

CREDIT MUTUEL HOME LOAN SFH

**SPECIAL AUDITOR'S CERTIFICATION
OF THE VALUATION METHODS AND RESULTS AND
METHODS FOR PERIODICALLY REVIEWING
THE VALUE OF REAL ESTATE ASSETS AT DECEMBER 31, 2024**

**CAILLIAU DEDOUIT ET ASSOCIES
19, RUE CLEMENT MAROT
75008 PARIS**

CREDIT MUTUEL HOME LOAN SFH

6, avenue de Provence

75009 Paris

SPECIAL AUDITOR'S CERTIFICATION OF THE VALUATION METHODS AND RESULTS AND METHODS FOR PERIODICALLY REVIEWING THE VALUE OF REAL ESTATE ASSETS AT DECEMBER 31, 2024

To the Board of Directors of Crédit Mutuel Home Loan SFH,

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 Regulations 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, 2024 and appended to this certification.

The methods and results of the valuation of real estate assets and the methods for periodically reviewing their value have been defined and implemented under the responsibility of your company's management.

Our responsibility is to assess their validity in light of the rules in force as of December 31, 2024.

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, 2024;
- 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.

CREDIT MUTUEL HOME LOAN SFH

Special Auditor's certification of the valuation methods and results and methods for periodically reviewing the value of real estate assets at December 31, 2024

The work carried out by us leads us to make the following comments and observations:

- The methods and results of the valuation of real estate assets and the methods for periodically reviewing their value, published along with the annual financial statements for the year ended December 31, 2024, generally comply with Articles 2 to 4 of CRBF Regulation 99-10.
- However, it should be noted that, based on the tests performed by us, it appears that the operational application of the procedure for determining the initial value of real estate assets could be improved.

Paris, April 24, 2025

The Special Auditor

CAILLIAU DEDOUIT ET ASSOCIES

Laurent Brun

Crédit Mutuel

Home Loan SFH

A French limited company (*société anonyme*) 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

REAL ESTATE VALUATION REPORT at December 31, 2024

Crédit Mutuel Home Loan SFH is a home loan financing company 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 the provisions of 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, 2024.

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 Chapter 1 of Regulation No. 99-10 of 9 July 1999 on mortgage companies and home loan financing companies, as amended by the order of 7 July 2021, which came into force on 8 July 2022.

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” are subject to a prudent valuation that excludes any speculative element. Prudent valuation means a valuation equal to or similar to the initial value of the property financed or provided as collateral, exclusive of fees and expenses, at the time the security interest in the property was created or at the time the loans were initially acquired by the mortgage company or the home loan financing company or provided as collateral, and revalued periodically in accordance with Article 3.”

Article 2. – “The prudent 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 by an independent and qualified appraiser, in writing in an impartial, clear, transparent and objective manner.

At the time of inclusion of the cover asset in the cover pool by the mortgage company or the home loan financing company or at the time of their pledging, the current value cannot be higher than the market value or the mortgage value.

As an exception, for residential properties, 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.

The total cost of the transaction is the sum of the amount of the financed project and the personal contribution, after deduction of duties, notary and negotiation fees.”

Article 4. – “The valuation is carried out by an appraiser who has the necessary qualifications, capacity and experience; the appraiser is independent of the decision-making process regarding the granting of credit, does not take into account speculative elements in the valuation of the physical assets used as collateral, and establishes the value of the physical asset used as collateral in a clear and transparent manner, as specified in Articles R. 313-17 to R. 313-19, D. 313-20 of the French Consumer Code.”

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)”:

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 is conducted annually and may be conducted 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 real estate assets is reviewed annually based on 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.

More frequent monitoring is carried out when market conditions undergo significant changes.

A statistical method may be used. It aims to define a readjustment coefficient that takes into account the real estate market and its evolution based on the indices of changes in real estate prices published by official or similar bodies, such as market data platforms, that are the most appropriate at the time of the revaluation, in terms of content and date. In particular, it may result in the revaluation of a property based on changes, over the period in question, in real estate prices recorded by an index reflecting the relevant real estate transactions. In this case, the method must ensure that the revalued value thus obtained is less than or equal to the market value or the mortgage value at the revaluation date.

