements.

### **Operational Risk**

The Issuer is exposed to the risk of loss arising from the inefficiency or failure of procedures, people and internal systems, or from external events. It includes information systems security risks, legal and regulatory risks and environmental risks.

The Issuer has its own system of credit risk analysis. This process is carried out independently from its shareholders and partner banks in accordance with a number of precisely defined procedures and using risk analysis tools developed over many years.

For each guarantee request, the system generates a number for the relevant guarantee (for every loan, there is a corresponding guarantee). When the file is loaded on to the computer system following its completion and the elimination of inconsistencies, it goes on to a two-stage analysis phase. See below "Description of the Issuer – Granting Guarantees".

## **RISK FACTORS RELATING TO THE NOTES**

### **The Notes are Deeply Subordinated Obligations**

The obligations of the Issuer under the Notes in respect of principal and interest are deeply, lowest ranking, subordinated obligations of the Issuer, subordinated to the claims of lenders in relation to *prêts participatifs* granted to the Issuer, holders of *titres participatifs* issued by the Issuer and creditors with respect to Ordinary Subordinated Obligations and Unsubordinated Obligations of the Issuer and senior to the claims of holders of Equity Securities only.

If any judgement is rendered by any competent court declaring the judicial liquidation (*liquidation judiciaire*) of the Issuer or if the Issuer is liquidated for any reason, the rights of the Noteholders in respect of the payment of principal and interest on the Notes shall be subordinated to the payment in full of all other creditors of the Issuer ranking in priority to the Noteholders. In the event that the Issuer has insufficient assets to satisfy of its claim in such liquidation, the Noteholders may receive

less than the Original Principal Amount of the Notes and may incur a loss of their entire investment. See "Terms and Conditions of the Notes - Status" of this Prospectus.

### **The Notes are Undated**

The Notes are undated obligations of the Issuer and have no fixed maturity date. The Issuer is under no obligation to redeem the Notes at any time, except for certain taxation reasons. The Noteholders have no right to require redemption of the Notes, except if a judgment is issued for the judicial liquidation (*liquidation judiciaire*) of the Issuer or if the Issuer is liquidated for any other reason. See "Terms and Conditions of the Notes – Redemption and Purchase" of this Prospectus.

### **Restrictions on Payment**

The Notes are being issued with the intention and purposes that they qualify as Tier 1 Regulatory Capital for capital adequacy regulatory purposes. See section "Information relating to Solvency Ratios and Issues of Securities qualifying as Tier 1 Regulatory Capital" of this Prospectus. Such qualification depends upon a number of conditions being satisfied and which are reflected in the terms and conditions of the Notes. One of these relates to the ability of the Notes and the proceeds of their issue to be available to absorb any losses of the Issuer. Accordingly, in certain circumstances, payments of interest under the Notes will be restricted and the amount of principal will be reduced as follows:

#### *Interest*

For so long as the mandatory interest provisions do not apply, the Issuer shall be required in certain circumstances not to pay interest due on the Notes on an Interest Payment Date. Any interest not so paid shall be lost and shall no longer be due and payable by the Issuer. See "Terms and Conditions of the Notes - Interest" of this Prospectus.

#### *Principal*

The Issuer shall also be required, in certain circumstances, to reduce the then principal amount of the Notes. The amount of any such reduction of principal may in certain circumstances be reinstated. See "Terms and Conditions of the Notes - Interest" of this Prospectus.

### **Specific Features of Crédit Logement Tier 1 Regulatory Capital**

The Tier 1 Regulatory Capital (*fonds propres de base*) of the Issuer comprises, alongside the proceeds of the Equity Securities and the Parity Securities, the amount of the *Fonds Mutuel de Garantie*, the nature, role and functioning of which is described in the section "Description of the Issuer" of this Prospectus. Given the particular nature of the *Fonds Mutuel de Garantie*, any change in the amount thereof shall not be deemed a Restricted Payment and accordingly shall not trigger a Mandatory Interest Payment nor a Reinstatement. Furthermore, Equity Securities include Class B shares which have a cumulative dividend feature. For the avoidance of doubt, any deferral, postponement or suspension of any payment of any nature whatsoever on the Class B priority shares of the Issuer shall not be deemed an Equity Securities Payment and accordingly, shall not be deemed a Restricted Payment. See "Terms and Conditions of the Notes - Definitions" of this Prospectus

### **No Limitation on Issuing Debt**

There is no restriction on the amount of debt which the Issuer may issue. The Issuer may incur additional indebtedness, including that ranks senior in priority of payment to the Notes. If the Issuer's financial condition were to deteriorate, the Noteholders could suffer direct and materially adverse consequences, including non-payment of the interest and, if the Issuer were liquidated (whether voluntarily or involuntarily), loss of their entire investment.



## **Redemption Risk**

The Notes may be redeemed in whole (but not in part) at the option of the Issuer, (i) on 16 March 2011 or on any Interest Payment Date thereafter and (ii) at any time for certain taxation or regulatory reasons.

In certain circumstances, the Issuer will be required to redeem the Notes (in whole but not in part) for taxation reasons.

If the Issuer has been liquidated, each Note shall become immediately due and payable at its Original Principal Amount together with interest accrued, if any, since the last Interest Payment Date.

In each case, except in the case of liquidation, early redemption of the Notes is subject to the prior approval of the *Secrétariat Général de la Commission Bancaire*.

See "Terms and Conditions of the Notes – Redemption and Purchase".

There can be no assurance that, at the relevant time, Noteholders will be able to reinvest the amounts received upon redemption at a rate that will provide the same return as their investment in the Notes.

## **Fixed to Floating Rate Notes**

Fixed to floating rate Notes bear interest at a fixed rate during the Fixed Rate Period and at a floating rate during the Floating Rate Period, both as defined in the section "Terms and Conditions of the Notes - Interest" of this Prospectus. During the Fixed Rate Period, changes in market interest rate may adversely affect the value of the Notes. Further, the conversion of the interest rate from fixed to floating may affect the secondary market and the market value of the Notes since the conversion may lead to a lower overall cost of borrowing. Upon such conversion, the spread on the Notes may be less favourable than then prevailing spreads on comparable floating rate notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other notes.

## **Potential Conflicts of Interest**

The Issuer may from time to time be engaged in transactions involving an index or related derivatives which may affect the market price, liquidity or value of the Notes and which could be deemed to be adverse to the interests of the Noteholders.

Potential conflicts of interest may arise between the Calculation Agent and the Noteholders, including with respect to certain discretionary determinations and judgements that such calculation agent may make pursuant to the Terms and Conditions of the Notes that may influence the amount receivable under the Notes.

## **Credit Ratings may not reflect all Risks**

The independent credit rating agencies Moody's Investors Service, Inc. and Standard & Poor's have respectively assigned a rating of A1 and A+ to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

## **The trading market for the Notes may be volatile and may be adversely impacted by many events.**

The market for debt securities issued by banks is influenced by economic and market conditions and, to varying degrees, interest rates, currency exchange rates and inflation rates in other European and other industrialised countries. There can be no assurance that events in France, Europe or elsewhere

will not cause market volatility or that such volatility will not adversely affect the price of the Notes or that economic and market conditions will not have any other adverse effect.

### **An active trading market for the Notes may not develop**

There can be no assurance that an active trading market for the Notes will develop, or, if one does develop, that it will be maintained. If an active trading market for the Notes does not develop or is not maintained, the market or trading price and liquidity of the Notes may be adversely affected. The Issuer is entitled to buy and sell the Notes for their own account or for the account of others, and to issue further Notes. Such transactions may favourably or adversely affect the price development of the Notes. If additional and competing products are introduced in the markets, this may adversely affect the value of the Notes.

### **Market Value of the Notes**

The market value of the Notes will be affected by the creditworthiness of the Issuer and a number of additional factors, including, but not limited to, market interest and yield rates and the time remaining to the maturity date. The value of the Notes depends on a number of interrelated factors, including economic, financial and political events in France or elsewhere, including factors affecting capital markets generally and the stock exchanges on which the Notes are traded. The price at which a Noteholder will be able to sell the Notes prior to maturity may be at a discount, which could be substantial, from the issue price or the purchase price paid by such purchaser.

### **Change of Law**

The Terms and Conditions of the Notes are based on French law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in French law or the official application or interpretation of French law after the date of this Prospectus.

### **No Legal and Tax Advice**

A Noteholder's effective yield on the Notes may be diminished by the tax impact on that Noteholder of its investment in the Notes.

A Noteholder's actual yield on the Notes may be reduced from the stated yield by transaction costs.

Each prospective investor should consult its own advisers as to legal, tax and related aspects of an investment in the Notes.

## TAXATION

*The following is a summary limited to certain tax considerations in France and in Luxembourg relating to the Notes and specifically contains information on taxes on the income from the securities withheld at source. This summary is based on the laws in force in France and in the Grand Duchy of Luxembourg as of the date of this Prospectus and are subject to any changes in law. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Notes. Each prospective holder or beneficial owner of Notes should consult its tax advisor as to the tax consequences of any investment in or ownership and disposition of the Notes.*

### **French Taxation**

The Notes being denominated in euros are deemed to be issued outside the Republic of France for taxation purposes; payments of interest and other revenues in respect of the Notes to non-French residents will benefit under present law from the exemption of the withholding tax on interest set out under Article 125 A III of the *Code général des impôts* (French general tax code), as provided by article 131 *quater* of the *Code général des impôts*.

### **Luxembourg Taxation**

In accordance with the Luxembourg tax law currently in force, there is no withholding tax for Luxembourg non-resident Noteholders on payments of interest or principal subject to the application of the Luxembourg law of 21 June 2005 implementing the EU Savings Directive 2003/48/EC of 3 June 2003, which may be applicable in the event of the Issuer appointing a paying agent in Luxembourg in the meaning of the above-mentioned Directive (see “General Information”).

A 10% withholding tax has been introduced, as from 1 January 2006 on interest payments made by a Luxembourg paying agent to Luxembourg individual residents. Only interest accrued after 1 July 2005 falls within the scope of this withholding tax. Furthermore, interest which is accrued once a year on savings accounts (short and long term) and which does not exceed €250 per person and per paying agent is exempt from the withholding tax. This withholding tax represents the final tax liability for the Luxembourg individual resident taxpayers.

**All prospective Noteholders should seek independent advice as to their tax positions.**

## GENERAL DESCRIPTION OF THE NOTES

The following summary is qualified in its entirety by the more detailed information included elsewhere in this Prospectus. Capitalised terms used but not defined in this summary shall bear the respective meanings ascribed to them under “Terms and Conditions of the Notes”.

<b>Issuer:</b>	Crédit Logement (the “ <b>Issuer</b> ”)
<b>Description:</b>	€800,000,000 Undated Deeply Subordinated Non Cumulative Fixed to Floating Rate Notes (the “ <b>Notes</b> ”)
<b>Structuring Adviser:</b>	BNP Paribas
<b>Joint Bookrunners and Joint-Lead Managers:</b>	BNP Paribas, HSBC Bank plc and Société Générale.
<b>Fiscal Agent and Principal Paying Agent:</b>	BNP Paribas Securities Services
<b>Paying Agents:</b>	BNP Paribas Securities Services as Paris paying agent. BNP Paribas Securities Services, Luxembourg Branch as Luxembourg paying agent.
<b>Method of Issue:</b>	The Notes will be issued on a syndicated basis.
<b>Denomination:</b>	€50,000
<b>Maturity:</b>	The Notes are undated obligations of the Issuer and have no fixed maturity date.
<b>Form of the Notes:</b>	The Notes are issued in dematerialised bearer form ( <i>au porteur</i> ) and title to the Notes will be evidenced in accordance with article L.211-4 of the French <i>Code monétaire et financier</i> by book entries ( <i>inscription en compte</i> ) by book-entries in the books of Euroclear France which shall credit, upon issue, the accounts of the account holders. Transfer of Notes may only be effected through, registration of the transfer in such books, and only in the denomination of €50,000. No physical document of title will be issued in respect of the Notes.
<b>Status of the Notes:</b>	The Notes are issued pursuant to the provisions of article L.228-97 of the French <i>Code de commerce</i> .

The obligations of the Issuer under the Notes in respect of principal and interest constitute direct, unconditional, unsecured, undated and, to the extent referred to in the following paragraph, lowest ranking subordinated obligations (*titres subordonnés de dernier rang*) of the Issuer and shall at all times rank *pari passu* and without any preference among themselves and equally and rateably with any other existing or future Parity Securities (as defined in Condition 1 of the Terms and Conditions of the Notes), behind to any *prêts participatifs* granted to, and *titres participatifs* issued by, the Issuer, Ordinary Subordinated Obligations and Unsubordinated Obligations, but in priority to Equity Securities (all as defined in Condition 1 of the Terms and Conditions of the Notes).

The proceeds of the issue of the Notes will be treated, for regulatory purposes, as *fonds propres de base* within the meaning of Article 2 of

the *Règlement* No. 90-02 dated 23 February 1990, as amended or replaced from time to time, of the *Comité de la réglementation bancaire et financière*, as more fully described in Condition 3 of the Terms and Conditions of the Notes.

**Negative Pledge:**

There will be no negative pledge in respect of the Notes.

**Events of Default:**

There will be no events of default in respect of the Notes. There will be a Mandatory Redemption in case of liquidation of the Issuer as more fully described in Condition 6(e) of the Terms and Conditions of the Notes.

**Interest:**

Each Note bears interest on its then Principal Amount (as defined in Condition 1 of the Terms and Conditions of the Notes) at a fixed rate of 4.604 per cent. per annum from, and including, the Issue Date to, but excluding, 16 March 2011 (the "**First Call Date**"), and payable annually in arrears on 16 March of each year (each a "**Fixed Interest Payment Date**"), commencing on 16 March 2007, and thereafter at a floating rate per annum equal to the European inter-bank offered rate for three month euro deposits plus 1.15 per cent. per annum, payable quarterly in arrear on 16 March, 16 June, 16 September and 16 December of each year (each a "**Floating Interest Payment Date**"), commencing on 16 June 2011. See Condition 4 of the Terms and Conditions of the Notes.

**Interest Payments:**

*Interest Payment on Optional Interest Payment Dates*

On any Optional Interest Payment Date (as defined in the Terms and Conditions of the Notes), the Issuer may pay interest on the Notes accrued to that date in respect of the Interest Period ending immediately prior to such Optional Interest Payment Date. The amount of interest so paid will be calculated on the basis of its then Principal Amount. For so long as the provisions set forth under "Interest Payment on Mandatory Interest Payment Dates" below do not apply, the Issuer may elect not to pay interest, in particular with a view to allowing the Issuer to ensure the continuity of its activity without weakening its financial structure.

However, the Issuer shall be required not to pay interest on the Notes, subject to the provisions of paragraph "Mandatory Payment" below, if, on or at any time prior to the fifth Business Day prior to such Optional Interest Payment Date, (a) the Issuer determines that a Capital Deficiency Event (as defined below) occurred or would occur assuming that any Interest Payment due on such Optional Interest Payment Date is effectively made on such Optional Interest Payment Date, or (b) the Issuer is notified by the *Secrétariat Général de la Commission Bancaire*, or its successor or any other relevant entity by which the Issuer is supervised (the "**Relevant Banking Regulator**"), that it has determined, in its sole discretion, in the view of the deteriorating financial condition of the Issuer, that the foregoing clause (a) would apply in the near term.

