

# CM-CIC Covered Bonds

## CM-CIC Covered Bonds (duly licensed French credit institution)

€30,000,000,000

### COVERED BOND PROGRAMME

Under the Covered Bond Programme described in this Base Prospectus (the "**Programme**"), CM-CIC Covered Bonds (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue covered bonds (the "**Covered Bonds**").

The aggregate nominal amount of the Covered Bonds outstanding will not at any time exceed €30,000,000,000 (or its equivalent in other currencies) at the date of issue.

Application has been made to the *Commission de surveillance du secteur financier* (the "**CSSF**") for approval of this Base Prospectus in its capacity as competent authority in Luxembourg under the *loi relative aux prospectus pour valeurs mobilières* dated 10 July 2005 which implements the Directive 2003/71/EC of 4 November 2003 in Luxembourg. Application may be made to the Luxembourg Stock Exchange during a period of twelve (12) months after the date of this Base Prospectus for Covered Bonds issued under the Programme to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange. The regulated market of the Luxembourg Stock Exchange is a regulated market for the purposes of the Directive 2004/39/EC of 21 April 2004 (each such market being a "**Regulated Market**"). Covered Bonds issued under the Programme may also be unlisted or listed and admitted to trading on any other market, including any other Regulated Market in any member state of the European Economic Area ("**EEA**"). The relevant final terms (a form of which is contained herein) in respect of the issue of any Covered Bonds (the "**Final Terms**") will specify whether or not such Covered Bonds will be listed and admitted to trading on any market and, if so, the relevant market.

Covered Bonds may be issued either in dematerialised form ("**Dematerialised Covered Bonds**") or in materialised form ("**Materialised Covered Bonds**") as more fully described herein.

Dematerialised Covered Bonds will at all times be in book entry form in compliance with articles L. 211-3 *et seq.* of the French Monetary and Financial Code (*Code monétaire et financier*). No physical documents of title will be issued in respect of the Dematerialised Covered Bonds.

Dematerialised Covered Bonds may, at the option of the Issuer, be (i) in bearer form (*au porteur*) inscribed as from the issue date in the books of Euroclear France (acting as central depository) which shall credit the accounts of the Account Holders (as defined in "Terms and Conditions of the Covered Bonds - Form, Denomination, Title and Redenomination") including Euroclear Bank S.A./N.V. ("**Euroclear**") and the depository bank for Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"), or (ii) in registered form (*au nominatif*) and, in such latter case, at the option of the relevant Bondholder (as defined in "Terms and Conditions of the Covered Bonds - Form, Denomination, Title and Redenomination"), in either fully registered form (*au nominatif pur*), in which case they will be inscribed in an account maintained by the Issuer or by a registration agent (appointed in the relevant Final Terms) for the Issuer, or in administered registered form (*au nominatif administré*) in which case they will be inscribed in the accounts of the Account Holders designated by the relevant Bondholder.

Materialised Covered Bonds will be in bearer materialised form only and may only be issued outside France. A temporary global certificate in bearer form without interest coupons attached (a "**Temporary Global Certificate**") will initially be issued in relation to Materialised Covered Bonds. Such Temporary Global Certificate will subsequently be exchanged for definitive Materialised Covered Bonds with, where applicable, coupons or talons for interest attached (the "**Definitive Materialised Covered Bonds**"), on or after a date expected to be on or about the fortieth (40<sup>th</sup>) day after the issue date of the Covered Bonds (subject to postponement as described in "Temporary Global Certificate in respect of Materialised Covered Bonds") upon certification as to non-US beneficial ownership as more fully described herein. Temporary Global Certificates will (a) in the case of a Tranche (as defined in "Terms and Conditions of the Covered Bonds") intended to be cleared through Euroclear and/or Clearstream, Luxembourg, be deposited on the issue date with a common depository for Euroclear and Clearstream, Luxembourg, and (b) in the case of a Tranche intended to be cleared through a clearing system other than or in addition to Euroclear and/or Clearstream, Luxembourg or delivered outside a clearing system, be deposited as agreed between the Issuer and the Relevant Dealer(s) (as defined below). In the case of a Tranche which is not intended to be cleared through Euroclear and/or Clearstream, Luxembourg, the Covered Bonds of such Tranche cannot be listed on the Luxembourg Stock Exchange and traded on the Official List of the Regulated Market of the Luxembourg Stock Exchange.

Covered Bonds issued under the Programme are expected on issue to be rated Aaa by Moody's Investors Service Ltd., AAA by Standard & Poor's Ratings Services and AAA by Fitch Ratings. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

See "**Risk Factors**" below for certain information relevant to an investment in the Covered Bonds to be issued under the Programme.

ARRANGER

BNP PARIBAS

DEALERS

BFCM

BNP PARIBAS

This Base Prospectus (together with all supplements thereto from time to time), constitutes a base prospectus for the purposes of article 5.4 of the Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 (the "Prospectus Directive") and contains all relevant information concerning the Issuer which is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer, as well as the base terms and conditions of the Covered Bonds to be issued under the Programme. The terms and conditions applicable to each Tranche (as defined in "General Description of the Programme") not contained herein (including, without limitation, the aggregate nominal amount, issue price, redemption price thereof, and interest, if any, payable thereunder) will be determined by the Issuer and the relevant Dealer(s) at the time of the issue and will be set out in the relevant Final Terms.

This Base Prospectus should be read and construed in conjunction with any document and/or information which is incorporated herein by reference in accordance with article 15 of the *Loi relative aux prospectus pour valeurs mobilières* dated 10 July 2005 implementing the Prospectus Directive in Luxembourg and article 28 of the European Commission Regulation N°809/2004 dated 29 April 2004 (see "Documents incorporated by Reference" below) as well as, in relation to any Tranche of Covered Bonds, with the relevant Final Terms.

This Base Prospectus (together with all supplements thereto from time to time) may only be used for the purposes for which it has been published.

No person is or has been authorised to give any information or to make any representation other than those contained in this Base Prospectus in connection with the issue or sale of the Covered Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arranger or the Dealers (as defined in "General Description of the Programme"). Neither the delivery of this Base Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and the offering or sale of Covered Bonds in certain jurisdictions may be restricted by law. The Issuer and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Covered Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Dealers which is intended to permit a public offering of any Covered Bonds or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Covered Bond may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Covered Bonds may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Covered Bonds. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Covered Bonds in the United States of America, Japan and the European Economic Area (including France, Italy, the Netherlands and the United Kingdom).

This Base Prospectus has not been submitted to the clearance procedures of the French *Autorité des marchés financiers*.

The Covered Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons as defined in Regulation S under the Securities Act ("Regulation S"). The Covered Bonds may include Materialised Covered Bonds in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, the Covered Bonds may not be offered or sold or, in the case of Materialised Covered Bonds in bearer form, delivered within the United States or, in the case of certain Materialised Covered Bonds in bearer form, to, or for the account or benefit of, United States

persons as defined in the U.S. Internal Revenue Code of 1986. The Covered Bonds are being offered and sold outside the United States of America to non-U.S. persons in reliance on Regulation S.

For a description of these and certain further restrictions on offers, sales and transfers of Covered Bonds and on distribution of this Base Prospectus, see "Subscription and Sale".

This Base Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Arranger or the Dealers to subscribe for, or purchase, any Covered Bonds.

The Arranger and the Dealers have not separately verified the information contained in this Base Prospectus. Neither the Arranger nor any of the Dealers makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Base Prospectus. Neither this Base Prospectus nor any other information supplied in connection with the Programme (including any information incorporated by reference) is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arranger or the Dealers that any recipient of this Base Prospectus or any other financial statements should purchase the Covered Bonds. Each prospective investor of Covered Bonds should determine for itself the relevance of the information contained in this Base Prospectus and its purchase of Covered Bonds should be based upon such investigation as it deems necessary. Neither the Arranger nor any of the Dealers undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or prospective investor in the Covered Bonds of any information that may come to the attention of the Dealers or the Arranger.

In connection with the issue of any Tranche, the Dealer or Dealers (if any) named as the stabilising manager(s) (the "Stabilising Manager(s)") (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Covered Bonds or effect transactions with a view to supporting the market price of the Covered Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Tranche is made and, if begun, may be ended at any time, but it must end no later than the earlier of thirty (30) days after the issue date of the relevant Tranche and sixty (60) days after the date of the allotment of the relevant Tranche. Any stabilisation action or over-allotment shall be conducted in accordance with all applicable laws and rules.

None of the Dealers or the Issuer makes any representation to any prospective investor on the Covered Bonds regarding the legality of its investment under any applicable laws. Any prospective investor in the Covered Bonds should be able to bear the economic risk of an investment in the Covered Bonds for an indefinite period of time.

In this Base Prospectus, unless otherwise specified or the context otherwise requires, references to "€", "Euro", "euro" or "EUR" are to the lawful currency of the member states of the European Union that have adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union and as amended by the Treaty of Amsterdam, references to "£", "pounds sterling" and "Sterling" are to the lawful currency of the United Kingdom, references to "\$", "USD" and "US Dollar" are to the lawful currency of the United States of America, references to "¥", "JPY" and "Yen" are to the lawful currency of Japan and references to "CHF" and "Swiss Francs" are to the lawful currency of Switzerland.

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**PERSONS RESPONSIBLE FOR THE INFORMATION GIVEN IN THE BASE  
PROSPECTUS**

CM-CIC Covered Bonds accepts responsibility for the information contained in this document. To the best of its knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this Base Prospectus is in accordance with the facts and contains no omission likely to affect its import.

**CM-CIC Covered Bonds**

6 rue de Ventadour  
75001 Paris  
France

Represented by: Mr. Christian KLEIN  
*Président du conseil d'administration*

And by: Mr. Christian ANDER  
*Directeur général*

## GENERAL DESCRIPTION OF THE PROGRAMME

*Words and expressions defined in "Terms and Conditions of the Covered Bonds" below shall have the same meanings in this general description.*

### 1. COVERED BONDS

<b>Issuer:</b>	CM-CIC Covered Bonds, a duly licensed French credit institution.
<b>Arranger:</b>	BNP Paribas.
<b>Dealers:</b>	<p>BFCM and BNP Paribas.</p> <p>The Issuer may from time to time terminate the appointment of any Dealer under the Programme or appoint additional dealers either in respect of one (1) or more Tranches or in respect of the whole Programme. References in this Base Prospectus to "<b>Permanent Dealers</b>" are to the person referred to above as Dealer and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "<b>Dealers</b>" are to all Permanent Dealers and all persons appointed as a dealer in respect of one (1) or more Tranches.</p> <p>At the date of this Base Prospectus, only credit institutions and investment firms incorporated in a Member State of the European Union ("EU") and which are authorised by the relevant authority of such member home state to lead-manage bond issues in such Member State may act (a) as Dealers with respect to non-syndicated issues of Covered Bonds denominated in Euro and (b) as lead manager of issues of Covered Bonds denominated in Euro issued on a syndicated basis.</p>
<b>Description:</b>	Covered Bond Programme.
<b>Programme Limit:</b>	Up to €30,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Covered Bonds outstanding at any one (1) time.
<b>Fiscal Agent and Principal Paying Agent:</b>	BNP Paribas Securities Services.
<b>Paying Agent:</b>	BNP Paribas Securities Services, Luxembourg Branch, as Luxembourg Paying Agent.
<b>Method of Issue:</b>	<p>The Covered Bonds are issued outside France and may be distributed on a syndicated or non-syndicated basis. The Covered Bonds will be issued in series (each a "<b>Series</b>") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Covered Bonds of each Series being intended to be interchangeable with all other Covered Bonds of that Series.</p>
<b>Tranche:</b>	<p>Each Series of Covered Bonds may be issued in tranches (each a "<b>Tranche</b>") on the same or different issue dates.</p> <p>The specific terms of each Tranche (including, without limitation, the aggregate nominal amount, issue price, redemption price thereof, and interest, if any, payable thereunder and supplemented, where necessary, with supplemental terms and conditions which, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be determined by the Issuer and the relevant Dealer(s) at the time of the issue and will be set out in the final terms of such Tranche (the</p>

**"Final Terms").**

<b>Maturities:</b>	<p>Subject to compliance with all relevant laws, regulations and directives, the Covered Bonds may have any maturity as specified in the relevant Final Terms, subject to such minimum maturity as may be required by the applicable legal and/or regulatory requirements.</p> <p>Covered Bonds have hard bullet maturities. In the future it may be decided that the Issuer will issue Covered Bonds with a soft bullet maturity (allowing the Final Maturity Date of the relevant Series to be extended if the Issuer fails to pay the amount due on the Final Maturity Date), provided that this Base Prospectus has been updated and that the Programme Documents have been amended to reflect this. The issue or amortisation of a Series with a soft bullet maturity shall not affect the issue or amortisation of any Series with a hard bullet maturity.</p>
<b>Currencies:</b>	<p>Subject to Hedging Strategy and to compliance with all relevant laws, regulations and directives, Covered Bonds may be issued in Euro, U.S. dollars, Japanese yen, Swiss francs and, subject to prior Rating Affirmation (of S&amp;P only), in any other currency agreed between the Issuer and the relevant Dealer(s).</p>
<b>Denomination(s):</b>	<p>Covered Bonds shall be issued in the Specified Denomination(s) set out in the relevant Final Terms, save that all Covered Bonds admitted to trading on a Regulated Market shall have a minimum denomination of €50,000 (or its equivalent in any other currency) or such higher amount as may be allowed or required from time to time in relation to the relevant Specified Currency. Dematerialised Covered Bonds shall be issued in one (1) denomination only.</p>
<b>Status:</b>	<p>The Covered Bonds, and, where applicable, any relative Coupons and Receipts will constitute direct, unconditional, unsubordinated and secured obligations of the Issuer and will rank <i>pari passu</i> without any preference among themselves and (subject to certain exceptions) at least <i>pari passu</i> with all other present or future unsubordinated obligations of the Issuer.</p>
<b>Negative Pledge:</b>	<p>There will be a negative pledge as set out in Condition 5(a).</p>
<b>Issuer Events of Default:</b>	<p>The terms of the Covered Bonds will contain events of default as set out in Condition 10.</p>
<b>Issuer Security:</b>	<p>The holders of the Covered Bonds will benefit from certain security interests and guarantees granted by the Issuer as security for the repayment of all sums due from time to time under the Covered Bonds, as set out in <b>"The Issuer Security"</b>.</p>
<b>Redemption Amount:</b>	<p>Subject to any laws and regulations applicable from time to time, the relevant Final Terms will specify the basis for calculating the redemption amounts payable.</p>
<b>Optional Redemption:</b>	<p>The Final Terms issued in respect of each Tranche will state whether such Covered Bonds may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the Bondholders, and if so the terms applicable to such redemption.</p>
<b>Redemption by Instalments:</b>	<p>The Final Terms issued in respect of each Tranche that are redeemable in two (2) or more instalments will set out the dates on which, and the amounts in which, such Covered Bonds may be redeemed.</p>
<b>Early Redemption:</b>	<p>Except as provided in <b>"Optional Redemption"</b> above, Covered Bonds will be redeemable at the option of the Issuer prior to their stated maturity only for tax reasons (as provided in Condition 7(f)) or illegality (as provided in Condition 7 (g)).</p>

**Taxation:**

Pursuant to article 131 *quater* of the French General Tax Code (*Code général des impôts*), as construed by administrative circular no. 5-I-11-98 dated 30 September 1998 and rulings (*rescrits*) no. 2007/59 (FP) dated 8 January 2008 and no. 2009/23 (FP) dated 7 April 2009, all issued by the French tax authorities, payments of interest and other revenues to be made by the Issuer to non-French tax residents in respect of Covered Bonds constituting obligations or debt instruments (*titres de créances*) assimilated thereto for French tax purposes, benefit from the exemption from deduction of tax at source which would otherwise be applicable under article 125 A III of the French General Tax Code (*Code général des impôts*).

The tax regime applicable to Covered Bonds which do not constitute *obligations* or debt instruments (*titres de créances*) assimilated thereto for French tax purposes will be set out in the relevant Final Terms.

**Interest Periods and Interest Rates:**

The length of the interest periods for the Covered Bonds and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Covered Bonds may have a maximum interest rate, a minimum interest rate or both. The use of interest accrual periods permits the Covered Bonds to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.

**Fixed Rate Covered Bonds:**

Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.

**Floating Rate Covered Bonds:**

Floating Rate Covered Bonds will bear interest determined separately for each Series as follows:

- (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by the 2001 FBF Master Agreement relating to transactions on forward financial instruments, as supplemented by the then applicable Interest and Currency Technical Annex (*Echange de conditions d'Intérêt ou de Devises - Additif Technique*) published by the AFB or the FBF, or
- (b) on the basis of a reference rate appearing on an agreed screen page of a commercial quotation service (including, without limitation, EURIBOR, EONIA, LIBOR, CMS or TEC), or
- (c) on such other basis or benchmark as may be specified in the applicable Final Terms,

in each case plus or minus any applicable margin, if any, and calculated and payable as indicated in the applicable Final Terms. Floating Rate Covered Bonds may also have a maximum rate of interest, a minimum rate of interest or both.

**Zero Coupon Covered Bonds:**

Zero Coupon Covered Bonds may be issued at their nominal amount or at a discount to it and will not bear interest.

**Dual Currency Covered Bonds:**

Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Covered Bonds will be made in such currencies, and based on such rates of exchange, as may be specified in the relevant Final Terms.

**Index Linked Covered Bonds:**

Payments of principal or of interest in respect of Index Linked Covered Bonds will be calculated by reference to such index and/or formula as may be specified in the relevant Final Terms. Index Linked Covered Bonds may be issued by the Issuer subject to prior Rating Affirmation.

**Other Covered Bonds:**

Terms applicable to high interest Covered Bonds, low interest Covered Bonds, step-up Covered Bonds, step-down Covered Bonds, reverse dual



	<p>currency Covered Bonds, optional dual currency Covered Bonds, partly paid Covered Bonds and any other type of Covered Bonds that the Issuer and any Dealer or Dealers may agree to issue under the Programme will be set out in the relevant Final Terms.</p>
<b>Redenomination:</b>	<p>Covered Bonds issued in the currency of any Member State of the EU which participates in the third stage (or any further stage) of the European Monetary Union may be redenominated into Euro, all as more fully provided in Condition 2(d).</p>
<b>Consolidation:</b>	<p>Covered Bonds of one (1) Series may be consolidated with Covered Bonds of another Series as more fully provided in Condition 16.</p>
<b>Form of Covered Bonds:</b>	<p>Covered Bonds may be issued in either dematerialised form ("<b>Dematerialised Covered Bonds</b>") or in materialised form ("<b>Materialised Covered Bonds</b>").</p> <p>Dematerialised Covered Bonds may, at the option of the Issuer, be issued in bearer form (<i>au porteur</i>) or in registered form (<i>au nominatif</i>) and, in such latter case, at the option of the relevant holder, in either fully registered form (<i>au nominatif pur</i>) or administered form (<i>au nominatif administré</i>). No physical documents of title will be issued in respect of Dematerialised Covered Bonds.</p> <p>Materialised Covered Bonds will be in bearer form only. A Temporary Global Certificate will initially be issued in respect of each Tranche of Materialised Covered Bonds. Materialised Covered Bonds may only be issued outside France.</p>
<b>Governing Law:</b>	<p>French law.</p>
<b>Clearing Systems:</b>	<p>Euroclear France as central depository in relation to Dematerialised Covered Bonds and, in relation to Materialised Covered Bonds, Clearstream, Luxembourg and Euroclear or any other clearing system that may be agreed between the Issuer, the Fiscal Agent and the relevant Dealer(s).</p>
<b>Initial Delivery of Dematerialised Covered Bonds:</b>	<p>At least one (1) Paris business day before the issue date of each Tranche of Dematerialised Covered Bonds, the <i>Lettre comptable</i> relating to such Tranche shall be deposited with Euroclear France as central depository.</p>
<b>Initial Delivery of Materialised Covered Bonds:</b>	<p>On or before the issue date for each Tranche of Materialised Covered Bonds, the Temporary Global Certificate issued in respect of such Tranche shall be deposited with a common depository for Euroclear and Clearstream, Luxembourg or with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Fiscal Agent and the relevant Dealer(s).</p>
<b>Issue Price:</b>	<p>Covered Bonds may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Covered Bonds may be issued, the issue price of which will be payable in two (2) or more instalments.</p>
<b>Listing and Admission to Trading:</b>	<p>Application has been made for Covered Bonds to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Regulated Market of the Luxembourg Stock Exchange and/or any other Regulated Market in the EEA in accordance with the Prospectus Directive and/or any other market as specified in the relevant Final Terms. As specified in the relevant Final Terms, a Series of Covered Bonds may be unlisted.</p>

**Rating:**

Covered Bonds issued under the Programme are expected on issue to be rated Aaa by Moody's Investors Service Ltd., AAA by Standard & Poor's Ratings Services and AAA by Fitch Ratings.

