

CIFG Europe

Statutory Auditors' Report

Financial Statements – Year ended 31 December 2004

(Translated from French into English)

PRICEWATERHOUSECOOPERS AUDIT

MAZARS & GUÉRARD

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SOCIETE ANONYME D'EXPERTISE COMPTABLE ET DE COMMISSARIAT AUX COMPTES

CAPITAL DE 5 900 000 EUROS - RCS PARIS B 784 824 153 - SIEGE SOCIAL : 39, RUE DE WATTIGNIES- 75012 PARIS

CIFG Europe

Siège Social : 31-33, rue de Mogador - 75009 Paris
Société Anonyme au capital de 32 000 000 €
N° RCS : Paris B 439 301 912

Statutory Auditors' Report

Financial Statements – Year ended December 31, 2004

(Translated from French into English)

PRICEWATERHOUSECOOPERS AUDIT

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MAZARS

Statutory Auditors' Report (Translated from French into English)

This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. This report includes information specifically required by French law and this is presented after the Opinion on the financial statements. This information includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting matters. These assessments were made for the purpose of issuing an opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements. The report also includes information relating to the specific verification of information in the group management report. This report, together with the statutory auditors' report addressing financial and accounting information in the Presidents' report an internal control, should be read in conjunction with French law and professional auditing standards applicable in France.

In compliance with the assignment entrusted to us by your shareholders' annual general meeting, we hereby report to you, for the year ended December 31, 2004, on:

- the audit of the accompanying financial statements of CIFG Europe,
- the justification of our assessments,
- the specific verifications and information required by law.

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

1 Opinion on the financial statements

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

CIFG Europe

*Financial Statements Year
ended 31 December 2004*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2004, and the results of its operations for the year then ended in accordance with the accounting rules and principles applicable in France.

2 Justification of assessments

In accordance with the requirements of article L. 225-235 of the Commercial Code relating to the justification of our assessments, we bring to your attention the following matters :

Note II to the financial statements describes the accounting principles and methods, in particular the accounting rules concerning premium and the unearned premium reserve (§ c), deferred acquisition costs as well as their amortization (§ d) and loss reserves (§ e).

When assessing the accounting rules and principles used by your company, we examined the appropriateness of the above mentioned accounting methods, given the specific nature of the business, and we verified the correctness of their application and the disclosures provided in the notes to the financial statements.

Our assessments on these matters were made in the context of the performance of our audit of the financial statements taken as a whole and therefore contributed to the development of the unqualified audit opinion expressed in the first part of this report.

CIFG Europe

*Financial Statements Year
ended 31 December 2004*

3 Specific verifications and information

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

We have no matters to report regarding the fair presentation and the conformity with the financial statements of the information given in the management report of the Diectoire, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Paris, March 31th 2005

Statutory Auditors

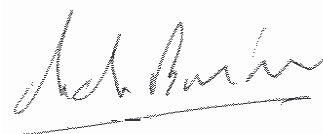
**PRICEWATERHOUSECOOPERS
AUDIT**

Michel Laforce



MAZARS & GUÉRARD

Charles de Boisriou



Gilles Magnan



CIFG Europe
Balance Sheet
(In '000 euros)

	As of 31 December	
	2004	2003
Assets		
Investments		
Other investments	€ 29,594	€ 29,651
Share of reinsurers in technical reserves		
Deferred premium revenue	2,842	384
Receivables		
Premium receivable	2,560	1,273
Other receivable	559	452
Other assets		
Fixed assets	13	21
Cash & cash equivalents	2,556	1,760
Deferred acquisition costs	7,711	5,344
Other	257	---
Unrealized foreign exchange	140	68
Total assets	€ 46,232	€ 38,953

Shareholders' Equity and Liabilities

Net equity		
Share capital	€ 32,000	€ 32,000
Retained deficit	(2,084)	(2,032)
Net income (loss) for the period	2,357	(52)
Net equity	32,273	29,916