Notice of non-payment of interest on the Notes on any Optional Interest Payment Date in accordance with the above provision (an "**Interest Non-Payment Notice**") shall be given to the Noteholders no later than two Business Days prior to such Optional Interest Payment Date.

For the avoidance of doubt, the determination by the Issuer of the occurrence of any of the events referred under (a) and (b) above, and any resulting notice, will be effective only with respect to the amount of interest due on the immediately following Optional Interest Payment Date. As appropriate, the Issuer will make a new determination and deliver other notice(s) with respect to any subsequent Interest Payment Date in relation to which any of the events referred under (a) and (b) above is continuing or occurs again.

Any interest not so paid on an Optional Interest Payment Date shall be lost and shall no longer be due and payable by the Issuer.

*Interest Payment on Mandatory Interest Payment Dates*

On any Mandatory Interest Payment Date (as defined in the Terms and Conditions), notwithstanding the provisions of paragraph "*Interest Payment on Optional Interest Payment Dates*" and in particular whether or not an Interest Non-Payment Notice has been delivered and is outstanding, the Issuer shall be required to pay interest on the Notes accrued to that date in respect of the Interest Period ending immediately prior to such Mandatory Interest Payment Date (such payment, a "**Mandatory Interest Payment**").

The interest amount payable on each Note in relation to a Mandatory Interest Payment will be calculated as follows:

- (x) if the Mandatory Interest Payment results from an Equity Securities Payment, it will be calculated on the basis of the Original Principal Amount of such Note (all as defined in Condition 1 of the Terms and Conditions of the Notes), and
- (y) if the Mandatory Interest Payment results from a Parity Securities Payment, it shall be equal to the Notional Interest Amount (all as defined in Condition 1 of the Terms and Conditions of the Notes).

**Capital Deficiency Event:**

Capital Deficiency Event means a decline in the total risk-based capital ratio of the Issuer, calculated in accordance with the Applicable Banking Regulations (as defined in Condition 1 of the Terms and Conditions of the Notes), to below the minimum percentage required by the Applicable Banking Regulations, calculated on a non-consolidated basis (as well as, if and when the Issuer prepares consolidated accounts, on a consolidated basis, as the case may be).

**Loss Absorption:**

In the event that at any time, (i) a Capital Deficiency Event has occurred, or (ii) the Issuer is notified by the Relevant Banking Regulator that it has determined, in its sole discretion, in the view of the deteriorating financial condition of the Issuer, that the foregoing clause (i) would apply in the near term, the management board of the Issuer will convene an extraordinary shareholders' meeting during the three months following the occurrence of such event in order to propose a share capital increase or any other measure regarded as necessary or useful to remedy such event. If the share capital increase or any such other proposed measures are not adopted by the Issuer's extraordinary shareholders' meeting or if the share capital increase is not sufficiently subscribed to remedy such event, or if such event remains on the last

day of the financial semester during which the said event has occurred, the management board of the Issuer will implement, within 10 days following the last day of this financial semester, a reduction of the then Principal Amount of the Notes (a "**Loss Absorption**"). Notwithstanding any other provision of these Conditions, the nominal value of the Notes shall never be reduced to an amount lower than one cent (€0.01). See Condition 5 of the Terms and Conditions of the Notes.

**Reinstatement:**

If, following a Loss Absorption, the Issuer made a Profit (as defined in Condition 1 of the Terms and Conditions of the Notes) during two consecutive financial years since the end of the most recent financial year in which there was a Loss Absorption (the "**Absorption Year End**"), the Issuer shall increase the then Principal Amount of the Notes (a "**Reinstatement**") in an amount determined in its discretion (either up to the Original Principal Amount or up to any other amount lower than the Original Principal Amount), to the extent only the Issuer complies with Applicable Banking Regulations following any such Reinstatement; *Provided however*, that, in any event, if (i) (a) a Restricted Payment, or (b) the increase by the Issuer of the whole or part of the nominal amount of any of its Parity Securities other than the Notes, the terms of which contain a provision for the reinstatement of their principal amount similar to that of the Notes ((a) and (b) being mandatory reinstatement events and each a "**Mandatory Reinstatement Event**"), has occurred since the Absorption Year End, and (ii) the Issuer shall not since such Mandatory Reinstatement Event have made a Reinstatement up to the Original Principal Amount pursuant to the provisions above, the Issuer shall increase the then Principal Amount in an amount equal to the Mandatory Reinstatement Amount (as defined in Condition 1 of the Terms and Conditions of the Notes).

For the avoidance of doubt, the Principal Amount of the Notes may never be greater than the Original Principal Amount of the Notes following a Reinstatement.

For the avoidance of doubt, accumulated losses of the Issuer will be set-off as a Loss Absorption against the then Principal Amount of the Notes in priority to any Equity Securities (as defined in Condition 1 of the Terms and Conditions of the Notes).

See Condition 5 of the Terms and Conditions of the Notes.

**Early Redemption:**

The Notes are undated obligations of the Issuer and have no fixed maturity date. However, the Notes may be redeemed (in whole but not in part) at the option of the Issuer on 16 March 2011 and on any Interest Payment Date thereafter.

As more fully described in Condition 6(c) of the Terms and Conditions of the Notes, the Issuer may, at its sole discretion, redeem the Notes (in whole but not in part) for certain regulatory reasons.

As more fully described in Condition 6(d) of the Terms and Conditions of the Notes, the Issuer may also at its option redeem the Notes (in whole but not in part) or, subject to certain conditions and provided such amendment is not material or prejudicial to the Noteholders,

amend the Terms and Conditions of the Notes for certain taxation reasons.

In addition, the Issuer will be required to redeem the Notes (in whole but not in part) for certain taxation reasons, as more fully described in Condition 6(d).

If the Issuer has been liquidated (as more fully described in Condition 6(e) of the Terms and Conditions of the Notes), each Note shall become immediately due and payable at its Original Principal Amount together with interest accrued, if any, since the last Interest Payment Date (as defined in Condition 4 of the Terms and Conditions of the Notes).

Early redemption is subject to the prior approval of the Relevant Banking Regulator except in case of liquidation as more fully described in Condition 6(e) of the Terms and Conditions of the Notes.

<b>Taxation:</b>	The Notes will, upon issue, benefit from an exemption from deduction of tax at source. If French law shall require any such deduction, the Issuer shall, to the extent permitted by law and subject to certain exceptions, pay additional amounts. See Condition 8 of the Terms and Conditions of the Notes.
<b>Representation of Noteholders:</b>	The Noteholders will be grouped automatically for the defence of their respective common interests in a masse governed by the provisions of the <i>Code de commerce</i> (French Commercial Code) and of French decree No. 67-236 of 23 March 1967, as amended, subject to certain exceptions. See Condition 10 of the Terms and Conditions of the Notes.
<b>Use of proceeds:</b>	The net proceeds of the issue of the Notes amount to €795,200,000 and will be used for general corporate purposes by the Issuer.
<b>Initial Delivery of the Notes:</b>	At least one Business Day before the Issue Date, a <i>Lettre Comptable</i> relating to the Notes shall be deposited with Euroclear France as central depository.
<b>Clearing Systems:</b>	The Notes have been accepted for clearance through Euroclear France, Clearstream, Luxembourg and Euroclear.
<b>Listing:</b>	Application has been made for the Notes to be admitted to trading on the Luxembourg Stock Exchange's Regulated Market and to be listed on the Luxembourg Stock Exchange.
<b>Selling Restrictions:</b>	There are restrictions on the offer and sale of the Notes and the distribution of offering material in various jurisdictions.
<b>Ratings:</b>	The Notes have been assigned a rating of A1 by Moody's Investors Service, Inc. and of A+ by Standard & Poor's rating Service. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the relevant rating agency. A revision, suspension, reduction or withdrawal of a rating may adversely affect the market price of the Notes.
<b>Governing Law:</b>	French law.



## TERMS AND CONDITIONS OF THE NOTES

The issue outside the Republic of France of the €800,000,000 Undated Deeply Subordinated Non Cumulative Fixed to Floating Rate Notes (the "**Notes**") by Crédit Logement (the "**Issuer**") has been authorised by a resolution of the *Conseil d'Administration* (Board of Directors) of the Issuer adopted on 27 February 2006 and a decision of Mr. Gabriel Benoin, *Directeur Général* of the Issuer, dated 8 March 2006.

The Notes are issued subject to and with the benefit of an agency agreement dated 16 March 2006 (the "**Agency Agreement**") between the Issuer, BNP Paribas Securities Services, as fiscal agent and principal paying agent (the "**Fiscal Agent**", which expression shall, where the context so admits, include any successor for the time being as Fiscal Agent), BNP Paribas as calculation agent (the "**Calculation Agent**", which expression shall, where the context so admits, include any successor for the time being as Calculation Agent) and BNP Paribas Securities Services, Luxembourg Branch, as paying agent (together with any additional paying agents, the "**Paying Agents**", which expression shall, where the context so admits, include the Fiscal Agent and any successors for the time being of the Paying Agents). Copies of the Agency Agreement are available for inspection during normal business hours at the specified offices of the Paying Agents. References below to "**Conditions**" are, unless the context otherwise requires, to the numbered paragraphs below.

### 1. Definitions

For the purposes of these Conditions:

"**Applicable Banking Regulations**" means, at any time and from time to time, the capital adequacy regulations then in effect in the Republic of France (or if the Issuer becomes domiciled in a jurisdiction other than the Republic of France, such other jurisdiction) and applicable to the Issuer.

"**Business Day**" means any day, not being a Saturday or a Sunday, (i) on which exchange markets and commercial banks are open for business in Paris and Luxembourg, (ii) on which Euroclear France, Euroclear and Clearstream, Luxembourg are operating and (iii) which is a TARGET Business Day.

"**Business Day Convention**" means the postponement of any Interest Payment Date that is not a TARGET Business Day to the next following such day unless the next such day falls in the next calendar month in which case such Floating Interest Payment Date shall be the immediately preceding TARGET Business Day.

"**Capital Deficiency Event**" means a decline in the total risk-based capital ratio of the Issuer, calculated in accordance with the Applicable Banking Regulations, to below the minimum percentage required by the Applicable Banking Regulations, calculated on a non-consolidated basis (as well as, if and when the Issuer prepares consolidated accounts, on a consolidated basis, as the case may be).

"**Equity Securities**" means (i) the ordinary shares of the Issuer and (ii) any other class of share of the Issuer's capital stock ranking junior to the Parity Securities. For the avoidance of doubt, Equity Securities include, as of the Issue Date, both Class A ordinary shares and Class B priority shares, as defined in Article 6 of the Issuer's *Statuts*.

"**Equity Securities Payment**" means (i) any redemption, purchase or acquisition of Equity Securities by the Issuer by any means (except, for the avoidance of doubt, any buy back of Equity Securities by the Issuer in the context of its own buy-back programme (*programme de rachat d'actions*), if any), or (ii) any declaration or payment of a dividend (whether in cash, shares or other form), or any payment of any nature by the Issuer on any Equity Securities. For the avoidance of doubt, any deferral, postponement or suspension of any payment of any nature whatsoever on the Class B priority shares of the Issuer shall not be deemed an Equity Securities Payment.

"**First Call Date**" means the Interest Payment Date (as defined in Condition 4(a)) falling on 16 March 2011.

"**Interest Payment Date**" has the meaning set forth in Condition 4 (a).

"**Issue Date**" means 16 March 2006.

"**Mandatory Interest Payment Date**" means any Interest Payment Date (as defined in Condition 4(a)) in relation to which at any time during the one-year period prior to such Interest Payment Date (inclusive), a Restricted Payment has occurred.

"**Mandatory Reinstatement Amount**" means the lesser of (i) the amount by which the Principal Amount of the Notes is reduced, and (ii) the latest net income (*résultat net*) of the Issuer as calculated in the audited non-consolidated accounts of the Issuer (or, if and when the Issuer prepares consolidated accounts, its audited consolidated accounts, as the case may be) adopted by the Issuer's ordinary shareholders' meeting.

"**Mandatory Reinstatement Event**" means (i) a Restricted Payment, or (ii) the increase by the Issuer of the whole or part of the nominal amount of any of its Parity Securities other than the Notes, the terms of which contain a provision for the reinstatement of their principal amount similar to that of the Notes.

"**Margin**" means 1.15 per cent. per annum.

"**Noteholders**" means the holders of the Notes.

"**Obligations**" means, in respect of any person, any obligation expressed to be assumed by or imposed on it under or arising as a result of any contract, agreement, document, instrument or conduct or relationship or directly by the law.

"**Optional Interest Payment Date**" means each Interest Payment Date which is not a Mandatory Interest Payment Date.

"**Ordinary Subordinated Obligations**" means any Obligations (including any bonds or notes) of the Issuer which constitute direct, unconditional, unsecured and subordinated Obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves and equally and rateably with any other existing or future Ordinary Subordinated Obligations, behind Unsubordinated Obligations but in priority to Equity Securities, Parity Securities, *prêts participatifs* granted to, and *titres participatifs* issued by, the Issuer.

"**Original Principal Amount**" means the nominal value of each Note on the Issue Date, being €50,000.

"**Parity Securities**" means any class of deeply subordinated securities (*titres subordonnés de dernier rang*) (including the Notes) or other instruments issued by the Issuer, which rank, or are expressed to rank, *pari passu* with the Notes and qualify as Tier 1 Regulatory Capital (as defined in Condition 3 below) of the Issuer, it being specified, for the avoidance of doubt, that the outstanding Undated Deeply Subordinated Non-Cumulative Notes issued on 2 November 2004 by the Issuer will be Parity Securities.

"**Parity Securities Payment**" means (i) any redemption, purchase or acquisition of Parity Securities (including the Notes) by the Issuer by any means, or (ii) any payment of any nature by the Issuer on any Parity Securities (including the Notes) (other than, for the avoidance of doubt, (x) a Reinstatement

(as defined in Condition 5(b)), or (y) any payment on any Parity Securities (other than the Notes) required to be made pursuant to (i) and (ii) above).

**"Principal Amount"** means at any time the principal amount of each Note, calculated on the basis of the Original Principal Amount of such Notes as reduced following a Loss Absorption and/or reinstated following a Reinstatement (as defined in Condition 5(b)), as the case may be.

**"Profit"** means a net cumulative distributable profit made by the Issuer for a given year, as shown in the audited non-consolidated accounts of the Issuer (or, if and when the Issuer prepares consolidated accounts, its audited consolidated accounts, as the case may be).

**"Relevant Banking Regulator"** means *Secrétariat Général de la Commission Bancaire* or its successor or any other relevant entity by which the Issuer is supervised.

**"Restricted Payment"** means an Equity Securities Payment or a Parity Securities Payment. For the avoidance of doubt, any change in the amount of the *Fonds Mutuel de Garantie* of the Issuer shall not be deemed a Restricted Payment.

**"TARGET Business Day"** means a day on which the TARGET System, or any successor thereto, is operating.

**"TARGET System"** means the Trans European Automated Real Time Gross Settlement Express Transfer System or any successor thereto.

**"Unsubordinated Obligations"** means any Obligations (including any bonds or notes) of the Issuer which constitute direct, unconditional, unsecured and unsubordinated Obligations of the Issuer.