The rating of the Covered Bonds will be specified in the relevant Final Terms.

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change, or withdrawal at any time by the assigning rating agency.

**Selling Restrictions:**

There are restrictions on the offer and sale of Covered Bonds and the distribution of offering material in various jurisdictions. In connection with the offering and sale of a particular Tranche, additional selling restrictions may be imposed in the relevant Final Terms (see section "**Subscription and Sale**").

The Issuer is Category 1 for the purposes of Regulation S under the United States Securities Act of 1933, as amended.

Materialised Covered Bonds will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the "**D Rules**") unless (i) the relevant Final Terms states that such Materialised Covered Bonds are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the "**C Rules**") or (ii) such Materialised Covered Bonds are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Covered Bonds will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**"), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.

Dematerialised Covered Bonds which are not in bearer form for US tax purposes do not require compliance with the TEFRA rules.

## **2. THE BORROWER FACILITY AGREEMENT AND THE COLLATERAL SECURITY**

**The Borrower Facility Agreement:**

The proceeds from the issuance of the Covered Bonds under the Programme will be used by CM-CIC Covered Bonds, as lender (in such capacity, the "**Lender**") to fund advances (each a "**Borrower Advance**") to be made available to Banque Fédérative du Crédit Mutuel ("**BFCM**"), as borrower (in such capacity, the "**Borrower**") under a multicurrency term facility agreement (the "**Borrower Facility**").

The Borrower Facility shall be made available to the Borrower in an aggregate maximum amount equal to €30,000,000,000 for the purpose of financing the general financial needs of the Borrower.

The terms and conditions regarding the calculation and the payment of principal and interest under a Borrower Advance shall mirror the equivalent terms and conditions of the corresponding Final Terms of Covered Bonds, it being provided that, as a principle, the interest to be paid by the Borrower under a Borrower Advance shall be the financing costs of the Lender under the Covered Bonds funding such Borrower Advance, increased by a margin (the "**Issuer Margin**"). Any amounts repaid or prepaid under any Borrower Advance may be re-borrowed.

Upon the occurrence of a Borrower Event of Default (as defined in section "**The Borrower and the Borrower Facility Agreement – The Borrower Facility Agreement**"), the Administrator shall, by written notice (such notice to constitute a *mise en demeure*) to the Borrower (with a copy to the Rating Agencies and to the Collateral Security Agent), (i) declare that no more Borrower Advances shall be made under the Borrower Facility, (ii) declare that the Borrower Facility shall be

cancelled, and (iii) declare that the Borrower Advances shall immediately become due and payable and enforce its rights under the Security Documents (a "**Borrower Enforcement Notice**").

(see section "**The Borrower and the Borrower Facility Agreement – The Borrower Facility Agreement**").

**The Collateral Security Agreement:**

The Collateral Security Agreement sets forth the terms and conditions upon which the Collateral Providers shall grant Eligible Assets as collateral security (*garantie financière*) (the "**Collateral Security**") for the benefit of the Lender in order to secure, as they become due and payable, the payments of all and any amounts owed by the Borrower under the Borrower Facility, whether present or future (the "**Secured Liabilities**").

For the purposes of the Collateral Security Agreement, an Eligible Asset means any Home Loan Receivable that complies with the Home Loan Eligibility Criteria and any Substitution Asset (each as further described in "**The Collateral Security Agreement**").

The Collateral Security shall be created in accordance with articles L.211-36 II and L.211-38 to L.211-40 (formerly L. 431-7 *et seq.*) of the French Monetary and Financial Code (*Code monétaire et financier*). The Collateral Security shall not entail any transfer of title with respect to the relevant Eligible Assets until enforcement.

The Collateral Providers shall perform the servicing of the Collateral Security Assets (as defined in "**The Collateral Security Agreement**") in accordance with applicable laws and its customary servicing procedures (the "**Servicing Procedures**"), using the degree of skill, care and attention as for servicing of its assets for its own account, without interfering with the Issuer's material rights under the Collateral Security Agreement.

In accordance with the Collateral Security Agreement, the Collateral Providers have appointed BFCM as agent (*mandataire*) of the Collateral Providers in order to manage the Collateral Security in the name and on behalf of such Collateral Providers (the "**Collateral Security Agent**").

(see section "**The Collateral Security – The Collateral Security Agreement**").

**The Cash Collateral Agreement:**

The Cash Collateral Agreement sets forth the terms and conditions upon which BFCM, as Cash Collateral Provider, shall fund certain amounts as cash collateral (*gage espèces*) (each, a "**Cash Collateral**") into a Cash Collateral Account so as to secure as they become due and payable the payments of all and any amounts owed by the Borrower under the Borrower Facility, whether present or future (the "**Secured Liabilities**").

The Cash Collateral Provider shall be requested to fund the Cash Collateral Account with the relevant Cash Collateral and up to the required amount upon non compliance by the Borrower of certain pre-maturity ratings levels following the occurrence date of such non compliance and during a certain pre-maturity test period (as further described in "**Asset Monitoring – The Pre-Maturity Test**").

Failure by the Cash Collateral Provider to fund the Cash Collateral Account with the relevant Cash Collateral and up to the required amount within the required period following any non compliance with the relevant pre-maturity ratings levels and on any relevant test date following such non compliance shall constitute a Breach of Pre-Maturity

Test under the Cash Collateral Agreement. This breach shall in turn result in the occurrence of a Borrower Event of Default under the Borrower Facility Agreement.

(see section "**The Collateral Security – The Cash Collateral Agreement**").

### **3. ASSET MONITORING**

#### **Asset Cover Test:**

Under the Collateral Security Agreement and for so long as no Borrower Event of Default has occurred and been enforced subject to, and in accordance with, the relevant terms of the Borrower Facility Agreement, the Collateral Security Agent, acting in the name and on behalf of the Collateral Providers, shall monitor the Collateral Security Assets so as to ensure compliance with an asset cover test (the "**Asset Cover Test**").

For so long as Covered Bonds remain outstanding, non compliance with the Asset Cover Test would result from the Asset Cover Test Ratio (as specified in section "**Asset Monitoring – The Asset Cover Test**"), being less than one (1). A non compliance with the Asset Cover Test will not constitute an Issuer Event of Default or a Borrower Event of Default. However, it will prevent the Issuer from issuing any further Covered Bonds as long as it remains unremedied.

The failure by the Collateral Security Agent to cure a non compliance with the Asset Cover Test occurred on any Asset Cover Test Date prior to the next following Asset Cover Test Date (as defined in section "**Asset Monitoring – The Asset Cover Test**") shall constitute a Breach of Asset Cover Test within the meaning of the Collateral Security Agreement.

A Breach of Asset Cover Test will result in a Borrower Event of Default within the meaning of, and subject to, the relevant terms of the Borrower Facility Agreement. A Breach of Asset Cover Test will not constitute an Issuer Event of Default but will prevent the Issuer from issuing any further Covered Bonds.

(see section "**Asset Monitoring – The Asset Cover Test**").

#### **Pre-Maturity Test:**

Under the Cash Collateral Agreement and for so long as no Borrower Event of Default has occurred and been enforced subject to, and in accordance with, the relevant terms of the Borrower Facility Agreement, the Borrower shall fund the Cash Collateral Account up to an amount sufficient so as to ensure compliance with a pre-maturity test (the "**Pre-Maturity Test**").

For each Series of Covered Bonds and for so long as Covered Bonds of such Series remain outstanding, during the period starting from, and including, the one hundred and eightieth (180<sup>th</sup>) Business Day preceding the Final Maturity Date of such Series of Covered Bonds and ending on, and excluding, such Final Maturity Date, and upon the downgrading of the Borrower below any of the Pre-Maturity Ratings Required Levels (see section "**Asset Monitoring – The Pre-Maturity Test**"), the Cash Collateral Provider shall fund the Cash Collateral Account up to an amount determined in accordance with the relevant provisions of the Cash Collateral Agreement.

The failure by the Cash Collateral Provider to fund into the Cash Collateral Account the relevant amount shall constitute a Breach of Pre-

Maturity Test within the meaning of the Cash Collateral Agreement.

A Breach of Pre-Maturity Test will result in a Borrower Event of Default within the meaning of, and subject to, the relevant terms of the Borrower Facility Agreement. A Breach of Pre-Maturity Test will not constitute an Issuer Event of Default.

(see section "**Asset Monitoring – The Pre-Maturity Test**").

**Amortisation Test:**

For so long as Covered Bonds remain outstanding and following the enforcement of a Borrower Event of Default subject to, and in accordance with, the relevant terms of the Borrower Facility Agreement, the Issuer shall ensure compliance with an amortisation test (the "**Amortisation Test**").

For so long as Covered Bonds remain outstanding, non compliance with the Amortisation Test would result from the Amortisation Ratio (as specified in section "**Asset Monitoring – The Amortisation Test**") being less than one (1).

A non compliance with the Amortisation Test will constitute an Issuer Event of Default.

(see section "**Asset Monitoring – The Amortisation Test**").

#### **4. GENERAL INFORMATION**

**General Information:**

Copies of this Base Prospectus and various other documents are available free of charge during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the registered office of the Issuer and at the specified office of the Paying Agent(s).

## RISK FACTORS

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under Covered Bonds issued under the Programme. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

*In addition, factors which are material for the purpose of assessing the market risks associated with Covered Bonds issued under the Programme are also described below.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in Covered Bonds issued under the Programme. However, the Issuer does not represent that the statements below regarding the risks of holding any Covered Bonds are exhaustive. Investors must be aware that the list of factors set out below is not intended to be exhaustive and that other risks and uncertainties which, on the date of this Base Prospectus, are not known of by the Issuer, or are considered non-relevant, may have a significant impact on the Issuer, its activity, its financial condition or the Covered Bonds. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus (including any documents deemed to be incorporated by reference herein) and make their own opinion about risk factors prior to making any investment decision. Investors should in particular conduct their own analysis and evaluation of risks relating to the Issuer, its financial condition and the issued Covered Bonds and consult their own financial or legal advisers about risks associated with investment in a particular Series of Covered Bonds and the suitability of investing in the Covered Bonds in light of their particular circumstances.*

*The Issuer considers that the Covered Bonds shall only be purchased by investors which are (or are advised by) financial institutions or other professional investors who have sufficient knowledge and experience necessary to appropriately evaluate the risks involved by the Covered Bonds.*

*Words and expressions defined elsewhere in this Base Prospectus shall have the same meaning in the below risk factors description.*

### **Risks related to the Issuer**

#### *Issuer's sole liability under the Covered Bonds*

The Issuer is the only entity which has obligations to pay principal and interest in respect of the Covered Bonds. The Covered Bonds will not be obligations or responsibilities of any other entity, including (but not limited to) BFCM (in any capacity but in particular in its capacity as Borrower, Administrator, Issuer Calculation Agent, Collateral Security Agent or Cash Collateral Provider), the Collateral Providers, the Dealers, the Representative, the Paying Agents, the Asset Monitors, the Issuer Security Agent, any participant to the Hedging Strategy (as applicable) or any company in the same group of companies as any of them, or the shareholders or directors or agents of any company in the same group of companies as any of them.

Upon enforcement of the rights of the Issuer under the Issuer Receivables Pledge Agreement following an Issuer Event of Default, direct payment to an account to be opened with the Issuer Security Agent, acting on behalf of the Bondholders, of sums due under the outstanding Borrower Debt will be requested from the Borrower (see "**The Issuer Security – The Issuer receivables Pledge Agreement**").

#### *Reliance of the Issuer on third parties*

The Issuer has entered into agreements with a number of third parties, which have agreed to perform services for the Issuer. In particular, but without limitation:

- the Administrator has been appointed in particular to provide the Issuer with all necessary advice and assistance and know-how, whether technical or other, including in connection with the day to day management and corporate administration of the Issuer and to ensure that the Issuer will exercise each of its rights and perform each of its obligations under the Programme Documents,
- the Issuer Calculation Agent has been appointed to make calculations as provided under the Programme Documents and in particular to make the calculations in relation to the Asset Cover Test, the Pre-Maturity Test and the Amortisation Test.

In the event that the Administrator, the Issuer Calculation Agent or any other relevant party providing services to the Issuer under the Programme Documents fails to perform its obligations under the relevant agreement(s) to which it is a party, the ability of the Issuer to make payments under the Covered Bonds may be affected. For instance, if the Collateral Providers or the Collateral Security Agent have failed to adequately administer the Collateral Security Assets and/or the Collateral Security, this may lead to undermined value of the Collateral Security or any part thereof, and in turn, the ability of the Issuer to make payments under the Covered Bonds may be affected. Under the Hedging Strategy, the Issuer is also reliant on BFCM (only until a Borrower Event of Default) and/or any relevant Eligible Hedging Provider(s) to provide it with the funds matching its obligations under the Covered Bonds (see the "**Hedging Strategy**").

However, the Programme Documents provide for the ability of the Issuer under certain circumstances to terminate the appointment of any relevant third party which would be defaulting in performing their obligations under the relevant Programme Documents.

#### *Substitution risk*

In the event of a downgrading of the short-term and/or long-term debt of one (1) or more parties to the Programme Documents (such as the Eligible Hedging Providers, the Issuer Calculation Agent, the Cash Collateral Provider, the Administrator or the Issuer Account Bank) or under certain circumstances described in the Programme Documents, leading to the substitution of one (1) or more of these parties pursuant to the terms of the Programme Documents, no assurance can be given that a substitute entity will be found.

In particular, if a downgrading of the long-term debt of the Administrator or another Administrator Termination Event occurs pursuant to the terms of the Administrative Agreement, then the Issuer will be entitled to terminate the appointment of the Administrator and appoint a new administrator in its place. There can be no assurance that a substitute administrator with sufficient experience would be found who would be willing and able to service the same on the terms of the Administrative Agreement. In particular, upon the occurrence of any Borrower Event of Default and the subsequent enforcement of the Collateral Security and the transfer to the Issuer of the Collateral Security Assets, there can be no assurance that a substitute administrator with sufficient experience of servicing such transferred Collateral Security Assets would be found who would be willing and able to service the same on the terms of the Administrative Agreement. The ability of a substitute Administrator to perform fully the required services would depend, amongst other things, on the information, software and records available at the time of the appointment. Any delay or inability to appoint a substitute Administrator may affect the realisable value of the Issuer Security or any part thereof, and/or the ability of the Issuer to make payments under the Covered Bonds. No Administrator has (nor will have, as applicable) any obligation itself to advance payments that the Borrower fails to make in a timely manner. Neither the Representative nor the Issuer Security Agent is obliged in any circumstances to act as an Administrator or to monitor the performance by any Administrator of its obligations.

#### *Certain conflicts of interest*

Conflicts of interest may arise during the life of the Programme as a result of various factors involving certain Transaction Parties. For example, such potential conflicts may arise because BFCM acts in several capacities under the Programme Documents provided that its rights and obligations under the Programme Documents are not contractually conflicting and are independent from one another. Also during the course of their business activities, the Programme Parties and/or any respective affiliates may operate, service, acquire or sell properties, or finance loans secured by properties, which are in the same markets as the Home Loans. In such cases, the interest of any of those parties or their affiliates or the interest of other parties for whom they perform servicing functions may differ from, and compete with, the interest of the Issuer or of the holders of the Covered Bonds.

*Insolvency and examinership laws in France could limit the ability of the Bondholders to enforce their rights under the Covered Bonds*

As the Issuer is incorporated in France and, consequently, it will be subject to French laws and proceedings affecting creditors, including article 1244-1 of the French Civil Code (*Code civil*), conciliation proceeding (*procédure de conciliation*), safeguard proceeding (*procédure de sauvegarde*) and judicial reorganisation or liquidation proceeding (*redressement or liquidation judiciaire*). In general, French reorganisation or liquidation legislation favours the continuation of a business and protection of employment over the payment of creditors.

The French Monetary and Financial Code (*Code monétaire et financier*) contains specific provisions applicable in case of the opening of an insolvency proceeding of a credit institution (*établissement de crédit*). In particular, article L. 613-25 *et seq.* of the French Monetary and Financial Code (*Code monétaire et financier*) specify the conditions of opening of an insolvency proceeding against a credit institution (*établissement de crédit*) (prior information and opinion of the banking authority (*Commission bancaire*), specific concept of suspension of payment (*cessation des paiements*), etc) and some specific rules of liquidation of a credit institution (*établissement de crédit*).

All such provisions apply to the Issuer but also to each party under the Programme that is regulated as a financial institution.

However, the Issuer is a special purpose entity, with exclusive and limited purpose and a financial institution license and is intended to be a ring-fenced entity that will be unaffected by the insolvency of the CEE Group or of BFCM Group, in particular by including limited recourse and non-petition wording in the relevant Programme Documents.

*Limited resources available to the Issuer*

In the absence of any Borrower Event of Default, the Issuer's ability to meet its obligations under the Covered Bonds will depend on the amount of scheduled principal and interest paid by the Borrower and the timing thereof and/or, as applicable, the amounts received under any hedging agreement concluded in accordance with the Hedging Strategy and/or the revenue proceeds generated by Permitted Investments.

Pursuant to the Cash Collateral Agreement, the Issuer will also benefit from the Cash Collateral to be provided by the Cash Collateral Provider under some circumstances.

Upon the occurrence of a Borrower Event of Default and enforcement of the Collateral Security granted by the Collateral Providers, and without prejudice to any other unsecured recourse the Issuer may have against the Borrower under the Borrower Debt, the Issuer's ability to meet its obligations under all the Covered Bonds will depend on the revenue proceeds from the Collateral Security granted by the Collateral Providers which would have been enforced in favour of the Issuer (meaning the amount of principal and interest paid directly to the Issuer by the relevant debtors under the Home Loans which would have been transferred to the Issuer upon enforcement of such Collateral Security or the price or value of such Home Loans and related Home Loan Security upon the sale or refinancing thereof by the Issuer) and/or, as applicable the amounts received under any hedging agreement concluded in accordance with the Hedging Strategy, and/or the revenue proceeds generated by Permitted Investments, and/or the amount of the Cash Collateral provided by the Cash Collateral Provider under the Cash Collateral Agreement, and/or the available amount under the Share Capital Proceeds Account.

The Issuer will not have any source of funds available to meet its obligations under the Covered Bonds other than the recourse the Issuer has against the Borrower under the Borrower Debt until such Borrower Debt is repaid in full.

The occurrence for whatever reason of an Issuer Event of Default will not automatically trigger the cross occurrence of a Borrower Event of Default, and the Issuer (or, upon enforcement of the Issuer Collateral Security, the holders of the Covered Bonds or the Issuer Security Agent acting on their behalf) will then not be able to accelerate amounts of principal and/or interest which would have accrued under the Issuer Security Assets or enforce the Collateral Security securing the repayment of such Issuer Security Assets in order to cure such Issuer Event of Default if no Borrower Event of Default as such has occurred and is continuing. Therefore, notwithstanding the occurrence of such an Issuer Event of Default while no Borrower Event of Default shall have occurred, the Issuer's ability to meet its obligations under the Covered Bonds will only and still depend on the amount of scheduled principal and interest paid by the Borrower under the Issuer Security Assets and the timing thereof and/or, as applicable, the amounts



received under any hedging agreement concluded in accordance with the Hedging Strategy and/or the revenue proceeds generated by Permitted Investments and/or the Cash Collateral and/or the available amount under the Share Capital Proceeds Account.

If an Issuer Enforcement Notice is served following the occurrence of an Issuer Event of Default and the Issuer Security is enforced, the proceeds from such enforcement may not be sufficient to meet the claims of all the holders of the Covered Bonds. If, following enforcement of the Issuer Collateral Security, the holders of the Covered Bonds have not received the full amount due to them pursuant to the terms of the Programme Documents, then they may still have an unsecured claim against the Issuer for the shortfall. There is no guarantee that the Issuer will have sufficient funds to pay that shortfall.

Holders of the Covered Bonds should note however that the credit enhancement features provided for under the Programme Documents (Cash Collateral, Asset Cover Test, etc.) have been structured to ensure that the risk of there ever being a shortfall be remote. However there is no assurance that there will not be a shortfall.

#### *Restrictions on recourse and enforcement*

Recourse against the Issuer is restricted by the then applicable Priority Payment Order and amounts payable by the Issuer shall be recoverable only from and to the extent of the amount of the Available Funds. No enforcement action under the Covered Bonds may be taken prior to the date which is eighteen (18) months and one (1) day after the earlier of (i) the Final Maturity Date of the last Series issued by the Issuer under the Programme, or (ii) the date of payment of any sums outstanding and owing under the latest outstanding Covered Bond.

