

# **CM CIC HOME LOAN SFH**

**Joint stock company with a board of directors  
and capital of €20,000,000**

**6 avenue de Provence  
75452 Paris Cedex 9**

Siren no.: Reg. 480 618 800 PARIS

## **SPECIAL AUDITOR'S ATTESTATION**

**RELATING TO VALUATION METHODS AND RESULTS AND PERIODIC  
PROPERTY VALUE REVIEW METHODS**

**ON 31 DECEMBER 2015**

Under article 5 of regulation 99-10 of the CRBF

## PROPERTY VALUATION REPORT on 31 December 2015

**Crédit Mutuel – CIC Home Loan SFH** is a housing finance company governed by articles L. 513-28 et sequentes of the Monetary and Financial Code, set up for the principal purpose of contributing to the medium and long-term refinancing of the housing loans of the **CM11** group.

This property valuation report is prepared in accordance with the provisions of article 5 of regulation 99-10 of the banking and finance regulation committee relating to property loan companies. This report has been prepared on the basis of the data available on 31 December 2015.

### I. Reminder of the regulations: valuation methods and valuation review methods

The valuation of properties that have been financed or pledged as security in the meaning of articles L. 513-3 and L. 513-29 of the Monetary and Financial Code is governed by articles 1 to 5 of Section 1 of regulation 99-10 of 9 July 1999 relating to property loan companies and housing finance companies.

#### A. Property valuation

**Article 1.** – The properties "financed or pledged as security in the meaning of articles L. 513-3 and L. 513-29 of the Monetary and Financial Code" (*order of 23 February 2011*) are valued prudentially, excluding any speculative component.

**Article 2.** – "The valuation is based on the lasting long-term characteristics of the property, normal local market conditions, the current use of the property and any other uses that may be made of it.

The value is determined clearly and transparently in writing and may not be greater than the market value.

By way of derogation, the valuation may be based on the total cost of the initial operation when that cost is below €600,000 or when all the property loans financed by the property loan company or housing finance company that are secured by the valued property represents a unit outstanding amount below €480,000, determined at the time of the acquisition of the loans or pledging as security." (*order of 23 February 2011*)

**Article 4.** – "The properties are valued by an independent expert in the meaning of article 168 of the order of 20 February 2007 relating to the equity requirements applicable to credit institutions and investment companies. " (*order of May 2007*)

## B. Property revaluation

**Article 3.** – "After their acquisition or pledging as security, the valuation of the properties is reviewed as part of the system for risk measurement to be applied by property loan companies and housing finance companies under the "ruling of 3 November 2014 relating to the internal control of companies in the sectors of banking, payment services and investment services supervised by the prudential control and resolution authority" (*order of 3 November 2014*):

**a)** For housing properties, the review is carried out every year using a statistical method;

**b)** For business properties where all the property loans belonging to the property credit company and secured by the valued property represent a unit outstanding amount below 30% of the total amount of the initial loan or below €480,000, the review may be carried out every year using a statistical method;

**c)** For business properties where the purchase price or the last estimated value is below €600,000 and where all the loans belonging to the property credit company and secured by the valued property represent a unit outstanding amount above €480,000, the review is individual and carried out every three years. Between two individual reviews, the value of such properties is reviewed every year using a statistical method;

**d)** For business properties where the purchase price or the last estimated value is above €600,000 and where all the loans belonging to the property credit company and secured by the valued property represent a unit outstanding amount above €480,000, the review is annual and individual. " (*order of 23 February 2011*)

## II. Method and procedure used by Crédit Mutuel – CIC Home Loan SFH

### A. Property valuation

The initial value of the financed property is equal to no more than the total cost of the initial operation, which is defined as the value of the property recorded in the deed of sale, excluding fees and costs, or the value of the property plus the value of work if improvements are being financed.

That is because the property loans of the collateral portfolio of SFH are either used to finance properties with a value below €600,000 or representing a unit outstanding amount assessed at the time of pledging as security below €480,000, and so the derogation under article 2 of regulation 99-10 applies to the totality of the portfolio.