Deferred premium revenue	7,227	3,798
Loss reserves	1,146	402
Provision for contingent liabilities	358	103
Reinsurance payables	271	114
Staff	2,434	1,832
Tax authorities, social security	390	1,409
Other payables	2,133	1,379
Total shareholders' equity and liabilities	€ 46,232	€ 38,953

Off balance sheet items

	As of 31 December	
	2004	2003
Commitments received	€ 94,716	€ 73,418
Commitments given	20,000	20,000

CIFG Europe
Profit & Loss Statement
(In '000 euros)

	For the year ending			
	31 December 2004		31 December 2003	
Non-Life Insurance Technical Account				
	Gross	Ceded	Net	Net
Earned premiums	€ 8,463	€ (1,015)	€ 7,448	€ 3,434
Written premiums	11,963	(3,480)	8,483	5,228
Change in deferred premium revenue	(3,500)	2,465	(1,035)	(1,794)
Share of net investment income allocated to technical account	60	---	60	69
Other technical income	597	---	597	---
Claim expenses	(745)	---	(745)	(343)
Paid claims	---	---	---	---
Change in loss reserves	(745)	---	(745)	(343)
Acquisition & administrative expenses	(5,338)	---	(5,338)	(3,703)
Acquisition expenses	(2,393)	---	(2,393)	(1,441)
Administration expenses	(2,945)	---	(2,945)	(2,270)
Commissions received from reinsurers	---	---	---	8
Other technical expenses	(21)	---	(21)	---
Technical result of non-life insurance activities	<u>€ 3,016</u>	<u>€ (1,015)</u>	<u>€ 2,001</u>	<u>€ (543)</u>
Non- Technical Account				
Technical result of non-life insurance activities			€ 2,001	€ (543)
Investment income				
Other investment income			30	32
Realized gains on investments			542	650
Investment expenses				
Other investment expenses			(156)	(68)
Share of net investment income transferred to technical account			(60)	(69)
Extraordinary items			---	(6)
Long-term staff incentives			---	(48)
Income tax			---	---
Net Profit (loss) for the period			<u>€ 2,357</u>	<u>€ (52)</u>

CIFG EUROPE
NOTES TO FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2004

I. INTRODUCTORY COMMENTS

By decision of Extraordinary General Shareholders Meeting of October 29 2004, legal name of CDC IXIS Financial Guaranty Europe was changed into CIFG Europe.

CIFG Europe is an insurance company, licensed by French authorities (Commission de Contrôle des Assurances ,des Mutuelles et Instituts de Prévoyance) for financial guaranty (*class 15 Surety*) (*Arrêté* dated 26 October 2001, JO n°253 dated 31 October 2001).

CIFG Europe, a wholly-owned subsidiary of CIFG Guaranty was formed in 2001, and issued its first policy in March 2002. In April 2002, CIFG Europe opened an office in London.

CIFG Guaranty is owned by CIFG Holding, which is owned by Caisse Nationale des Caisses d'Epargne (CNCE).

The financial strength of CIFG Europe is rated AAA by Standard & Poor's and Fitch Investors Service, and Aaa by Moody's Investors Service.

II. APPLICABLE ACCOUNTING PRINCIPLES AND VALUATION RULES

a) Applicable accounting standards

The financial statements of CIFG Europe are prepared in compliance with *Code des Assurances*, as well as with the *Décret* dated 8 June 1994 and the *Arrêté* dated 20 June 1994, adopting EC Directive n° 91-674 dated 19 December 1991 pertaining to insurance and reinsurance companies' individual financial statements.

b) Accounting for Premiums

Written Premiums:

CIFG Europe issues policies where premiums may be payable in full at inception (upfront), in periodic installments over the life of the transaction (installments), or a combination of both (mixed). For all policies, premium written is generally recorded when due, as follows:

- For upfront premiums, premiums written are recorded when a policy is issued.
- For installment premiums, premiums written are accrued for each periodic installment according to the installment schedule defined in the policy.
- In case of mixed premiums, only the amount due at inception is recorded as written premium at the time of issuance, with subsequent installments accrued following the schedule outlined in the policy.