## 2. Form, Denomination and Title

The Notes are issued in dematerialised bearer form (*au porteur*) in the denomination of €50,000 each. Title to the Notes will be evidenced in accordance with article L.211-4 of the French *Code monétaire et financier* by book entries (*inscription en compte*). No physical document of title (including *certificats représentatifs* pursuant to Article R.211-7 of the French *Code monétaire et financier*) will be issued in respect of the Notes.

The Notes will, upon issue, be inscribed in the books of Euroclear France, which shall credit the accounts of the Account Holders. For the purpose of these Conditions, "**Account Holders**" shall mean any authorised financial intermediary institution entitled to hold, directly or indirectly, accounts on behalf of its customers with Euroclear France, and includes Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**") and the depositary bank for Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**").

Title to the Notes shall be evidenced by entries in the books of Account Holders and will pass upon, and transfer of Notes may only be effected through, registration of the transfer in such books, and only in the denomination of €50,000.

## 3. Status

The Notes are issued pursuant to the provisions of article L.228-97 of the French *Code de commerce*.

The obligations of the Issuer under the Notes in respect of principal and interest constitute direct, unconditional, unsecured, undated and, to the extent referred to in the following paragraph, lowest ranking subordinated Obligations (*titres subordonnés de dernier rang*) of the Issuer and shall at all times rank *pari passu* and without any preference among themselves and equally and rateably with any other existing or future Parity Securities, behind to any *prêts participatifs* granted to, and *titres*

*participatifs* issued by, the Issuer, Ordinary Subordinated Obligations and Unsubordinated Obligations, but in priority to Equity Securities.

If any judgement is rendered by any competent court declaring the judicial liquidation (*liquidation judiciaire*) of the Issuer or if the Issuer is liquidated for any reason, the rights of the Noteholders in respect of the payment of principal and interest on the Notes will be calculated on the basis of the Original Principal Amount of the Notes together with accrued interest and to the extent that all other creditors of the Issuer (including lenders in relation to *prêts participatifs* granted to, and holders of *titres participatifs* issued by, the Issuer, creditors with respect to Ordinary Subordinated Obligations and Unsubordinated Obligations) ranking in priority to the Noteholders have been or will be fully reimbursed, as ascertained by the liquidator. No payment will be made to holders of Equity Securities before all payments in respect of principal, interest and other amounts under the Notes have been made made by the Issuer.

The proceeds of the issue of the Notes will be treated, for regulatory purposes, as *fonds propres de base* ("**Tier 1 Regulatory Capital**") within the meaning of Article 2 of the *Règlement* No. 90-02 dated 23 February 1990, as amended or replaced from time to time, of the *Comité de la réglementation bancaire et financière* ("**CRBF**"), or recognised as such by the Relevant Banking Regulator.

*Article 2 of the CRBF Règlement no. 90-02 dated 23 February 1990 should be read in conjunction with the report published annually by the Secrétariat Général de la Commission Bancaire headed "Modalités de calcul du ratio international de solvabilité" setting out its position on fonds propres de base and referring, for this purpose, to the press release of the Bank for International Settlements dated 27 October 1998 concerning instruments eligible for inclusion in Tier 1 Regulatory Capital (A French language version of which is attached to said report).*

#### 4. Interest

##### (a) Interest Payment Dates

Each Note bears interest on its then Principal Amount from, and including, the Issue Date to, but excluding, the First Call Date (the "**Fixed Rate Period**") at the rate of 4.604 per cent. per annum payable annually in arrear on 16 March of each year (each a "**Fixed Interest Payment Date**"), commencing on 16 March 2007. The period from and including the Issue Date to, but excluding, the first Fixed Interest Payment Date and each successive period from, and including, a Fixed Interest Payment Date to, but excluding, the next successive Fixed Interest Payment Date is called a "**Fixed Interest Period**". If interest is required to be calculated for a period within the Fixed Rate Period of less than one year, it will be calculated on the basis of the actual number of days in the relevant period, from and including the date from which interest begins to accrue to but excluding the date on which it falls due, divided by the number of days in the Fixed Interest Period in which the relevant period falls (including the first such day but excluding the last) and rounding the resultant figure to the nearest €0.01 (0.005 being rounded upwards).

From, and including, the First Call Date each Note will bear interest on its then Principal Amount at the Floating Rate of Interest (as defined in Condition 4(b)) payable quarterly in arrear on 16 March, 16 June, 16 September and 16 December in each year, (each a "**Floating Interest Payment Date**" and together with the Fixed Interest Payment Dates, an "**Interest Payment Date**") commencing on 16 June 2011. If any Floating Interest Payment Date would otherwise fall on a day which is not a Target Business Day, it shall be postponed, or brought forward, as the case may be, in accordance with the Business Day Convention, to the next day which is a Target Business Day. The period from, and including, the First Call Date to, but excluding, the first Floating Interest Payment Date and each successive period from, and including, a Floating Interest Payment Date to, but excluding, the next succeeding Floating Interest Payment Date is called a "**Floating Interest Period**" and, together with the Fixed Interest Periods, an "**Interest Period**". Within the Floating Rate Period, interest will be calculated as described in Condition 4(b).

**(b) Floating Rate of Interest****(i) Determination**

The floating rate of interest for the Notes (the "**Floating Rate of Interest**") for each Floating Interest Period will be determined by the Calculation Agent on the following basis:

- (A) On the second TARGET Business Day prior to the commencement of each Floating Interest Period (each an "**Interest Determination Date**"), the Calculation Agent will determine the European inter-bank offered rate, expressed as a rate per annum, for three-month euro deposits ("**Euribor**"), as calculated by the European Banking Federation and published on Reuter's EURIBOR01 Page (or, if such page or service is not available, on Telerate Page 248, or, if such page or service is not available, on such other recognised page or service as may replace it, as determined by the Calculation Agent) (the "**Relevant Screen Page**"), as at 11.00 am (Brussels time) on such Interest Determination Date. The Floating Rate of Interest for such Floating Interest Period shall be the aggregate of the rate which so appears and the Margin, as calculated by the Calculation Agent.
- (B) If, for any reason, on any Interest Determination Date, no rate is calculated and published on the Relevant Screen Page or the Relevant Screen Page is for any reason not available, the Calculation Agent will request any four major banks in the European inter-bank market selected by it (but which shall not include the Calculation Agent) (the "**Reference Banks**") to provide it with their respective quotations of the rates offered by such banks at approximately 11.00 am (Brussels time) on such Interest Determination Date, to prime banks in the European inter-bank market for three-month deposits in euro in an amount that is, in the reasonable opinion of the Calculation Agent, representative for a single transaction in the relevant market at the relevant time. In such event, the Floating Rate of Interest for such Floating Interest Period shall be the aggregate of the arithmetic mean (rounded, if necessary, to the second decimal place, with 0.005 being rounded upwards) of the rates so quoted and the Margin, as calculated by the Calculation Agent.
- (C) If only two or three rates are so quoted on any Interest Determination Date, the Calculation Agent shall determine the arithmetic mean (rounded, if necessary, to the second decimal place, with 0.005 being rounded upwards) of the rates so quoted and the Euribor for such Floating Interest Period shall be such arithmetic mean. If fewer than two rates are so quoted on any Interest Determination Date, the Floating Rate of Interest for such Floating Interest Period shall be the Floating Rate of Interest already applicable to the last preceding Floating Interest Period, as calculated by the Calculation Agent.

**(ii) Calculation of Floating Interest Amount**

The Calculation Agent will, as soon as practicable after 11.00 a.m. (Brussels time) on each Interest Determination Date, determine the Floating Rate of Interest and calculate the amount of interest (the "**Floating Interest Amount**") payable in respect of each Note for the relevant Floating Interest Period.

The Floating Interest Amount in respect of a Note shall be calculated by applying the Floating Rate of Interest to the then Principal Amount of such Note (except as provided in Condition 4(c)(iii) below) and multiplying such product by the actual number of days in the relevant period concerned divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-days months, unless (i) the last day of the relevant period is the 31<sup>st</sup> day of a month but the first day of the relevant period is a day other than the 30<sup>th</sup> or the 31<sup>st</sup> day of a month, in which case the month that includes the last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the relevant period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month) (rounded to €0.01, €0.005 being rounded upwards).

For the avoidance of doubt, the Floating Interest Amount will not be adjusted if a Floating Interest Payment Date is postponed, or brought forward, as the case may be, in accordance with the Business Day Convention.

*(c) Interest Payments*

*(i) General*

Interest payments will be made subject to, and in accordance with, the provisions of this Condition 4 and Condition 7.

Each Note will cease to bear interest from the date on which it is due to be redeemed, unless payment of principal is improperly withheld or refused on such date. In such event, it shall continue to bear interest in accordance with this Condition (both before and, to the extent permitted, after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder, and (ii) the day seven days after the Fiscal Agent has notified Noteholders of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant Noteholders under these Conditions).

*(ii) Interest Payment on Optional Interest Payment Dates*

On any Optional Interest Payment Date, the Issuer may pay interest on the Notes accrued to that date in respect of the Interest Period ending immediately prior to such Optional Interest Payment Date. For so long as the provisions set forth under Condition 4(c)(iii) below do not apply, the Issuer may elect not to pay interest, in particular with a view to allowing the Issuer to ensure the continuity of its activity without weakening its financial structure. The amount of interest so paid will be calculated on the basis of its then Principal Amount.

However, the Issuer shall be required not to pay interest on the Notes, subject to the provisions of Condition 4(c)(iii) below, if, on or at any time prior to the fifth Business Day prior to an Optional Interest Payment Date, (a) the Issuer determines that a Capital Deficiency Event occurred or would occur assuming that any Interest Payment due on such Optional Interest Payment Date is effectively made on such Optional Interest Payment Date, or (b) the Issuer is notified by the Relevant Banking Regulator that it has determined, in its sole discretion, in the view of the deteriorating financial condition of the Issuer, that the foregoing clause (a) would apply in the near term.

Notice of non-payment of interest on the Notes on any Optional Interest Payment Date in accordance with the above provision (an "**Interest Non-Payment Notice**") shall be given to the Noteholders in accordance with Condition 11 no later than two Business Days prior to such Optional Interest Payment Date.

For the avoidance of doubt, the determination by the Issuer of the occurrence of any of the events referred under (a) and (b) above, and any resulting notice, will be effective only with respect to the amount of interest due on the immediately following Optional Interest Payment Date. As appropriate, the Issuer will make a new determination and deliver other notice(s) with respect to any subsequent Interest Payment Date in relation to which any of the events referred under (a) and (b) above is continuing or occurs again.

Any interest not so paid on an Optional Interest Payment Date shall be lost and shall no longer be due and payable by the Issuer.

(iii) *Interest Payment on Mandatory Interest Payment Dates*

On any Mandatory Interest Payment Date, notwithstanding the provisions of Condition 4(c)(ii) above and in particular whether or not an Interest Non-Payment Notice has been delivered and is outstanding, the Issuer shall be required to pay interest on the Notes accrued to that date in respect of the Interest Period ending immediately prior to such Mandatory Interest Payment Date (such payment, a "**Mandatory Interest Payment**").

The amount of interest payable on each Note in relation to a Mandatory Interest Payment will be calculated by the Calculation Agent as follows:

- (x) if the Mandatory Interest Payment results from an Equity Securities Payment, it will be calculated on the basis of the Original Principal Amount of such Note, and
- (y) if the Mandatory Interest Payment results from a Parity Securities Payment, it shall be equal to the Notional Interest Amount.

For the purposes of this Condition:

**"Notional Interest Amount"** means, in respect of any Note, the amount of interest which was normally payable, absent a voluntary or automatic non-payment of interest pursuant to Condition 4(d)(ii), for the one-year period prior to, and including, the relevant Mandatory Interest Payment Date, calculated on the basis of the Original Principal Amount of such Note, multiplied by the Underlying Security Payment Percentage, as calculated by the Issuer prior to such Mandatory Interest Payment Date.

**"Underlying Security"** means the class of Parity Securities in respect of which the Parity Securities Payments represents the highest proportion of the payment which was normally payable during the one-year period prior to, and including, the relevant Mandatory Interest Payment Date.

**"Underlying Security Payment Percentage"** means the ratio, calculated as a percentage, equal to (i) the Parity Securities Payments effectively made on the Underlying Security during the one-year period prior to, and including, the relevant Mandatory Interest Payment Date, divided by (ii) the payment which was normally payable during such period on the Underlying Security.

(d) *Publication of Floating Rate of Interest, Floating Interest Amount and Floating Interest Payment Date*

The Calculation Agent will cause the Floating Rate of Interest and the Floating Interest Amount for each Floating Interest Period and the relevant Floating Interest Payment Date to be notified (i) to the Issuer, the Fiscal Agent (if different from the Calculation Agent), each other Paying Agent (if any), the Luxembourg Stock Exchange and any other stock exchange on which the Notes are for the time being listed not later than 3.00 p.m. (Brussels time) on the Floating Interest Determination Date and (ii) to the Noteholders in accordance with Condition 11 as soon as possible after their determination but in no event later than the third Business Day thereafter. The Floating Interest Payment Date so published may subsequently be amended by the Calculation Agent (or appropriate alternative arrangements made by way of adjustment) in the event of an extension or shortening of the Floating Interest Period (in which case the Floating Interest Amount will not be adjusted). If the Notes become due and payable under Condition 6(c), 6(d) or 6(e) after the First Call Date otherwise than on a Floating Interest Payment Date, the Floating Rate of Interest and the Floating Interest Amount shall nevertheless continue to be calculated as previously by the Calculation Agent in accordance with this Condition 4 but no publication of the Floating Rate of Interest and the Floating Interest Amount so calculated need be made.

## 5. Loss Absorption and Reinstatement

### (a) *Loss Absorption*

In the event that at any time, (i) a Capital Deficiency Event has occurred or (ii) the Issuer is notified by the Relevant Banking Regulator that it has determined, in its sole discretion, in the view of the deteriorating financial condition of the Issuer, that the foregoing clause (i) would apply in the near term, the management board of the Issuer will convene an extraordinary shareholders' meeting during the three months following the occurrence of such event in order to propose a share capital increase or any other measure regarded as necessary or useful to remedy such event. If the share capital increase or any such other proposed measures are not adopted by the Issuer's extraordinary shareholders' meeting or if the share capital increase is not sufficiently subscribed to remedy such event, or if such event remains on the last day of the financial semester during which the said event has occurred, the management board of the Issuer will implement, within 10 days following the last day of this financial semester, a reduction of the then Principal Amount of the Notes (a "**Loss Absorption**"). A Loss Absorption will be implemented by partially or fully reducing the principal amount of the Notes.

The amount by which the then Principal Amount of the Notes will be reduced will be equal to the amount of losses of the Issuer which, following one of the events described above, has not been set off against its shareholders funds (*capitaux propres*) as set out in its audited annual or non-audited semi-annual non-consolidated accounts (or, if and when the Issuer prepares consolidated accounts, its audited consolidated accounts, as the case may be), after giving effect to the implementation of the measures adopted by Issuer's extraordinary shareholders' meeting. Notwithstanding any other provision of these Conditions, the nominal value of the Notes shall never be reduced to an amount lower than one cent of euro (€0.01).

Any such reduction of the then Principal Amount of the Notes shall be applied in respect of each Note equally and, in the event the Issuer has other outstanding Parity Securities the terms of which contain a provision for the reduction of their principal amount similar to that of the Notes, it shall be applied on a pro-rata basis to the Notes and such Parity Securities.