## B. Property revaluation

After pledging as security, the value of the properties is reviewed every quarter using a statistical method in accordance with the provisions of article 3 of regulation 99-10 of the banking and finance regulation committee relating to property loan companies.

The value of the properties is updated by linking with the price indices for older dwellings in Ile-de-France and in the provinces.

### Sources of price indices for older dwellings:

- The price indices for older dwellings in Ile-de-France are calculated by Paris Notaires Services (PNS) and INSEE on the basis of the property transactions data contained in the BIEN (Base d'Informations Economiques Notariales) database belonging to and managed by PNS and populated by the notaries of Ile-de-France.
- The price indices for older dwellings elsewhere in France are calculated by Perval and INSEE on the basis of the property transactions data contained in the Perval database populated by the notaries in the provinces.
- The price indices for older dwellings all over metropolitan France are calculated by Perval and INSEE on the basis of the property transactions data contained in the databases managed by Perval and PNS.

### Definition and calculation of price indices for older dwellings:

The Notaries and INSEE price indices for older dwellings provide a measurement of the price trends of older dwellings of the same quality. The price used is the net selling price, exclusive of transfer duty, notary's costs and agency commission.

The indices only relate to older houses and apartments in the meaning for tax purposes, that is to say properties that are more than 5 years old or that have been transferred for a second time. In order to avoid atypical transactions, non-standard properties such as rooms, lofts, workshops or manors and acquisitions by property businesses are not included in the calculations. Further, only the following properties are used:

- properties that are unoccupied at the time of the sale (or occupied by the seller);
- properties that are acquired in full ownership or in a private sale;
- properties intended for use as housing only.

### Receipt and application of indices:

Every quarter, we receive updated housing price indices by *département*, and by *arrondissement* in Paris. There is no index for the *départements* in Corsica or for overseas *départements* and territories; the Provinces index is used in such cases.

In respect of *départements* outside the Parisian region, the Perval indices used are smoothed average indices calculated from the last four gross indices and a weighted average of indices for houses and apartments that reflects the stock of older dwellings. Weighting is specific to each *département* and is updated every two years. The concepts of reference stock and weighting have been described in section 3 of INSEE, method no. 128, available from the website of INSEE.

In respect of the *départements* of the Parisian region, the indices used are those for apartments and not average house and apartment indices.

Updating is carried out by comparing the value of the index when financing was put in place with its most recent value.

The property valuation used on 31 December 2015 was carried out on 16 November using the final indices of the first quarter of 2015 corresponding to the sales carried out during that quarter, latest known indices (see Appendix).

The properties financed after the first quarter of 2015 are not revalued; the reviewed value is then the initial value of the property.

Besides, a prudential discount is applied if the index has risen and, since February 2012, a premium is applied if the index has dropped.

Also note that since 2009, a management rule has been defined to recalculate the estimated value of the property, in order to take account of the progress of construction and/or work. Valuation proportional to release and a discount for integrating a safety margin are applied.

### III. Results

Information about the pool mobilised at the end of December 2015:

<b>Valuation of financed properties pledged as security (€ billions)</b>		
	<b>Initial value</b>	<sup>(1)</sup> <b>Reviewed value (statistical)</b>
<b>MORTGAGE LOANS</b>	<b>41,398</b>	<b>44,001</b>
<b>SECURED LOANS</b>	<b>17,589</b>	<b>18,170</b>

<sup>(1)</sup> value declared to the prudential control and resolution authority in the statement "Items for the calculation of coverage ratio and control of limits" provided by instruction 2016-I-09 of the prudential control and resolution authority.

