

# **CRÉDIT MUTUEL-CIC HOME LOAN SFH**

**French joint stock company (*société anonyme*) with a Board of Directors  
and share capital €220,000,000**

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

**Siren no.: Paris Trade and Companies Register No. 480 618 800**

## **SPECIAL AUDITOR'S CERTIFICATION**

**ON THE PROPERTY VALUATION METHODS AND RESULTS AND THE PERIODIC  
PROPERTY VALUE REVIEW METHODS**

**AS OF DECEMBER 31, 2018**

**Pursuant to Article 5 of CRBF Regulation 99-10**

To the Directors,

In our capacity as special auditor of Crédit Mutuel CIC Home Loan SFH and pursuant to the provisions of Article 5 of Regulation 99-10 of the French Banking and Financial Regulatory Committee (*Comité de la Réglementation Bancaire et Financière* - CRBF), we have verified, in light of the regulations in force, the validity of the methods and results of the valuation of the real estate assets underlying the company's loans and the methods for periodically reviewing their value, as published along with the annual financial statements for the year ended December 31, 2018 and appended to this certification.

The property valuation methods and results and the methods for periodically reviewing their value have been defined and implemented under the responsibility of your company's Chief Executive Officer.

Our responsibility is to assess their validity in light of the rules in force as of December 31, 2018.

In fulfilling our engagement, we have carried out the checks we considered necessary in light of the professional policies of the *Compagnie nationale des commissaires aux comptes* (National Association of Statutory Auditors). Our work entailed verifying the compliance of:

- the valuation procedures, methods and results and the periodic review methods, as regards their design and determination, with the regulations in force as of December 31, 2018,
- the information published along with the annual financial statements with, on the one hand, the valuation and review method actually applied and, on the other hand, with the results of the application of the valuation method.

On the basis of our work, we have no comments as to the compliance with the provisions of Articles 2 to 4 of CRBF Regulation 99-10 of the property valuation methods and results and the methods for periodically reviewing their value published along with the annual financial statements for the year ended December 31, 2018.

This certification is governed by French law. The French courts have exclusive jurisdiction over any dispute, claim or disagreement arising out of our engagement letter or this certification or any matter relating thereto.

Paris, April 26, 2019

The special auditor  
**FIDES AUDIT**  
represented by Stéphane Massa

## REPORT ON THE VALUATION OF REAL ESTATE ASSETS as of December 31, 2018

**Crédit Mutuel – CIC Home Loan SFH** is a home loan financing company (*société de financement de l'habitat*) governed by Articles L. 513-28 et seq. of the French Monetary and Financial Code (*Code monétaire et financier*) whose main purpose is to contribute to the medium- and long-term refinancing of home loans issued by **Crédit Mutuel Alliance Fédérale**.

This report on the valuation of real estate assets is prepared in accordance with the provisions of Article 5 of Regulation No. 99-10 of the French Banking and Financial Regulations Committee (*Comité de la Réglementation Bancaire et Financière* - CRBF) related to mortgage companies and home loan financing companies.

It is based on data available at December 31, 2018.

### I. Review of the regulation: valuation method and revaluation method

The valuation of real estate assets financed or offered as collateral within the meaning of Articles L. 513-3 and L. 513-29 of the French Monetary and Financial Code is governed by Articles 1 to 5 of Section 1 of Regulation No. 99-10 of July 9, 1999 related to mortgage companies and home loan financing companies.

#### A. Valuation of real estate assets

**Article 1.** – Real estate assets “financed or offered as collateral within the meaning of Articles L. 513-3 and L. 513-29 of the French Monetary and Financial Code” (*order of February 23, 2011*) are valued conservatively and exclude any speculative factors.

**Article 2.** – “The valuation is based on the asset’s long-term and permanent characteristics, usual and local market conditions, the current use of the asset and other uses that it may have.

This value is determined in writing, in a clear and transparent way, and may not exceed the market value.

