

CREDIT MUTUEL-CIC HOME LOAN SFH

**French joint stock company (*société anonyme*) with a Board of Directors
and capital of €20,000,000**

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

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

SPECIAL AUDITOR'S ATTESTATION

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

AS OF December 31, 2017

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 properties underlying the company's loans and the methods for periodically reviewing their value, as published along with the statutory financial statements for the year ended December 31, 2017 and appended to this attestation.

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, 2017.

We have carried out the procedures we considered necessary in light of the professional standards of the French National Association of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*). 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, 2017,
- the information published along with the statutory financial statements with, on the one hand, the valuation and review system actually applied and, on the other hand, with 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 statutory financial statements for the year ended December 31, 2017.

This attestation 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 attestation or any matter relating thereto.

Paris, April 20, 2018

The special auditor
Fides Audit
represented by Stéphane Massa

REPORT ON THE VALUATION OF REAL ESTATE ASSETS at December 31, 2017

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 the **Crédit Mutuel CM11 Group**.

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, 2017.

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, 2017 was performed on November 30 using the final indices for the first quarter of 2017, which correspond to sales completed during that same quarter and are the last known indices (see appendix).

Assets financed after the first quarter of 2017 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 2017:

Valuation of financed real estate assets offered as collateral (€ billions)		
	Initial value	⁽¹⁾ Reviewed value (statistics)
MORTGAGE LOANS	42.955	44.722
SECURED LOANS	20.141	20.500

⁽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 18, 2018

Christian Ander

Chief Executive Officer

APPENDIX

Values from the most recent average final indices for the first quarter of 2017 used at the time of the revaluation on 11/30/2017:

Department	Indices	Department	Indices	Department	Indices
001	101.4756	034	98.3834	066	91.1447
002	89.2025	035	104.0863	067	103.9523
003	94.2158	036	91.9902	068	98.7204
004	94.3926	037	103.1709	069	113.6249
005	95.4924	038	98.3595	070	97.8379
006	96.0367	039	98.8990	071	94.5930
007	100.8698	040	98.7635	072	98.7026
008	91.5037	041	89.6815	073	110.3870
009	100.4753	042	96.6832	074	114.0672
010	95.2793	043	94.6796	075	129.0207
011	93.5948	044	107.4816	076	95.4382
012	96.1222	045	94.2065	077	100.1120
013	98.8578	046	94.1223	078	107.2995
014	98.0085	047	95.4740	079	98.8164
015	95.9747	048	93.8970	080	94.7210
016	100.9046	049	97.8729	081	94.9609
017	100.6494	050	97.8238	082	94.9173
018	88.2078	051	94.8192	083	94.4395
019	93.6683	052	94.2984	084	96.0501
021	95.9433	053	97.7894	085	101.5900
022	96.9374	054	96.5429	086	98.5649
023	91.2650	055	89.4421	087	93.7333
024	95.6702	056	97.5068	088	90.3529
025	98.7640	057	96.0221	089	90.5404
026	101.1968	058	89.5954	090	96.1491
027	92.6417	059	103.2961	091	100.5829
028	93.8455	060	97.1703	092	118.3463
029	98.8000	061	95.9789	093	110.9315
030	92.5959	062	100.5288	094	113.7777
031	109.3425	063	102.1813	095	101.6768
032	101.2913	064	99.4837	-	-
033	121.7935	065	100.0007	Outside Paris	100.2173

Arrondissement for department 75	Indices	Arrondissement for department 75	Indices	Arrondissement for department 75	Indices
001	131.0020	008	122.6136	015	128.3106
002	131.0020	009	131.0020	016	122.6136
003	131.0020	010	131.8041	017	129.3421
004	131.0020	011	134.5250	018	134.5250
005	131.8301	012	128.9715	019	127.5092
006	131.0020	013	128.3631	020	130.9213
007	125.9967	014	130.3016	-	-