Made out in Paris on 11 May 2016

Christian KLEIN  
Chairman of the Board of Directors

## APPENDIX

Values of the latest average final indices of the 1st quarter of 2015 used at the revaluation of 16/11/2015:

<i>Département</i>	<i>Indices</i>	<i>Département</i>	<i>Indices</i>	<i>Département</i>	<i>Indices</i>
001	101,3325	034	100,1756	066	93,4422
002	93,8129	035	104,6513	067	102,3890
003	95,7172	036	93,5415	068	97,6452
004	94,9801	037	103,4353	069	111,6480
005	95,7494	038	98,7718	070	98,2510
006	97,8772	039	99,4241	071	95,9257
007	99,7451	040	97,9671	072	99,1979
008	93,2591	041	93,8727	073	108,3366
009	101,4481	042	96,9486	074	112,9540
010	96,2187	043	96,2425		
011	95,2510	044	104,9792	076	96,6376
012	97,0933	045	96,2862	077	101,8472
013	100,1201	046	94,7352	078	109,0060
014	97,9462	047	95,4432	079	99,3255
015	97,8687	048	96,7675	080	96,4439
016	102,3409	049	98,3879	081	95,4050
017	100,2438	050	96,6701	082	96,1533
018	92,1926	051	95,2032	083	95,5086
019	95,2205	052	96,3647	084	97,3480
021	97,9663	053	98,3062	085	99,5232
022	96,5738	054	97,9091	086	100,0400
023	93,9460	055	92,8824	087	95,7753
024	95,4686	056	97,3623	088	93,3338
025	100,0115	057	95,7027	089	93,7875
026	100,5886	058	92,8616	090	98,0308
027	94,1367	059	102,7011	091	102,4425
028	97,4443	060	97,1627	092	117,8382
029	98,2228	061	95,3404	093	111,3849
030	96,1292	062	100,3913	094	113,6081
031	108,2321	063	101,4970	095	103,3572
032	101,8898	064	99,9783	-	-
033	114,2202	065	100,8779	Provinces	100,3088

  

<i>Arrondissement for the département 75</i>	<i>Indices</i>	<i>Arrondissement for the département 75</i>	<i>Indices</i>	<i>Arrondissement for the département 75</i>	<i>Indices</i>
001	125,1505	008	119,7551	015	125,4628
002	125,1505	009	125,1505	016	119,7551
003	125,1505	010	125,7962	017	124,9189
004	125,1505	011	127,9988	018	127,9988
005	125,8205	012	125,3607	019	125,2798
006	125,1505	013	125,6251	020	126,5625
007	121,9565	014	126,3361	-	-

Dear Directors,

In our capacity as special auditor of Crédit Mutuel CIC Home Loan SFH and under the provisions of article 5 of regulation 99-10 of the CRBF, we have verified the validity in view of current regulations of the methods and results of the valuation of underlying properties of loans and the methods for periodically reviewing their value, as published along with the statutory financial accounts on 31 December 2015 and enclosed with this attestation.

The property valuation methods and results and periodic property value review methods have been defined and implemented under the responsibility of the Chairman of the Board of Directors of your Company.

Our task is to determine their compliance with the rules applicable on 31 December 2015.

We have used all the diligence we believe necessary in view of the professional doctrine of the French national association of statutory auditors in that respect. Our work consisted in verifying the compliance of the following:

- valuation procedures, methods and results, as well as methods for periodic review, in their design and determination, with the regulations applicable on 31 December 2015,
- information published along with the statutory financial accounts with, firstly, the valuation and review system actually applied and, secondly, the results of the application of the valuation system.

Based on our work, we have no remarks to make regarding the compliance of the property valuation methods and results and methods for periodically reviewing their value, as published along with the statutory financial accounts on 31 December 2015, with the provisions of articles 2 to 4 of regulation 99-10 of the CRBF.

This attestation is governed by the laws of France. The courts of France shall have exclusive jurisdiction over any dispute, claim or disagreement arising out of our engagement letter or this attestation or any matter relating thereto.

Made out in Paris, on 9 May 2016

Special auditor  
**FIDES AUDIT**  
represented by Stéphane Massa