Earned Premiums:

Upfront premiums are earned in proportion to the expiration of the related par amount of risk. At each balance sheet date, any unearned premium is recorded as a liability (deferred premium revenue), representing the portion of premium written that is applicable to coverage of risk to be provided in the future on policies in force. Installment premiums are earned over each installment period, generally less than one year. When an insured issue is called or defeased, the remaining unearned premium reserve is earned at that time since there is no longer risk to CIFG Europe.

CIFG EUROPE
NOTES TO FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2004 (CONTINUED)

c) Deferred Acquisition Costs

Acquisition costs comprise those expenses that vary with, and are primarily related to, the production of business, including compensation and related costs of underwriting and marketing personnel, certain legal, consulting and rating agency fees, and certain other underwriting expenses, reduced by ceding commission income on premiums ceded to reinsurers, if any. Each underwriting year's net acquisition expenses are deferred and amortized on a straight-line basis over a period not to exceed five years. To assess recoverability, net deferred acquisition costs are compared to estimated future premium revenues on policies in-force, net of anticipated future policy maintenance costs, losses and loss adjustment expenses.

d) Loss Reserves

A case basis reserve for unpaid losses and loss adjustment expenses is recorded at the undiscounted value of the estimated loss when the likelihood of a future loss on a particular insured obligation is probable and the amount is determinable at the balance sheet date.

CIFG Europe maintains a non-specific general reserve which is available to be applied against future additions or accretions to existing case basis reserves or to new case basis reserves to be established in the future. The development of the non-specific general reserve is based upon estimates of the expected levels of debt service payment defaults on currently guaranteed issues that are not presently or imminently in default and by reference to financial guaranty industry historical loss rate. The reserves are monitored on an ongoing basis and may periodically be adjusted based upon actual loss experience, the future mix of business, and future economic conditions.

e) Investments

Investments consist of short term variable income instruments which are recorded at historical cost, excluding accrued income.

For listed investments, the fair value of investments is based on the published market price of the balance on the balance sheet day.

The historical cost of each line of investments is compared to its estimated recoverable value using the expected investment horizon by the company and can give rise to the recording of a permanent impairment reserve if necessary. On both 31 December 2004 and 2003, there was no such permanent impairment.

Should the total market value of non-fixed income investments be lower than their total book value, a reserve would be recorded. No such reserves were necessary as of both 31 December 2004 and 2003.

f) Investment Income & Expenses

Investment income and expenses include income earned on investments, realized gains and losses on sale of investments, as well as realized foreign exchange gains and losses.

CIFG EUROPE
NOTES TO FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2004 (CONTINUED)

The realized gains and losses on financial investments are calculated using the FIFO method (First in, First out).

In accordance with *Plan Comptable des Assurances*, part of the net financial income has been transferred to the Technical Account, based upon the existing proportion of net equity and net technical reserves.

g) Foreign Currency translation

Transactions expressed in foreign currencies are converted to euros using the year-end rate, applied to both balance sheet and profit & loss accounts. In case the total revaluation of these transactions results in a net unrealized loss, a reserve equal to the net unrealized loss is recorded under the "Provision for contingent liabilities" caption.

h) Income tax

The reported income tax charge, if any, corresponds to the income tax payable, calculated according to tax rules currently in force. In 2002, CIFG Europe joined the tax consolidation group of CDC IXIS (CDC IXIS was merged with CNCE on December 31 2004). The tax consolidation agreement stipulates that CIFG Europe continues to calculate its income taxes due as if it was not consolidated (i.e in a stand alone basis) and pay any income tax due to CNCE. The agreement also provides that if CIFG Europe leaves the tax consolidation it will be reimbursed for the benefit of any tax losses previously utilized by CNCE.

i) Ceded Reinsurance

Reinsurance premiums ceded and related reinsurance commissions received are earned on a pro-rata basis over the period in which the reinsurance coverage is provided.

j) Commitments towards employees

CIFG Europe has recorded an accrual for post-employment retirement benefit due to its existing French employees. There are no other employee benefit obligations at 31 December 2004 and 2003.