The statistical method used must be defined in writing in a clear, transparent, impartial, objective and verifiable manner based on a claim-by-claim audit trail showing the initial value of the real estate assets as defined in Article 2 and the index of changes in real estate prices published by official or similar bodies.”

Article 5. – “The methods and results of valuation of real estate assets as well as the methods of periodic review of their value accompanied by an audit trail, as specified in Article 3, are made available to the special auditor referred to in Article L. 513-23 of the French Monetary and Financial Code, who decides on their validity. They are published at the same time as the annual financial statements along with the assessment of the special auditor. The *Autorité de Contrôle Prudentiel et de Résolution* may require that they be amended.”

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 elements and is based on usual and local market conditions and the current use of the asset.

This value is based on the total cost of the transaction or determined by CMH ÉVALUATION.

1. Total cost of the transaction

Pursuant to the applicable regulations, for the financing of home loans 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.

Article 2 of CBRF Regulation 99-10 defines the total cost of the transaction as *“the sum of the amount of the financed project and the personal contribution, after deduction of duties and notary and negotiation fees”*.

In addition, Appendix 2 to Instruction 2022-I-03 specifies that *“For loan repurchase transactions for residential properties whose valuation may be based on the total cost of the initial transaction, the total cost of the initial transaction may be based on the amount originally retained for the financed project and the personal contribution, after deduction of duties and notary and negotiation fees, or failing that, on the amount financed at the time of the repurchase.”*

The total cost of the transaction, which was determined for the property concerned, complies with the regulations and corresponds to the value of the property recorded in the deed of sale, excluding duties and fees.

The number of properties to which this method applies, i.e. 575,052 properties, represents an initial value of €112.069 billion, i.e. 93.28% of the total value of the assets pledged as collateral to Crédit Mutuel Home Loan SFH.

The specificities are limited to the financing of works only and the purchase of homes through a balancing payment, for which we use the overall value of the financed property if the information is available (total market value of the property). If this is not the case, we use the amount of the loan granted.

It should also be noted that in 2009, a management rule was defined for calculating the estimated value of the property to take into account the state of completion of construction and/or works. A valuation proportional to the advance granted and a reduction to take into account a safety margin are applied.

2. Valuation by CMH ÉVALUATION

For the financing of home loans exceeding the thresholds of €480,000 in respect of the principal balance and €600,000 in respect of the cost of the transaction (and for some financing that does not exceed the above thresholds), the property is valued through an appraisal carried out by an independent expert not involved in the loan origination process. 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 real estate valuation.

The number of properties to which this method applies, i.e. 9,008 properties, represents an initial value of €8.073 billion, i.e. 6.72% of the total value of the assets pledged as collateral to Crédit Mutuel Home Loan SFH.

B. Revaluation of real estate assets

The value of real estate assets offered as collateral is reviewed monthly 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 real estate 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) 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 ADNOV 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 ADNOV and INSEE based on the real estate transaction data found in the databases managed by ADNOV 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 houses 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 of 100 was defined as the average of the quarters in 2015.

Receipt and use of the indices:

Updates to the final price indices by level are received quarterly from Paris Notaire Service and ADNOV.

Gross indices are provided at the "House", "Apartment" and "Dwelling" level (in cases where the type of dwelling cannot be determined) and at the municipality or administrative district level based on the location of the property:

- Paris Notaire Service files:
 - o For the city of Paris (department 75), indices at the administrative district level (IRIS code), at the arrondissement and department levels (in cases where the IRIS code cannot be determined);
 - o For the Paris region (excluding department 75), indices at the municipality level (INSEE code) and at the department level (in cases where the municipality cannot be determined).
- ADNOV files:
 - o Indices at the municipality level (INSEE code) and at the department level (in cases where the municipality cannot be determined).
 - o For French overseas departments and territories, indices are at the Province level.

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

Moreover, as a precaution, a reduction is applied in case of an increase in the index (80% of the increase is taken into account) and, since February 2012, an increase is applied in case of a decrease in the index (106% of the decrease).