**For the avoidance of doubt, the Loss Absorption will be set-off against any classes of shares and of any other Equity Securities issued by the Issuer in relation to the measures decided by the extraordinary shareholders' meeting of the Issuer to remedy the Capital Deficiency Event as described above, and to the extent it is not sufficient, set-off against the then Principal Amount of the Notes.**

The then Principal Amount of the Notes may be reduced on one or more occasions, as required. Any such reduction will be recorded as a profit in the audited non-consolidated accounts of the Issuer (and, if and when the Issuer prepares consolidated accounts, its audited consolidated accounts, as the case may be).

For the avoidance of doubt, for so long as the then Principal Amount of the Notes has been reduced pursuant to a Loss Absorption and has not been Reinstated up to their Original Principal Amount, the amount of interest due in respect of each Note will be calculated on its then Principal Amount pursuant to Condition 4(c)(ii) or otherwise pursuant to Condition 4(c)(iii), but each Note will always be repayable at its Original Principal Amount, together with accrued interest, if any, if the Issuer is liquidated pursuant to Condition 6(e) below.

Notice of any event described above shall be given to the Noteholders in accordance with Condition 11 as soon as possible following the occurrence of such event. Notice of any Loss Absorption (which notice should, *inter alia*, describe the consequences of such Loss Absorption on the payment of



interest on the Notes) shall be given to the Noteholders and the Luxembourg Stock Exchange in accordance with Condition 11 as soon as possible and no later than five Business Days prior to the date on which such Loss Absorption becomes effective.

**(b) Reinstatement**

If, following a Loss Absorption, the Issuer made a Profit during two consecutive financial years since the end of the most recent financial year in which there was a Loss Absorption (the "**Absorption Year End**"), the Issuer shall increase the then Principal Amount of the Notes (a "**Reinstatement**") in an amount determined in its discretion (either up to the Original Principal Amount or up to any other amount lower than the Original Principal Amount), to the extent only the Issuer complies with Applicable Banking Regulations following any such Reinstatement; *Provided however*, that, in any event, if (i) a Mandatory Reinstatement Event has occurred since the Absorption Year End, and (ii) the Issuer shall not since such Mandatory Reinstatement Event have made a Reinstatement up to the Original Principal Amount pursuant to the provisions above, the Issuer shall increase the then Principal Amount in an amount equal to the Mandatory Reinstatement Amount.

For the avoidance of doubt, the Principal Amount of the Notes may never be greater than the Original Principal Amount of the Notes following a Reinstatement.

Any Reinstatement shall be applied in respect of each Note equally and, in the event the Issuer has other outstanding Parity Securities the terms of which contain a provision for the reinstatement of their principal amount similar to that of the Notes, it shall be applied on a pro-rata basis to the Notes and such Parity Securities.

The then Principal Amount of the Notes may be reinstated on one or more occasions. Any such reinstatement will be recorded as a loss in the audited non-consolidated accounts of the Issuer (and, if and when the Issuer prepares consolidated accounts, its audited consolidated accounts, as the case may be).

Notice of Profit shall be given to the Noteholders in accordance with Condition 11 as soon as possible following its determination by the Issuer. Notice of any Reinstatement (which notice should, *inter alia*, describe the consequences of such Reinstatement on the payment of interest on the Notes) shall be given to the Noteholders and the Luxembourg Stock Exchange in accordance with Condition 11 as soon as possible and no later than five Business Days prior to the date on which such Reinstatement becomes effective.

**6. Redemption and Purchase**

The Notes may not be redeemed otherwise than in accordance with this Condition.

**(a) No Dated Maturity**

The Notes are undated Obligations of the Issuer and have no fixed maturity date.

**(b) Redemption at the Option of the Issuer**

On the First Call Date and on any Interest Payment Date falling thereafter, the Issuer may at its sole discretion, subject to (x) the prior written consent of the Relevant Banking Regulator, and (y) having given not more than 45 nor less than 30 days' prior notice to the Noteholders in accordance with Condition 11 (which notice shall be irrevocable), redeem all, but not some only, of the Notes at their then Original Principal Amount, together with any accrued interest to the date fixed for redemption.

**(c) Redemption for Regulatory Reasons**

If, by reason of a change in Applicable Banking Regulations, or any change in the official application or interpretation thereof, which becomes effective on or after the Issue Date, the Notes cease to qualify as Tier 1 Regulatory Capital, the Issuer may, at its sole discretion, at any time as from the Issue Date, subject to (x) the prior written consent of the Relevant Banking Regulator, and (y) having given not more than 45 nor less than 30 days' prior notice to the Noteholders in accordance with Condition 11 (which notice shall be irrevocable), redeem all, but not some only, of the Notes at their Original Principal Amount, together with any interest accrued to the date fixed for redemption, provided that the due date for redemption shall be no earlier than the latest practicable date on which the proceeds of the Notes could qualify as Tier 1 Regulatory Capital.

**(d) Redemption for Taxation Reasons**

- (i) If, by reason of a change in any law or regulation of the Republic of France or any political subdivision or authority therein or thereof having power to tax, or any change in the official application or interpretation of such law or regulation (including a holding by a competent court), which becomes effective on or after the Issue Date, interest payments under the Notes were but are no longer tax-deductible by the Issuer for French corporate income tax (*impôt sur les bénéfices des sociétés*) purposes, the Issuer may at its sole discretion (but shall in no circumstances be obliged to), at any time :
- (a) subject to (x) obtaining a prior written advice of an independent expert (which shall be a bank of international repute) confirming that such amendment is not material or prejudicial in any manner to the Noteholders, (y) the prior written consent of the Relevant Banking Regulator, and (z) having given not more than 45 nor less than 30 days' prior notice to the Noteholders in accordance with Condition 11 (which notice shall include the full text of the advice of the independent expert and shall be irrevocable), amend these Conditions without the consent of the general assembly of Noteholders described in Condition 10 in any manner which it deems necessary in order to allow the Notes to remain tax-deductible by the Issuer for French corporate income tax (*impôt sur les bénéfices des sociétés*) purposes, provided that the date on which such amendment becomes effective shall be no earlier than the latest practicable date on which the Issuer could make payment of interest deductible for French corporate income tax (*impôt sur les bénéfices des sociétés*) purposes, or
  - (b) subject to (x) the prior written consent of the Relevant Banking Regulator, and (y) having given not more than 45 nor less than 30 days' prior notice to the Noteholders in accordance with Condition 11 (which notice shall be irrevocable), redeem all, but not some only, of the Notes at their Original Principal Amount, together with any interest accrued to the date fixed for redemption, provided that the due date for redemption shall be no earlier than the latest practicable date on which the Issuer could make such payment with interest deductible for French corporate income tax (*impôt sur les bénéfices des sociétés*) purposes.
- (ii) If, by reason of a change in any law or regulation of the Republic of France or any political subdivision or authority therein or thereof having power to tax, or any change in the official application or interpretation of such law or regulation (including a holding by a competent court), becoming effective after the Issue Date, the Issuer would, on the occasion of the next payment of principal or interest due in respect of the Notes, not be able to make such payment without having to pay additional amounts as specified in Condition 8, the Issuer may, at its sole discretion, at any time, subject to (x) the prior written consent of the Relevant Banking Regulator, and (y) having given not more than 45 nor less than 30 days' prior notice to the Noteholders in accordance with Condition 11 (which notice shall be irrevocable), redeem all, but not some only, of the Notes at their Original Principal Amount, together with any interest

accrued to the date fixed for redemption, provided that the due date for redemption shall be no earlier than the latest practicable date on which the Issuer could make payment of principal or interest without withholding for French taxes.

- (iii) If the Issuer would on the next payment of principal or interest in respect of the Notes be prevented by French law from making payment to the Noteholders of the full amount then due and payable, notwithstanding the undertaking to pay additional amounts contained in Condition 8, then the Issuer shall forthwith give notice of such fact to the Fiscal Agent and the Issuer shall, subject to (x) the prior written consent of the Relevant Banking Regulator, and (y) having given not less than seven days' prior notice to the Noteholders in accordance with Condition 11 (which notice shall be irrevocable), redeem all, but not some only, of the Notes at their Original Principal Amount, together with any interest accrued to the date fixed for redemption, provided that the due date for redemption shall be no earlier than the latest practicable date on which the Issuer could make payment of the full amount of principal or interest payable in respect of the Notes or, if such date has passed, as soon as practicable thereafter.

**(e) *Mandatory Redemption***

Each Note shall become immediately due and payable at its Original Principal Amount together with all interest accrued, if any, since the last Interest Payment Date to the date of payment if any judgement is rendered by any competent court declaring the judicial liquidation (*liquidation judiciaire*) of the Issuer or if the Issuer is liquidated for any reason, provided that notice in writing declaring the Notes to be due and payable is given to the Fiscal Agent by the Representative (as defined in Condition 10), in which case each Note shall become immediately due and payable together with the amounts referred to above upon receipt of such notice by the Fiscal Agent.

**(f) *Notice of Redemption***

All Notes in respect of which any notice of redemption is given by the Issuer under this Condition shall be redeemed on the date specified in such notice in accordance with this Condition.

Such notice of redemption must be given to the Noteholders and the Luxembourg Stock Exchange in accordance with Condition 11.

**(g) *Purchase***

The Issuer may at any time, subject to the prior consent of the Relevant Banking Regulator, purchase Notes in the open market or otherwise (including by way of tender offer) at any price:

- (a) if the total aggregate principal amount of Notes so purchased shall exceed 10 per cent. of the Original Principal Amount of the Notes, and
- (b) in the case of an *offre publique d'achat* (a Public Cash-Tender Offer Bid) or an *offre publique d'échange* (a Public Exchange Tender Offer).

**(h) *Cancellation***

All Notes redeemed or purchased by the Issuer pursuant to this Condition 6 shall be cancelled and accordingly may not be re-issued or resold.

## 7. Payments

### (a) *Method of Payment*

Payments of principal, interest and other amounts in respect of the Notes will be made in euro, by credit or transfer to an account denominated in euro (or any other account to which euro may be credited or transferred) specified by the payee. Such payments shall be made for the benefit of the Noteholders to the Account Holders and all payments made to such Account Holders in favour of Noteholders will be an effective discharge of the Issuer and the Fiscal Agent, as the case may be, in respect of such payment.

Payments of principal, interest and other amounts in respect of the Notes will be made subject to any fiscal or other laws and regulations applicable thereto, but without prejudice to the provisions described in Condition 8. No commission or expenses shall be charged to the Noteholders in respect of such payments.

### (b) *Payments on Business Days*

If any due date for payment of principal, interest or other amounts in respect of any Note is not a Business Day, then the holder of such Note shall not be entitled to payment of the amount due until the next following Business Day and will not be entitled to any interest or other sums with respect to such postponed payment.

### (c) *Fiscal Agent, Paying Agents and Calculation Agent*

The name and specified offices of the initial Fiscal Agent, of the other Paying Agent and of the Calculation Agent are as follows:

#### **FISCAL AGENT AND PRINCIPAL PAYING AGENT**

BNP Paribas Securities Services  
Immeuble Tolbiac  
25, quai Panhard et Levassor  
75013 Paris  
France

#### **PAYING AGENT IN LUXEMBOURG**

BNP Paribas Securities Services, Luxembourg Branch  
23, avenue de la Porte Neuve  
L-2085 Luxembourg  
Grand Duchy of Luxembourg

#### **CALCULATION AGENT**

BNP Paribas  
10 Harewood Avenue  
London NW1 6AA  
Great Britain

The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, the Calculation Agent or any Paying Agent and/or appoint a substitute Fiscal Agent, Calculation Agent and additional or other Paying Agents or approve any change in the office through which the Fiscal Agent, Calculation Agent or any Paying Agent acts, provided that, so long as any Note is outstanding, there will at all times be (i) a Fiscal Agent having a specified office in a major European city (ii) so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of such stock exchange so require, at least one Paying Agent having a specified office in Luxembourg (which may be the Fiscal Agent) and (iii) so long as any Note is outstanding, a Calculation Agent for the purposes of the

Notes having a specified office in a major European city. If the Calculation Agent is unable or unwilling to continue to act as such or if the Calculation Agent fails to make any calculations in relation to the Notes, the Issuer shall appoint some other leading European bank engaged in the euro inter-bank market (having a specified office in a major European city) to act in its place, subject to having given notice to the Noteholders in accordance with Condition 11 not more than 45 nor less than 30 days prior to such appointment. The Calculation Agent may not resign its duties without a successor having been so appointed. Such appointment or termination shall be notified to the Noteholders in accordance with Condition 11.

***(d) Certificates etc. to be final***

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purpose of the Conditions by the Calculation Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer and the Noteholders. No Noteholder shall (in the absence as aforesaid) be entitled to proceed against the Calculation Agent or any of them in connection with the exercise or non-exercise by them of their powers, duties and discretions.

**8. Taxation**

***(a) Withholding Tax Exemption***

The Notes being denominated in euro and accordingly deemed to be issued outside the Republic of France for taxation purposes, payments of interest and other revenues made by the Issuer in respect of the Notes to non-French tax residents benefit under present law from the exemption from deduction of tax at source on account of French taxes provided by Article 131 *quater* of the *Code général des impôts* (French General Tax Code). Accordingly, such payments do not give the right to any tax credit from any French source.

***(b) Additional Amounts***

If any French law or regulation should require that any payment of principal or interest in respect of the Notes be subject to deduction or withholding with respect to any present or future taxes, duties, assessments or other governmental charges of whatever nature imposed or levied by or on behalf of the Republic of France or any political subdivision or authority therein or thereof having power to tax, the Issuer will, to the fullest extent then permitted by law, pay such additional amounts as may be necessary in order that the Noteholders, after such deduction or withholding, receive the full amount provided in such Notes to be then due and payable; provided, however, that the Issuer shall not be liable to pay any such additional amounts in respect of any Note to a holder (or beneficial owner (*ayant droit*)):

- (i) who is subject to such taxes, duties, assessments or other governmental charges, in respect of such Note by reason of his having some connection with the Republic of France other than the mere holding of such Note; or
- (ii) where such deduction or withholding is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments or any other European Union Directive implementing the conclusion of the ECOFIN Council meeting of 26 - 27 November 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such EU Directive.

Any reference in these Conditions to principal and/or interest shall be deemed to include any additional amounts which may be payable under this Condition 8.

## 9. Prescription

Claims against the Issuer for the payment of principal and interest in respect of the Notes shall become prescribed 10 years (in the case of principal) and 5 years (in the case of interest) from the due date for payment thereof.

## 10. Representation of the Noteholders

The Noteholders will be grouped automatically for the defence of their respective common interests in a *masse* (hereinafter referred to as the "*Masse*").

In accordance with Article L.228-90 of the *Code de commerce* (French Commercial Code) (the "**Code**"), the *Masse* will be governed by the provisions of the Code applicable to the *Masse* (with the exception of the provisions of Articles L.228-48, L.228-59 and L.228-71 thereof) and of French decree No. 67-236 of 23 March 1967, as amended, applicable to the *Masse* (with the exception of the provisions of Articles 222, 224 and 226 thereof), subject to the following provisions:

### (a) Legal Personality

The *Masse* will be a separate legal entity, by virtue of Article L.228-46 of the Code, acting in part through a representative (the "**Representative**") and in part through a general assembly of Noteholders.

