
CRÉDIT MUTUEL HOME LOAN SFH

Société anonyme à Conseil d'Administration
(joint-stock company with a Board of Directors)
with capital of €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

AT DECEMBER 31, 2019

Pursuant to Article 5 of CRBF Regulation 99-10

To the Directors,

In our capacity as special auditor of Crédit Mutuel 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 properties 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, 2019 and appended to this certification.

The property valuation methods and results and the periodic property value review methods 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, 2019.

We carried out the work we considered necessary in view of the professional standards of the French Statutory Auditors' Association (*Compagnie nationale des commissaires aux comptes*) relating to this assignment. Our work consisted of verifying the compliance of:

- the valuation procedures, methods and results, as well as the methods for periodic review, as regards their design and determination, with the regulations in force as of December 31, 2019,
- the information published along with the annual financial statements with, on the one hand, the valuation and review system actually applied and, on the other hand, the results of the application of the valuation system.

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.

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 17, 2020

The special auditor
Fides Audit
represented by Stéphane Massa

Crédit Mutuel

Home Loan SFH

Société anonyme (French limited company) with share capital of €220,000,000
Registered office: 6 avenue de Provence – 75452 Paris Cedex 9
Paris Trade and Companies Register no. 480 618 800

REPORT ON THE VALUATION OF REAL ESTATE ASSETS at December 31, 2019

Crédit Mutuel 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 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 Article 5 of Regulation No. 99-10 of the French Banking and Financial Regulations Committee related to mortgage companies and home loan financing companies.

It is based on data available at December 31, 2019.

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* (ACPR – French Prudential Supervisory and Resolution Authority)” (*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 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.

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 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 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 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 chateaux 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.

The Notaires-INSEE indices changed in September 2018 and a new base 100 was defined as the average of the quarters in 2015.

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's value at the time of financing to its most recent value.

The valuation of real estate assets at December 31, 2019 was performed on November 30 using the final indices for the first quarter of 2019, which correspond to sales completed during that same quarter and are the last known indices (see appendix).

Assets financed after the first quarter of 2019 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.

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 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.

III. Results

Information regarding the pool used at end-December 2019:

Valuation of financed real estate assets offered as collateral (€ billions)			
	Number of loans	Initial value	⁽¹⁾ Reviewed value (statistical)
MORTGAGE LOANS	277,674	45,568	48,426
SECURED LOANS	122,499	21,922	22,947
Of which Crédit Logement	120,472	21,512	22,543
Of which Crédit Mutuel Caution Habitat SA	2,027	0,410	0,404
TOTAL	400,173	67,490	71,373

⁽¹⁾ 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 16, 2020

Christian Ander

Chief Executive Officer

APPENDIX

Values from the most recent average final indices for the first quarter of 2019 used at the time of the revaluation on November 30, 2019:

Department	Index	Department	Index	Department	Index
001	105.0635	034	102.8712	066	101.6044
002	97.3804	035	109.8966	067	109.9530
003	106.1153	036	101.7167	068	108.1744
004	104.5608	037	105.2477	069	113.5863
005	103.5804	038	104.2545	070	102.9159
006	103.4565	039	103.3185	071	100.9083
007	105.8551	040	112.5397	072	101.8404
008	100.8188	041	96.9192	073	106.3213
009	102.2629	042	105.0387	074	107.1501
010	101.1681	043	105.5039	075	119.7097
011	101.7805	044	114.9072	076	103.3234
012	102.2898	045	101.5029	077	101.2215
013	104.6314	046	105.6412	078	104.3577
014	107.0237	047	105.7052	079	101.7916
015	105.5039	048	102.2467	080	103.7285
016	104.2670	049	104.1392	081	103.5750
017	109.2760	050	108.6179	082	102.4971
018	96.0731	051	105.3166	083	104.1972
019	100.3638	052	100.2661	084	103.7987
021	101.7316	053	102.5055	085	109.7485
022	106.4198	054	102.6875	086	102.3468
023	99.2034	055	100.5359	087	100.3447
024	105.7944	056	109.8601	088	100.9802
025	103.1497	057	105.2780	089	99.9625
026	105.6300	058	99.9063	090	102.9958
027	103.2251	059	105.6380	091	101.6728
028	98.8759	060	102.2949	092	111.1767
029	106.9113	061	103.2835	093	109.3293
030	101.7153	062	104.1145	094	108.4956
031	107.6731	063	105.2226	095	102.1306
032	105.6412	064	110.8156	-	-
033	125.9672	065	101.8869	Outside Paris	106.5538

Arrondissement for department 75	Index	Arrondissement for department 75	Index	Arrondissement for department 75	Index
001	120.4182	008	119.7745	015	115.9186
002	120.2176	009	121.1403	016	118.9439
003	120.5028	010	120.5947	017	120.8284
004	120.6773	011	121.6449	018	122.6324
005	121.1151	012	117.2740	019	118.9641
006	121.1403	013	118.4824	020	120.8250
007	120.6139	014	117.5286	-	-