The statistical revaluation of the residential properties at December 31, 2024 was performed on November 30 using the known and available final indices for the first quarter of 2024, which correspond to sales completed during that same quarter.

Assets financed after the first quarter of 2024 are not revalued, and the reviewed value is then the initial value of the asset, as defined above.

The number of properties for which the type of dwelling cannot be determined (in which case the “Dwelling” index is applied) is 51,198, which represents an initial value of €10.403 billion, i.e. 8.66% of the total value of the assets pledged as collateral to Crédit Mutuel Home Loan SFH.

Consideration of the EPD:

Since June 30, 2024, the Energy Performance Diagnostic (EPD) of the property has been taken into account when calculating the reviewed value of properties.

The principle is to apply a discount/premium (= impact rate included in the formula below) based on the known EPDs in our information system.

The Crédit Mutuel group has used the Notaires-INSEE “green value” as an index to discount the value of its real estate collateral based on the EPD. The “green value” data is taken from the Notaires-INSEE databases and indicates the change in value, per year, resulting from a better or worse energy and environmental performance of a property. The price difference attributable to the change in the energy label is calculated relative to a property with a D energy label. This index is purchased from ADNOV and PNS.

It has been available since 2017 and is broken down along two lines:

- Geographic region: 11 administrative regions (not available in the French overseas departments and Corsica is grouped with the PACA region) and Paris Region (Paris / inner suburbs / outer suburbs);
- Category: Mixed “apartments and houses” indices, “apartment” indices and “house” indices.

The index is calculated annually and published approximately five months after the end of the year used as the basis for this calculation. For EPDs collected in year Y, the following indices therefore apply: indices Y-2 for EPDs collected between January and June of year Y, and indices Y-1 for EPDs collected between July and December of year Y.

The calculation is automatic and applies to the property value calculated after applying the index defined above with the same frequency.

The formula applied is as follows:

$$\begin{aligned} & \text{Present value of the property with current EPD impact} \\ &= \text{Value of the property after price indices} \times \frac{(1 + \text{current EPD impact rate})}{(1 + \text{initial EPD impact rate})} \end{aligned}$$

The EPD is collected when the purchase or construction of the property is financed. When financing does not concern the purchase or construction of the property (mandatory EPD), the EPD is collected when possible.

Properties financed after the first quarter of 2024 do not take the EPD into account.

Consideration of physical risks

Since 30 June 2024, physical risks have been taken into account when calculating the reviewed value of properties.

In 2022, a physical risk scoring methodology was developed by the Crédit Mutuel group to assign a physical risk exposure score (acute risk and chronic risk) by postal code for mainland France (data is not available for the French overseas departments and territories).

Acute risk is assessed based on the following six climate hazards:

- Flooding (source: GASPAR – list of natural disaster orders);
- Drought (source: GASPAR – list of natural disaster orders);
- Storm/hail/snow (source: ONRN – Georisks);
- Cold waves;
- Frost waves;
- Heat waves.

Chronic risk is assessed based on the following six climate hazards:

- Change in temperature (source: DRIAS – projection between 2021 and 2050);
- Change in precipitation (source: DRIAS – projection between 2021 and 2050);
- Sea level rise (source: PREP DATA – RCP 8.5 scenario by 2050);
- Erosion of the coastline;
- Change in wind trends;
- Water stress.

In terms of model output, each postal code is assigned a score from 0 (no risk) to 4 (high risk) for each of the two risks, by combining exposure to the six hazards listed above.

To take physical risks into account in the valuation of collateral, a discount is applied to the reviewed value of the property based on exposure to physical risk as determined by the national methodology. Its level is defined annually.

For 2024, a 2% discount is applied to the reviewed value of properties if one of the scores (acute risk or chronic risk) is equal to 4.

The formula applied is as follows:

$$\begin{aligned} & \text{Present value of the property (with current EPD impact and climate risk)} \\ &= \text{Value of the property after price index and after current EPD impact} \times (1 - 0.02) \end{aligned}$$

Properties financed after the first quarter of 2024 take physical risks into account.