#### *Permitted Investments*

Any available funds standing to the credit of the Issuer Accounts (prior to their allocation and distribution) shall be invested by the Administrator in Permitted Investments. The value of the Permitted Investments may fluctuate depending on the financial markets and the Issuer may be exposed to a credit risk in relation to the issuers of such Permitted Investments. None of the Arranger, the Issuer, the Administrator or any other party to the Programme Documents guarantees the market value of the Permitted Investments. None of them shall be liable if the market value of any of the Permitted Investments fluctuates and decreases.

### **Risks related to the Borrower**

#### *Borrower's ability to pay under the Borrower Debt*

Neither the Issuer nor any other party to the Programme Documents (other than, upon certain circumstances, the Cash Collateral Provider and without prejudice to the Collateral Security granted by the Collateral Providers) does guarantee or warrant full and timely payment by the Borrower of any sums of principal or interest payable under the Borrower Debt, being part of the Issuer Security Assets.

In addition, should the Borrower be subjected to any applicable insolvency proceedings (including, the procedures of safeguard, moratorium, suspension of payments, controlled management, liquidation or similar insolvency proceedings), this would impair the ability of the Issuer to claim against such Borrower for obtaining timely payment of amounts of principal and interest due and payable under the Borrower Debt and the Issuer will not be entitled to accelerate the payment of such amounts.

However, the ability of the Issuer to use the funds made available to it by the Cash Collateral Provider under the relevant Cash Collateral or the ability of the Issuer (or of the Issuer Security Agent acting on its behalf) to enforce the Collateral Security granted by the Collateral Providers (and then the ability of the Issuer to be transferred full title to (i) the Home Loans and the related Home Loan Security and (ii) any Substitution Assets, granted as Collateral Security by BFCM as Collateral Provider) will not be affected by the opening of an insolvency proceedings against the Borrower.

## **Risks related to the Collateral Security**

### *No interpretation by French courts of rules applicable to Collateral Security*

The Home Loans and related Home Loan Security which will be granted as Collateral Security in favour of the Issuer for the repayment of the Borrower Debt extended by the Issuer will be granted in accordance with the recent applicable rules of French law implementing the Directive 2002/47/EC of the European Parliament and of the Council of 6 June 2002 on financial collateral arrangements.

Although such rules of French law are in full force and effect as of the date of this Base Prospectus, holders of the Covered Bonds should note that French courts have not yet had the opportunity to interpret such rules.

### *No prior notification to debtors under the Home Loans granted as Collateral Security*

The Collateral Security Agreement will provide that the relevant Home Loans and Home Loan Security will be granted as collateral security without notification or information of the underlying debtors of such Home Loans. Such debtors will only be notified if and when the relevant collateral security is enforced following a Borrower Event of Default and then title to the relevant Home Loans and related Home Loan Security has been transferred to the Issuer. Notification of such debtors will only be effected once following such Borrower Event of Default, the relevant collateral security has been enforced. As long as no such notification has taken place, any payments made by any debtor under the relevant Home Loans will continue to be validly made by such debtors to the relevant Collateral Provider, even though title to such Home Loans would have been validly transferred to the Issuer upon enforcement of the relevant collateral security.

There is no guarantee that the notification to the debtors under the relevant Home Loans will be made at the times required and there can be no guarantee or assurance as to the ability of the Issuer to obtain effective direct payment from the debtors under the relevant Home Loans in a sufficient timely manner, which may affect payments under the Covered Bonds. In this situation, a shortfall in distributions of interest to Bondholders may result. However, the Hedging Agreement concluded in accordance with the Hedging Strategy is designed to cover limited amounts of interest on the related series of Covered Bonds for a limited period of time in this situation.

Until notification to the debtors has been made and provided that, at such time, insolvency proceedings have been opened against the Collateral Providers, a statutory stay of execution under mandatory rules of French insolvency law will prevent the Issuer from taking recourse against the Collateral Providers for repayment of collections received by the Collateral Providers under the relevant Home Loans which are commingled with other funds of the Collateral Providers.

However, this commingling risk is mitigated by the obligation of the Borrower to grant cash as Collateral Security to cover such risk upon downgrading of the Borrower or CIC credit rating below A-2 (short term) by S&P or F1 (Fitch) or P-1 (Moody's) (or any other credit rating trigger which may be agreed with the Rating Agencies after the date hereof) (see "**The Collateral Security – The Collateral Security Agreement – Collection Loss Trigger Event**").

### *Set-off by debtors*

Notwithstanding the transfer to the Issuer of the relevant Home Loans and related Home Loan Security upon the occurrence of a Borrower Event of Default, the debtors under the relevant Home Loans may be entitled, under restrictive conditions, to set off the relevant Home Loans receivable against a claim they may have vis-à-vis the relevant Collateral Providers. In the absence of contractual arrangements providing for statutory set-off possibilities under the Home Loans (see "**The Collateral Security – The Collateral Security Agreement – Home Loan Eligibility Criteria**") or judicial ordered set-off, only mutuality of claims (*connexité*) may allow a set off by a debtor under a Home Loan. A set off between inter-related debts (*dettes connexes*) is available as of right. Inter-related debts (*dettes connexes*) mainly result from economic inter-relationship. In this latter case, mutuality of claims will be determined on a case by case basis, depending on the factual circumstances then existing. The most likely circumstances where set off would have to be considered are when counterclaims resulting from a current account relationship will allow a debtor to set off such counterclaims against sums due under a Home Loan. In this situation however, French case law stated that there was no mutuality of claims, notwithstanding that the instalment under the home loan was to be paid by way of direct debit from the funds standing to the credit of the

relevant current account since the parties did not intend to inter relate their current account relationship and the lending transaction on an economical standpoint.

*Maintenance of value of the Collateral Security prior to or following enforcement thereof*

If the collateral value of the Home Loans and related Home Loan Security granted as Collateral Security in favour of the Issuer pursuant to the Collateral Security Agreement has not been maintained in accordance with the terms of the Asset Cover Test or the Amortisation Test or the other provisions of the Programme Documents, then that may affect the value of the relevant collateral security or any part thereof (both before and after the occurrence of a Borrower Event of Default) or the price or value of such Home Loans and related Home Loan Security upon the sale or refinancing thereof by the Issuer.

*Sale or refinancing of Home Loans and related Home Loan Security by the Issuer following enforcement of the Collateral Security*

After title to Home Loans and related Home Loan Security and Substitution Assets has been transferred to the Issuer upon enforcement of the Collateral Security following the occurrence of a Borrower Event of Default (the "**Transferred Assets**"), the Administrator (or the Substitute Administrator) acting on behalf of the Issuer has undertaken to sell or refinance such Home Loans, related Home Loan Security and Substitution Assets in order for the Issuer to receive sufficient Available Funds to make payments when due under the relevant Series of Covered Bonds (after taking into account all payments to be made in priority thereto according to the relevant Priority Payment Order and the relevant payment dates and Final Maturity Date under each relevant Series of Covered Bonds).

The Administrator (or the Substitute Administrator) acting on behalf of the Issuer will be obliged to sell or refinance Home Loans, related Home Loan Security and Substitution Assets in accordance with the Administrative Agreement (see "**The Issuer – The Administrative Agreement**").

The Administrative Agreement provides that the Administrator (or the Substitute Administrator) acting on behalf of the Issuer shall ensure that the Home Loans, related Home Loan Security and Substitution Assets which are proposed for sale or refinancing (the "**Selected Assets**") at any relevant date (the "**Relevant Date**") will be selected on a random basis, provided that (i) no more Selected Assets will be selected than are necessary for the estimated sale or refinancing proceeds to equal the Adjusted Required Redemption Amount, and (ii) the aggregate outstanding principal amount or value (and interest accrued thereon) of such Selected Assets shall not exceed the "**Selected Assets Required Amount (SARA)**", which is calculated as follows:

$$\text{SARA} = \text{Adjusted Required Redemption Amount} * A/B$$

where:

"**Adjusted Required Redemption Amount**" means an amount equal to the euro equivalent of the outstanding principal amount (together with Interest Amount accrued thereon) of the first Series of Covered Bonds maturing after the Relevant Date less amounts standing to the credit of the Issuer Accounts (excluding all amounts to be applied on the first Payment Date following the Relevant Date to repay higher ranking amounts in the relevant Priority Payment Order and those amounts that are required to repay any Series which mature prior to or on the same date as the relevant Series);

"**A**" means the euro equivalent of the aggregate of the outstanding principal amount or value (together with interest accrued thereon) of all Transferred Assets; and

"**B**" means the euro equivalent of the outstanding principal amount (together with Interest Amount accrued thereon) in respect of all Series of Covered Bonds then outstanding.

The Administrator (or the Substitute Administrator) acting on behalf of the Issuer will offer the Selected Assets for sale to potential buyers for the best price reasonably available but in any event for an amount not less than the Adjusted Required Redemption Amount.

If the Selected Assets have not been sold or refinanced (in whole or in part) in an amount equal to the Adjusted Required Redemption Amount by the date which is six (6) months prior to the Final Maturity Date of the Series of Covered Bonds maturing after the Relevant Date (after taking into account all payments, provisions and credits to be made in priority thereto), then the Administrator (or the Substitute Administrator) acting on behalf of the Issuer will (i) offer the Selected Assets for sale for the best price

reasonably available or (ii) seek to refinance the Selected Assets on the best terms reasonably available, notwithstanding that such amount may be less than the Adjusted Required Redemption Amount.

For the purpose hereof, the Administrator (or the Substitute Administrator) acting on behalf of the Issuer may through a tender process appoint a portfolio manager of recognised standing on a basis intended to incite the portfolio manager to achieve the best price for the sale or refinancing of the relevant Home Loans, related Home Loan Security and the relevant Substitution Assets (if such terms are commercially available in the market) and to advise it in relation to the sale or refinancing of the same to potential buyers.

In respect of any sale or refinancing of the Selected Assets, the Administrator or (the Substitute Administrator) acting on behalf of the Issuer shall use all reasonable endeavours to procure that the same are sold as quickly as reasonably practicable (in accordance, as the case may be, with the recommendations of the portfolio manager) taking into account the market conditions at that time.

There is no guarantee that a buyer will be found to acquire Home Loans, related Home Loan Security or Substitution Assets at the times required and there can be no guarantee or assurance as to the price which may be able to be obtained, which may affect the ability of the Issuer to make payments when due under the Covered Bonds.

In addition, in respect of any sale or refinancing of Home Loans, related Home Loan Security and Substitution Assets to third parties, the Issuer will not be permitted to give warranties or indemnities in respect of those assets. There is no assurance that representations or warranties previously given by the Collateral Providers in respect of such assets pursuant to the terms of the Collateral Security Agreement may benefit to third party purchaser of such assets upon sale or refinancing thereof by the Issuer. Accordingly, there is a risk that the price or value of such assets upon the sale or refinancing thereof by the Issuer be adversely affected by the lack of representations and warranties which in turn could adversely affect the ability of the Issuer to make payments when due under the relevant Series of Covered Bonds.

### **Risk related to the Home Loans and related Home Loan Security**

#### *Debtors' ability to pay under the Home Loans*

The debtors under the Home Loans are individuals having borrowed under the Home Loans in order to finance the acquisition of real estate property.

If following enforcement of the Collateral Security, the Issuer does not receive the full amount due from the debtors in respect of such Home Loans, this may affect the ability of the Issuer to make payments under the Covered Bonds.

The Issuer may therefore be exposed to the occurrence of credit risk in relation to the debtors under the Home Loans.

None of the Borrower, the Collateral Providers, the Issuer or any other party to the Programme Documents does guarantee or warrant full and timely payment by the debtors under the Home Loans of any sums payable under such Home Loans.

The ability of a debtor under the Home Loans to make timely payment of amounts due under such Home Loans will mainly depend on his assets and his liabilities as well as his ability to generate sufficient income to make payments under the relevant Home Loans. His ability to generate income may be adversely affected by a large number of factors, some of which (i) relate specifically to the debtor himself (including but not limited to his age and health, employment situation, family situation, creditworthiness or expropriation) or (ii) are more general in nature (such as changes in governmental regulations, fiscal policy, etc.).

Furthermore, the debtors under the Home Loans may benefit from the favourable legal and statutory provisions of the French Consumer Code (*Code de la consommation*), pursuant to which any individual may, under certain circumstances, and subject to certain conditions, request and obtain from the competent court a grace period, a reduction of the amount of all and any of its indebtedness and any interest relating thereto and, as the case may be, (pursuant to (i) law no. 98-657 dated 29 July 1998, as amended, and (ii) law no. 2003-710 dated 1st August 2003) a full or partial extinguishment of its indebtedness against a credit institution.

*No independent investigation – representations and warranties*

None of the Issuer, the Arranger, the Administrator or any other party to any Programme Document has undertaken or will undertake any investigations, searches or other due diligence regarding the Home Loans, the related Home Loan Security or as to the status and/or the creditworthiness of the debtors under the Home Loans. Each of them has relied solely on the representations and warranties given by the Collateral Providers under the Collateral Security Agreement.

If any breach of eligibility criteria relating to any Home Loan is material and (if capable of remedy) is not remedied, the Collateral Providers shall be required under the Collateral Security Agreement to provide sufficient eligible Homes Loans or Substitution Assets in order to maintain compliance with the Asset Cover Test.

*Limited description of the Home Loans*

The holders of the Covered Bonds will not receive detailed statistics or information in relation to the Home Loans or to the Collateral Security Assets, because it is expected that the constitution of the security over the Collateral Security Assets may constantly change due to, for instance, the Collateral Providers granting security over additional and/or new Collateral Security Assets or new Collateral Providers acceding to the Programme. However, each Eligible Home Loan and Substitution Asset will be required to meet the applicable eligibility criteria.

*Prepayment*

The rate of prepayment of Homes Loans is influenced by a wide variety of economic, social and other factors, including prevailing market interest rates, changes in tax laws (including but not limited to amendments to mortgage interest tax deductibility), local and regional economic conditions and changes in debtor's behaviour (including but not limited to home-owner mobility). No guarantee can be given as to the level of prepayment that the Home Loans may experience, and variation in the rate of prepayments of principal on the Home Loans may affect the ability of the Issuer to realise sufficient funds to make payments under the Covered Bonds upon the service of a Borrower Enforcement Notice and then transfer of title to the Home Loans and Home Loan Security in favour of the Issuer.

*Changes to the lending criteria of the Collateral Providers*

Each of the Home Loans originated by the Collateral Providers will have been originated in accordance with its lending criteria at the time of origination. It is expected that each Collateral Provider's lending criteria will generally consider type of financed property, term of loan, age of applicant, the loan-to-value ratio, status of applicants and credit history. One (1) of the Home Loans Eligibility Criteria requires that, prior to the date upon which the Home Loan has been made available to the borrower thereof, all lending criteria and preconditions as applied by the originator of the Home Loan pursuant to its customary lending procedures were satisfied. Each of the Collateral Providers retains the right to revise its lending criteria from time to time. If the lending criteria change in a manner that affects the creditworthiness of the Home Loans, that may lead to increased defaults by borrowers thereof and may affect the realisable value of the Collateral Security Assets or part thereof, and the ability of the Issuer to make payments under the Covered Bonds upon the service of a Borrower Enforcement Notice and then transfer of title to the Home Loans and Home Loan Security in favour of the Issuer.

*Foreclosing on real property granted as security under French law governed Mortgages*

The French legal procedures to be followed in relation to the enforcement of French law governed Mortgages and related expenses may affect the Issuer's ability to liquidate the properties secured under such Mortgages efficiently and in a timely manner. An outline of these procedures is set out below (Specific rules are provided for lender's privileges and mortgages to be registered in the departments of Haut-Rhin, Bas-Rhin and Moselle. However, these specific rules do not substantially change the outline of these procedures set out below.)

Foreclosure on property situated in France by secured creditors (*saisie immobilière*) may require the sale of the property at a public auction (*vente aux enchères*) if the sale cannot be made voluntarily by the debtor (*conversion en vente volontaire* or *à l'amiable*). The foreclosure procedure may take up to one (1) year and

a half in normal circumstances. The beneficiary of a lender's privilege or a mortgage will thus rank in respect of the sale proceeds in the order of priority of registration of the privileges and mortgages (*droits de préférence*) encumbering such seized property (article 2458 of the French Civil Code (*Code civil*)). The first step in the foreclosure procedure consists of delivering a foreclosure notice to the debtor by a bailiff or *huissier* (a process server or *commandement de saisie immobilière*). This notice should be filed at the French Land and Charges Registry having jurisdiction in the district where the relevant real property is located. The next step is to instruct a local lawyer (*avocat*) to prepare the terms of the sale of the property at auction, including the reserve price of the relevant real property (such instruction is not mandatory in the departments of Haut-Rhin, Bas-Rhin and Moselle). Finally, a number of legal notices are required to be given prior to the sale. The debtor may file objections against such foreclosure (including the reserve price), the validity of which will be decided by a competent court. If no bid is made at the public auction, and provided there is only one (1) foreclosing creditor, such foreclosing creditor is declared the highest bidder and is thus obliged to purchase the property at a reserve price specified in the terms of the sale. Rules applicable to the *saisie immobilière* procedure have been recently modified by an act (*ordonnance n° 2006-461 réformant la saisie immobilière*) dated 21 April 2006. This new legislation (articles 2190 *et seq.* of the French Civil Code (*Code civil*)) has come into force on 1 January 2007. The purpose of the legislation is to simplify the foreclosure process by encouraging voluntary sales (*ventes à l'amiable*) and to reduce the duration and complexity of the process.

In accordance with article 2461 of the French Civil Code (*Code civil*), secured creditors will continue to benefit from the lender's privilege or mortgage, even if the property is transferred, by the debtor to a third party without the Lenders' consent. This right is known as *droit de suite*. If the secured creditor wishes to exercise this right, an order to pay is required to be served on the debtor by a bailiff and notice is required to be served on the third party to whom the relevant secured property was transferred (*tiers détenteur de l'immeuble hypothéqué*) with a view either to pay the debt secured over the property or to surrender such property at an auction.

The exercise of such *droit de suite* is often paralysed due to an "advanced clearing" of the privileges and mortgages granted over the relevant property (*purge des privilèges et hypothèques*). If the debtor and all secured creditors agree, in accordance with article 2475 of the French Civil Code (*Code civil*), for the sale proceeds to be allocated (*affecté*) to them, the secured creditors exercise their preferential rights (*droits de préférence*) over the sale proceeds, the payment of which will discharge all privileges and mortgages granted over the property (*purge amiable*). And if no agreement is reached (for instance if the sale price of the property is substantially below the amount of the secured debt), the third party will still be entitled to offer to pay the sale price to the secured creditors in order to clear all privileges and mortgages granted over the relevant property (*purge judiciaire*). Secured creditors may refuse this offer if they consider that the sale price has been underestimated by the debtor and the third party. In this case, an auction will be ordered with a minimum bid which is the price offered by the relevant third party being made to the secured creditor, plus ten per cent (10%).

#### *Enforcement of Home Loan Guarantees*

If following enforcement of the Collateral Security and then transfer of title to the Home Loans and Home Loan Security in favour of the Issuer and then notification of the debtors under such Home Loans and then enforcement of its rights by the Issuer under the relevant Home Loan Guarantees against the guarantor thereunder, such guarantor does not pay in whole or in part any amounts due under the relevant Home Loan Guarantees for whatever reason or does not pay such amounts in a timely manner, this may affect the ability of the Issuer to make payments under the Covered Bonds.

### **Risks relating to swaps and options derivatives**

#### *Interest and currency risks*

Each Borrower Advance granted by the Issuer to the benefit of the Borrower under the Borrower Facility Agreement shall be made available in the same Specified Currency and according to the same interest conditions to those applicable to the Covered Bonds funding such Borrower Advance. As a consequence, as long as a Borrower Event of Default has not occurred, the Issuer shall not be exposed to any currency and interest risk regarding the Borrower Debt and the Covered Bonds.

There is no assurance that the Loans being part of the Collateral Security bear interest in the same conditions as those of the Covered Bonds and are denominated in the same currency as those of the

Covered Bonds. Upon the occurrence of a Borrower Event of Default and the enforcement of the Collateral Security, Home Loans and related Homes Loans Security will be transferred to the Issuer. In this case, in order to hedge the potential mismatch of the interest rates applicable to the Covered Bonds and to the Home Loans and the potential mismatch of currencies, the Issuer shall apply the Hedging Strategy as from the occurrence of the Hedging Rating Trigger Event. However, there can be no assurance that the Hedging Strategy will adequately address such hedging risks.