The *Masse* alone, to the exclusion of all individual Noteholders, shall exercise the common rights, actions and benefits which now or in the future may accrue with respect to the Notes.

### (b) Representative

The office of Representative may be conferred on a person of any nationality. However, the following persons may not be chosen as Representative:

- (i) the Issuer, the members of its *Conseil d'Administration* (Board of Directors), its *Directeurs Généraux* (general managers), its statutory auditors, its employees and their ascendants, descendants and spouses;
- (ii) companies possessing at least 10 per cent. of the share capital of the Issuer or of which the Issuer possesses at least 10 per cent. of the share capital;
- (iii) companies guaranteeing all or part of the obligations of the Issuer, their respective managers (*gérants*), general managers, members of their board of directors, management board or supervisory board, their statutory auditors, and their ascendants, descendants and spouses;
- (iv) persons to whom the practice of banker is forbidden or who have been deprived of the right of directing, administering or managing a business in whatever capacity.

The Representative shall be:

Association de représentation des masses d'obligataires  
Centre Jacques Ferronnière  
32, rue du Champ de Tir, B.P. 81236  
44312 NANTES Cedex 3

In the event of death, incompatibility, resignation or revocation of the Representative, a substitute representative will be elected by a meeting of the general assembly of the Noteholders.

The Issuer shall pay to the Representative an amount of €610 per year.

All interested parties will at all times have the right to obtain the name and the address of the Representative at the head office of the Issuer and at the offices of any of the Paying Agents.

**(c) Powers of the Representative**

The Representative shall, in the absence of any decision to the contrary of the general assembly of the Noteholders, have the power to take all acts of management to defend the common interests of the Noteholders.

All legal proceedings against the Noteholders or initiated by them, in order to be valid, must be brought against the Representative or by it.

The Representative may not interfere in the management of the affairs of the Issuer.

**(d) General Assemblies of Noteholders**

General assemblies of Noteholders may be held at any time, on convocation either by the Issuer or by the Representative. One or more Noteholders, holding together at least one-thirtieth of the outstanding Original Principal Amount of the Notes may address to the Issuer and the Representative a demand for convocation of the general assembly; if such general assembly has not been convened within two months from such demand, such Noteholders may commission one of themselves to petition the competent court in Paris to appoint an agent (*mandataire*) who will call the meeting.

Notice of the date, hour, place, agenda and quorum requirements of any meeting of a general assembly will be published as provided under Condition 11 not less than fifteen calendar days prior to the date of the general assembly.

Each Noteholder has the right to participate in meetings of the *Masse* in person or by proxy. Each Note carries the right to one vote.

**(e) Powers of General Assemblies**

A general assembly is empowered to deliberate on the fixing of the remuneration, dismissal or replacement of the Representative and the Representative and may also act with respect to any other matter that relates to the common rights, actions and benefits which now or in the future may accrue with respect to the Notes, including authorising the Representative to act at law as plaintiff or defendant.

A general assembly may further deliberate on any proposal relating to the modification of the Conditions of the Notes, including:

- (i) any proposal, whether for arbitration or settlement, relating to rights in controversy or which were the subject of judicial decisions; and
- (ii) any proposal relating to the issue of securities carrying a right of preference compared to the rights of the Noteholders;

it being specified, however, that a general assembly may not increase amounts payable by the Noteholders nor establish any unequal treatment between the Noteholders, nor decide to convert the Notes into shares.

Meetings of a general assembly may deliberate validly on first convocation only if Noteholders present or represented hold at least one quarter of the principal amount of the Notes then outstanding.

On second convocation, no quorum shall be required. Decisions at meetings shall be taken by a two-thirds majority of votes cast by the Noteholders attending such meeting or represented thereat.

Decisions of the general assembly must be published in accordance with the provisions set out in Condition 11 not more than 90 calendar days from the date thereof.

**(f) Information to the Noteholders**

Each Noteholder or representative thereof will have the right, during the fifteen calendar days period preceding the holding of each meeting of a general assembly, to consult or make a copy of the text of the resolutions which will be proposed and of the reports which will be presented at the meeting, which will be available for inspection at the principal office of the Issuer, at the offices of the Paying Agents and at any other place specified in the notice of meeting.

**(g) Expenses**

The Issuer will pay all reasonable expenses incurred in the operation of the *Masse*, including expenses relating to the calling and holding of meetings and the expenses which arise by virtue of the remuneration of the Representative, and more generally all administrative expenses resolved upon by a general assembly of the Noteholders, it being expressly stipulated that no expenses may be imputed against interest payable on the Notes.

**11. Notices**

Any notice to the Noteholders and the Luxembourg Stock Exchange will be valid if delivered to Euroclear France, Euroclear and Clearstream, Luxembourg for so long as the Notes are cleared through such clearing systems, except that, so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that stock exchange so require, such notice shall also be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) or, at the option of the Issuer, in a leading daily newspaper having general circulation in Luxembourg (which is expected to be the *d'Wort*). If any such publication is not practicable, notice shall be validly given if published in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which such publication is made.

**12. Further Issues and Assimilation**

The Issuer may from time to time without the consent of the Noteholders issue further notes to be assimilated (*assimilables*) with the Notes as regards their financial service, provided that such further notes and the Notes shall carry rights identical in all respects (or in all respects save for the amount and date of the first payment of interest thereon) and that the terms of such further notes shall provide for such assimilation.

In the event of such an assimilation, the Noteholders and the holders of such further notes will be grouped together in a single *masse* for the defence of their common interests.



**13. Governing Law and Jurisdiction****(a) *Governing Law***

The Notes are governed by and shall be construed in accordance with the laws of the Republic of France.

**(b) *Jurisdiction***

Any action against the Issuer arising out of or in connection with the Notes will be submitted to the exclusive jurisdiction of the competent courts in Paris.

**USE OF PROCEEDS**

The net proceeds of the issue of the Notes are estimated to be approximately €795,200,000 and will be used for general corporate purposes.

## INFORMATION RELATING TO SOLVENCY RATIOS AND ISSUES OF SECURITIES QUALIFYING AS TIER 1 REGULATORY CAPITAL

### European Solvency Ratio Equivalent (“ESR Equivalent”)

The Issuer’s ESR Equivalent as of 31 December 2004 was 8.80 % including a Tier 1 Ratio Equivalent (equal to 8% of the Tier 1 Coverage Ratio as defined below) of 4.92 %.

### Capital adequacy

In 1988, the Basle Committee on Banking Regulations and Supervisory Practices (The "**Basle Committee**"), consisting of representatives of the central banks and supervisory authorities from the "Group of ten countries" (comprised today of Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Spain, Sweden, the UK and the US) and from Luxembourg and Switzerland recommended the adoption of a set of standards for risk-weighting and minimum desired levels of regulatory capital. Under these recommendations, international credit institutions must maintain capital equal to a minimum of 8 % of their total credit risks (also known as the Cooke Ratio), 4% of which must be Tier 1 regulatory capital. In 1989, the Council of the European Community adopted two regulatory directives that set the framework of capital adequacy with respect to credit risks (also known as the European solvency ratio or ESR) within the European Community.

Two significant amendments have since been made to the standards previously introduced: first, at European level, by the "**European Capital Adequacy Directive**", which is not applicable to Crédit Logement, and second, at the international level, by the Basle Committee’s adoption of revised BIS (Bank for International Settlements) standards.

### *The International Solvency Ratio*

#### General features

In 1996, the Basle Committee significantly amended the BIS standards to provide a specific capital cushion for market risks in addition to bank's credit risks. This amendment defines market risks as (i) the pertaining to interest rate related instruments and equity positions in a bank's trading book; and (ii) foreign exchange risks and commodities risks held on the bank's books. As amended in 1996 and refined in September 1997 by the Basle Committee, the revised BIS standards continue to require a capital ratio with respect to credit risks. In addition, they require a credit institution to quantify its market risks in figures equivalent to credit risks and to maintain a capital ratio of 8 % with respect to the sum of its credit and market risks. The French Banking Commission (*Commission Bancaire*) regularly issues opinion regarding the application and calculation of the International Solvency Ratio (*Notices Méthodologiques*). Nevertheless, the International Solvency Ratio has no regulatory force.

The Issuer has never calculated its International Solvency Ratio since it is not required by the the French Banking Commission (*Commission Bancaire*) for banks with limited international operations such as the Issuer.

It is generally believed however that the CAD coverage ratio (being, under the regulations successively adopted by the *Comité de la Règlementation Bancaire et Financière* implementing in France the European Capital Adequacy Directive, a French bank's capital adequacy ratio, the "**CAD Coverage Ratio**") or its ESR equivalent enable a correct and full appreciation of a French bank’s credit risks as well as market risks. It is also generally believed that the ESR equivalent of the CAD Coverage Ratio is very close to what would be the International Solvency Ratio.

## **Reform of BIS standards**

Since 1998, the Basle Committee has been studying a reform of its recommendations with regard to the international bank solvency ratios. This reform would replace the current agreement by a new one based on a more qualitative approach to the measurement of risk exposure. In the latest version of its proposal, the Basle Committee proposes to assess credit risk on the basis of one of the following two methods : a "standard" method relying on a weighting matrix depending on external ratings of counterparties, distinguished between governments, banks, public bodies and business enterprises ; and the second, "alternative", method relying on banks' internal scoring methods, which are required to take into account the probability of default risk exposure and loan recovery rates. In addition, the new ratio would cover banks' operational risks, i.e. risks of malfunction and legal risks. The reform also stresses the role of internal capital adequacy control procedures and the disclosure obligations regarding the structure and allocation of capital and on risk exposure.

Following consultation initiated in January 2001, the Basle Committee received more than 250 comments and therefore decided to launch a study, between October and December 2002, of the impact of the envisaged new mechanism on data at 31 March 2002. Further consultations with the banking industry have taken place in the second quarter of 2003, based on a consultative document circulated in May 2003.

On 26 June 2004, the central bank governors and heads of bank supervisory authorities in the "Group of ten countries" endorsed the publication of the new BIS standards, the "International Convergence of Capital Measurement and Capital Standards: a Revised Framework".

For banks applying IRBF (internal rating-based foundation) method, introduction is planned for 31 December 2006, following a year (2006) in which both ratios (the existing Cooke ratio and the McDonough reform) will be calculated.

For banks applying IRBA (internal rating-based advanced) method, introduction is planned for 31 December 2007, after two years (2006 and 2007) with calculation of both ratios.

On 2 November 2004, CRÉDIT LOGEMENT issued Undated Deeply Subordinated Non-Cumulative Notes Eligible as Tier 1 Regulatory Capital.

## DESCRIPTION OF THE ISSUER

### General description

#### Introduction

CRÉDIT LOGEMENT is a limited liability company (*société anonyme*) incorporated under the laws of France. It is duly licensed in France as a credit institution and is governed by the provisions of the French Code monétaire et financier applicable to credit institutions. It is also subject to banking obligations and continuous monitoring by the French Banking Commission (*Commission Bancaire*).

CRÉDIT LOGEMENT has its registered office at 50, boulevard de Sébastopol, 75003 Paris, and is registered with the *Registre du Commerce et des Sociétés* (Trade and Companies Register) of Paris under number B302 493 275. It was established on 30 January 1975 for a duration of 99 years in order to guarantee and supplement 1% housing loans (*prêts 1% logement*) and "top-up" loans.

CRÉDIT LOGEMENT is monitored and rated Aa2/AA by the rating agencies Moody's and Standard & Poor's, with a stable outlook.

#### Shareholding

As at 31 December 2005, CRÉDIT LOGEMENT had a share capital of €1,253,974,758.25, divided into 82,227,853 shares with a nominal value of €15.25 each.

CRÉDIT LOGEMENT shareholders' fund is divided into two types of shares, which both give the same rights to the holder, except for the dividend:

- A shares amounting to €9.6 million, as at 31 December 2004, with a normal dividend; and
- B shares, with a priority and cumulative dividend (*Dividende précipitaire et cumulatif*) amounting to €1,224.4 million as at 31 December 2004.

At the request of the Banque de France, CRÉDIT LOGEMENT's regulator, Crédit Foncier de France ("*CFF*") has acted as CRÉDIT LOGEMENT's reference shareholder (*actionnaire de référence*) since its creation in 1975 and has been its reference shareholder for more than 20 years.

In 1986 Banque Nationale de Paris, Crédit Lyonnais and Société Générale each subscribed for 10% of CRÉDIT LOGEMENT's share capital.

In 1999, CFF partially divested itself of its interest in CRÉDIT LOGEMENT and now holds only 6.99% of its share capital.

The shareholders of CRÉDIT LOGEMENT as at 31 December 2005 were as follows:

## Shareholders as at 31 December 2005

<b>Crédit Agricole/Crédit Lyonnais including</b>		33.00%
Crédit Agricole S.A	16.50%	
Crédit Lyonnais S.A	16.50%	
<b>BNP Paribas sa</b>		16.50%
<b>Société Générale/Crédit du Nord including</b>		16.50%
Société Générale S.A	13.50%	
Crédit du Nord S.A	3.00%	
<b>C.N.C.E.P./CFF including</b>		15.49%
C.N.C.E.P. S.A	8.50%	
Crédit Foncier de France S.A	6.99%	
<b>Crédit Mutuel/CIC including</b>		9.50%
Caisse Centrale de Crédit Mutuel SACV	5.00%	
Crédit Industriel et Commercial S.A	4.50%	
<b>SF2 S.A – Groupe La Poste</b>		6.00%
<b>HSBC France S.A</b>		3.00%
<b>Other Deposit Banks and Individuals</b>		0.01%

**BUSINESS ACTIVITIES****CRÉDIT LOGEMENT Object**

CRÉDIT LOGEMENT's main object is to guarantee the repayment of loans which have been taken by private individuals who wish to use the money to purchase property for residential use. CRÉDIT LOGEMENT also ensures the recovery of these loans when they are in default. Its guarantee (*caution*) enables credit institutions to offer financing at attractive rates due to the absence of any mortgage registration (*enregistrement des hypothèques*) and to simplify administrative procedures both at the signing of the loan (no registration is required at the mortgage registry (*bureau des hypothèques*)) and at loan maturity (the mechanism for release (*mainlevée*) is straightforward and low-cost).

Thus, CRÉDIT LOGEMENT's guarantee is ideally suited to market trends and, in particular, a faster turnover of real estate assets, since the borrower is reimbursed with a large proportion (historically, more than 75%) of the contribution initially paid to the Mutual Guarantee Fund (*Fonds Mutuel de Garantie*) (FMG). As an illustration of the growing success of this procedure, guaranteed loans (*crédits cautionnés*) in 2005 represent 52.6% of the overall residential loan market as against 31.4% with respect to the mortgage-backed loans (*hypothèque conventionnelle*). (Projection on 2005 released by OFL (CSA) - *Observatoire Permanent sur le Financement du Logement*- OFL (CSA), rue du Quatre septembre - 75002 PARIS).

CRÉDIT LOGEMENT estimates that it was the national leader of the loan guarantee market, with a market share over 50% in 2005. Its main competitors are Insurance Companies owned by banking groups who provide their guarantees exclusively or mainly to banks within their own group (SACCEF for CNCEP group, CAMCA for Crédit Agricole Group).