CIFG EUROPE
NOTES TO FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2004 (CONTINUED)

III. NOTES ON THE BALANCE SHEET

A) Balance Sheet – Assets

a) Detailed Investment Schedule

Investments admissible for coverage of technical reserves are all subject to Article R 332-20 of *Code des Assurances* and are detailed below:

(in '000 euros)	31 December 2004			31 December 2003		
	Gross Book Value	Gross Book Value	Net Book Value	Gross Book Value	Net Book Value	Market Value
Investments in Real Estate	€---	€---	€---	€---	€---	€---
Shares & Variable Income Securities	---	---	---	---	---	---
Shares of Unit-Trusts (Sicav) Invested in Variable Income Securities	---	---	---	---	---	---
Bonds and Fixed Income Securities	9,925	9,925	9,913	---	---	---
Shares of Unit-Trusts (Sicav) Invested in Fixed Income Securities	19,669	19,669	19,669	29,651	29,651	29,651
Other Investment	---	---	---	---	---	---
Total Investments	€29,594	€29,594	€29,582	€29,651	€29,651	€29,651
Total Listed Investments	29,594	29,594	29,582	29,651	29,651	29,651
Total Non Listed Investments	---	---	---	---	---	---
% of investments of Non-Life Insurance Companies	100 %	100 %	100 %	100 %	100 %	100 %

b) Insurance and Reinsurance Receivable

(in '000 euros)	31 December 2004			31 December 2003		
	Less than 1 Year	Between 1 and 5 Years	More than 5 Years	Less than 1 Year	Between 1 and 5 Years	More than 5 Years
Direct Non-Life Insurance	€2,560	€---	€---	€1,273	€---	€---
Assumed Non-Life Reinsurance	---	---	---	---	---	---
Ceded Non-Life Reinsurance	---	---	---	---	---	---
Total Insurance & Reinsurance Net Receivables	€2,560	€---	€---	€1,273	€---	€---

CIFG EUROPE
NOTES TO FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2004 (CONTINUED)

c) Other Receivables

As of 31 December 2004 and 2003, Other Receivables, all due in less than one year, consists of the following:

(in '000 Euros)	31 December 2004	31 December 2003
Receivables from Related Parties		
CIFG Holding	€ 8	€ 48
CIFG Guaranty	67	404
Total Receivables from Related Parties	75	452
Receivables from Third Parties	484	---
Total Other Receivables	€559	€452

d) Fixed Assets

(in '000 Euros)	Opening Balance	Increase	Decrease	Closing Balance
EDP Equipment	€ 22	€ ---	€ (3)	€ 19
Accumulated Depreciation EDP	(6)	(4)	---	(10)
Office Furniture	5	---	---	5
Accumulated Depreciation Office Furniture	---	(1)	---	(1)
Total Fixed Assets	€21	€(5)	€(3)	€13

e) Deferred Acquisition Costs

Deferred acquisition costs, and the related accumulated amortization are as follows:

(in '000 Euros)	31 December 2004	31 December 2003
Gross Acquisition Costs Deferred	€ 10,079	€ 7,204
Amortization	(2,368)	(1, 860)
Net Deferred Acquisition Costs	€7,711	€5,344

B) Balance Sheet – Liabilities

a) Share Capital

The share capital of CIFG Europe, fully subscribed, amounts to € 32 million, as of 31 December 2004, unchanged from 31 December 2003. It is composed of 3.2 million identical shares of par value € 10.00.

As of 31 December 2004, CIFG Guaranty owns 3,199,996 shares of CIFG Europe.