#### *Hedging strategy*

Upon the occurrence of the Hedging Rating Trigger Event, no assurance can be given that the hedging documentation agreed under the Hedging Strategy will be concluded, and in particular, that all the relevant Eligible Hedging Provider(s) will be found and will accept to conclude the hedging documentation agreed under the Hedging Strategy. Upon the occurrence of a Hedging Rating Trigger Event, a failure by the Issuer (or the Administrator on its behalf) to enter into any Issuer Hedging Agreement with any relevant Eligible Hedging Provider or into any Borrower Hedging Agreement with BFCM within thirty (30) calendar days from the occurrence date of such Hedging Rating Trigger Event, as described under the Hedging Strategy, will constitute an Issuer Event of Default and a Borrower Event of Default. Moreover, in certain circumstances, the hedging documentation contemplated under the Hedging Strategy may be terminated and as a result the Issuer may be unhedged if replacement interest rate and/or currency derivative transactions are not entered into.

#### **Risks related to the Issuer Security**

##### *The Issuer Security in case of insolvency of the Issuer*

The validity of the Issuer Security granted by the Issuer in the Issuer Security Assets could be challenged in the event that insolvency proceedings were commenced in respect of the Issuer during the eighteen (18) month period following the date on which such security interest is granted.

article L. 632-1-6° of the French Commercial Code (*Code de commerce*) provides that any security interest granted after the date on which the underlying debt it secures was incurred (*dettes antérieurement contractées*) and which was determined to have been granted during the hardening period, is null and void. The hardening period (*période suspecte*) is a period of time the duration of which is determined by the bankruptcy judge upon the judgement recognising that the cessation of payments of the insolvent company has occurred. The hardening period commences on the date of such judgement and extends for up to eighteen (18) months previous to the date of such judgement. The same consequences will apply to any security granted after the Programme Date in certain circumstances and which secures a debt existing prior to the taking of the security. In particular, in the event of new issuances of Covered Bonds or in case the Issuer Accounts are transferred into the books of a new Issuer Account Bank (following the occurrence of the Issuer Account Bank Rating Trigger Event), the Issuer Security will be released and retaken in favour of any and all Covered Bonds.

Furthermore, article L. 632-2, 1st paragraph, of the French Commercial Code (*Code de commerce*) provides that the bankruptcy court may declare void any agreement involving a consideration (*acte à titre onéreux*) entered into during the hardening period if the bankrupt debtor's contracting party knew that such debtor was insolvent (*cessation des paiements*).

However, the risk that the Issuer is insolvent (*cessation des paiements*) at the time the Issuer Security is retaken is limited since (i) the Issuer is a special purpose entity, with exclusive and limited purpose and a financial institution license and is intended to be a ring-fenced entity that will be unaffected by the insolvency of the Group, in particular by including limited recourse and non-petition wording in the relevant Programme Documents, and (ii) the Issuer shall not issue further Covered Bonds (and, as a consequence, shall not be in a position to retake the Issuer Security) in case an Issuer Enforcement Notice or a Borrower Enforcement Notice has been served, a Non Compliance Notice has been served regarding the Pre-Maturity Test and is not withdrawn, a Non Compliance with Amortisation Test or a Non Compliance with Asset Cover Test has been served (see "**Terms and Conditions of the Covered Bond**" – Conditions (j)).

*Bondholders may be required to pay a soulte in the event they decide to enforce the Issuer Security over the Issuer Securities Accounts by attribution of the securities rather than by a sale of the securities in a public auction*

Under French law, a pledge over securities may be enforced at the option of the secured creditor either by a sale of the pledged securities in a public auction (the proceeds of the sale being paid to the secured creditors) or by attribution of the securities to the secured creditor, following which the secured creditor is the legal owner of the securities inscribed in the relevant Issuer Securities Accounts. In a proceeding for attribution, a court appointed expert will determine the value of the collateral (in this case, the securities inscribed in the relevant Issuer Securities Accounts) and, if the value of the collateral exceeds the amount of the secured debt, the secured creditors may be required to pay the obligor a balance in cash amount (*soulte*), equal to the difference between the value of the securities as asserted by such expert and the amount of the secured debt. This is true regardless of the actual amount of proceeds ultimately received by the secured creditors from a subsequent sale of the collateral.

#### *Enforcement of the Issuer Security upon insolvency of the Issuer*

The Issuer is subject to the provisions of French insolvency legislation. Although the Issuer has been incorporated as single purpose vehicle and ring fenced entity, it may, nonetheless, become insolvent or subject to moratorium proceedings under French law. The rights of creditors of insolvent French companies are limited by law; self-help remedies, for example appointing a receiver in respect of the Collateral Security Assets and controlling the manner and timing of the enforcement of the Issuer Security, are also generally prohibited by mandatory provisions of French law.

#### **Risks related to Covered Bonds generally**

*The Covered Bonds may not be a suitable investment for all investors*

Each potential investor in the Covered Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Covered Bonds, the merits and risks of investing in the relevant Covered Bonds and the information contained in this Base Prospectus or any applicable supplement to this Base Prospectus;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Covered Bonds and the impact the relevant Covered Bonds will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Covered Bonds, including Covered Bonds with principal or interest payable in one (1) or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (d) understand thoroughly the terms of the relevant Covered Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Covered Bonds are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Covered Bonds which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Covered Bonds will perform under changing conditions, the resulting effects on the value of such Covered Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

#### *Modification of the Conditions*

The Bondholders will, in respect of all Tranches in any Series, be grouped automatically for the defence of their common interest in a *masse*, as defined in Condition 12, and a General Meeting can be held. The Terms and Conditions permit in certain cases defined majorities to bind all Bondholders including



Bondholders who did not attend and vote at the relevant General Meeting and Bondholders who voted in a manner contrary to the majority. The General Meeting may deliberate on any proposal relating to the modification of the Conditions including any proposal, whether for arbitration or settlement, relating to rights in controversy or which were the subject of judicial decisions, as more fully described in Condition 12.

#### *Change of law*

The Terms and Conditions of the Covered Bonds are based on French law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to French law or administrative practice after the date of this Base Prospectus.

#### **Risks related to the structure of a particular issue of Covered Bonds**

Covered Bonds issued under the Programme will either be fungible with an existing Series or have different terms to an existing Series (in which case they will constitute a new Series). All Covered Bonds issued from time to time will rank *pari passu* with each other in all respects and will share equally in the Security under the Security Documents.

A wide range of Covered Bonds may be issued under the Programme. A number of these Covered Bonds may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

#### *Covered Bonds subject to optional redemption by the Issuer*

An optional redemption feature of Covered Bonds is likely to limit their market value. During any period when the Issuer may elect to redeem Covered Bonds, the market value of such Covered Bonds generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Covered Bonds when its cost of borrowing is lower than the interest rate on the Covered Bonds. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Covered Bonds being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

#### *Fixed Rate Covered Bonds*

Investment in Covered Bonds which bear interest at a fixed rate involves the risk that subsequent changes in market interest rates may adversely affect the value of the relevant Tranche of Covered Bonds.

#### *Floating Rate Covered Bonds*

Investment in Covered Bonds which bear interest at a floating rate comprises (i) a reference rate and (ii) a margin to be added or subtracted, as the case may be, from such base rate. Typically, the relevant margin will not change throughout the life of the Covered Bonds but there will be a periodic adjustment (as specified in the relevant Final Terms) of the reference rate (e.g., every three months or six months) which itself will change in accordance with general market conditions. Accordingly, the market value of floating rate Covered Bonds may be volatile if changes, particularly short term changes, to market interest rates evidenced by the relevant reference rate can only be reflected in the interest rate of these Covered Bonds upon the next periodic adjustment of the relevant reference rate.

#### *Index Linked Covered Bonds and Dual Currency Covered Bonds*

Subject to prior Rating Affirmation, the Issuer may issue Covered Bonds with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "**Relevant Factor**"). In addition, the Issuer may issue Covered Bonds with principal or interest payable in one (1) or more currencies which may be different from the currency in which the Bonds are denominated. Potential investors should be aware that:

- (a) the market price of such Covered Bonds may be volatile;
- (b) they may receive no interest;
- (c) payment of principal or interest may occur at a different time or in a different currency than expected;
- (d) the amount of principal payable at redemption may be less than the nominal amount of such Covered Bonds or even zero;
- (e) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (f) if a Relevant Factor is applied to Covered Bonds in conjunction with a multiplier greater than one (1) or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (g) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

#### *Partly-paid Covered Bonds*

The Issuer may issue Covered Bonds where the issue price is payable in more than one (1) instalment. Failure to pay any subsequent instalment could result in an investor losing some or all of his investment.

#### *Variable rate Covered Bonds with a multiplier or other leverage factor*

Covered Bonds with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

#### *Inverse Floating Rate Covered Bonds*

Inverse Floating Rate Covered Bonds have an interest rate equal to a fixed rate minus a rate based upon a reference rate. The market values of such Covered Bonds typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Covered Bonds are more volatile because an increase in the reference rate not only decreases the interest rate of the Covered Bonds, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Covered Bonds.

#### *Fixed/Floating Rate Covered Bonds*

Fixed/Floating Rate Covered Bonds may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Covered Bonds since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Covered Bonds may be less favourable than then prevailing spreads on comparable Floating Rate Covered Bonds tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Covered Bonds. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Covered Bonds.

#### *Covered Bonds issued at a substantial discount or premium*

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

*Certain decisions of holders of Covered Bonds taken at Programme level*

Any resolution to direct the Representative to serve an Issuer Enforcement Notice, and any direction to the Representative to take any action as provided under this Base Prospectus must be passed at a single meeting of the holders of the Covered Bonds of a single Series then outstanding and can not be decided upon at a meeting of the holders of the Covered Bonds of all Series. Any resolution to direct the Representative to serve an Issuer Enforcement Notice will be effective for all the holders of the Covered Bonds, including the holders of the Covered Bonds who did not attend and vote at the relevant meeting and the holders of the Covered Bonds who voted in a manner contrary.

*Ratings of the Covered Bonds and Rating Affirmation*

The ratings assigned to the Covered Bonds by the Rating Agencies are based on the Issuer Security Assets, the Collateral Security, the Home Loans and Home Loan Security, the Cash Collateral and the other relevant structural and credit enhancement features provided for under the Programme Documents, including, among other things, the short-term and/or long-term unsecured, unguaranteed and unsubordinated debt ratings of the parties to the Programme Documents, and reflect only the views of the Rating Agencies. The ratings address the likelihood of full and timely receipt by any of the relevant Bondholders of interest on the Covered Bonds and the likelihood of receipt by any relevant Bondholder of principal of the Covered Bonds by the relevant Final Maturity Date. There is no assurance that any such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by any of the Rating Agencies as a result of changes in or unavailability of information or if, in the judgement of the Rating Agencies, circumstances so warrant. A qualification, downgrade or withdrawal of any of the ratings mentioned above may impact upon both the value of the Covered Bonds or their marketability in secondary market transactions.

The Rating Agencies will be notified of the exercise of certain discretions exercised by or on behalf of the Issuer under the Programme Documents. However, the Rating Agencies are under no obligation to revert to the Issuer (or any of its agents) regarding the impact of the exercise of such discretion on the ratings of the Covered Bonds and any decision as to whether or not to confirm, downgrade, withdraw or qualify the ratings of all classes or any class of Covered Bonds based on such notification may be made at the sole discretion of the Rating Agencies at any time, including after the relevant action has been taken.

Where, after the Programme Date, a particular matter such as that referred to in the preceding paragraph or any other matter involves the Rating Agencies being requested a prior Rating Affirmation, the Rating Agencies, at their sole discretion, may or may not give such affirmation. It should be noted that, depending on the timing of delivery of the request and any information needed to be provided as part of any such request, it may be the case that the Rating Agencies cannot provide the relevant affirmation in the time available or at all and they will not be held responsible for the consequences thereof. Any affirmation received from the Rating Agencies, if given, will be given on the basis of the facts and circumstances prevailing at the relevant time and in the context of cumulative changes to the transaction of which the Covered Bonds form part since the Programme Date. Furthermore, in the event that the Rating Agencies gives a Rating Affirmation, this will be on the basis of full and timely receipt by the relevant Bondholders of interest on the Covered Bonds and the likelihood of receipt of principal of the Covered Bonds by the relevant Final Maturity Date. There is no assurance that after any such affirmation, the then current ratings of the Covered Bonds will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by one (1) or more of the Rating Agencies for any of the reasons specified above in relation to the original ratings of the Covered Bonds. As such an affirmation of the ratings of the Covered Bonds by the Rating Agencies is not a representation or warranty that, as a result of a particular matter, the interest and principal due under the Covered Bonds will be paid or repaid in full and when due.

Agencies other than the Rating Agencies could seek to rate the Covered Bonds and if such unsolicited ratings are lower than the comparable ratings assigned to the Covered Bonds by the Rating Agencies, those unsolicited ratings could have an adverse effect on the value and the marketability of the Covered Bonds. For the avoidance of doubt and unless the context otherwise requires, any references to "ratings" or "rating" in this Base Prospectus are to ratings assigned by the specified Rating Agencies only.

*Implementation of Basel II Risk-Weighted Asset Framework*

In June 1999, the Basel Committee on Banking Supervision (the "**Basel Committee**") issued proposals for the reform of the 1988 Basel Capital Accord and proposed a new capital adequacy framework which would

place enhanced emphasis on risk sensitivity and market discipline. On 26 June 2004, the Basel Committee published a new Capital Accord under the title "Basel II International Convergence of Capital Measurement and Capital Standards: a Revised Framework" ("**Basel II**"), an updated version of which was published in November 2005. Basel II has been implemented into the EU legislation through the directives no. 2006/48 and no. 2006/49 (the "**Capital Requirements Directives**") both dated 14 June 2006. In France, the provisions of the Capital Requirements Directives providing for a new solvency ratio have been implemented through the *arrêts* dated 20 February 2007 and the *ordonnance* dated 19 April 2007.

This implementation has brought about many substantial changes to the current system of capital requirements, prudential oversight and risk-management systems, including those of the Issuer. The direction and the magnitude of the impact of Basel II obviously depends on the particular asset structure of each bank and its precise impact on the Issuer cannot be quantified with certainty at this time. The Issuer may operate its business in ways that may be less profitable than its present operation in complying with the new guidelines resulting from the transposition of the Capital Requirements Directives.

In addition, the implementation of Basel II could affect the risk weighting of the Covered Bonds in respect of certain investors if those investors are subject to the new guidelines resulting from the implementation of the Capital Requirements Directives. Accordingly, recipients of this Base Prospectus should consult their own advisers as to the consequences and effects the implementation of the Capital Requirements Directives could have on them.

#### *Forecasts and estimates*

Estimates of the weighted average lives of the Covered Bonds contained in this Base Prospectus, together with any other projections, forecasts and estimates in this Base Prospectus are forward-looking statements. Such projections are speculative in nature and it can be expected that some or all of the assumptions underlying the projections will not prove to be wholly correct or will vary from actual results. Consequently, the actual results might differ from the projections and such differences might be significant.

### **Risks related to the market generally**

#### *The secondary market generally*

Covered Bonds may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Covered Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Covered Bonds that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Covered Bonds generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have an adverse effect on the market value of Covered Bonds.

#### *Exchange rate risks and exchange controls*

The Issuer will pay principal and interest on the Covered Bonds in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Covered Bonds, (2) the Investor's Currency-equivalent value of the principal payable on the Covered Bonds and (3) the Investor's Currency-equivalent market value of the Covered Bonds.

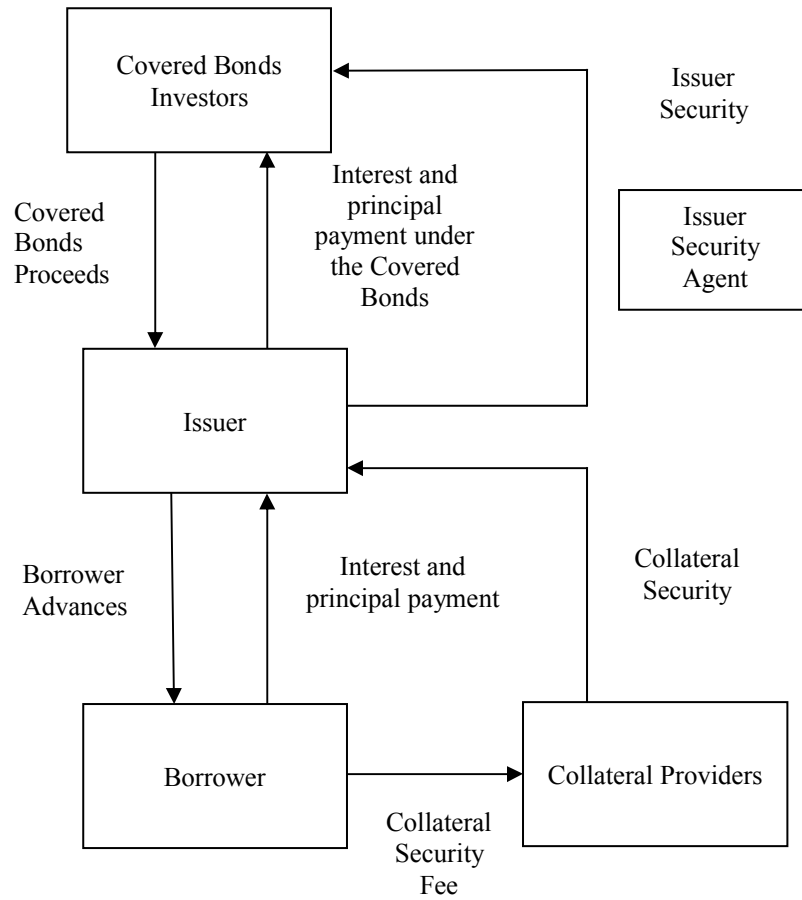
Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

*Interest rate risks*

Investment in Fixed Rate Covered Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Covered Bonds.

*Legal investment considerations may restrict certain investments*

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Covered Bonds are legal investments for it, (2) Covered Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Covered Bonds. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Covered Bonds under any applicable risk-based capital or similar rules.

**STRUCTURE DIAGRAM – PRINCIPAL PROGRAMME PARTIES****Structure Diagram**

### Principal Programme Parties

The following list does not purport to be complete and is qualified in all respects by the remainder of the Base Prospectus.

<b>Issuer:</b>	CM-CIC Covered Bonds
<b>Administrator:</b>	BFCM
<b>Borrower:</b>	BFCM
<b>Collateral Providers:</b>	CM-CIC Entities
<b>Collateral Security Agent:</b>	BFCM
<b>Cash Collateral Provider:</b>	BFCM
<b>Arranger:</b>	BNP Paribas
<b>Permanent Dealers:</b>	BFCM and BNP Paribas
<b>Bondholders Representative:</b>	BNP Paribas Securities Services
<b>Issuer Security Agent:</b>	BNP Paribas Securities Services
<b>Fiscal Agent and Principal Paying Agent:</b>	BNP Paribas Securities Services
<b>Luxembourg Paying Agent:</b>	BNP Paribas Securities Services, Luxembourg Branch
<b>Calculation Agent:</b>	BNP Paribas Securities Services, Luxembourg Branch
<b>Listing Agent:</b>	BNP Paribas Securities Services, Luxembourg Branch
<b>Rating Agencies:</b>	Moody's Investors Services Ltd., Standard & Poor's and Fitch Ratings
<b>Issuer Calculation Agent:</b>	BFCM
<b>Issuer Account Bank:</b>	BFCM
<b>Asset Monitors:</b>	Ernst & Young and PricewaterhouseCoopers Audit

## DOCUMENTS INCORPORATED BY REFERENCE

This Base Prospectus shall be read and construed in conjunction with the following documents which have been previously published and filed with the CSSF and which are incorporated in, and shall be deemed to form part of, this Base Prospectus:

- the "CM-CIC Covered Bonds – Rapport général du commissaire aux comptes sur les comptes annuels de l'exercice 2008", which contains the audited financial statements of the Issuer for the financial year ended 31 December 2008 and the auditors' report thereon (the "**2008 Financial Statements**"); and
- the "CM-CIC Covered Bonds – Rapport général du commissaire aux comptes sur les comptes annuels de l'exercice 2007", which contains the audited financial statements of the Issuer for the financial year ended 31 December 2007 and the auditors' report thereon (the "**2007 Financial Statements**").

All documents incorporated by reference in this Base Prospectus may be obtained, without charge on request, at the principal office of the Issuer and the Paying Agents set out at the end of this Base Prospectus during normal business hours so long as any of the Covered Bonds are outstanding. Such documents will be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

The information incorporated by reference in this Base Prospectus shall be read in connection with the cross reference list below. Any information not listed in the cross reference list but included in the documents incorporated by reference is given for information purposes only.