## GRANTING GUARANTEES

### 1. AGREEMENTS WITH PARTNER BANKS.

CRÉDIT LOGEMENT has signed agreements with most French banks, mainly its shareholders, and banks providing residential loans on the French territory, stating the rights and obligations of each partner bank in getting CRÉDIT LOGEMENT to guarantee their residential loans.

235 of these agreements are currently being used, allowing CRÉDIT LOGEMENT to develop its activity with its partners.

### 2. CREDIT RISK ANALYSIS

CRÉDIT LOGEMENT has its own system of credit risk analysis. This process is carried out independently from its shareholders and partner banks in accordance with a number of precisely defined procedures and using risk analysis tools developed over many years.

In 2005, when a guarantee was requested from a partner bank, the loan information was automatically transmitted through electronic transmission or via the Extranet for 78.1% of the files, while the remaining 21.9 % was received by fax or mail and dealt with manually by a dedicated team.

A preliminary step in the analysis process involves a systematic consultation of third party credit registers (*Fichier des Incidents de Paiement (FICP)*, *Fichier Bancaire des Entreprises (FIBEN)*), followed by an internal review of its own client register in order to establish its overall exposure to the same individual.

For each guarantee request the system generates a number for the relevant guarantee (for every loan there is a corresponding guarantee). When the file is loaded on to the computer system following its completion and the elimination of inconsistencies, it goes on to a two-stage analysis phase. These phases are:

1. an automated analysis by the *Automatic Analysis System*. This type of analysis is now applied to 100% of files submitted for consideration;
2. a manual assessment carried out by analysts in the Analysis and Decision Division (*Service Analyse et Décision (SAD)*) in circumstances where the Automatic Analysis System has not provided an automatic clearance.

The guarantee may be accepted automatically by the Automatic Analysis System. Applications not accepted by the Automatic Analysis System because they extend beyond its scope (even if its analysis is positive) are automatically transferred to SAD for a manual analysis. It is important to note that automatic acceptance only applies to files with very favourable characteristics, particularly where the level of the borrower's indebtedness, the portion of the property to be financed and the loan itself are low.

In total, the Automatic Analysis System clears approximately 55% of transactions accepted by CRÉDIT LOGEMENT; the remainder and those rejected are reviewed by SAD analysts. In the vast majority of cases, it is because the application is beyond the scope of the Automatic Analysis System that it is not automatically accepted. The Automatic Analysis System's scope extends not only to the total exposure (a maximum of €500,000 as at the end of 2005), but also to all qualitative criteria.

The acceptance criteria applied to each request for a new guarantee takes into account CRÉDIT LOGEMENT's global exposure to the relevant borrower. Delegations criteria relating to financial

amounts in respect of this global exposure are determined by the General Management (*Direction Générale*) on an *intuitu personae* basis.

### **3. AUTOMATIC ANALYSIS SYSTEM**

The Automatic Analysis System is a fully automated approval system and was set up at the beginning of 1994. It is regularly tested, in particular following the introduction of new loan criteria. The refinement of the Automatic Analysis System is the responsibility of the Risks Department.

In April 2005, a new automatic analysis process was set up to combine CRÉDIT LOGEMENT's previous system and to set up a score, built on historical data, which will become necessary within the Basle II implementation.

Over time, CRÉDIT LOGEMENT's refusal rate has remained relatively stable, at 14.47% for the year 2005 compared to 15.20% in 2004 and at an annual rate between 10.9% and 15.20% over the last 8 years. The Automatic Analysis System's methodology is the same for all its partner banks. This approach ensures homogeneous treatment of the origination of guarantees.

In each case, the Automatic Analysis System delivers its conclusion as to the solvency of the borrower and its assessment of the property. The solvency of the borrower depends upon:

- the position of the borrower (his/her indebtedness level after any appropriate weighting of income and outgoings, disposable income, history of outgoings and savings characteristics);
- his/her profile (age, profession, security of income, banking record, credit record, behaviour, etc.); and
- insurance (contract type, scope and apportionment).

The property assessment is the result of a calculation, which takes into account:

- the property to be financed (purpose and duration of the loan, borrower contribution, financial plan);
- the transaction type;
- legal features (marital status, property ownership, whether the property is to be held by non-trading real estate investment companies (*sociétés civiles immobilières* - "SCI"), etc.); and
- the borrowers' assets (margin, other assets, etc.).

Since April 2005, the Automatic Analysis System also delivers a score which provides, for the application studied, a probability of default.

Since the end of June 2005, a full "regulatory quotation" is provided, stating not only the probability of default (score) but as well the expected loss in case of default. Thus, each new application for guarantee is quoted, allowing CRÉDIT LOGEMENT to compute its capital requirement under its internal rating based model.

The score is also taken into consideration to define whether the customer solvency and the margin on the property will permit an automatic clearance of the guarantee application, or whether it will have to be studied by an analyst. In this latter case, the score and the regulatory quotation is provided to the analyst to help him in building his decision.

### **4. MANAGEMENT OF UNPAID AMOUNTS AND RECOVERY PROCESS**

As a general principle, the partner institution must inform CRÉDIT LOGEMENT of any fact brought to its attention, which would be the type of matter to affect the solvency of the borrower or to put the repayment of the loan at risk.



Following a specific number of unpaid installments (three for all the banks, except for one major bank which is set at five unpaid installments), CRÉDIT LOGEMENT, after checking the file and the conditions of the grant of the guarantee, will indemnify the bank for the total due and unpaid amount by drawing such an amount from the FMG (*appel en garantie*). CRÉDIT LOGEMENT may decide not to indemnify the bank if the characteristics of the reference obligation are too different from the original characteristics transmitted by the bank, or if the management of the reference obligation by the bank has led to an increase in the potential loss on the reference obligation. This drawing (known as a temporary use of the FMG) is subject to obtaining the following contractual documents: signed loan offer, or signed loan contract making reference to the offer with acknowledgement of receipt, amortisation table on which the claim is based, joint and several guarantees (if any) (*actes de cautionnement solidaires*) and supporting evidence of the risk from the arrangement of the loan (supporting evidence of earnings, of allocation of funds, of full ownership (*pleine propriété*)).

As from the *appel en garantie*, the lending institution subrogates CRÉDIT LOGEMENT in its rights *vis-à-vis* the defaulting borrower to the extent of the indemnity amounts paid by CRÉDIT LOGEMENT. At the same time, CRÉDIT LOGEMENT is subject to a requirement to make use of all procedures, whether by private treaty or through the courts, for the recovery of installments due from the defaulting borrower.

The first stage of recovery is "out of court discovery" ("*découvert amiable*"), during which the recovery analyst will seek to contact the borrower, evaluate his/her financial situation and calculate his/her ability to recommence payment of his/her financial obligations and to repay the unpaid installments. After the establishment of an out-of-court discharge plan (*plan d'apurement amiable*), the return to normal file management will take place after full repayment of the unpaid sums.

If the unpaid installments are not repaid, the file passes to the litigation phase and the declaration of an event of default may be made by the lending institution against the borrower (*déchéance du terme*), either with the agreement of, or at the request of, CRÉDIT LOGEMENT. As a consequence of an event of default, CRÉDIT LOGEMENT must pay its partner bank all of the remaining installments due by the borrower. These payments are made by withdrawing sums from the FMG. If the financed property has not been mortgaged, CRÉDIT LOGEMENT may take a mortgage over it (usually through the courts for reasons of cost and speed).

CRÉDIT LOGEMENT negotiates with the debtor in order to gain the maximum advantage from an out-of-court sale, which statistically allows the best level of recovery. The deadline agreed with the debtor for the sale of the property must not exceed 6 months following the date of the signature of the sale agreement (*mandat de vente*), a copy of which will have been sent to CRÉDIT LOGEMENT by the debtor.

In case of a failure to sell, CRÉDIT LOGEMENT initiates the process of property seizure (*saisie immobilière*) which, in half of the cases, results in the borrower changing his/her mind and agreeing to sell the property out of court; when this happens, execution procedures are not cancelled, but potentially suspended. In all other cases, the failure to agree an out-of-court sale inevitably leads to a court sale.

Once the sale is completed, CRÉDIT LOGEMENT has the ability to pursue the borrower. After having exhausted all the judicial and extra-judicial pursuits, or after taking the decision not to pursue further, CRÉDIT LOGEMENT writes off the outstanding unpaid amount due by the borrower.

CRÉDIT LOGEMENT also develops a recovery activity for the account of third-parties, i.e. banks which are not CRÉDIT LOGEMENT's partners.

## 5. CRÉDIT LOGEMENT'S EXPOSURE

CRÉDIT LOGEMENT's exposure on its guarantee portfolio is strictly monitored, as shown in the delinquency tables below established by CRÉDIT LOGEMENT as at 31 December 2005.

The following tables do not mention the Issuer's risk exposure for 2004 and 2005, as the risk related to each of the guarantees granted by Credit Logement is measured after a three-year period.

- Maximum risk exposure by generation: doubtful debt and FMG withdrawal divided by total initial amount per generation

Maximum risk exposure	Aging in years		
	3 years	5 years	10 years
1991	0.33%	0.46%	0.29%
1992	0.21%	0.29%	0.19%
1993	0.20%	0.24%	0.14%
1994	0.14%	0.17%	0.14%
1995	0.14%	0.13%	0.09%
1996	0.12%	0.11%	
1997	0.10%	0.12%	
1998	0.09%	0.13%	
1999	0.09%	0.14%	
2000	0.17%	0.20%	
2001	0.19%		
2002	0.13%		
2003			
Average	0.15%	0.18%	0.17%

- Present default rate by generation: Global FMG withdrawal divided by total initial amount per generation

Present default rate	Aging in years		
	3 years	5 years	10 years
1991	0.17%	0.29%	0.27%
1992	0.10%	0.17%	0.17%
1993	0.11%	0.15%	0.13%
1994	0.06%	0.10%	0.12%
1995	0.05%	0.07%	0.08%
1996	0.04%	0.05%	
1997	0.04%	0.07%	
1998	0.03%	0.08%	
1999	0.03%	0.06%	
2000	0.05%	0.08%	
2001	0.04%		
2002	0.05%		
2003			
Average	0.05%	0.10%	0.15%

- Final default rate by generation: Write off and unrecoverable portion of doubtful debt divided by total initial amount per generation

Final default rate	Aging in years		
	3 years	5 years	10 years
1991	0.01%	0.15%	0.19%
1992	0.01%	0.08%	0.12%
1993	0.04%	0.07%	0.09%
1994	0.03%	0.05%	0.08%
1995	0.02%	0.03%	0.05%
1996	0.01%	0.02%	
1997	0.01%	0.02%	
1998	0.01%	0.03%	
1999	0.01%	0.03%	
2000	0.02%	0.03%	
2001	0.01%		
2002	0.01%		
2003			
Average	0.01%	0.04%	0.11%

CRÉDIT LOGEMENT estimates that the number of guarantees under recovery over the five last years has evolved as follows:

#### Number of guarantees under recovery

	2004	2003	2002	2001	2000
Number of guarantees beginning in the year	3,018	2,860	2,926	3,125	3,240
New calls on our guarantees	2,012	1,864	1,447	1,388	1,484
Number of Guarantees cleared	1,810	1,580	1,362	1,390	1,418
Guarantees written off	144	126	151	197	181
Number of guarantees end of the year	3,076	3,018	2,860	2,926	3,125

<b>Doubtful outstanding, doubtful debts, and Write off for the 5 last financial years (in €thousands)</b>					
	31/12/2004	31/12/2003	31/12/2002	31/12/2001	31/12/2000
Balance sheet – Doubtful debt	56,675	49,470	45,915	43,915	42,525
Off-Balance sheet – Doubtful outstanding	49,634	34,937	36,026	28,016	25,447
Total	106,309	84,407	81,941	71,931	67,972
Write off during the year	1,910	1,420	1,660	2,500	1,680

## **6. THE MUTUAL GUARANTEE FUND (FONDS MUTUEL DE GARANTIE ( FMG)) AND THE GUARANTEE FEES**

When a loan is guaranteed by CRÉDIT LOGEMENT, the borrower has to pay two amounts :

- ❑ A contribution to the Mutual Guarantee Fund (FMG) ; and
- ❑ A flat fee.

### **The Mutual Guarantee Fund**

When a loan is repaid, the borrower receives its initial contribution back less the apportionment due to the global delinquency of all loans outstanding in the portfolio of CRÉDIT LOGEMENT.

All disbursements on defaulted loans guaranteed by CRÉDIT LOGEMENT are paid from the FMG which also receives all recoveries on these loans.

*FMG growth over the years in € millions:*

1998:	521
1999:	621
2000:	724
2001:	854
2002:	1,023
2003:	1,271
2004:	1,566
2005:	1,935*

\*CRÉDIT LOGEMENT's estimate

CRÉDIT LOGEMENT's shareholders and partners subscribe every six months to a commitment to replenish, if necessary, the FMG in proportion to their outstanding loans guaranteed by CRÉDIT LOGEMENT. This allows CRÉDIT LOGEMENT to consider it as tier one, with minor adjustments, to its solvency ratio computation.

### **The Guarantee Fees**

Received at the beginning of the guarantee, only part of the fees are immediately taken away as income. In 2005, CRÉDIT LOGEMENT estimates that the amount of fees received is equal to €17.6 million fees (€2.3 million in 2004).

Thus, fees received but not yet taken as income rose from €188.3 million at the end of 2004 to €233.9 million at the end of 2005, ensuring CRÉDIT LOGEMENT with future income.

## **CRÉDIT LOGEMENT AND THE PROPERTY MARKET**

The main developments in the business of CRÉDIT LOGEMENT in 2005 were:

- ❑ the relative dominance of the older buildings sector (representing more than 65% of all sectors);
- ❑ a relatively strong growth in the guaranteed transaction amount (around 10%);
- ❑ an increase in the average original loan duration: 171 months in 2005 against 127 months in 1997

- (+3.7 years over the last eight years);
- a stabilization in borrowers' income but growth in indebtedness rate;
  - a slight decrease in the guaranteed variable/floating rate loans (17% in 2005 against 19.7% in 2004)

The table below indicates a substantial growth of productivity in recent years:

<i>Year</i>	<i>Number of guarantees arranged</i>	<i>Amount of guarantees arranged, in € billions</i>
1998	132,000	6.03
1999	172,618	9.17
2000	184,244	8.86
2001	210,698	11.17
2002	245,106	14.86
2003	283,080	21.31
2004	294,532	26.40
2005*	352,321	35.01

\*CRÉDIT LOGEMENT's estimate

In 2004, the amount committed to residential loans (except social loans and loan restructuring) rose to €105.4 billion (vs. €86.3 billion in 2003) according to Michel Mouillart from OCPI (Observatoire de la Production de Crédits Immobiliers – Paris X-Nanterre University), which gave CRÉDIT LOGEMENT a market share of 25.1% on the 2004 non-subsidised loans production.

This translates into the following growth in amounts guaranteed:

*Growth in outstanding guarantees*

<i>Year</i>	<i>Outstanding amount (in €billions)</i>
1998	20.09
1999	25.18
2000	29.82
2001	35.54
2002	44.65
2003	57.70
2004	74.07
2005*	95.17

\*CRÉDIT LOGEMENT's estimate

## TREASURY MANAGEMENT

CRÉDIT LOGEMENT has two types of shares: A shares and B shares.