CIFG EUROPE
NOTES TO FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2004 (CONTINUED)

b) Technical Reserves

As of 31 December 2004 and 2003, Technical Reserves are composed of the following:

(in '000 Euros)	31 December 2004			31 December 2003
	Gross	Ceded	Net	Net
Unearned Premium Reserves	€ 7,227	€ (2,842)	€ 4,385	€ 3,414
Loss Reserves	1,146	---	1,146	402
Total	€ 8,373	€ (2,842)	€ 5,531	€ 3,816

c) Provisions for Contingent Liabilities and Charges

A detail of provisions for contingent liabilities is as follows:

(in '000 Euros)	Opening Balance	Increase	Decrease	Closing Balance
Provision for Unrealized FX loss	€ 68	€ 246	€ ---	€ 314
Provision for Retirement Indemnity	35	9	---	44
Total Provision for Contingent Liabilities	€ 103	€ 255	€ --	€ 358

d) Reinsurance Payable

Reinsurance Payables represent amounts payable to CIFG Guaranty under reinsurance agreements between the two companies.

e) Other Payables

As of 31 December 2004 and 2003, other payables, all due within less than one year, consist of the following:

(in '000 euros)	31 December 2004	31 December 2003
Payables to Related Parties		
CIFG Services	1,001	283
Total Payable to Third Parties	1,132	1,096
Total Other Payables	€ 2,133	€ 1,379

Amounts payable to related parties reflect services rendered to CIFG Europe by CIFG Services.

IV. NOTES ON PROFIT & LOSS STATEMENT

As mentioned above, CIFG Europe is exclusively licensed for financial guaranty (*class 15 Surety*), accordingly all of its technical transactions relate to this class of business and a presentation by class of business would not be applicable.

CIFG EUROPE
NOTES TO FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2004 (CONTINUED)

a) Written Premiums

Gross written premiums for 2004 and 2003 can be split as follows:

(in '000 Euros)	31 December 2004	31 December 2003
Written Premium – France	€ 468	€ 4,204
Written Premium – EU Countries (other than France)	5,424	1,636
Written Premium – non EU Countries	6,071	---
Total Gross Written Premiums	€11,963	€5,840

b) Investment Income and Expenses

(in '000 Euros)	31 December 2004			31 December 2003		
	Investments in Related Parties	Other Investments	Total	Investments in Related Parties	Other Investments	Total
Other investment income	€---	€ 272	€ 272	€---	€ 32	€ 32
Realized gains on SICAV	---	542	542	---	650	650
Other Investment Expenses	---	(398)	(398)	---	(68)	(68)
Realized Losses on SICAV	---	---	---	---	---	---
Total Net Investment Income	€---	€ 416	€ 416	€---	€ 614	€ 614

c) Personnel and Personnel Expenses

(in '000 Euros)	31 December 2004	31 December 2003
Salaries and Equivalent	€ 3,232	€ 3,209
Social Security Expenses	750	942
Personnel Expenses	€ 3,982	€ 4,151

The average headcount for CIFG Europe is 11 for 2004 and 10 for 2003. This includes offices in both Paris and London.

d) Income tax

The reconciliation between net result (loss) and income tax basis is given below:

(in '000 Euros)	31 December 2004	31 December 2003
Net result Before Income Tax	€ 2,357	€ (52)
Unrealized Gains on SICAV	---	---
Deferred Acquisition Costs	(2,368)	(3,663)
Other Temporary Differences (Net)	726	400
Income tax basis	715	(3,315)
Current tax charge	€ 0	€ 0

As described above, acquisition costs are deferred for accounting purposes. Nevertheless, the corresponding expenses remain fully deductible as incurred from a tax point of view.

CIFG EUROPE
NOTES TO FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2004 (CONTINUED)

As a consequence, the future amortization of the deferred acquisition costs will not be deductible for income tax purposes.

No current tax charges has been recorded in 2004 due to the fact that CIFG Europe was in a tax loss position in 2003 and € 0.7 million of the NOL carryforward of € 6,9 millions was partly used to release the tax liability in 2004. The remaining net operating loss carryforward was € 6,2 millions at 31 December 2004.