### Cross-reference list

INFORMATION INCORPORATED BY REFERENCE (Annex VII of the European Regulation 809/2004/EC)	REFERENCE
<b>8. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES</b>	
<b><u>8.2 Historical financial information</u></b>	
	<b>2008 Financial Statements</b>
- Balance sheet	Pages 2 to 3
- Profit and loss Account	Page 4
- Notes	Pages 5 to 9
- Auditor's report relating to the above	Pages 10 to 15
	<b>2007 Financial Statements</b>
- Balance sheet	Pages 4 to 5
- Profit and loss Account	Page 6
- Notes	Pages 7 to 12
- Auditor's report relating to the above	Pages 1 to 2



### SUPPLEMENT TO THE BASE PROSPECTUS

In connection with Covered Bonds admitted to trading on a Regulated Market, if at any time during the duration of the Programme there is a significant change affecting any matter contained in this base prospectus (the "**Base Prospectus**"), including any modification of the terms and conditions or generally any significant new factor, material mistake or inaccuracy relating to information, included in this Base Prospectus which is capable of affecting the assessment of any Covered Bonds, which inclusion would reasonably be required by investors, and would reasonably be expected by them to be found in this Base Prospectus, for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the rights attaching to the Covered Bonds, the Issuer shall prepare a supplement to the Base Prospectus in accordance with article 16 of the Prospectus Directive for use in connection with any subsequent offering of the Covered Bonds, submit such supplement to the Base Prospectus to the *Commission de Surveillance du Secteur Financier* in Luxembourg for approval and supply each Dealer, the Luxembourg Stock Exchange and the *Commission de Surveillance du Secteur Financier* in Luxembourg with such number of copies of such supplement to the Base Prospectus as may reasonably be requested.

## TERMS AND CONDITIONS OF THE COVERED BONDS

*The following is the text of the terms and conditions that, as supplemented in accordance with the provisions of the relevant Final Terms, shall be applicable to the Covered Bonds. In the case of Dematerialised Covered Bonds, the text of the terms and conditions will not be endorsed on physical documents of title but will be constituted by the following text as supplemented by the relevant Final Terms. In the case of Materialised Covered Bonds, either (i) the full text of these terms and conditions together with the relevant provisions of the Final Terms (and subject to simplification by the deletion of non-applicable provisions) or (ii) these terms and conditions as so supplemented shall be endorsed on Definitive Materialised Covered Bonds. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Final Terms. References in the Conditions to "Covered Bonds" are to the Covered Bonds of one (1) Series only, not to all Covered Bonds that may be issued under the Programme.*

The Covered Bonds are issued outside France by CM-CIC Covered Bonds (the "**Issuer**") in series (each a "**Series**") having one (1) or more issue dates and on terms otherwise identical (or identical save as to the first payment of interest), the Covered Bonds of each Series being intended to be interchangeable with all other Covered Bonds of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (including, without limitation, the aggregate nominal amount, issue price, redemption price thereof, and interest, if any, payable thereunder and supplemented, where necessary, with supplemental terms and conditions which, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be determined by the Issuer and the relevant Dealer(s) at the time of the issue and will be set out in the final terms of such Tranche (the "**Final Terms**").

The Covered Bonds are issued with the benefit of an amended and restated agency agreement dated 16 November 2009 entered into between the Issuer, BNP Paribas Securities Services as fiscal agent and principal paying agent and the other agents named therein (the "**Agency Agreement**"). The fiscal agent, the paying agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Fiscal Agent**", the "**Paying Agents**" (which expression shall include the Fiscal Agent) and the "**Calculation Agent(s)**". The holders of the interest coupons (the "**Coupons**") relating to interest bearing Materialised Covered Bonds and, where applicable in the case of such Covered Bonds, talons (the "**Talons**") for further Coupons and the holders of the receipts for the payment of instalments of principal (the "**Receipts**") relating to Materialised Covered Bonds of which the principal is redeemable in instalments are respectively referred to below as the "**Couponholders**" and the "**Receiptholders**".

References below to "**Conditions**" are, unless the context requires otherwise, to the numbered paragraphs below.

### 1. Definitions

"**Bondholder**" or, as the case may be, "holder of any Covered Bond" means (a) in the case of Dematerialised Covered Bonds, the individual or entity whose name appears in the account of the relevant Account Holder, the Issuer or the Registration Agent (as the case may be) as being entitled to such Covered Bonds and (b) in the case of Definitive Materialised Covered Bonds, the bearer of any Definitive Materialised Covered Bond and the Coupons, Receipts or Talons relating to it.

"**Borrower Debt**" means the Borrower's indebtedness outstanding from time to time under the Borrower Facility.

"**CFCM CEE**" means *Caisse Fédérale de Crédit Mutuel Centre Est Europe*, a French *société coopérative à forme de société anonyme*, duly licensed as a French credit institution (*établissement de crédit*), registered in the *Registre du Commerce et des Sociétés* of Strasbourg under number 588 505 354 and having its registered office at 34 rue du Wacken, 67000 Strasbourg.

"**Closing Date**" means the date of the issuance of the first Series of Covered Bonds by the Issuer.

"**CM-CIC Entities**" means (i) any entity, duly licensed as a French credit institution (*établissement de crédit*), controlled by BFCM within the meaning of article L. 233-3 of the French Commercial Code

(*Code de commerce*) and/or (ii) any *Caisse de Crédit Mutuel* (within the meaning of articles L. 512-55 *et seq.* of the French Monetary and Financial Code (*Code monétaire et financier*) and to the exclusion of the *caisses mutuelles agricoles et rurales* referred to in articles R. 512-26 *et seq.* of the French Monetary and Financial Code (*Code monétaire et financier*)) which is affiliated to CFCM CEE.

"EEA" means the European Economic Area.

"Group" means BFCM, CFCM CEE and the CM-CIC Entities.

"Issuer Event of Default" means the occurrence of any of the following events:

- (a) at any relevant time following the service of a Borrower Enforcement Notice (as defined in section "**The Borrower and the Borrower Facility Agreement – The Borrower Facility Agreement**" of this Base Prospectus), a Breach of Amortisation Test (as defined in section "**Asset Monitoring**" of this Base Prospectus) occurs; or
- (b) the Issuer is in default in the payment of principal of, or interest on, any Covered Bond (including the payment of any additional amounts mentioned in Condition 9) when due and payable, unless such default has arisen by reason of technical default or error and payment is made within five (5) business days of the due date thereof; or
- (c) the Issuer is in default in the performance or observance of any of its other material obligations under any Covered Bond and such default has not been cured within thirty (30) days after the receipt by the Fiscal Agent (with copy to the Issuer) of the written notice of such default by the Representative requiring such default to be remedied and indicating that this provision may be invoked if it is not so remedied; or
- (d) any other present or future indebtedness of the Issuer (including any Covered Bonds of any other Series) becomes or becomes capable of being declared due and payable prior to its stated maturity as a result of a default thereunder, or any such indebtedness shall not be paid when due or, as the case may be, within any originally applicable grace period therefore or any steps shall be taken to enforce any security in respect of any such indebtedness or any guarantee or indemnity given by the Issuer for, or in respect of, any such indebtedness of others shall not be honoured when due and called upon (a "**Covered Bonds Cross Acceleration Event**"); or
- (e) an order is made or an effective resolution passed for the liquidation or winding up of the Issuer (except in the case of a liquidation or winding up for the purpose of a reconstruction, amalgamation, merger or following the transfer of all or substantially all of the assets of the Issuer, the terms of which have previously been approved by the Majority Bondholders of all Series for which Covered Bonds or, if applicable, any Receipts or Coupons relating to them, are Outstanding, and such liquidation or winding up being subject to prior Rating Affirmation); or
- (f) the Issuer makes any proposal for a general moratorium in relation to its debt or applies for, or is subject to, the appointment of a *mandataire ad hoc* or has applied to enter into a conciliation procedure (*procédure de conciliation*) or into a safeguard procedure (*procédure de sauvegarde*) or a judgement is issued for the judicial liquidation (*liquidation judiciaire*) or the transfer of the whole of the business (*cession totale de l'entreprise*) of the Issuer or, to the extent permitted by applicable law, if the Issuer is subject to any other insolvency or bankruptcy proceedings or makes any conveyance, assignment or other arrangement for the benefit of its creditors or enters into a composition with its creditors; or
- (g) the Issuer ceases to carry on all or a material part of its business (except in the case of a cessation for the purpose of a reconstruction, amalgamation, merger or following the transfer of all or substantially all of the assets of the Issuer, in each case the terms of which have previously been approved by the Majority Bondholders of all Series for which Covered Bonds or, if applicable, any Receipts or Coupons relating to them, are Outstanding and such liquidation or winding up being subject to prior Rating Affirmation); or
- (h) upon the occurrence of a Hedging Rating Trigger Event (as defined in section "**The Hedging Strategy**" of this Base Prospectus), (i) the Issuer (or the Administrator on its behalf) fails to enter into any Issuer Hedging Agreement (as defined in section "**The Hedging Strategy**" of this Base Prospectus) with any relevant Eligible Hedging Provider (as defined in section "**The Hedging Strategy**" of this Base Prospectus) within thirty (30) calendar days from the occurrence date of such Hedging Rating Trigger Event, as described under the Hedging Strategy (as defined in section "**The Hedging Strategy**" of this Base Prospectus) or (ii) the Issuer (or the Administrator on its behalf) or the Borrower fails to enter into any Borrower Hedging

Agreement (as defined in section "**The Hedging Strategy**" of this Base Prospectus) within thirty (30) calendar days from the occurrence date of such Hedging Rating Trigger Event, as described under the Hedging Strategy (as defined in section "**The Hedging Strategy**" of this Base Prospectus).

**"Majority Bondholders"** means, in relation to any Series, a decision of the General Meeting (as defined in Condition 12 of the Terms and Conditions) of such Series taken in accordance with Condition 12(e) of the Terms and Conditions.

**"Payment Date"** means, with respect to a Series or Tranche of Covered Bonds, the payment date of any principal or interest amount applicable to the Issuer and specified as such in the relevant Final Terms of the Covered Bonds;

**"Programme Date"** means the date of this Base Prospectus.

**"Programme Documents"** means:

- (a) the Shareholder Letter of Undertaking (see "**the Issuer – Issuer Share capital, Subordinated Loans and Issuer Majority Shareholder's undertakings**");
- (b) the Subordinated Loan agreements (see "**the Issuer – Issuer Share capital, Subordinated Loans and Issuer Majority Shareholder's undertakings**");
- (c) the Administrative Agreement (see "**the Issuer – The Administrative Agreement**");
- (d) the *Convention d'externalisation et de mise à disposition de moyens* (see "**the Issuer – Issuer Risk Management**");
- (e) the Issuer Accounts Agreement (see "**the Issuer – The Issuer Accounts Agreement**");
- (f) the Terms and Conditions;
- (g) the Agency Agreement;
- (h) the Dealer Agreement (see "**Subscription and Sale**");
- (i) the Issuer Security Agreements (see "**The Issuer Security**");
- (j) the Borrower Facility Agreement (see "**The Borrower and the Borrower Facility Agreement – The Borrower Facility Agreement**");
- (k) the Collateral Security Agreement (see "**The Collateral Security – The Collateral Security Agreement**");
- (l) the Cash Collateral Agreement (see "**The Collateral Security – The Cash Collateral Agreement**");
- (m) the Calculation Services Agreement (see "**Asset Monitoring – The Calculation Services Agreement**");
- (n) the Asset Monitor Agreement and the engagement letter of the Asset Monitors (see "**Asset Monitoring – The Asset Monitor Agreement**");
- (o) the Master Definitions and Construction Agreement, as amended from time to time, provided for the definitions of defined terms used under some other Programme Documents;
- (p) the Hedging Approved Form Letter (see "**The Hedging Strategy**"); and
- (q) the Hedging Agreement(s) (if any) (see "**The Hedging Strategy**").

**"Outstanding"** means, in relation to Covered Bonds of any Series, all the Covered Bonds issued other than (a) those that have been redeemed in accordance with these Conditions, (b) those in respect of which the date for redemption has occurred and the redemption moneys (including all interest accrued on such Covered Bonds to the date for such redemption and any interest payable after such date) have been duly paid as provided in Condition 8 of the Terms and Conditions, (c) those which have become void or in respect of which claims have become prescribed, (d) those which have been purchased and cancelled as provided in these Conditions, (e) in the case of Definitive Materialised Covered Bonds (i) those mutilated or defaced Definitive Materialised Covered Bonds that have been surrendered in exchange for replacement Definitive Materialised Covered Bonds, (ii) (for the purpose only of determining how many such Definitive Materialised Covered Bonds are outstanding and without prejudice to their status for any other purpose) those Definitive Materialised Covered Bonds alleged to

have been lost, stolen or destroyed and in respect of which replacement Definitive Materialised Covered Bonds have been issued and (iii) any Temporary Global Certificate to the extent that it shall have been exchanged for one (1) or more Definitive Materialised Covered Bonds, pursuant to its provisions.

**"Rating Affirmation"** means, with respect to any specified action, determination or appointment, receipt by the Issuer (and sent to the relevant Representative) of written confirmation from the Rating Agencies, for so long as any Covered Bonds are rated by the rating agencies, that such specified action, determination or appointment will not result in the reduction below, or withdrawal, of the ratings then assigned to the Covered Bonds.

**"Rating Agency"** means each of Moody's Investors Service Ltd. ("**Moody's**"), Standard & Poor's ("**S&P**") and Fitch Ratings ("**Fitch**").

**"Regulated Market"** means a regulated market within the meaning of Directive 2004/39/EC of the European Parliament and of the Council within the EEA.

**"Representative Consent"** means, with respect to any specified action, determination or appointment, receipt by the Issuer of written confirmation of consent of the Representative (acting upon instructions of the Majority Bondholders of all Series for which Covered Bonds or, if applicable, any Receipts or Coupons relating to them, are Outstanding) to such proposed action, determination or appointment.

## 2. Form, Denomination, Title and Redenomination

### (a) Form

Covered Bonds may be issued either in dematerialised form ("**Dematerialised Covered Bonds**") or in materialised form ("**Materialised Covered Bonds**"), as specified in the relevant Final Terms.

- (i) Title to Dematerialised Covered Bonds will be evidenced in accordance with articles L. 211-3 *et seq.* of the French Monetary and Financial Code (*Code monétaire et financier*) by book entries (*inscriptions en compte*). No physical document of title (including *certificats représentatifs* pursuant to article R. 211-7 of the French Monetary and Financial Code (*Code monétaire et financier*)) will be issued in respect of the Dematerialised Covered Bonds.

Dematerialised Covered Bonds are issued, at the option of the Issuer, in either bearer form (*au porteur*), which will be inscribed in the books of Euroclear France (acting as central depository) which shall credit the accounts of the Account Holders, or in registered form (*au nominatif*) and, in such latter case, at the option of the relevant holder in either administered registered form (*nominatif administré*) inscribed in the books of an Account Holder designated by the relevant holder of Covered Bonds or in fully registered form (*au nominatif pur*) inscribed in an account maintained by the Issuer or a registration agent (designated in the relevant Final Terms) acting on behalf of the Issuer (the "**Registration Agent**").

For the purpose of these Conditions, "**Account Holder**" means any authorised intermediary institution entitled to hold accounts, directly or indirectly, with Euroclear France, and includes Euroclear Bank S.A./N.V. ("**Euroclear**") and the depository bank for Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**").

- (ii) Materialised Covered Bonds are issued in bearer form only. Materialised Covered Bonds in definitive form ("**Definitive Materialised Covered Bonds**") are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Covered Bonds in which case references to interest (other than in relation to interest due after the Final Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Covered Bonds are issued with one (1) or more Receipts attached.

In accordance with articles L. 211-3 *et seq.* of the French Monetary and Financial Code (*Code monétaire et financier*), securities (such as Covered Bonds constituting obligations under French law) in materialised form and governed by French law must be issued outside the French territory.

The Covered Bonds may be "**Fixed Rate Covered Bonds**", "**Floating Rate Covered Bonds**", "**Zero Coupon Covered Bonds**", "**Dual Currency Covered Bonds**" or a combination of any of the foregoing, depending on the Interest Basis and the redemption method specified in the relevant Final Terms. Subject to prior Rating Affirmation, the Issuer may issue Covered Bonds which are "**Index Linked Covered Bonds**".

**(b) Denomination**

Covered Bonds shall be issued in the specified denomination(s) set out in the relevant Final Terms (the "**Specified Denomination(s)**"), save that the minimum denomination of each Covered Bond in circumstances which require the publication of a prospectus under the Prospectus Directive 2003/71/EC of the European Parliament and of the Council will be of €50,000 (or its equivalent in any other currency) or such higher amount as may be allowed or required from time to time by the relevant monetary authority or any laws or regulations applicable to the relevant Specified Currency.

Dematerialised Covered Bonds shall be issued in one (1) Specified Denomination only.

**(c) Title**

- (i) Title to Dematerialised Covered Bonds in bearer form (*au porteur*) and in administered registered form (*au nominatif administré*) shall pass upon, and transfer of such Covered Bonds may only be effected through, registration of the transfer in the accounts of the Account Holders. Title to Dematerialised Covered Bonds in fully registered form (*au nominatif pur*) shall pass upon, and transfer of such Covered Bonds may only be effected through, registration of the transfer in the accounts maintained by the Issuer or by the Registration Agent.
- (ii) Title to Definitive Materialised Covered Bonds, including, where appropriate, Receipt(s), Coupons and/or a Talon attached, shall pass by delivery.
- (iii) Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Covered Bond (as defined below), Coupon, Receipt or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, or an interest in it, any writing on it or its theft or loss and no person shall be liable for so treating the holder.

**(d) Redenomination**

The Issuer may (if so specified in the relevant Final Terms), on any date, without the consent of the holder of any Covered Bond, Coupon, Receipt or Talon, by giving at least thirty (30) days' notice in accordance with Condition 17 and on or after the date on which the European Member State in whose national currency the Covered Bonds are denominated has become a participating Member State in the single currency of the European Economic and Monetary Union (as provided in the Treaty establishing the European Community (the "**EC**", as amended from time to time (the "**Treaty**")) or events have occurred which have substantially the same effects (in either case, "**EMU**"), redenominate all, but not some only, of the Covered Bonds of any Series into Euro and adjust the aggregate principal amount and the Specified Denomination(s) set out in the relevant Final Terms accordingly, as more fully described in the relevant Final Terms.

**(e) Method of Issue**

The Covered Bonds will be issued on a syndicated or non-syndicated basis. The Covered Bonds will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Covered Bonds of each Series being intended to be interchangeable with all other Covered Bonds of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set out in the relevant Final Terms.

### 3. Conversions and Exchanges of Covered Bonds

#### (a) Dematerialised Covered Bonds

- (i) Dematerialised Covered Bonds issued in bearer form (*au porteur*) may not be converted for Dematerialised Covered Bonds in registered form, whether in fully registered form (*au nominatif pur*) or in administered registered form, (*au nominatif administré*).
- (ii) Dematerialised Covered Bonds issued in registered form (*au nominatif*) may not be converted for Dematerialised Covered Bonds in bearer form (*au porteur*).
- (iii) Dematerialised Covered Bonds issued in fully registered form (*au nominatif pur*) may, at the option of the holder of such Covered Bonds, be converted into Covered Bonds in administered registered form (*au nominatif administré*), and vice versa. The exercise of any such option by such holder shall be made in accordance with article R. 211-4 of the French Monetary and Financial Code (*Code monétaire et financier*). Any such conversion shall be effected at the cost of such holder.

#### (b) Materialised Covered Bonds

Materialised Covered Bonds of one (1) Specified Denomination may not be exchanged for Materialised Covered Bonds of another Specified Denomination.

### 4. Status

The Covered Bonds, and, where applicable, any relative Coupons and Receipts are direct, unconditional, unsubordinated and secured (in accordance with the provisions of Condition 5(b)) obligations of the Issuer and rank and will rank *pari passu* without any preference among themselves and (subject to such exceptions as are from time to time mandatory under French law and to the provisions of Condition 5(b)) at least *pari passu* with all other present or future unsubordinated obligations of the Issuer.

### 5. Covenants

So long as any of the Covered Bonds or, if applicable, any Receipts or Coupons relating to them, is Outstanding:

#### (a) Negative Pledge

Except in accordance with Condition 5(b), the Issuer will not create or permit to subsist any mortgage, charge, pledge or other form of security interest (*sûreté réelle*) upon any of its assets or revenues, present or future, to secure any Relevant Undertaking (as defined below) of, or guaranteed by, the Issuer unless, at the same time or prior thereto, the Issuer's obligations under the Covered Bonds, and, if applicable, Receipts or Coupons relating to them, are equally and rateably secured therewith;

where "**Relevant Undertaking**" means any present or future (i) indebtedness for borrowed money and (ii) undertaking in relation to interest or currency swap transactions.

#### (b) Security

The Bondholders shall benefit from the following security (the "**Issuer Security**"):

- (i) the pledge of the Issuer Accounts granted pursuant to an accounts pledge agreement dated 9 July 2007 and made between the Issuer in its capacity as pledgor and BNP Paribas Securities Services acting in the name and on behalf of the Bondholders in their capacity as beneficiaries under the pledge (the "**Issuer Accounts Pledge Agreement**"), and
- (ii) the pledge of the Borrower Facility Receivables granted pursuant to a receivables pledge agreement dated 9 July 2007 and made between the Issuer in its capacity as pledgor and BNP Paribas Securities Services acting in the name and on behalf of the Bondholders in their capacity as beneficiaries under the pledge (the "**Receivables Pledge Agreement**" and, together with the Issuer Accounts Pledge Agreement, "**Issuer Security Agreements**").