As an exception, the valuation may be based on the total cost of the initial transaction when this cost is less than €600,000 or when all the real estate loans financed by the mortgage company or home loan financing company and secured by the valued asset have a unit principal balance of less than €480,000 determined at the time of the acquisition or pledge of such loans. “ (*order of February 23, 2011*)

**Article 4.** – “The valuation of real estate assets is performed by an independent expert within the meaning of Article 168 of the order of February 20, 2007 on the capital adequacy requirements of credit institutions and investment firms. “ (*order of May 2007*)

## B. Revaluation of real estate assets

**Article 3.** – “After their acquisition or pledge, the valuation of real estate assets is reviewed as part of the risk measurement system to which mortgage companies and home loan financing companies are subject pursuant to “the order of November 3, 2014 on internal control of companies in the banking, payment services and investment services sector subject to control by the *Autorité de contrôle prudentiel et de résolution* (French prudential supervision and resolution authority - ACPR)” (*order of November 3, 2014*):

- a) For residential properties, this review is conducted annually using a statistical method;
- b) For commercial properties for which all the real estate loans belonging to the mortgage company and secured by the valued asset have a unit principal balance of less than 30% of the total amount initially lent or less than €480,000, the review may be conducted annually using a statistical method;
- c) For commercial properties whose purchase price or whose last estimated value is less than €600,000 and when all the loans belonging to the mortgage company and secured by the valued asset have a unit principal balance of more than €480,000, this review is conducted individually every three years. Between two individual reviews, the value of these properties is reviewed annually using a statistical method;
- d) For commercial properties whose purchase price or whose last estimated value is more than €600,000 and when all the loans belonging to the mortgage company and secured by the valued asset have a unit principal balance of more than €480,000, this review is conducted annually and individually. “ (*order of February 23, 2011*)

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

### A. Valuation of real estate assets

Financed real estate assets are subject to a conservative initial valuation based on concrete, substantiated information. The valuation excludes any speculative factors and is based on usual and local market conditions and the current use of the asset.

Pursuant to the applicable regulations and as an exception, for financing of transactions whose total cost is less than €600,000 or for loans whose outstanding amount is less than €480,000, the valuation is based on the total cost of the initial transaction. This cost is defined as the value of the asset shown on the deed of sale, excluding fees and charges, or the value of the asset increased by the value of the construction or renovation work in case of financing of improvements. However, when the information is not available, the initial loan amount is used as the initial value of the asset.

In all other cases (and for some financing that does not exceed the above thresholds), the asset is valued by an expert who is not involved in the loan origination process and carries out the appraisal independently. This valuation is performed by CMH (*Cautionnement Mutuel de l'Habitat*), which has created a specialized service called CMH Évaluation. This expert carries out the appraisal independently and has many years of experience in property valuation.

It should also be noted that in 2009 a management rule was defined for recalculating the estimated value of the asset to take into account the progress status of construction and/or renovations. A valuation proportional to the advance granted and a reduction to take into account a safety margin are applied.

For loan repurchases, the procedures for determining the initial value of the asset are the same as those for other types of loans.

However, if the information is not available at the time of the repurchase, the initial value of the asset is estimated based on the amount of the repurchased loan.

For repurchases of loans granted prior to May 30, 2016, the initial value of the asset is estimated on the loan repurchase date.

For repurchases of loans granted after May 30, 2016, the applications have been modified to allow the initial value to be estimated on the grant date of the repurchased loan.

### B. Revaluation of real estate assets

The value of real estate assets offered as collateral has been reviewed monthly since October 31, 2016 (quarterly prior to that) using the most recent quarterly indices available and based on a statistical method in accordance with Article 3 of Regulation No. 99-10 of the French Banking and Financial Regulations Committee related to mortgage companies and home loan financing companies.

The value of the assets is updated based on price indices for existing homes in and outside the Paris region.

#### Sources of existing home price indices:

- The price indices for existing homes in the Paris region are calculated by Paris Notaires Services (PNS) and the INSEE based on the real estate transaction data found in the BIEN

(*Base d'Informations Économiques Notariales* - notarial economic database). This database is owned and managed by PNS and contains information provided by notaries in the Paris region.

- The price indices for existing homes outside the Paris region are calculated by Perval and the INSEE based on the real estate transaction data found in the Perval database, which contains information provided by notaries outside the Paris region.
- The price indices for existing homes throughout mainland France are calculated by Perval and the INSEE based on the real estate transaction data found in the databases managed by Perval and PNS.

#### Definition and calculation of existing home price indices:

The Notaires-INSEE price indices for existing homes provide a measurement of price changes for existing homes of consistent quality. The price used is the net selling price, excluding transfer fees, notary fees and agency commissions.

The indices apply only to homes and apartments considered existing for tax purposes, i.e. which are more than five years old or are being transferred for a second time. To avoid atypical transactions, non-standard properties such as rooms, lofts, studios or mansions and purchases made by real estate professionals are excluded from the calculations. Moreover, assets are included only if they are:

- unoccupied at the time of the sale (or occupied by the seller);
- purchased in full ownership through a private sale;
- intended for residential use only.