V. RELATED PARTY TRANSACTIONS

CIFG Europe has entered into different reinsurance agreements with its parent company CIFG Guaranty. An Excess of Loss treaty has been signed in September 2001 and amended in September 2002. It provides a cover on any loss in excess of a net retention of € 20 million for the whole portfolio of CIFG Europe and for the duration of the issued policies. Premiums paid to CIFG Europe in respect of this treaty amount respectively to € 1.0 million in 2004 and € 0.6 million in 2003. In addition, CIFG Europe and CIFG Guaranty have signed a master facultative reinsurance agreement in September 2002, which provides for individual policy cessions, upon mutual agreement of the parties. Premiums paid to CIFG Europe in respect of this treaty amounts respectively to € 2.5 million in 2004 and € 28 thousand in 2003

During 2002, CIFG Europe also entered into a master facultative reinsurance agreement with CIFG North America Inc. (CIFG NA), an affiliated New York domiciled financial guaranty insurance company. This master facultative reinsurance agreement provides for individual policy cessions from CIFG Europe to CIFG NA upon mutual agreement of the parties. There were no cessions made under this agreement during 2004 and 2003.

CIFG Europe has entered into a management services agreement with CIFG Services, a Delaware corporation and wholly-owned subsidiary of CIFG Guaranty, under which CIFG Services provides technical consulting and administrative services to CIFG Europe. During 2004 and 2003, fees of € 2.7million and € 1.5 million, respectively were charged to CIFG Europe by CIFG Services under this agreement.

CIFG Europe also provides administrative services to CIFG Guaranty and CIFG Holding. During 2004 and 2003, € 106 thousand and € 344 thousand, respectively, were charged by CIFG Europe to CIFG Guaranty, and € 8 thousand and € 40 thousand, respectively were charged to CIFG Holding in respect of such services.

VI. OFF BALANCE SHEET ITEMS

a) Commitment received from CIFG Guaranty

CIFG Europe has received a support letter from its parent CIFG Guaranty, by which it commits to maintain the net equity of CIFG Europe at no less than € 20 million.

CIFG EUROPE
NOTES TO FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2004 (CONTINUED)

b) Commitment received from CIFG Holding

CIFG Holding has provided a guaranty to CIFG Europe covering all of CIFG Europe's insured obligations resulting from transactions signed or to be signed with a specific counterparty between 1 January 2003 and 31 December 2006. As of 31 December 2004, the outstanding par insured by CIFG Europe with respect to this counterparty was €30.3 million.

c) Instalment Premiums Receivable

As of 31 December 2004, the Company estimates that it will collect € 64.4 million of future installment premiums on policies in force, of which € 7.2 million will be ceded to CIFG Guaranty based upon existing reinsurance agreements. These amounts are not discounted; however, the present value of such amounts is utilized in the assessment of the recoverability of deferred acquisition costs.

d) Guarantees in force

The Company's policies guarantee the scheduled payments of principal and interest on municipal and structured debt obligations.

The principal amount insured as of 31 December 2004 and 2003 (gross par outstanding and net of amounts ceded to reinsurers), categorized by type of obligation, is as follows:

(in 000's)	As of 31 December 2004		As of 31 December 2003
	Gross	Net of Facultative cession	Net of Facultative cession
Public Finance			
Transportation	€ 250,000	€ 250,000	€ 250,000
Project Finance	231,236	231,236	39,649
Sovereign / Sub sovereign	230,000	40,000	40,000
Investor Owned Utilities	192,009	192,009	109,026
Toll roads	185,009	185,009	107,072
Investor Owned Utilities	110,000	110,000	110,000
Total Public Finance	1,198,254	1,008,254	655,747
Structured Finance			
CDO Investment Grade	1,694,032	1,694,032	346,762
CDO High Yield	766,250	766,250	674,078
Mortgage-Backed	545,037	545,037	119,010
CDO Asset-Backed	366,431	366,431	165,000
Commercial Mortgage Back	325,881	269,881	215,986
Commercial Asset Backed	73,314	73,314	---
Lease Assets	32,992	3,300	39,670
Auto Receivable	22,500	22,500	22,500
Total Structured Finance	3,826,437	3,740,745	€ 1,583,006
Total Par insured	€5,024,691	€4,748,999 *	€2,238,753 *