Bondholders are deemed to have notice of the provisions of the Issuer Security Agreements. Certain statements in the Conditions and under sections "**The Issuer Security – The Issuer Accounts Pledge**

**Agreement"** and **"Issuer Security – The Issuer Receivables Pledge Agreement"** of this Base Prospectus are summaries of the detailed provisions of the Issuer Security Agreements, copies of which are available for inspection at the specified office of the Paying Agents.

As more fully described in the Issuer Security Agreements, upon the issue of further series of Covered Bonds on each subsequent issue date after the Closing Date, the existing Issuer Security securing the repayment of all and any amount owed in respect of the then outstanding Covered Bonds will be (a) released by the Issuer Security Agent and (b) re-taken by the Issuer Security Agent, as security for the repayment of all and any amount owed in respect of the then outstanding Covered Bonds and the new series of Covered Bonds issued on such subsequent issue date.

As more fully described in the Issuer Security Agreements, the subscription or purchase of Covered Bonds results by force of law in the (i) acceptance that all the Bondholders of any Series, present or future, will benefit *pari passu* from the Issuer Security provided under the Issuer Security Agreements and any Issuer Accounts Pledge Agreement Deed of Retake or any Receivables Pledge Agreement Deed of Retake (as such terms are defined in the Issuer Security Agreements) and (ii) appointment of the Issuer Security Agent as agent in order to manage the said security in their name and on their behalf.

**(c) Limitation on Indebtedness**

The Issuer undertakes not to incur any indebtedness other than as contemplated by the Programme Documents unless:

- (i) such indebtedness is fully subordinated to the outstanding indebtedness incurred in relation to the Covered Bonds, as the case may be; or
- (ii) prior Rating Affirmation has been delivered in relation to such indebtedness.

**(d) Restrictions on mergers or reorganisations**

The Issuer undertakes not to enter into any merger, re-organisation or similar transaction without prior Representative Consent and Rating Affirmation.

**(e) Separateness covenants**

The Issuer undertakes (except as permitted under the Programme Documents or the Issuer's by-laws):

- (i) to maintain books and records separate from any other person or entity;
- (ii) to maintain its accounts separate from those of any other person or entity;
- (iii) not to commingle assets with those of any other entity;
- (iv) to conduct its own business in its own name;
- (v) to maintain separate financial statements;
- (vi) to pay its own liabilities out of its own funds;
- (vii) to observe all corporate, partnership or other formalities required by its constituting documents;
- (viii) not to guarantee or to become obligated for the debts of any other entity or to hold out its credit as being available to satisfy the obligations of others;
- (ix) not to acquire capital shares of its partners or shareholders;
- (x) to use its own separate stationery, invoices and cheques;
- (xi) to hold itself out as a separate entity;
- (xii) not to have any employees;
- (xiii) not to voluntarily wind up; and
- (xiv) to correct any known misunderstanding regarding its separate identity.



**(f) Amortisation Test**

Following the enforcement of a Borrower Event of Default subject to, and in accordance with, the relevant terms of the Borrower Facility Agreement, the Issuer undertakes to comply with the Amortisation Test. For the purposes hereof, the terms of section "**Asset Monitoring**" of this Base Prospectus are incorporated by reference in this Condition 5 (f).

**(g) Hedging Strategy**

Upon the occurrence of a Hedging Rating Trigger Event, and, as applicable, upon the occurrence of any Borrower Event of Default, the Issuer undertakes to take all reasonable steps to implement the Hedging Strategy as described under section "**Hedging Strategy**" of this Base Prospectus.

**(h) Programme Documents**

Subject to the qualifications described in the relevant Programme Document(s) to which it is a party, the Issuer undertakes that no amendment, modification, alteration or supplement shall be made to any Programme Document to which it is a party without prior Rating Affirmation if the same materially and adversely affects the interest of the Issuer or the Bondholders.

For the avoidance of doubt, the Issuer may amend, modify, alter or supplement any Programme Document to which it is a party without prior Rating Affirmation:

- (i) to cure any ambiguity, omission, defect or inconsistency;
- (ii) to evidence or effect the transition of any party to any Programme Document to which it is a party to any successor;
- (iii) to add to the undertakings and other obligations of any party (except the Issuer) under any Programme Document to which it is a party; or
- (iv) to comply with any mandatory requirements of applicable laws and regulations.

In addition, the Issuer undertakes that:

- (i) each Programme Document to which the Issuer is or will become a party will include limited recourse language pursuant to which the creditors of the Issuer (including the holders of the Covered Bonds) will agree that their recourse will be limited to the funds that are available to the Issuer at any relevant date; and
- (ii) each Programme Document to which the Issuer is or will become a party will also include non-petition language, whereby the creditors of the Issuer (including the holders of the Covered Bonds) will agree not to commence or to join any proceedings for the insolvency of the Issuer prior to the end of an eighteen (18)-month period after all Covered Bonds have been paid and discharged in full.

**(i) Notification of Issuer Events of Default**

In respect of any Series, the Issuer undertakes to promptly inform the Rating Agencies, the Representative and the Administrator of the occurrence of any Issuer Event of Default and, upon receipt of a written request to that effect from the Rating Agencies, the Representative or the Administrator confirm to the Rating Agencies, the Representative and the Administrator that, save as previously notified to the Rating Agencies, the Representative and the Administrator or as notified in such confirmation, no Issuer Event of Default has occurred or is continuing.

**(j) No further Issuance**

The Issuer undertakes not to issue new further Covered Bonds under the Programme:

- (i) as from the date a Borrower Enforcement Notice (as defined in section "**The Borrower and the Borrower Facility Agreement – The Borrower Facility Agreement**" of this Base Prospectus) has been served;
- (ii) as from the date an Issuer Enforcement Notice has been served;

- (iii) for so long as a Non Compliance with Asset Cover Test (as defined in section "**Asset Monitoring**" of this Base Prospectus) has occurred and is not remedied;
- (iv) for so long as a Non Compliance with Amortisation Test (as defined in section "**Asset Monitoring**" of this Base Prospectus) has occurred and is not remedied; or
- (v) for so long as, regarding the Pre-Maturity Test (as defined in section "**Asset Monitoring**" of this Base Prospectus), a Non Compliance Notice (as defined in section "**Asset Monitoring**" of this Base Prospectus) has been delivered and is not withdrawn.

**(k) Rating of further Issuance**

Subject to Conditions (j) above, the Issuer undertakes that any new further issuance of Covered Bonds will be rated by the Rating Agencies.

**6. Interest and other Calculations**

**(a) Definitions**

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

**"Benchmark"** means the reference rate as set out in the relevant Final Terms.

**"Business Day"** means:

- (i) in the case of Euro, a day on which the Trans European Automated Real Time Gross Settlement Express Transfer (TARGET2) or any successor thereto (the "**TARGET System**") is operating (a "**TARGET Business Day**"), and/or
- (ii) in the case of a Specified Currency other than Euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for that currency, and/or
- (iii) in the case of a Specified Currency and/or one (1) or more additional business centre(s) specified in the relevant Final Terms (the "**Business Centre(s)**"), a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres so specified.

**"Day Count Fraction"** means, in respect of the calculation of an amount of interest on any Covered Bond for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period, the "**Calculation Period**"):

- (i) if "**Actual/365**", "**Actual/365-FBF**" or "**Actual/Actual-ISDA**" is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by three hundred and sixty-five (365) (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by three hundred and sixty-six (366) and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by three hundred and sixty-five (365)).
- (ii) if "**Actual/Actual-ICMA**" is specified in the relevant Final Terms:
  - (A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
  - (B) if the Calculation Period is longer than one (1) Determination Period, the sum of:
    - (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
    - (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of

days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

in each case, where:

**"Determination Period"** means the period from and including a Determination Date in any year to but excluding the next Determination Date, and

**"Determination Date"** means the date specified in the relevant Final Terms or, if none is so specified, the Interest Payment Date.

- (iii) if **"Actual/Actual-FBF"** is specified in the relevant Final Terms, the fraction whose numerator is the actual number of days elapsed during such period and whose denominator is three hundred and sixty-five (365) (or three hundred and sixty-six (366) if 29 February falls within the Calculation Period). If the Calculation Period is of a duration of more than one (1) year, the basis shall be calculated as follows:
  - (A) the number of complete years shall be counted back from the last day of the Calculation Period;
  - (B) this number shall be increased by the fraction for the relevant period calculated as set out in the first paragraph of this definition.
- (iv) if **"Actual/365 (Fixed)"** is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by three hundred and sixty-five (365).
- (v) if **"Actual/360"** is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by three hundred and sixty (360).
- (vi) if **"30/360"**, **"360/360"** or **"Bond Basis"** is specified in the relevant Final Terms, the number of days in the Calculation Period divided by three hundred and sixty (360) (the number of days to be calculated on the basis of a year of three hundred and sixty (360) days with twelve (12) thirty (30)-day months (unless (a) the last day of the Calculation Period is the thirty-first (31<sup>st</sup>) day of a month but the first day of the Calculation Period is a day other than the thirtieth (30<sup>th</sup>) or thirty-first (31<sup>st</sup>) day of a month, in which case the month that includes that last day shall not be considered to be shortened to a thirty (30)-day month, or (b) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a thirty (30)-day month)).
- (vii) if **"30/360-FBF"** or **"Actual 30A/360 (American Bond Basis)"** is specified in the relevant Final Terms, in respect of each Calculation Period, the fraction whose denominator is three hundred and sixty (360) and whose numerator is the number of days calculated as for 30E/360-FBF, subject to the following exception: where the last day of the Calculation Period is the thirty-first (31<sup>st</sup>) and the first day is neither the thirtieth (30<sup>th</sup>) nor the thirty-first (31<sup>st</sup>), the last month of the Calculation Period shall be deemed to be a month of thirty-one (31) days.

Using the same abbreviations as for 30E/360-FBF the fraction is:

If  $dd2 = 31$  and  $dd1 \neq (30, 31)$

then:

$$\frac{1}{360} \times [(yy2 - yy1) \times 360 + (mm2 - mm1) \times 30 + (dd2 - dd1)]$$

or

$$\frac{1}{360} \times [(yy2 - yy1) \times 360 + (mm2 - mm1) \times 30 + \text{Min}(dd2, 30) - \text{Min}(dd1, 30)].$$

- (viii) if **"30E/360"** or **"Eurobond Basis"** is specified in the relevant Final Terms, the number of days in the Calculation Period divided by three hundred and sixty (360) (the number of days to be calculated on the basis of a year of three hundred and sixty (360) days with twelve (12) thirty (30)-day months, without regard to the date of the first day or last day of

the Calculation Period unless, in the case of a Calculation Period ending on the Final Maturity Date, the Final Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a thirty (30)-day month).

- (ix) if **"30E/360-FBF"** is specified in the relevant Final Terms, in respect of each Calculation Period, the fraction whose denominator is three hundred and sixty (360) and whose numerator is the number of days elapsed during such period, calculated on the basis of a year comprising twelve (12) months of thirty (30) days, subject to the following the exception: if the last day of the Calculation Period is the last day of the month of February, the number of days elapsed during such month shall be the actual number of days.

Where:

D1 (dd1, mm1, yy1) is the date of the beginning of the period

D2 (dd2, mm2, yy2) is the date of the end of the period

The fraction is:

$$\frac{1}{360} \times [(yy2 - yy1) \times 360 + (mm2 - mm1) \times 30 + \text{Min}(dd2, 30) - \text{Min}(dd1, 30)].$$

**"Effective Date"** means, with respect to any Floating Rate to be determined on an Interest Determination Date, the date specified as such in the relevant Final Terms or, if none is so specified, the first day of the Interest Accrual Period to which such Interest Determination Date relates.

**"Euro Zone"** means the region comprised of member states of the European Union that have adopted or adopt the single currency in accordance with the Treaty establishing the European Community, as amended from time to time.

**"Interest Accrual Period"** means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

**"Interest Amount"** means the amount of interest payable, and in the case of Fixed Rate Covered Bonds, means the Fixed Coupon Amount or Broken Amount, as specified in the relevant Final Terms, as the case may be.

**"Interest Commencement Date"** means the Issue Date or such other date as may be specified in the relevant Final Terms.

**"Interest Determination Date"** means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the relevant Final Terms or, if none is so specified, (i) the day falling two (2) TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is Euro or (ii) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (iii) the day falling two (2) Business Days in the city specified in the Final Terms for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor Euro.

**"Interest Payment Date"** means the date(s) specified in the relevant Final Terms.

**"Interest Period"** means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

**"Interest Period Date"** means each Interest Payment Date unless otherwise specified in the relevant Final Terms.

**"Rate of Interest"** means the rate of interest payable from time to time in respect of the Covered Bonds and that is either specified or calculated in accordance with the provisions in the relevant Final Terms.

**"Reference Banks"** means the institutions specified as such in the relevant Final Terms or, if none, four (4) major banks selected by the Calculation Agent in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the

Benchmark (which, if EURIBOR or EONIA is the relevant Benchmark, shall be the Euro-zone, and if LIBOR is the relevant Benchmark, shall be London).

**"Relevant Financial Centre"** means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the financial centre as may be specified as such in the relevant Final Terms or, if none is so specified, the financial centre with which the relevant Benchmark is most closely connected (which, in the case of EURIBOR or EONIA, shall be the Euro-zone and in the case of LIBOR, shall be London) or, if none is so connected, Paris.

**"Relevant Date"** means, in respect of any Covered Bond or Coupon, the date on which payment in respect of it first became due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (in the case of Materialised Covered Bonds if earlier) the date seven (7) days after that on which notice is duly given to the holders of such Materialised Covered Bonds that, upon further presentation of the Materialised Covered Bond, Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation.

**"Relevant Rate"** means the Benchmark for a Representative Amount of the Specified Currency for a period (if applicable or appropriate to the Benchmark) equal to the Specified Duration commencing on the Effective Date.

**"Relevant Time"** means, with respect to any Interest Determination Date, the local time in the Relevant Financial Centre specified in the relevant Final Terms or, if no time is specified, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Specified Currency in the interbank market in the Relevant Financial Centre and for this purpose **"local time"** means, with respect to Europe and the Euro-zone as a Relevant Financial Centre, 11:00 a.m. (Brussels time).

**"Representative Amount"** means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the amount specified as such in the relevant Final Terms or, if none is specified, an amount that is representative for a single transaction in the relevant market at the time.

**"Specified Currency"** means the currency specified as such in the relevant Final Terms or, if none is specified, the currency in which the Covered Bonds are denominated.

**"Specified Duration"** means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the duration specified in the relevant Final Terms or, if none is specified, a period of time equal to the relative Interest Accrual Period, ignoring any adjustment pursuant to Condition 6(c)(ii).

#### **(b) Interest on Fixed Rate Covered Bonds**

Each Fixed Rate Covered Bond bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date except as otherwise provided in the relevant Final Terms.

If a fixed amount of interest ("**Fixed Coupon Amount**") or a broken amount of interest ("**Broken Amount**") is specified in the relevant Final Terms, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount or, if applicable, the Broken Amount so specified and in the case of the Broken Amount will be payable on the particular Interest Payment Date(s) specified in the relevant Final Terms.

#### **(c) Interest on Floating Rate Covered Bonds and Index Linked Covered Bonds**

- (i) *Interest Payment Dates:* Each Floating Rate Covered Bond and Index Linked Interest Covered Bond bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrears on each Interest Payment Date. Such Interest Payment Date(s) is/are either shown in the relevant Final Terms as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown in the relevant Final Terms, Interest Payment Date shall mean each date which falls the number of months

or other period shown in the relevant Final Terms as the Specified Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

- (ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day. Notwithstanding the foregoing, where the applicable Final Terms specify that the relevant Business Day Convention is to be applied on an "unadjusted" basis, the Interest Amount payable on any date shall not be affected by the application of that Business Day Convention.
- (iii) *Rate of Interest for Floating Rate Covered Bonds:* The Rate of Interest in respect of Floating Rate Covered Bonds for each Interest Accrual Period shall be determined in the manner specified in (i) the relevant Final Terms and/or (ii) the provisions below relating to either FBF Determination or Screen Rate Determination, depending upon which is specified in the relevant Final Terms.

(A) FBF Determination for Floating Rate Covered Bonds:

Where FBF Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Agent as a rate equal to the relevant FBF Rate plus or minus (as indicated in the relevant Final Terms) the Margin (if any). For the purposes of this sub-paragraph (A), "**FBF Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Agent under a notional interest rate swap transaction (*Echange*) in the relevant Specified Currency governed by the 2001 FBF Master Agreement (*convention cadre FBF*) relating to transactions on forward financial instruments (formerly 1994 AFB Master Agreement for Foreign Exchange and Derivatives Transactions), as supplemented by the then applicable Interest and Currency Technical Annex (*Echange de conditions d'Intérêt ou de Devises - Additif Technique*) published by the *Association Française des Banques* or the *Fédération Bancaire Française* (the "**FBF Definitions**") and under which:

- (1) the Floating Rate is as specified in the relevant Final Terms; and
- (2) the Floating Rate Determination Date is as specified in the relevant Final Terms.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Agent**" and "**Floating Rate Determination Date**" are translations of the French terms "*Taux Variable*", "*Agent*" and "*Date de Détermination du Taux Variable*", respectively, which have the meanings given to those terms in the FBF Definitions.

(B) Screen Rate Determination for Floating Rate Covered Bonds:

Where Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent at or about the Relevant Time on the Interest Determination Date in respect of such Interest Accrual Period in accordance with the following:

- (1) if the Primary Source for Floating Rate is a Page, subject as provided below, the Rate of Interest shall be:

- (I) the Relevant Rate (where such Relevant Rate on such Page is a composite quotation or is customarily supplied by one (1) entity); or
  - (II) the arithmetic mean of the Relevant Rates of the persons whose Relevant Rates appear on that Page, in each case appearing on such Page at the Relevant Time on the Interest Determination Date as disclosed in the relevant Final Terms, plus or minus (as indicated in the relevant Final Terms) the Margin (if any); and
- (2) if the Primary Source for the Floating Rate is Reference Banks or if sub-paragraph (1)(I) applies and no Relevant Rate appears on the Page at the Relevant Time on the Interest Determination Date or if sub-paragraph (1)(II) applies and fewer than two (2) Relevant Rates appear on the Page at the Relevant Time on the Interest Determination Date, subject as provided below, the Rate of Interest shall be the arithmetic mean of the Relevant Rates that each of the Reference Banks is quoting to leading banks in the Relevant Financial Centre at the Relevant Time on the Interest Determination Date, as determined by the Calculation Agent, plus or minus (as indicated in the relevant Final Terms) the Margin (if any), and
- (3) if paragraph (2) above applies and the Calculation Agent determines that fewer than two (2) Reference Banks are so quoting Relevant Rates, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) that the Calculation Agent determines to be the rates (being the nearest equivalent to the Benchmark) in respect of a Representative Amount of the Specified Currency that at least two (2) out of five (5) leading banks selected by the Calculation Agent in the principal financial centre of the country of the Specified Currency or, if the Specified Currency is Euro, in the Euro-zone as selected by the Calculation Agent (the "**Principal Financial Centre**") are quoting at or about the Relevant Time on the date on which such banks would customarily quote such rates for a period commencing on the Effective Date for a period equivalent to the Specified Duration (I) to leading banks carrying on business in Europe, or (if the Calculation Agent determines that fewer than two (2) of such banks are so quoting to leading banks in Europe) (II) to leading banks carrying on business in the Principal Financial Centre; except that, if fewer than two (2) of such banks are so quoting to leading banks in the Principal Financial Centre, the Rate of Interest shall be the Rate of Interest determined on the previous Interest Determination Date (after readjustment for any difference between any Margin, Rate Multiplier or Maximum or Minimum Rate of Interest applicable to the preceding Interest Accrual Period and to the relevant Interest Accrual Period).
- (iv) *Rate of Interest for Index Linked Covered Bonds:* The Rate of Interest in respect of Index Linked Covered Bonds for each Interest Accrual Period shall be determined in the manner specified in the relevant Final Terms and interest will accrue by reference to an Index or Formula as specified in the relevant Final Terms.

**(d) Zero Coupon Covered Bonds**

Where a Covered Bond the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Final Maturity Date pursuant to an Issuer's Option or, if so specified in the relevant Final Terms, pursuant to Condition 7(e) or otherwise and is not paid when due, the amount due and payable prior to the Final Maturity Date shall, unless otherwise provided in the relevant Final Terms, be the Early Redemption Amount. As from the Final Maturity Date, the Rate of Interest for any overdue principal of such a Covered Bond shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 7(e)(i)).