#### Receipt and use of the indices:

We receive updated housing price indices quarterly by department and, for Paris, by arrondissement (district). There is no index for the departments of Corsica or for the overseas departments and territories, for which we use the "Outside Paris" index.

For the departments outside the Paris region, the Perval indices used are average smoothed indices, calculated based on the last four gross indices and a weighted average of the homes and apartments indices which reflects the existing housing stock. The weightings are specific to each department and are updated every two years. The notions of base stock and weighting are described in section 3 of INSEE Method No. 128, available on the INSEE website.

For the departments in the Paris region, we use the apartments indices and not the average apartments and homes indices.

Updating occurs by comparing the index value at the time of financing to the most recent value.

The valuation of real estate assets at December 31, 2018 was performed on November 30 using the final indices for the first quarter of 2018, which correspond to sales completed during that same quarter and are the last known indices (see appendix).

Assets financed after the first quarter of 2018 are not revalued, and the reviewed value is then the initial value of the asset.

Moreover, as a precaution a reduction is applied in case of an increase in the index and, since February 2012, an increase is applied in case of a decrease in the index.

### III. Results

Information regarding the pool used at end-December 2018:

<b>Valuation of financed real estate assets offered as collateral (€ billions)</b>			
	<b>Number of loans</b>	<b>Initial value</b>	<b><sup>(1)</sup> Reviewed value (statistics)</b>
<b>MORTGAGE LOANS</b>	<b>257,639</b>	<b>40,884</b>	<b>43,026</b>
<b>SECURED LOANS</b>	<b>114,207</b>	<b>20,053</b>	<b>20,729</b>
<b>TOTAL</b>	<b>371,846</b>	<b>60,937</b>	<b>63,755</b>

<sup>(1)</sup> value declared to the ACPR in the report entitled "Basis of calculation of the coverage ratio and limit controls" referred to in ACPR Instruction No. 2016-I-09.

Paris, April 24, 2019

Christian Ander

Chief Executive Officer

## APPENDIX

Values from the most recent average final indices for the first quarter of 2018 used at the time of the revaluation on 11/30/2018:

Department	Indices	Department	Indices	Department	Indices
001	103.0160	034	100.2020	066	92.2334
002	91.4266	035	108.6778	067	106.5115
003	97.2245	036	90.8626	068	100.7574
004	95.9724	037	105.2458	069	118.9573
005	96.4813	038	100.2912	070	100.2717
006	97.3698	039	101.5949	071	95.5348
007	102.1193	040	103.5584	072	99.8724
008	90.6540	041	89.6959	073	112.3365
009	101.1120	042	97.5564	074	116.7289
010	93.0546	043	97.6009	075	138.9419
011	94.1995	044	112.7238	076	97.3162
012	97.7001	045	94.6395	077	101.0347
013	101.3926	046	95.9219	078	109.7898
014	100.3268	047	98.2942	079	99.5449
015	98.9678	048	95.1045	080	95.8089
016	102.7351	049	99.6344	081	96.9426
017	103.9715	050	100.4197	082	96.5950
018	87.5777	051	96.8735	083	96.4418
019	93.0711	052	91.9158	084	98.4912
021	97.3732	053	99.0860	085	105.2077
022	99.7387	054	98.8568	086	99.5185
023	89.9715	055	91.7296	087	93.5959
024	98.5144	056	100.5666	088	92.6420
025	101.3150	057	98.4876	089	90.1456
026	102.6502	058	88.7318	090	99.3949
027	94.8887	059	105.1217	091	101.2291
028	95.8531	060	98.5928	092	123.6849
029	101.6788	061	95.4838	093	114.5924
030	94.5961	062	101.9966	094	117.6308
031	112.2913	063	103.9042	095	102.4138
032	101.8356	064	103.6596	-	-
033	133.4748	065	100.8029	Province	102.8619

Arrondissement for department 75	Indices	Arrondissement for department 75	Indices	Arrondissement for department 75	Indices
001	140.9683	008	131.8760	015	137.3888
002	140.9683	009	140.9683	016	131.8760
003	140.9683	010	142.0979	017	139.4378
004	140.9683	011	145.8897	018	145.8897
005	142.1106	012	138.2647	019	137.0764
006	140.9683	013	138.2947	020	141.2543
007	135.5441	014	140.2377	-	-