CIFG EUROPE
NOTES TO FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2004 (CONTINUED)

The principal amounts insured as of 31 December 2004 and 2003 and geographic location are as follows:

(in 000's)	As of 31 December 2004		As of 31 December 2003
	Brut	Net of Facultative cession	Net of Facultative cession
United Kingdom	€ 825 842	€ 825 842	€ 158,659
United States	474 536	444 844	132,498
France	355 271	299 271	412,620
Portugal	250 000	250 000	250,000
Australia	228 166	228 166	59,465
Italy	322 500	132 500	132,500
Turkey	73 314	73 314	---
Europe diversified	511 000	511 000	326,000
Global diversified	1 984 062	1 984 062	767,011
Total Par insured	€ 5 024 691	€ 4,748,999 *	€ 2,238,753 *

The principal amounts insured as of 31 December 2004 and 2003 and the terms of maturity are as follows:

(in 000's)	As of 31 December 2004		As of 31 December 2003
	Gross	Net of Facultative cession	Net of Facultative cession
Years to Maturity			
Due in One Year or Less	€ (59,842)	€ (64,898)	€ 10,610
Due after One Year through Five Years	2,502,822	2,465,608	390,309
Due after Five Years through Ten Years	2,030,433	1,959,126	1,530,166
Due after Ten Years through Fifteen Years	189,484	164,907	257,036
Due after Fifteen Years through Twenty Years	129,463	95,628	50,632
Due after twenty Years trough Twenty-Five Years	68,011	22,889	---
Due after Twenty-Five Years	164,321	105,739	---
Total Par insured	€ 5 024 691	€ 4,748,999 *	€ 2,238,753 *

*: After the facultative cession, CIFG Europe cedes to CIFG Guaranty all losses above € 20 millions.

The Company limits its exposure to losses from writing financial guarantees through a formal credit approval process and by maintaining a surveillance function which monitors insured transactions. Additionally, the Company mitigates credit risk by underwriting investment grade transactions and by requiring adequate collateral and other forms of subordination protection, as well as through reinsurance.

CIFG EUROPE
NOTES TO FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2004 (CONTINUED)

e) Special Purpose Entities

In the ordinary course of business, CIFG Europe has issued financial guaranty contracts in favor of a special purpose entity (SPE), Mogador Ltd. Mogador Ltd. is a corporation established in Jersey, which is owned by Mogador Trust, Jersey-based charitable trust. The insurance policies generally provide credit protection to protection buyers who have entered into credit default swap transactions with Mogador Ltd. CIFG Europe receives premiums at market rates and does not hold any equity positions or subordinated debt in either Mogador Ltd or Mogador Trust. As of 31 December 2004 and 2003, CIFG Europe has outstanding financial guaranties in favor of Mogador Ltd for a total of € 4,3 billion and € 1,9 billion, respectively, all of which is included in the table VI c above.

VII. OTHER INFORMATION

a) Consolidating entity

CIFG Europe accounts are included in the consolidated accounts of CIFG Holding. The consolidated financial statements of CIFG Holding are then consolidated with those of its parent company, CNCE.

b) Compensation paid to members of the Executive Board and Supervisory Board of CIFG Europe in respect of their functions. Credit and advances granted to these same persons

As of 31 December 2004 and 2003, total compensation paid to members of CIFG Europe Executive Board in respect of their functions amounts to € 8 thousand and € 9 thousand respectively.

No compensation was paid to the Supervisory Board members. No credit or advance was paid to the same persons.

c) Post-balance sheet events

No other events have occurred subsequent to the balance sheet date which are likely to have a significant impact on the financial statements of the Company as of 31 December 2004.