Back-testing of the value of financed assets:

The new regulatory back-testing requirement, set out in Article 3 of CRBF 99-10, entails ensuring that the revalued value is less than or equal to the market value of the assets on the revaluation date.

A representative sample of 995 properties, randomly selected from among the receivables assigned to SFH, were back-tested in 2023 using the specialized CL ESTIM valuation tool developed by Crédit Logement.

At the time of testing, these 995 properties, which had an initial value of €219 million, had a present value in our information system of €242 million (without taking the EPD and physical risks into account). The corresponding present value in CL ESTIM was €247 million. This 2% difference was deemed immaterial and remains prudent since the value calculated in our information system appears to be lower than the value predicted by the CL ESTIM tool. Based on the results of these tests, we can therefore assume that “our revalued value is less than or equal to the market value or mortgage value at the revaluation date”, in accordance with Article 3 of CRBF 99-10.

A new test based on a representative sample of properties will be carried out in fiscal year 2025.

III. Results

Information regarding the pool used at end-December 2024:

Valuation of financed real estate assets offered as collateral			
Geographic location of the asset (department number)	Number of assets	Initial value (€ millions)	Reviewed value (statistical) ⁽¹⁾ (€ millions)
01	9,484	2,299	2,556
02	3,068	426	408
03	1,243	172	181
04	1,048	185	205
05	1,548	288	317
06	11,039	2,652	2,934
07	3,571	625	680
08	2,386	315	311
09	967	134	146
10	2,581	379	386
11	2,603	415	456
12	1,020	159	172
13	20,425	4,636	5,205
14	8,739	1,699	1,971
15	451	66	70
16	1,365	219	252
17	4,148	955	1,136
18	1,555	201	195
19	899	127	134
20	2,512	570	639
21	6,115	1,052	1,146
22	2,121	402	493
23	504	54	52
24	1,452	236	261
25	6,456	1,131	1,200
26	5,819	1,114	1,215
27	5,214	906	961
28	5,142	844	878
29	3,627	673	851
30	5,325	1,072	1,191
31	9,327	1,935	2,145
32	831	143	156
33	9,493	2,389	2,852
34	10,234	2,097	2,362
35	4,177	892	1,079
36	938	109	112
37	4,738	900	1,001
38	12,397	2,555	2,791
39	2,565	406	417
40	2,652	551	663
41	4,190	640	665
42	8,518	1,404	1,532
43	2,553	402	426
44	21,474	4,192	5,031
45	7,728	1,318	1,402
46	531	87	93
47	1,203	175	196
48	434	64	70

49	11,206	1,869	2,165
50	2,375	428	505
51	4,764	829	865
52	2,191	255	248
53	698	110	124
54	11,769	1,917	2,050
55	2,329	299	306
56	3,343	716	912
57	20,897	3,644	4,016
58	918	108	106
59	29,811	5,558	5,964
60	5,614	1,134	1,155
61	1,327	183	208
62	14,082	2,311	2,508
63	2,161	363	387
64	5,226	1,143	1,418
65	1,027	154	168
66	4,164	713	791
67	25,899	5,317	6,073
68	18,082	3,688	4,123
69	20,781	5,241	5,805
70	2,847	396	408
71	4,715	668	700
72	2,577	400	451
73	4,718	1,040	1,218
74	9,137	2,492	2,866
75	10,763	4,312	4,365
76	11,151	2,008	2,204
77	18,801	4,258	4,387
78	8,774	2,606	2,672
79	1,662	238	262
80	3,761	595	612
81	1,549	257	280
82	1,121	189	203
83	12,775	3,124	3,529
84	4,222	902	992
85	4,163	805	967
86	3,146	457	505
87	1,595	220	235
88	5,129	716	748
89	2,260	310	307
90	2,405	395	415
91	8,971	2,116	2,170
92	8,548	3,146	3,220
93	10,955	2,466	2,592
94	8,964	2,579	2,685
95	9,413	2,263	2,331
97	4,864	942	1,075
TOTAL	584,060	120,142	131,881

⁽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. 2022-I-03.

Paris, April 17, 2025

Eric Cuzzucoli
Chief Executive Officer