Funds obtained from B shares are replaced with each shareholder on term accounts, with interest rates being fixed every year based on the one year euro rate.

Following the same pattern, subordinated loans granted by partner banks are automatically replaced with each partner bank, according to the subordinated loan contract, with a negative margin supported by CRÉDIT LOGEMENT.

The other funds available, the “available treasury”, mainly coming from the FMG, fees received and not yet posted as income to P&L and from subordinated notes issued, are placed according to the general principle defined by the Board in 2002. A Treasury Committee, comprised of five specialists from five shareholder banks, together with CRÉDIT LOGEMENT management, defines the investments rules and limits and controls the treasury activity and results.

Globally, the overall risk from the treasury management is very limited with over 97% of final risk being on European Community banks as at 31 December 2005, mainly on Shareholder group banks (95% on the available treasury), and the breakdown of this overall risk being as follows, according to S&P and/or Moody’s ratings taken as at 31 December 2005 :

LT rating S&P / Moody's	Overall risk (%)
<b>AAA/Aaa</b>	<b>0,75%</b>
<b>AA+/Aa1</b>	<b>0,01%</b>
<b>AA/Aa2</b>	<b>17,77%</b>
<b>AA-/Aa3</b>	<b>64,27%</b>
<b>A+/A1</b>	<b>14,31%</b>
<b>A/A2</b>	<b>1,44%</b>
<b>A-/A3</b>	<b>0,80%</b>
<b>BBB</b>	<b>0,20%</b>
<b>NR</b>	<b>0,45%</b>

## SECURITISATION PROGRAM

Given the strong increase in its outstanding guarantees CRÉDIT LOGEMENT launched, at the beginning of 2004, a synthetic securitisation program to improve its balance sheet structure and prudential capital allocation.

To date, five transactions totaling €20 billion have been realized:

- FRA 2004-1 in March 2004, amounting to €3.5 billion
- A private transaction in June 2004, amounting to €3.5 billion
- FRA 2004-2 in September 2004, amounting to €4.5 billion
- FRA 2005-1 in March 2005, amounting to €4 billion
- FRA 2005-2 in November 2005, amounting to €4.5 billion

Given CRÉDIT LOGEMENT’S asset quality, the four public transactions rated by S&P and Moody’s were very well received by investors and were heavily oversubscribed.

CRÉDIT LOGEMENT keeps a first loss amounting to 0.6% or 0.65% (depending on the transaction) of the global amount, whereas 99.4% or 99.35% (depending on the transaction) of the risk relating to principal on these outstanding transactions are transferred to investors through credit default swaps.

CRÉDIT LOGEMENT considers launching another securitisation transaction in the second semester of 2006 if the market conditions allow it.

#### **UNDATED DEEPLY SUBORDINATED NON CUMULATIVE NOTES**

€450 million undated deeply subordinated non cumulative notes, recognized as Tier one by the French Banking Commission (*Commission Bancaire*), were issued in November 2004.

They are floating rate notes, with a sixty basis point spread over three month euribor, with a call after five years, and a step of one hundred basis point after ten years.

#### **DATED SUBORDINATED NOTES**

€1,500 million ten years subordinated notes, recognised as Tier two by the French Banking Commission (*Commission Bancaire*), were issued in June 2005.

They are floating rate notes, with a twenty nine basis point spread over three month euribor, with a call and a step of fifty basis point after five years.

#### **SUBSIDIARIES**

CRÉDIT LOGEMENT has two subsidiaries which are not consolidated, in agreement with CRÉDIT LOGEMENT's auditors because of their small size and very limited activity:

- CRÉDIT LOGEMENT ASSURANCE, an insurance company held for 60% by CRÉDIT LOGEMENT
- SNC FONCIÈRE SÉBASTOPOL, an estate company held for 99.9% by CRÉDIT LOGEMENT

#### **MANAGEMENT**

##### **Board of Directors:**

Name	Principal functions and other directorships
<b>Yves MARTRENCAR</b> Chairman of the Board of Directors	<ul style="list-style-type: none"> <li>• Head of retail Banking in France of BNP Paribas.</li> <li>• Vice-Chairman of the Supervisory Board of Antin Vendome.</li> <li>• Permanent representative of BNP Paribas, member of the Supervisory Board of Cortal Consors.</li> <li>• Director of BNP Paribas Lease Group.</li> <li>• Director of BNP Paribas PAM.</li> </ul>

**BNP PARIBAS**

represented by Philippe STOLTZ

- Head of Retail Banking Residential Loans in France of BNP Paribas.
- Permanent representative of BNP Paribas, Director of S.G.F.G.A.S. - SA.

**CRÉDIT DU NORD**

represented by Jean-Pierre BON

- Deputy Chief Executive Officer, Financial Division of Crédit du Nord.
- Vice-Chairman of the Supervisory Board of Banque Courtois.
- Chairman of the Supervisory Board of Banque Nuger.
- Vice-Chairman and Director of Dexia CLF Banque.
- Director of Franfinance.

**HSBC FRANCE**

represented by Catherine VIDAL

- Head of Individual Clients for the Group in France, HSBC France.
- Director of Erisa IARD.
- Director of Netvalor.
- Director of BMS Développement.
- Director of BMS Exploitation.

**CREDIT FONCIER DE FRANCE**

represented by Daniel BINDER

- Head of Development of Crédit Foncier de France.
- Chairman and Chief Executive Officer of Foncier Assurance SA.
- Director of Foncier Expertise SA.
- Permanent representative of Enténial, Director of S.G.F.G.A.S. - SA.
- Permanent representative of Crédit Foncier de France, member of the Supervisory Board of UEA.
- Permanent representative of Entenial, member of the Supervisory Board of Financière de la Baste.
- Permanent representative of Entenial, Director of La Mondiale Partenaire.
- Deputy Chief Executive Officer of Comptoir Financier de Garantie SA.

**LCL - LE CRÉDIT LYONNAIS**

represented by Elisabeth EYCHENNE

- Head of Permanent Control and Risks.

**CAISSE CENTRALE DU CRÉDIT MUTUEL**

represented by Marie-Christine CAFFET

- Deputy Head in charge of Markets and Businesses at the development Division of Confédération Nationale du Crédit Mutuel.
- Permanent representative of Caisse Centrale du Crédit Mutuel, Director of UFG.
- Permanent representative of Caisse Centrale du Crédit Mutuel, Director of Crédit Mutuel Habitat Gestion.
- Permanent representative of Caisse Centrale du Crédit Mutuel, Director of S.G.F.G.A.S. - SA.
- Permanent representative of Caisse Centrale du Crédit Mutuel, Director of SGCM.



**CREDIT AGRICOLE S.A.**

represented by Olivier NICOLAS

- Head of Financial Management of Crédit Agricole SA.
- Director of Calyon Preferred Funding I LLC.
- Director of Calyon Preferred Funding LLC.
- Director of Credit Agricole Leasing.
- Director of Credit Agricole Asset Management.
- Chairman and Chief Executive Officer of Crédit Agricole International Employees.
- Director of Foncaris.
- Permanent representative of Crédit Agricole SA, Director of Groupement des Provinces de France.
- Director of Groupement pour le Financement des Entreprises Régionales.
- Chief Executive Officer and Director of Radian.
- Director of Caam Group.
- Permanent Representative of Crédit Agricole SA, Director of S.G.F.G.A.S. - SA.
- Member of the Supervisory Board of Société d'Epargne Foncière Agricole.
- Member of the Management Committee of Sopar.
- Director of Ucabail Immobilier.
- Director of Unimat.
- Director of BFT.

**CAISSE NATIONALE DES CAISSES D'EPARGNE**

represented by Paul LE BIHAN

- Head of Insurance Activities of Caisse Nationale des Caisses d'Epargne.
- Chairman and Chief executive Officer of Holassure.
- Director of Sopassure.
- Chairman of the Board of Ecureuil Assurance IARD.
- Director of Ecureuil Vie.
- Chairman of the Board of Muracef.
- Director of UEA.
- Director of Surassur.

**SF2, GROUPE LA POSTE**

represented by Jean-Marc TASSAIN

- Head of Multi-Channel Distribution

**SOCIETE GENERALE**

represented by Christian POIRIER

- Head of Strategy and Marketing for Retail Banking Activities of Société Générale.
- Director of Crédit du Nord.
- Director of Genefinance.
- Director of Sogebail.
- Member of the Supervisory Board of Groupama Banque.
- Director of ECS.
- Director of Fiditalia s.p.a.
- Member of the Supervisory Board of Komerčni Banka.
- Chairman of Sogefinancement.
- Permanent representative of Société Générale, Director of Oseo - Sofaris.
- Permanent representative of Société Générale, Director of Siagi.

**Jacques BAUDOIN**

- Deputy Chief Executive Officer of LCL - Le Crédit Lyonnais.
- Chairman and Chief Executive Officer of Slivam.
- Director of Crédit Agricole Asset Management.
- Director of Assurances Fédérales IARD.
- Director of Pacifica.
- Member of the Executive Committee of Crédit Agricole SA.

**Philippe PALLATIN**

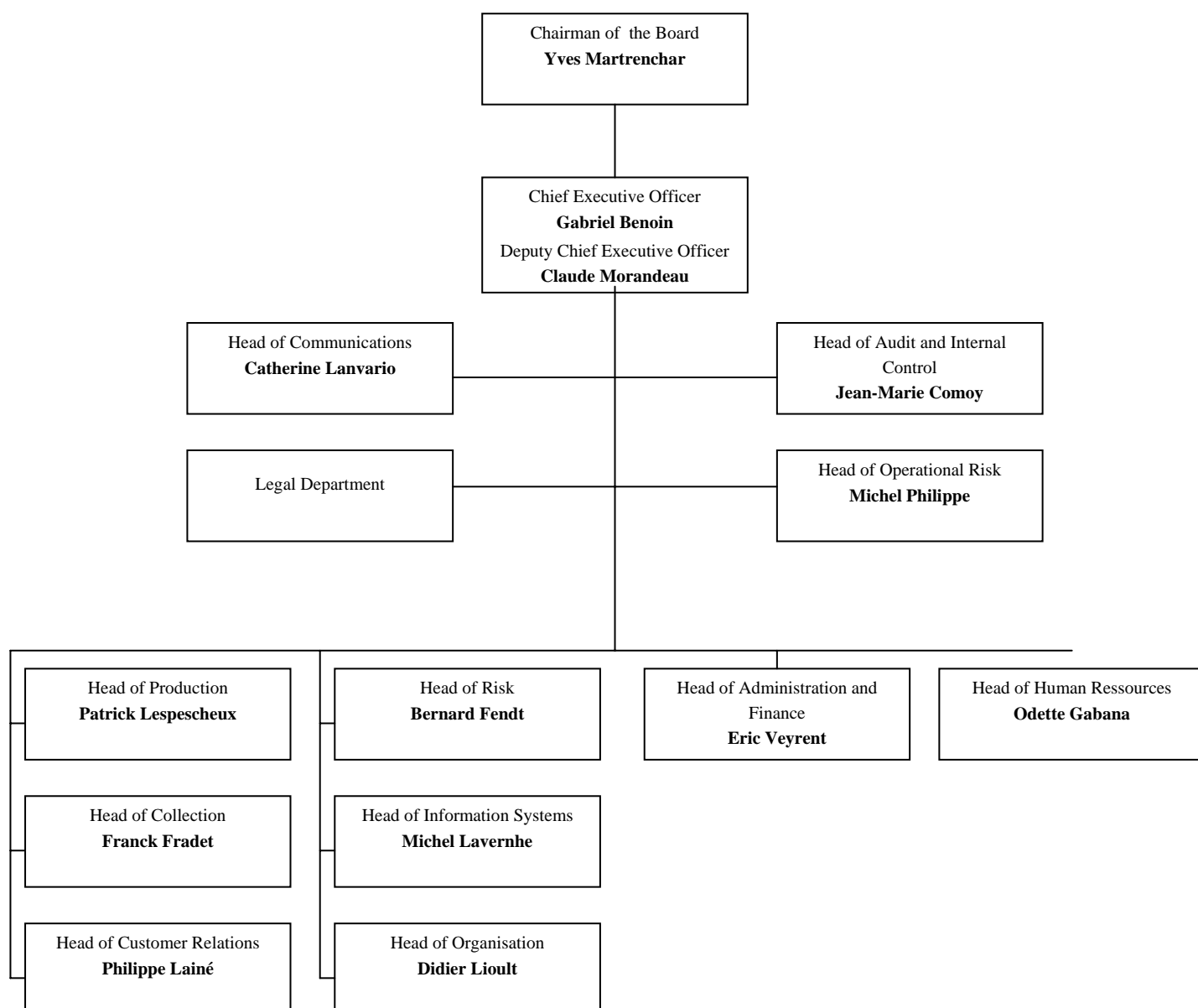
- Deputy Chief Executive Officer, Head of the Economics, Finance and Tax Department of Fédération Nationale du Crédit Agricole.

All members of the Board of Directors have their business address at CRÉDIT LOGEMENT's address.

**Potential conflict of interest**

As the members of the Board of Directors of CRÉDIT LOGEMENT are among its main customers or competitors, a conflict of interests may arise between their duties with respect to the Issuer and their private interests or other duties.

The following chart sets out CRÉDIT LOGEMENT's management structure.



Gabriel Benoin and Claude Morandeu are also respectively Chairman of the Board of Directors and Chief Executive Officer of Crédit Logement Assurance.

**STATUTORY AUDITORS:**

PriceWaterhouseCoopers AUDIT until 18 April 2005  
represented by Daniel FESSON  
32 rue Guersant  
75017 Paris  
France

Deloitte & Associés from 18 April 2005  
represented by Thierry AUBERTIN  
185, avenue Charles de Gaulle  
92200 Neuilly sur Seine

Compagnie des Techniques Financières  
represented by Christophe LEGUE  
48, avenue Victor Hugo  
75116 Paris  
France

**EMPLOYEES:**

CRÉDIT LOGEMENT has 213 employees as of 31 December 2005.

**MATERIAL CONTRACTS**

At the date of this Prospectus there are no material contracts (other than those entered into in the ordinary course of the Issuer's business) which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to Noteholders in respect of the Notes being issued.

## RECENT DEVELOPMENTS

CRÉDIT LOGEMENT estimates that the amount of guarantees put in place in January 2006 increased by 49% as compared to January 2005. The activity is still bullish and productivity is increasing.

The Issuer's IRB advanced model on its core business (granting guarantees on residential loans) is finalized and in place, and a team of inspectors from the French Banking Commission (*Commission Bancaire*), is presently in the Issuer premises to review the Issuer's IRB model.

Except as disclosed in this Prospectus, there has been no significant change in the Issuer's business since 31 December 2004.