**(e) Dual Currency Covered Bonds**

In the case of Dual Currency Covered Bonds, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating a Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified in the relevant Final Terms.

**(f) Partly Paid Covered Bonds**

In the case of Partly Paid Covered Bonds (other than Partly Paid Covered Bonds which are Zero Coupon Covered Bonds), interest will accrue as aforesaid on the paid-up nominal amount of such Covered Bonds and otherwise as specified in the relevant Final Terms.

**(g) Accrual of Interest**

Interest shall cease to accrue on each Covered Bond on the due date for redemption unless (i) in the case of Dematerialised Covered Bonds, on such due date or (ii) in the case of Materialised Covered Bonds, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgement) at the Rate of Interest in the manner provided in this Condition 6 to the Relevant Date.

**(h) Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding:**

- (i) If any Margin is specified in the relevant Final Terms (either (x) generally, or (y) in relation to one (1) or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with (c) above by adding (if a positive number) or subtracting (if a negative number) the absolute value of such Margin, subject always to the next paragraph.
- (ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified in the relevant Final Terms, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (w) if FBF Determination is specified in the relevant Final Terms, all percentages resulting from such calculations shall be rounded, if necessary, to the nearest ten-thousandth of a percentage point (with halves being rounded up), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest fifth decimal (with halves being rounded up), (y) all figures shall be rounded to seven (7) figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "unit" means the lowest amount of such currency that is available as legal tender in the country of such currency.

**(i) Calculations**

The amount of interest payable in respect of any Covered Bond for any period shall be calculated by multiplying the product of the Rate of Interest and the outstanding nominal amount of such Covered Bond by the Day Count Fraction, unless an Interest Amount (or a formula for its calculation) is specified in respect of such period, in which case the amount of interest payable in respect of such Covered Bond for such period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two (2) or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period shall be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods.

**(j) Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts**

The Calculation Agent shall, as soon as practicable on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts in respect of each Specified Denomination of the Covered Bonds for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and



cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the holders of Covered Bonds, any other Calculation Agent appointed in respect of the Covered Bonds that is to make a further calculation upon receipt of such information and, if the Covered Bonds are admitted to trading on a Regulated Market and the rules of such Regulated Market so require, such Regulated Market as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such Regulated Market of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth (4<sup>th</sup>) Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 6(c)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

**(k) Calculation Agent and Reference Banks**

The Issuer shall procure that there shall at all times be four (4) Reference Banks (or such other number as may be required) with offices in the Relevant Financial Centre and one (1) or more Calculation Agents if provision is made for them in the relevant Final Terms and for so long as any Covered Bond is Outstanding. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank, then the Issuer shall appoint another Reference Bank with an office in the Relevant Financial Centre to act as such in its place. Where more than one (1) Calculation Agent is appointed in respect of the Covered Bonds, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Period or Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal Paris or Luxembourg office, as appropriate, or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

**7. Redemption, Purchase and Options**

**(a) Final Redemption**

Unless previously redeemed, purchased and cancelled as provided below or its maturity is extended pursuant to any Issuer's or Bondholders' option in accordance with Condition 7(c) or 7(d), each Covered Bond shall be finally redeemed on the Final Maturity Date specified in the relevant Final Terms at its Final Redemption Amount (which, unless otherwise provided, is its nominal amount) or, in the case of a Covered Bond falling within Condition 7(b) below, its final Instalment Amount.

**(b) Redemption by Instalments**

Unless previously redeemed, purchased and cancelled as provided in this Condition 7, or the relevant Instalment Date (being one (1) of the dates so specified in the relevant Final Terms) is extended pursuant to any Issuer's or Bondholders' option in accordance with Conditions 7(c) or 7(d), each Covered Bond that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified in the relevant Final Terms. The outstanding nominal amount of each such Covered Bond shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Covered Bond, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused (i) in the case of Dematerialised Covered Bonds, on the due date for such payment or (ii) in the case of Materialised Covered Bonds, on presentation of the related Receipt, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

**(c) Redemption at the Option of the Issuer, Exercise of Issuer's Options and Partial Redemption**

If a Call Option or any other Issuer's option (as may be described in the relevant Final Terms) is specified in the relevant Final Terms, the Issuer may, subject to compliance by the Issuer of all the relevant laws, regulations and directives and on giving not less than fifteen (15) nor more than thirty (30) days' irrevocable notice in accordance with Condition 17 to the holders of Covered Bonds (or such other notice period as may be specified in the relevant Final Terms) redeem, or exercise any other option in relation to all or, if so provided, some, of the Covered Bonds on any Optional Redemption Date or Option Exercise Date, as the case may be. Any such redemption of Covered Bonds shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption, if any. Any such redemption must relate to Covered Bonds of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed as specified in the relevant Final Terms and no greater than the Maximum Redemption Amount to be redeemed as specified in the relevant Final Terms.

All Covered Bonds in respect of which any such notice is given shall be redeemed, or the Issuer's Option shall be exercised, on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption or a partial exercise of an Issuer's Option in respect of Materialised Covered Bonds, the notice to holders of such Materialised Covered Bonds shall also contain the numbers of the Definitive Materialised Covered Bonds to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and Regulated Market requirements.

In the case of a partial redemption or a partial exercise of an Issuer's Option in respect of Dematerialised Covered Bonds, the redemption may be effected, at the option of the Issuer, either (i) by reducing the nominal amount of all such Dematerialised Covered Bonds in a Series in proportion to the aggregate nominal amount redeemed or (ii) by redeeming in full some only of such Dematerialised Covered Bonds and, in such latter case, the choice between those Dematerialised Covered Bonds that will be fully redeemed and those Dematerialised Covered Bonds of any Series that will not be redeemed shall be made in accordance with article R. 213-16 of the French Monetary and Financial Code (*Code monétaire et financier*) and the provisions of the relevant Final Terms, subject to compliance with any other applicable laws and Regulated Market requirements.

So long as the Covered Bonds are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Regulated Market of the Luxembourg Stock Exchange and the rules thereof so require, the Issuer shall, once in each year in which there has been a partial redemption of the Covered Bonds, cause to be published either on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) or in a leading newspaper of general circulation in Luxembourg a notice specifying the aggregate nominal amount of Covered Bonds outstanding and, in the case of Materialised Covered Bonds a list of any Materialised Covered Bonds, drawn for redemption but not surrendered.

**(d) Redemption at the Option of Bondholders and Exercise of Bondholders' Options**

If a Put Option is specified in the relevant Final Terms, the Issuer shall, at the option of the Bondholder, upon the Bondholder giving not less than fifteen (15) nor more than thirty (30) days' notice to the Issuer (or such other notice period as may be specified in the relevant Final Terms) redeem such Covered Bond on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option or any other Bondholders' Option as may be set out in the relevant Final Terms (which must be exercised on an Option Exercise Date) the Bondholder must deposit with a Paying Agent at its specified office a duly completed option exercise notice (the "**Exercise Notice**") in the form obtained during normal business hours from any Paying Agent or the Registration Agent, as the case may be, within the notice period. In the case of Materialised Covered Bonds, the Exercise Notice shall have attached to it the relevant Covered Bonds (together with all unmatured Receipts and Coupons and unexchanged Talons). In the case of Dematerialised Covered Bonds, the Bondholder shall transfer, or cause to be transferred, the Dematerialised Covered Bonds to be redeemed to the account of the Paying Agent with a specified office in Paris, as specified in the Exercise Notice. No option so exercised and, where applicable, no Covered Bond so deposited or transferred, may be withdrawn without the prior consent of the Issuer.

**(e) Early Redemption****(i) Zero Coupon Covered Bonds**

- (A) The Early Redemption Amount payable in respect of any Zero Coupon Covered Bond, the amount of which is not linked to an index and/or a formula, upon redemption of such Covered Bond pursuant to Condition 7(f) or (g) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Nominal Amount (calculated as provided below) of such Covered Bond unless otherwise specified in the relevant Final Terms.
- (B) Subject to the provisions of sub-paragraph (C) below, the amortised nominal amount of any such Covered Bond (the "**Amortised Nominal Amount**") shall be the scheduled Final Redemption Amount of such Covered Bond on the Final Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the amortisation yield (which, if none is shown in the relevant Final Terms, shall be such rate as would produce an Amortised Nominal Amount equal to the issue price of the Covered Bonds if they were discounted back to their issue price on the Issue Date) (the "**Amortisation Yield**") compounded annually.
- (C) If the Early Redemption Amount payable in respect of any such Covered Bond upon its redemption pursuant to Condition 7(f) or (g) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Covered Bond shall be the Amortised Nominal Amount of such Covered Bond as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Covered Bond becomes due and payable was the Relevant Date. The calculation of the Amortised Nominal Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgement) until the Relevant Date, unless the Relevant Date falls on or after the Final Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Covered Bond on the Final Maturity Date together with any interest that may accrue in accordance with Condition 6(d).

Where such calculation is to be made for a period of less than one (1) year, it shall be made on the basis of the Day Count Fraction as provided in the relevant Final Terms.

**(ii) Other Covered Bonds**

The Early Redemption Amount payable in respect of any Covered Bond (other than Covered Bonds described in (i) above), upon redemption of such Covered Bond pursuant to Condition (f) or (g) or upon it becoming due and payable as provided in Condition 10 shall be the Final Redemption Amount together with interest accrued to the date fixed for redemption unless otherwise specified in the relevant Final Terms.

**(f) Redemption for Taxation Reasons**

- (i) If, by reason of any change in French law, or any change in the official application or interpretation of such law, becoming effective after the Issue Date, the Issuer would on the occasion of the next payment of principal or interest due in respect of the Covered Bonds, not be able to make such payment without having to pay additional amounts as specified under Condition 9(b) below, the Issuer may, at its option, on any Interest Payment Date or, if so specified in the relevant Final Terms, at any time, subject to having given not more than forty-five (45) nor less than thirty (30) days' notice to the Bondholders (which notice shall be irrevocable), in accordance with Condition 17, redeem all, but not some only, of the Covered Bonds at their Early Redemption Amount together with, unless otherwise specified in the Final Terms, any interest accrued to the date set for redemption provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the latest practicable date on which the Issuer could make payment of principal and interest without withholding for French taxes.
- (ii) If the Issuer would, on the next payment of principal or interest in respect of the Covered Bonds, be prevented by French law from making payment to the Bondholders or, if applicable, Couponholders of the full amounts then due and payable, notwithstanding the undertaking to pay additional amounts contained in Condition 9(b) below, then the Issuer shall forthwith give notice of such fact to the Fiscal Agent and the Issuer shall upon giving not less than seven (7) days' prior notice to the Bondholders in accordance with Condition 17, redeem all, but not some only, of the Covered Bonds then outstanding at their Early Redemption Amount together with, unless otherwise specified in the Final Terms, any interest accrued to the date set for redemption

on (A) the latest practicable Interest Payment Date on which the Issuer could make payment of the full amount then due and payable in respect of the Covered Bonds, provided that if such notice would expire after such Interest Payment Date the date for redemption pursuant to such notice of Bondholders shall be the later of (i) the latest practicable date on which the Issuer could make payment of the full amount then due and payable in respect of the Covered Bonds and (ii) fourteen (14) days after giving notice to the Fiscal Agent as aforesaid or (B) if so specified in the relevant Final Terms, at any time, provided that the due date for redemption of which notice hereunder shall be given shall be the latest practicable date at which the Issuer could make payment of the full amount payable in respect of the Covered Bonds, or, if applicable, Receipts or Coupons or, if that date is passed, as soon as practicable thereafter.

**(g) Redemption due to illegality**

The Covered Bonds of all Series shall be redeemed at the option of the Issuer, subject to compliance by the Issuer of all the relevant laws, regulations and directives, in whole, but not in part, at any time, on giving not less than thirty (30) nor more than sixty (60) days' irrevocable notice in accordance with Condition 17 to the holders of Covered Bonds (or such other notice period as may be specified in the relevant Final Terms), if the Issuer satisfies the Fiscal Agent immediately before the giving of such notice that it has, or will, before the next Interest Payment Date of any Covered Bonds of any Series, become unlawful for the Issuer to make, fund or allow to remain outstanding any Borrower Advance made by it to the Borrower or to comply with any other of its obligations under the Covered Bonds of that Series, as a result of any change in, or amendment to, the applicable laws or regulations or any change in the application or official interpretation of such laws or regulations, which change or amendment has become or will become effective before the next such Interest Payment Date.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Fiscal Agent a certificate signed by two (2) representatives of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and the Fiscal Agent shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on all Bondholders, Receiptholders and Couponholders.

Covered Bonds redeemed pursuant to this Condition 7(g) will be redeemed at their Early Redemption Amount referred to in paragraph 7(e) above together (if appropriate) with interest accrued to the date fixed for redemption, if any.

**(h) Partly Paid Covered Bonds**

Partly Paid Covered Bonds will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 7 and the provisions specified in the relevant Final Terms.

**(i) Purchases**

The Issuer shall have the right at all times to purchase Covered Bonds (provided that, in the case of Materialised Covered Bonds, all unmaturing Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise (including by tender offer) at any price.

**(j) Cancellation**

All Covered Bonds purchased by or on behalf of the Issuer must be cancelled, in the case of Dematerialised Covered Bonds, by transfer to an account in accordance with the rules and procedures of Euroclear France and, in the case of Materialised Covered Bonds, by surrendering the relevant Temporary Global Certificate or the Definitive Materialised Covered Bonds in question, together with all unmaturing Receipts and Coupons and all unexchanged Talons, if applicable, to the Fiscal Agent and, in each case, if so transferred or surrendered, shall, together with all Covered Bonds redeemed by the Issuer, be cancelled forthwith (together with, in the case of Dematerialised Covered Bonds, all rights relating to payment of interest and other amounts relating to such Dematerialised Covered Bonds and, in the case of Definitive Materialised Covered Bonds, all unmaturing Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Covered Bonds so cancelled or, where applicable, transferred or surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Covered Bonds shall be discharged.

## 8. Payments and Talons

### (a) Dematerialised Covered Bonds

Payments of principal and interest in respect of Dematerialised Covered Bonds shall (i) in the case of Dematerialised Covered Bonds in bearer dematerialised form or administered registered form, be made by transfer to the account denominated in the relevant currency of the relevant Account Holders for the benefit of the holders of Covered Bonds and, (ii) in the case of Dematerialised Covered Bonds in fully registered form, to an account denominated in the relevant currency with a Bank designated by the relevant holder of Covered Bonds. All payments validly made to such Account Holders or Bank will be an effective discharge of the Issuer in respect of such payments.

### (b) Definitive Materialised Covered Bonds

#### (i) *Method of payment*

Subject as provided below, payments in a Specified Currency will be made by credit or transfer to an account denominated in the relevant Specified Currency, or to which the Specified Currency may be credited or transferred (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Euro, shall be any country in the Euro-zone, and, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Auckland, respectively).

#### (ii) *Presentation and surrender of Definitive Materialised Covered Bonds, Receipts and Coupons*

Payments of principal in respect of Definitive Materialised Covered Bonds will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of partial payment of any sum due, annotation) of such Covered Bonds, and payments of interest in respect of Definitive Materialised Covered Bonds will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, annotation) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Payments of instalments of principal (if any) in respect of Definitive Materialised Covered Bonds, other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, annotation) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, annotation) of the relevant Covered Bond in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the Definitive Materialised Covered Bond to which it appertains. Receipts presented without the Definitive Materialised Covered Bond to which they appertain do not constitute valid obligations of the Issuer.

Upon the date upon which any Definitive Materialised Covered Bond becomes due and payable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment will be made in respect thereof.

Fixed Rate Covered Bonds in definitive form (other than Dual Currency Covered Bonds or Index Linked Covered Bonds) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of ten (10) years after the Relevant Date in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 11) or, if later, five (5) years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Covered Bond in definitive form becoming due and repayable prior to its Final Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Covered Bond, Dual Currency Covered Bond, Index Linked Covered Bond in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

If the due date for redemption of any Definitive Materialised Covered Bond is not an Interest Payment Date, interest (if any) accrued in respect of such Covered Bond from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against presentation and surrender (if appropriate) of the relevant Definitive Materialised Covered Bond.

**(c) Payments in the United States**

Notwithstanding the foregoing, if any Materialised Covered Bonds are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Covered Bonds in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

**(d) Payments subject to Fiscal Laws**

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives but without prejudice to Condition 9. No commission or expenses shall be charged to the holders of Covered Bonds or Couponholders in respect of such payments.

**(e) Appointment of Agents**

The Fiscal Agent, the Paying Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed at the end of this Base Prospectus relating to the Programme of the Covered Bonds of the Issuer. The Fiscal Agent, the Paying Agents and the Registration Agent act solely as agents of the Issuer and the Calculation Agent(s) act(s) as independent experts(s) and, in each case such, do not assume any obligation or relationship of agency for any Bondholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, any other Paying Agent, Registration Agent or Calculation Agent and to appoint other Fiscal Agent, Paying Agent(s), Registration Agent(s) or Calculation Agent(s) or additional Paying Agent(s), Registration Agent(s) or Calculation Agent(s), provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) one (1) or more Calculation Agent(s) where the Conditions so require, (iii) Paying Agents having specified offices in at least two (2) major European cities (and ensuring the financial services of the Covered Bonds in Luxembourg so long as the Covered Bonds are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Regulated Market of the Luxembourg Stock Exchange and, so long as the Covered Bonds are admitted to trading on any other Regulated Market of the EEA, such other city where the Covered Bonds are admitted to trading), (iv) in the case of Materialised Covered Bonds, a Paying Agent having its specified office in a Member State of the EU that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other EU Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to, such Directive (which may be any of the Paying Agents referred to in (iii) above), (v) in the case of Dematerialised Covered Bonds in fully registered form, a Registration Agent and (vi) such other agents as may be required by the rules of any other Regulated Market on which the Covered Bonds may be admitted to trading.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Materialised Covered Bonds denominated in U.S. dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the holders of Covered Bonds in accordance with Condition 17.

**(f) Talons**

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Materialised Covered Bond, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 11).

**(g) Business Days for Payment**

If any date for payment in respect of any Covered Bond, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day unless otherwise specified in the relevant Final Terms, nor to any interest or other sum in respect of such postponed payment. In this paragraph, "**Business Day**" means a day (other than a Saturday or a Sunday) (A) (i) in the case of Dematerialised Covered Bonds, on which Euroclear France is open for business or (ii) in the case of Materialised Covered Bonds, on which banks and foreign exchange markets are open for business in the relevant place of presentation, (B) in such jurisdictions as shall be specified as "**Financial Centre(s)**" in the relevant Final Terms and (C) (i) in the case of a payment in a currency other than Euro, where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency or (ii) in the case of a payment in Euro, which is a TARGET Business Day.

**(h) Bank**

For the purpose of this Condition 8, "**Bank**" means a bank in the principal financial centre of the relevant currency or, in the case of Euro, in a city in which banks have access to the TARGET System.

**9. Taxation**

**(a) Tax Exemption for Covered Bonds constituting obligations or debt instruments (*titres de créances*) assimilated thereto for French tax purposes**

Pursuant to article 131 *quater* of the French General Tax Code (*Code général des impôts*), as construed by administrative circular no. 5 I-11-98 dated 30 September 1998 and rulings (*rescrits*) no. 2007/59 (FP) dated 8 January 2008 and no. 2009/23 (FP) dated 7 April 2009, all issued by the French tax authorities, payments of interest and other revenues to be made by the Issuer to non-French tax residents in respect of Covered Bonds constituting obligations or debt instruments (*titres de créances*) assimilated thereto for French tax purposes, benefit from the exemption from deduction of tax at source which would otherwise be applicable under article 125 A III of the French General Tax Code (*Code général des impôts*).

The tax regime applicable to Covered Bonds which do not constitute obligations or debt instruments (*titres de créances*) assimilated thereto for French tax purposes will be set out in the relevant Final Terms.

**(b) Additional Amounts**

If French law should require that payments of principal or interest in respect of any Covered Bond, Receipt or Coupon be subject to deduction or withholding in respect of any present or future taxes or duties whatsoever, the Issuer will, to the fullest extent then permitted by law, pay such additional amounts as shall result in receipt by the Bondholders or, if applicable, the Receiptholders and the Couponholders, as the case may be, of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Covered Bond, Receipt or Coupon, as the case may be:

- (i) *Other connection*: to, or to a third party on behalf of, a Bondholder, Receiptholder or Couponholder who is liable to such taxes or duties by reason of his having some connection with France other than the mere holding of the Covered Bond, Receipt or Coupon; or
- (ii) *More than thirty (30) days after the Relevant Date*: in the case of Definitive Materialised Covered Bonds, more than thirty (30) days after the Relevant Date except to the extent that

the Bondholder, Receiptholder or Couponholder would have been entitled to such additional amounts on presenting it for payment on the thirtieth (30<sup>th</sup>) such day; or

- (iii) *Payment to individuals:* where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (iv) *Payment by another Paying Agent:* in the case of Definitive Materialised Covered Bonds presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Covered Bond, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

References in these Conditions to (A) "**principal**" shall be deemed to include any premium payable in respect of the Covered Bonds, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Nominal Amounts and all other amounts in the nature of principal payable pursuant to Condition 7 or any amendment or supplement to it, (B) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 6 or any amendment or supplement to it and (C) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition.