**CONDENSED AUDITED FINANCIAL STATEMENTS OF THE ISSUER  
FOR THE YEAR ENDED 31 DECEMBER 2004**

(a) Balance sheet of CRÉDIT LOGEMENT as at 31 December 2004:

Assets (in €thousands)	2004	2003
Bank loans	5,420,156	4,628,001
Customer loans	57,016	49,798
Investments	703,795	475,209
Fixed assets	15,919	14,305
Other assets	9,960	1,439
<b>Total assets</b>	<b>6,206,846</b>	<b>5,168,752</b>
Off balance sheet items (receivables)	74,080,469	57,811,723

Liabilities (in €thousands)	2004	2003
Customer transactions	1,475	1,079
Other liabilities	196,894	165,098
Subordinated Debt	4,636,258	3,770,861
<i>of which FMG</i>	<i>1,566,278</i>	<i>1,270,900</i>
General funds for banking risk	610	610
Shareholder funds	1,371,609	1,231,104
<b>Total liabilities</b>	<b>6,206,846</b>	<b>5,168,752</b>
Off balance sheet items (liabilities)	13,175,276	1,454,669

Guarantees issued are recorded off-balance sheet. The majority of CRÉDIT LOGEMENT's assets consist of cash generated as a result of payments received with respect to guarantee contributions to FMG and shareholder funds.

(b) Profit and Loss Account of CRÉDIT LOGEMENT for the financial year ended 31 December 2004:

In €thousands	2004	2003
Net banking income	112,370	103,758
General and amortisation costs	28,192	25,638
Gross operating profit	84,178	78,094
Net profit	54,518	49,246
Operating ratio	25.09%	24.71%

**STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS OF THE  
ISSUER FOR THE YEAR ENDED 31 DECEMBER 2004**

*Mesdames, Messieurs,*

*En exécution de la mission qui nous a été confiée par votre assemblée générale, nous vous présentons notre rapport relatif à l'exercice clos le 31 décembre 2004, sur :*

- . le contrôle des comptes annuels de la société Crédit Logement, tels qu'ils sont joints au présent rapport ;*
- . la justification de nos appréciations ;*
- . les vérifications spécifiques et les informations prévues par la loi.*

*Les comptes annuels ont été arrêtés par votre Conseil d'Administration. Il nous appartient, sur la base de notre audit, d'exprimer une opinion sur ces comptes.*

**OPINION SUR LES COMPTES ANNUELS**

*Nous avons effectué notre audit selon les normes professionnelles applicables en France ; ces normes requièrent la mise en oeuvre de diligences permettant d'obtenir l'assurance raisonnable que les comptes annuels ne comportent pas d'anomalie significative. Un audit consiste à examiner, par sondages, les éléments probants justifiant les données contenues dans ces comptes. Il consiste également à apprécier les principes comptables suivis et les estimations significatives retenues pour l'arrêté des comptes et à apprécier leur présentation d'ensemble. Nous estimons que nos contrôles fournissent une base raisonnable à l'opinion exprimée ci-après.*

*Nous certifions que les comptes annuels sont, au regard des règles et principes comptables français, réguliers et sincères et donnent une image fidèle du résultat des opérations de l'exercice écoulé ainsi que de la situation financière et du patrimoine de la société à la fin de cet exercice.*

**JUSTIFICATION DES APPRÉCIATIONS**

*En application des dispositions de l'article L.225-235 du Code de Commerce relatives à la justification de nos appréciations, nous vous informons que les appréciations auxquelles nous avons procédé ont porté sur le caractère approprié des principes comptables appliqués ainsi que sur le caractère raisonnable des estimations significatives retenues.*

*Les appréciations ainsi portées s'inscrivent dans le cadre de notre démarche d'audit des comptes annuels, pris dans leur ensemble, et ont donc contribué à la formation de notre opinion exprimée dans la première partie de ce rapport.*

**VÉRIFICATIONS ET INFORMATIONS SPÉCIFIQUES**

*Nous avons également procédé, conformément aux normes professionnelles applicables en France, aux vérifications spécifiques prévues par la loi.*

*Nous n'avons pas d'observation à formuler sur la sincérité et la concordance avec les comptes annuels des informations données dans le rapport du Conseil d'Administration et dans les documents adressés aux actionnaires sur la situation financière et les comptes annuels.*

*Paris, le 31 mars 2005*

*Les Commissaires aux comptes*

*PricewaterhouseCoopers Audit  
Représenté par Daniel FESSON*

*Compagnie des Techniques Financières - CTF  
représentée par Christophe LEGUÉ*



**TRANSLATION FOR INFORMATION PURPOSES ONLY OF THE STATUTORY  
AUDITORS' REPORT ON THE FINANCIAL STATEMENTS OF THE ISSUER  
FOR THE YEAR ENDED 31 DECEMBER 2004**

Dear Shareholders,

Pursuant to the mandate given to us at the General Meeting, please find hereafter our report relative to the year ended December 31, 2004 concerning :

- . our audit of the annual financial statements of the company Credit Logement, as appended to the present report ;
- . the basis for our opinions ;
- . the specific procedures and information required under French law.

The annual financial statements are the responsibility of your Board of Directors. Our responsibility is to express an opinion on these accounts based on our audit.

**OPINION ON THE ANNUAL FINANCIAL STATEMENTS**

We conducted our audit in accordance with the industry standards applicable in France. These standards require that we plan and perform the audit to obtain reasonable assurance that the annual financial statements are free from any material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and information contained in these accounts. An audit also involves assessing the accounting methods and principles used and the significant estimates made when drawing up the accounts, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for the opinion presented hereafter.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of the company at December 31, 2004, in addition to the results of its operations for the year then ended, in accordance with the accounting rules and principles in force in France.

**BASIS FOR OUR OPINIONS**

Pursuant to the provisions of Article L. 225-235 of the French commercial code relative to the forming of our opinions, we would like to inform you that our assessment focused on the appropriate nature of the accounting principles applied as well as the reasonable nature of the significant estimates made. The assessments made in this way are part of our audit of the annual financial statements in general and therefore contributed to the formation of our opinion, expressed in the first part of this report.

**SPECIFIC PROCEDURES AND INFORMATION**

Furthermore, we have also verified, in accordance with the generally accepted accounting standards and principles as applied in France, the specific procedures required under French law.

We have no observations to make regarding its sincerity or its application for the annual financial statements and the information given in the Board of Directors' report and in the documents provided to shareholders on the financial position and annual financial statements.

Paris, March 31, 2005

The statutory auditors

PricewaterhouseCoopers Audit  
represented by Daniel Fesson

Compagnie des Techniques Financières - CTF  
represented by Christophe Legué

## SUBSCRIPTION AND SALE

Pursuant to a subscription agreement dated 15 March 2006 (the "**Subscription Agreement**"), BNP Paribas, HSBC Bank plc and Société Générale (the "**Managers**") have agreed with the Issuer, subject to satisfaction of certain conditions, to jointly and severally subscribe and pay for the Notes at a price equal to 100 per cent. of their Original Principal Amount less a total commission of 0.60 per cent. of such Original Principal Amount. In addition, the Issuer and the Managers have reached an agreement in a side letter in respect of the expenses incurred in connection with the issue of the Notes. The Subscription Agreement entitles the Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

### *General Restrictions*

The present Prospectus does not constitute an offer of, or an invitation or solicitation by or on behalf of the Issuer or the Managers to subscribe or purchase, any of the Notes. It may not be used by anyone for the purpose of an offer or a solicitation in a country or jurisdiction in which such offer or solicitation would not be authorised. It may not be communicated to persons to which such offer or solicitation may not legally be made.

No action has been, or will be, taken in any country or jurisdiction that would permit a public offering of the Notes, or the distribution of any offering material relating to the Notes (including the Prospectus), in any country or jurisdiction where action for that purpose is required. The Notes may not be offered, delivered or sold and no offering material relating to the Notes (including the Prospectus) may be distributed in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations.

### *France*

The Issuer and each Manager has represented and agreed that it has not offered or sold, and will not offer or sell, directly or indirectly, any Notes in the Republic of France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed in the Republic of France this Prospectus or any other offering material relating to the Notes, except to (i) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (ii) qualified investors (*investisseurs qualifiés*), all as defined in, and in accordance with, articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*.

### *United States*

The Notes have not been and will not be registered under the US Securities Act of 1933 as amended (the "**Securities Act**"). The Notes may not be offered or sold within the United States or to, or for account or benefit of, U.S. persons (as defined in the Regulation S under the Securities Act) except in certain transactions exempt from the registration requirements of the Securities Act.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the restricted period a confirmation of or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

### ***United Kingdom***

Each Manager has represented and agreed that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of any Notes in circumstances in which section 21 (1) of the FSMA does not apply to the Issuer; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

### ***Italy***

The offering of the Notes has not been cleared by CONSOB (the Italian Securities Exchange Commission) pursuant to Italian securities legislation and, accordingly, no Notes may be offered, marketed, sold or delivered, nor may copies of the Prospectus or of any other document relating to the Notes be distributed Italy - and each Manager has represented and agreed not to effect any offering, marketing, solicitation or selling activity in Italy - except:

- (a) to professional investors (*operatori qualificati*), as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of 1<sup>st</sup> July, 1998, as amended; or
- (b) in circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of 24<sup>th</sup> February, 1998 (the "**Financial Services Act**") and Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14<sup>th</sup> May, 1999, as amended.

Any offer, sale or delivery of the Notes or distribution of copies of the Prospectus or any other document relating to the Notes in the Republic of Italy under (a) or (b) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act and Legislative Decree no. 385 of 1<sup>st</sup> September, 1993 (the "**Banking Act**"); and
- (ii) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the issue or the offer of securities in the Republic of Italy may need to be preceded and followed by an appropriate notice to be filed with the Bank of Italy depending, *inter alia*, on the aggregate value of the securities issued or offered in the Republic of Italy and their characteristics; and
- (iii) in compliance with any other applicable laws and regulations.

## GENERAL INFORMATION

1. The Notes have been accepted for clearance through Euroclear France (155, rue Réaumur, 75081 Paris Cedex 02 France), Clearstream, Luxembourg (42, avenue JF Kennedy, 1855 Luxembourg, Luxembourg) and Euroclear (boulevard du Roi Albert II, 1210 Bruxelles, Belgique) with the Common Code 024689735. The International Securities Identification Number (ISIN) for the Notes is FR0010301713.
2. Application has been made for the Notes to be admitted to trading on the Luxembourg Stock Exchange's Regulated Market and to be listed on the Luxembourg Stock Exchange. The total costs for such admission to trading and listing are estimated to €1,800. To the knowledge of the Issuer, securities of the same class of the Notes are already admitted to trading on the Luxembourg Stock Exchange's Regulated Market.
3. The issue of the Notes was authorised pursuant to a resolution of the *Conseil d'Administration* (Board of Directors) of the Issuer dated 27 February 2006 and a decision of Mr. Gabriel Benoin, *Directeur Général* of the Issuer, dated 8 March 2006.
4. The Issuer has obtained all necessary consents, approvals and authorisations in the Republic of France in connection with the issue and performance of the Notes.
5. The yield of the Notes for the Fixed Interest Period is 4.604 per cent.
6. As far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the issue.
7. Save as disclosed in the Prospectus, there has been no significant change in the financial or trading position of the Issuer since 31 December 2004.
8. Save as disclosed in the Prospectus, there has been no material adverse change in the prospects of the Issuer since 31 December 2004.
9. Except as disclosed in the Prospectus, there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the period covering at least the 12 months prior to the date of this Prospectus which may have, or have had in the recent past, significant effects on the Issuer's financial position or profitability.
10. For so long as any of the Notes are outstanding, copies of the following documents may be obtained free of charge during normal business hours at the specified office of each Paying Agent (both in Paris and in Luxembourg):
  - a. this Prospectus (including any documents incorporated by reference);
  - b. the Agency Agreement (for inspection only);
  - c. the most recently published annual audited non-consolidated accounts of the Issuer (and, if and when the Issuer prepares consolidated accounts, the most recently published annual audited consolidated accounts of the Issuer, as the case may be); and
  - d. the *Statuts* of the Issuer.

The Prospectus and all documents incorporated by reference are also available on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

The Issuer does not publish any interim accounts.

11. The Issuer only publishes non-consolidated financial statements. PricewaterhouseCoopers AUDIT and Christophe Legué (now named Compagnie des Techniques Financières) have audited and rendered unqualified audit reports on the non-consolidated financial statements of the Issuer for each of the financial years ended 31 December 2003 and 2004. Deloitte & Associés replaced PricewaterhouseCoopers AUDIT as statutory auditors of the Issuer as from 18 April 2005. PricewaterhouseCoopers Audit, Compagnie des Techniques Financières and Deloitte & Associés are registered as *Commissaires aux Comptes* (members of the *Compagnie Nationale des Commissaires aux Comptes*).
12. On 3 June 2003, the European Union adopted the Directive 2003/48/EC regarding the taxation of savings income in the form of interest payments (the “Directive”). The Directive requires Member States as from 1 July 2005 to provide to the tax authorities of other Member States details of payments of interest and other similar income within the meaning of the Directive made by a paying agent within its jurisdiction to (or under circumstances to the benefit of) an individual resident in another Member State, except that Belgium, Luxembourg and Austria will instead impose a withholding system for a transitional period unless the beneficiary of interest payment elects for the exchange of information. The same regime applies to payments to individuals resident in any of the following territories: Netherlands Antilles, Aruba, Guernsey, Jersey, the Isle of Man, Montserrat and the British Virgin Islands.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent, the Issuer will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

In relation to French taxation, the Directive has been implemented in French law under Article 242 *ter* of the French General Tax Code and Articles 49 I *ter* to 49 I *sexies* of the Schedule III to French General Tax Code.

The Directive has been implemented in Luxembourg by a law dated 21 June 2005. Under this law, a Luxembourg based paying agent (within the meaning of the Directive) is required since 1 July 2005 to withhold tax on interest and other similar income paid by it to (or under certain circumstances, to the benefit of) an individual resident in another Member State, unless the beneficiary of the interest payments elects for the exchange of information. The same regime applies to payments to individuals resident in certain dependent territories.

**ISSUER****Crédit Logement**

50, boulevard de Sébastopol  
75003 Paris  
France  
Tel: +33 (0) 1 44 61 60 00

**FISCAL AGENT, PRINCIPAL PAYING AGENT****BNP Paribas Securities Services**

Immeuble Tolbiac  
25, quai Panhard et Levassor  
75013 Paris  
France

**JOINT BOOKRUNNERS AND JOINT-LEAD MANAGERS**

**BNP Paribas**  
10 Harewood Avenue  
London NW1 6AA  
United Kingdom

**HSBC Bank plc**  
8 Canada Square  
London E14 5HQ  
United Kingdom

**Société Générale**  
Tour Société Générale,  
17, Cours Valmy,  
92987 Paris-La Défense  
France

**PAYING AGENT IN LUXEMBOURG AND LUXEMBOURG LISTING AGENT****BNP Paribas Securities Services, Luxembourg Branch**

23, avenue de la Porte Neuve  
L-2085 Luxembourg  
Grand Duchy of Luxembourg

**CALCULATION AGENT**

**BNP Paribas**  
10 Harewood Avenue  
London NW1 6AA  
United Kingdom

**AUDITORS OF THE ISSUER**

**Deloitte & Associés**  
185, avenue Charles de Gaulle  
92200 Neuilly sur Seine  
France

**Compagnie des Techniques Financières**

48, avenue Victor Hugo  
75116 Paris  
France

**LEGAL ADVISERS***To the Issuer as to French law*

**Mr. Gabriel Benoin, *Directeur Général***  
**Mr. Jean-Paul Wattebled, *Juriste***  
Crédit Logement  
50, boulevard de Sébastopol  
75003 Paris  
France

*To the Managers as to French law*

**Gide Loyrette Nouel**  
26, Cours Albert 1<sup>er</sup>  
75008 Paris  
France