## 10. Events of Default

If an Issuer Event of Default occurs in respect of any Series, the Representative may, at its discretion, and shall, if so directed by the Majority Bondholders or if such Issuer Event of Default is a Covered Bonds Cross Acceleration Event, upon written notice (an "**Issuer Enforcement Notice**") to the Fiscal Agent and the Issuer (with copy to the Issuer Security Agent and to the Rating Agencies) given before all defaults shall have been cured, cause the principal amount of all Covered Bonds of such series to become due and payable (but subject to the relevant Payment Priority Order), together with any accrued interest thereon, as of the date on which such notice for payment is received by the Fiscal Agent and, as provided under the Issuer Security Documents, enforce the rights of the Bondholders under the Issuer Security Documents.

## 11. Prescription

Claims against the Issuer for payment in respect of any amount due under the Covered Bonds, Receipts and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within ten (10) years (in the case of principal) or five (5) years (in the case of interest) from the appropriate Relevant Date in respect of them.

## 12. Representation of Bondholders

Holders of Covered Bonds will, in respect of all Tranches in any Series, be grouped automatically for the defence of their common interests in a *masse* (in each case, the "**Masse**").

The Masse will be governed by the provisions of the French Commercial Code (*Code de commerce*) with the exception of articles L. 228-48, L. 228-59, L. 228-71, L. 228-80, R. 228-63, R. 228-67, R. 228-69 and R. 228-83, subject to the following provisions:

### (a) Legal Personality

The Masse will be a separate legal entity and will act in part through a representative (the "**Representative**") and in part through a general meeting of the holders of Covered Bonds (the "**General Meeting**").

The Masse alone, to the exclusion of all individual holders of Covered Bonds, shall exercise the common rights, actions and benefits which now or in the future may accrue respectively with respect to the Covered Bonds.



**(b) Representative**

The office of Representative may be conferred on a person of any nationality. However, the following persons may not be chosen as Representatives:

- (i) the Issuer, the members of its board of directors (*conseil d'administration*), its managing directors (*directeurs généraux*), its statutory auditors, its employees and their ascendants, descendants and spouse; or
- (ii) companies guaranteeing all or part of the obligations of the Issuer, their respective managers (*gérants*), managing directors (*directeurs généraux*), members of their board of directors, executive board or supervisory board, their statutory auditors, employees and their ascendants, descendants and spouse; or
- (iii) companies holding directly ten per cent. (10%) or more of the share capital of the Issuer or companies having ten per cent. (10%) or more of their share capital held by the Issuer; or
- (iv) persons to whom the practice of banker is forbidden or who have been deprived of the right of directing, administering or managing an enterprise in whatever capacity.

The Representative appointed in respect of the first Tranche of the first Series of Covered Bonds will be BNP Paribas Securities Services:

**BNP Paribas Securities Services**

Global Corporate Trust  
Immeuble Tolbiac,  
25 quai Panhard et Levassor  
75013 Paris  
France

represented by Mr. Pascal POMMIER, Head of Global Corporate Trust  
department of BNP Paribas Securities Services.

The Representative appointed in respect of the first Tranche of any Series of Covered Bonds will be the Representative of the single Masse of all Tranches in such Series. The Representative appointed in respect of each Series of Covered Bonds will be the Representative in respect of the first Tranche of the first Series of Covered Bonds.

The alternative representative shall be Mr. Jean-Pierre PASQUIER, domiciled 25 avenue de Verdun, 94000 Créteil, France.

In the event of death, retirement or revocation of appointment of the Representative, such Representative will be replaced by the alternative representative. In the event of the death, retirement or revocation of appointment of the alternative representative, an alternative representative will be elected by the General Meeting.

The Issuer shall pay to the Representative an amount of Euro 1,000 (one thousand euros) per year so long as any of the Covered Bonds is Outstanding. The alternative representative will only become entitled to the annual remuneration of Euro 1,000 (one thousand euros) if it exercises the duties of Representative on a permanent basis; such remuneration will accrue from the day on which it assumes such duties.

All interested parties will at all times have the right to obtain the names and addresses of the Representative and the alternative representative at the head office of the Issuer and the specified offices of any of the Paying Agents.

**(c) Powers of Representative**

The Representative shall (in the absence of any decision to the contrary of the General Meeting) have the power to take all acts of management necessary in order to defend the common interests of the holders of Covered Bonds.

For the avoidance of doubt, the Issuer Security Agent shall have the power, upon the issue of each Series of Covered Bonds, to release and retake any existing security so that holders of Covered Bonds of all Series benefit *pari passu* from such security and to enforce the Issuer Security upon the service of an Issuer Enforcement Notice.

All legal proceedings against the Bondholders or initiated by them, must be brought by or against the Representative.

The Representative may not be involved in the management of the affairs of the Issuer.

**(d) General Meeting**

A General Meeting may be held at any time, on convocation either by the Issuer or by the Representative. One (1) or more Bondholders, holding together at least one-thirtieth (1/30) of the principal amount of the Covered Bonds outstanding, may address to the Issuer and the Representative a demand for convocation of the General Meeting. If such General Meeting has not been convened within two (2) months after such demand, the Bondholders may commission one (1) of their members to petition a competent court in Paris to appoint an agent (*mandataire*) who will call the General Meeting.

Notice of the date, hour, place and agenda of any General Meeting will be published as provided under Condition 17.

Each Bondholder has the right to participate in a General Meeting in person or by proxy. Each Covered Bond carries the right to one (1) vote or, in the case of Covered Bonds issued with more than one (1) Specified Denomination, one (1) vote in respect of each multiple of the lowest Specified Denomination comprised in the principal amount of the Specified Denomination of such Covered Bond.

General Meetings may deliberate validly on first convocation only if Bondholders present or represented hold at least a fifth (1/5) of the principal amount of the Covered Bonds then outstanding. On second convocation, no quorum shall be required. Decisions at meetings shall be taken by a two-third (2/3) majority of votes cast by Bondholders attending such General Meetings or represented thereat.

**(e) Powers of the General Meetings**

The General Meeting is empowered to deliberate on the dismissal and replacement of the Representative and the alternative representative and also may act with respect to any other matter that relates to the common rights, actions and benefits which now or in the future may accrue with respect to the Covered Bonds, including authorising the Representative to act at law as plaintiff or defendant.

The General Meeting may further deliberate on any proposal relating to the modification of the Conditions including any proposal, whether for arbitration or settlement, relating to rights in controversy or which were the subject of judicial decisions, it being specified, however, that the General Meeting may not increase amounts payable by Bondholders, nor establish any unequal treatment between the Bondholders.

Decisions of General Meetings must be published in accordance with the provisions set forth in Condition 17.

**(f) Information to Bondholders**

Each Bondholder or Representative thereof will have the right, during the fifteen (15)-day period preceding the holding of each General Meeting, to consult or make a copy of the text of the resolutions which will be proposed and of the reports which will be presented at the General Meeting, all of which will be available for inspection by the relevant Bondholders at the registered office of the Issuer, at the specified offices of any of the Paying Agents and at any other place specified in the notice of the General Meeting.

**(g) Expenses**

The Issuer will pay all expenses relating to the operation of the Masse, including expenses relating to the calling and holding of General Meetings and, more generally, all administrative expenses resolved upon by the General Meeting, it being expressly stipulated that no expenses may be imputed against interest payable under the Covered Bonds.

**(h) Single Masse**

The holders of Covered Bonds of the same Series, and the holders of Covered Bonds of any other Series which have been assimilated with the Covered Bonds of such first mentioned Series in accordance with Condition 15, shall, for the defence of their respective common interests, be grouped in a single Masse. The Representative appointed in respect of the first Tranche or Series of Covered Bonds will be the Representative of the single Masse of all such Series.

### 13. Replacement of Definitive Materialised Covered Bonds, Receipts, Coupons and Talons

If, in the case of any Materialised Covered Bonds, a Definitive Materialised Covered Bond, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and Regulated Market regulations, at the specified office of the Fiscal Agent or such other Paying Agent as may from time to time be designated by the Issuer for this purpose and notice of whose designation is given to Bondholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Definitive Materialised Covered Bond, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Definitive Materialised Covered Bonds, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Materialised Covered Bonds, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

### 14. Limited recourse, Non petition

#### *Limited Recourse*

By subscribing to any Covered Bond, each Bondholder will be automatically deemed to have agreed:

- (a) not to seek recourse under any obligation, covenant or agreement of the Issuer under the Covered Bonds and these Conditions against any shareholder, member of the board of directors (*conseil d'administration*), managing director (*directeur général*) or agent of the Issuer, by the enforcement of any assessment or by any proceeding, by virtue of any statute or otherwise; it being expressly agreed and understood that any obligation of the Issuer under the Covered Bonds and these Conditions is a corporate obligation of the Issuer, and that no personal liability shall attach to or be incurred by the shareholders, members of the board of directors (*conseil d'administration*), managing directors (*directeurs généraux*) or agents of the Issuer, as such, or any of them under or by reason of any of the obligations, covenants or agreements of the Issuer contained in these Conditions or implied therefrom and, as a condition of and in consideration for the issuing by the Issuer of any Covered Bond, to waive any and all personal liability of every such shareholder, member of the board of directors (*conseil d'administration*), managing director (*directeur général*) or agent of the Issuer for breaches by the Issuer of any of its obligations, covenants or agreements under the Covered Bonds and these Conditions;
- (b) to limit its recourse against the Issuer under the Covered Bonds and these Conditions to amounts payable or expressed to be payable to it by the Issuer on, under or in respect of its obligations and liabilities under the Covered Bonds and these Conditions (and, for the avoidance of doubt, to the exclusion of any damage for breach of contract or other penalties not expressed as being payable by the Issuer under the Covered Bonds and these Conditions) and in accordance with the then applicable Priority Payment Order; and
- (c) that amounts payable or expressed to be payable by the Issuer on, under or in respect of its obligations and liabilities under the Covered Bonds and/or these Conditions shall be recoverable only from and to the extent of the amount of the Available Funds, as calculated on the relevant Interest Payment Date or (as applicable) on the relevant Final Maturity Date of each relevant Series of Covered Bonds (provided that, to the extent that no Available Funds exist at the relevant date, the Issuer shall not be liable to make payment of the aforementioned amounts and, provided further that, in the event that the Available Funds at the relevant date are insufficient to pay in full all amounts whatsoever due to it and all other claims ranking *pari passu* to its claims, then its claims against the Issuer shall be limited to its respective shares of such Available Funds (as determined in accordance with the then applicable Priority Payment Order) and, after payment to it of its respective share of such Available Funds, the obligations of the Issuer to it shall be discharged in full).

#### *Non-Petition*

By subscribing to any Covered Bond, each Bondholder will also be automatically deemed to have agreed that prior to the date which is eighteen (18) months and one (1) day after the earlier of (i) the

Final Maturity Date of the last Series issued by the Issuer under the Programme, or (ii) the date of payment of any sums outstanding and owing under the latest outstanding Covered Bond:

- (a) it will not take any corporate action or other steps or legal proceedings for the winding-up, dissolution or organisation or for the appointment of a receiver, administrator, administrative receiver, trustee, liquidator, examiner, sequestrator or similar officer of the Issuer, of the Issuer or of any or all of the Issuer's revenues and assets; and
- (b) it will not have any right to take steps for the purpose of obtaining payment of any amounts payable to it under the Covered Bonds by the Issuer and shall not until such time take any step to recover any debts whatsoever owing to it by the Issuer otherwise than in accordance with, and subject to, the Conditions.

The above undertakings by each relevant Bondholder shall survive the payment of all sums owing under any Covered Bond and/or these Conditions.

## 15. Priority Payment Orders

As more fully described under section "**Cash Flow**" of this Base Prospectus, any and all sums due by the Issuer under the Programme (including principal and interest under the Covered Bonds) will be paid within the limit of the Available Funds of the Issuer at the time of such payment and according to the relevant Priority Payment Order described under section "**Cash Flow**" of this Base Prospectus. As a consequence, the payment of certain sums will be subordinated to the full payment of other sums. Bondholders are deemed to have notice of the provisions of the section "**Cash Flow**" of this Base Prospectus.

## 16. Further Issues and Consolidation

### (a) Further Issues

Unless otherwise provided in the relevant Final Terms, the Issuer may from time to time without the consent of the Bondholders, Receiptholders or Couponholders create and issue further Covered Bonds to be assimilated (*assimilées*) with the Covered Bonds provided such Covered Bonds and the further Covered Bonds carry rights identical in all respects (or identical in all respects save as to the principal amount thereof and the first payment of interest specified in the relevant Final Terms) and that the terms of such Covered Bonds provide for such assimilation, and references in these Conditions to "**Covered Bonds**" shall be construed accordingly.

### (b) Consolidation

Unless otherwise provided in the relevant Final Terms, the Issuer, with the prior approval of the Fiscal Agent (which shall not be unreasonably withheld), may from time to time on any Interest Payment Date occurring on or after the Redenomination Date on giving not less than thirty (30) days' prior notice to the Bondholders in accordance with Condition 17, without the consent of the Bondholders, Receiptholders or Couponholders, consolidate the Covered Bonds of one (1) Series denominated in Euro with the Covered Bonds of one (1) or more other Series issued by it, whether or not originally issued in one (1) of the European national currencies or in Euro, provided such other Covered Bonds have been redenominated in Euro (if not originally denominated in Euro) and which otherwise have, in respect of all periods subsequent to such consolidation, the same terms and conditions as the Covered Bonds.

## 17. Notices

- (a) Notices to the holders of Dematerialised Covered Bonds in registered form (*au nominatif*) shall be valid if either, (i) they are mailed to them at their respective addresses, in which case they will be deemed to have been given on the fourth (4<sup>th</sup>) weekday (being a day other than a Saturday or a Sunday) after the mailing, or (ii) at the option of the Issuer, they are published in a leading daily newspaper of general circulation in Europe (which is expected to be the *Financial Times*) or, so long as such Covered Bonds are admitted to trading on any Regulated Market(s), in a leading daily newspaper with general circulation in the city/ies where the Regulated Market(s) on which such Covered Bonds is/are admitted to trading, which in the case of the Luxembourg Stock Exchange's Regulated Market is expected to be the *Luxemburger Wort*, or (iii) so long as such Covered Bonds are

admitted to trading on any Regulated Market and the rules of such Regulated Market so permit, on the website of the Regulated Market where the admission is sought, which in the case of the Luxembourg Stock Exchange is expected to be the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

- (b) Notices to the holders of Materialised Covered Bonds and Dematerialised Covered Bonds in bearer form (*au porteur*) shall be valid if published in a leading daily newspaper of general circulation in Europe (which is expected to be the *Financial Times*) or, so long as such Covered Bonds are admitted to trading on any Regulated Market(s), in a leading daily newspaper with general circulation in the city/ies where the Regulated Market(s) on which such Covered Bonds is/are admitted to trading, which in the case of the Luxembourg Stock Exchange's Regulated Market is expected to be the *Luxemburger Wort* or, so long as such Covered Bonds are admitted to trading on any Regulated Market and the rules of such Regulated Market so permit, on the website of the Regulated Market where the admission is sought, which in the case of the Luxembourg Stock Exchange is expected to be the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).
- (c) Notices required to be given to the holders of Dematerialised Covered Bonds (whether in registered or in bearer form) (*au porteur* or *au nominatif*) pursuant to these Conditions may be given by delivery of the relevant notice to Euroclear France, Euroclear, Clearstream, Luxembourg and any other clearing system through which the Covered Bonds are for the time being cleared in substitution for the mailing and publication as required by Conditions 17(a) and (b), above; provided that (i) so long as such Covered Bonds are admitted to trading on any Regulated Market(s) and the rules of that Regulated Market so require, notices shall also be published in a leading daily newspaper with general circulation in the city/ies where the Regulated Market(s) on which such Covered Bonds is/are admitted to trading, which in the case of the Luxembourg Stock Exchange's Regulated Market is expected to be the *Luxemburger Wort*, and (ii) so long as such Covered Bonds are admitted to trading on any Regulated Market and the rules of such Regulated Market so permit, on the website of the Regulated Market where the admission is sought, which in the case of the Luxembourg Stock Exchange is expected to be the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).
- (d) If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any notice given by publication shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Materialised Covered Bonds in accordance with this Condition.

## **18. Governing Law and Jurisdiction**

### **(a) Governing Law**

The Covered Bonds, Receipts, Coupons and Talons are governed by, and shall be construed in accordance with, French law.

### **(b) Jurisdiction**

Any claim against the Issuer in connection with any Covered Bonds, Receipts, Coupons or Talons may be brought before any competent court in Paris.

## USE OF PROCEEDS

The net proceeds of the issue of Covered Bonds will be used to fund Borrower Advances under the Borrower Credit Facility to be made available by the Issuer to BFCM.

In accordance with section "**The Borrower and the Borrower Facility Agreement - The Borrower Facility Agreement - Principal and interest amounts**" hereunder, the terms and conditions regarding the calculation and the payment of principal and interest under each Borrower Advance made by the Issuer with the net proceeds of the issue of Covered Bonds shall mirror the equivalent terms and conditions of the corresponding Final Terms of Covered Bonds. As a consequence, the Borrower Advances have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Covered Bonds, as long as no Borrower Event of Default has occurred.

## TEMPORARY GLOBAL CERTIFICATES IN RESPECT OF MATERIALIZED COVERED BONDS

### Temporary Global Certificates

A Temporary Global Certificate without interest coupons (a "**Temporary Global Certificate**") will initially be issued in connection with each Tranche of Materialised Covered Bonds, which will be delivered on or prior to the issue date of the Tranche with a common depositary (the "**Common Depositary**") for Euroclear Bank S.A./N.V. ("**Euroclear**") and for Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"). Upon the delivery of such Temporary Global Certificate with a Common Depositary, Euroclear and Clearstream, Luxembourg will credit each subscriber with a nominal amount of Covered Bonds equal to the nominal amount thereof for which it has subscribed and paid.

The Common Depositary may also credit with a nominal amount of Covered Bonds the accounts of subscribers with (if indicated in the relevant Final Terms) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, a nominal amount of Covered Bonds that is initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg, or other clearing systems.

### Exchange

Each Temporary Global Certificate issued in respect of Materialised Covered Bonds will be exchangeable, free of charge to the holder, on or after its Exchange Date (as defined below):

- (i) if the relevant Final Terms indicates that such Temporary Global Certificate is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see section "General Description of the Programme-Selling Restrictions"), in whole, but not in part, for Definitive Materialised Covered Bonds and
- (ii) otherwise, in whole but not in part, upon certification if required under US Treasury Regulation section 1.163-5 (c)(2)(i)(D)(3) as to non-U.S. beneficial ownership for Definitive Materialised Covered Bonds.

### Delivery of Definitive Materialised Covered Bonds

On or after its Exchange Date, the holder of a Temporary Global Certificate may surrender such Temporary Global Certificate to, or to the order of, the Fiscal Agent. In exchange for any Temporary Global Certificate, the Issuer will deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Materialised Covered Bonds. In this Base Prospectus, "**Definitive Materialised Covered Bonds**" means, in relation to any Temporary Global Certificate, the Definitive Materialised Covered Bonds for which such Temporary Global Certificate may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Temporary Global Certificate and a Talon). Definitive Materialised Covered Bonds will be security printed in accordance with any applicable legal and stock exchange requirement.

### Exchange Date

"**Exchange Date**" means, in relation to a Temporary Global Certificate in respect of any Materialised Covered Bonds, the day falling after the expiry of forty (40) days after its issue date, provided that in the event any further Materialised Covered Bonds which are to be assimilated with such first mentioned Materialised Covered Bonds are issued prior to such day pursuant to Condition 15(a), the Exchange Date may, at the option of the Issuer, be postponed to the day falling after the expiry of forty (40) days after the issue date of such further Materialised Covered Bonds.

In the case of Materialised Covered Bonds with an initial maturity of more than 365 days (and that are not relying on the TEFRA C Rules), the Temporary Global Certificate shall bear the following legend:

ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO

LIMITATIONS UNDER THE UNITED STATES FEDERAL INCOME TAX LAWS INCLUDING THE LIMITATION PROVIDED IN SECTIONS 165(j) AND 1287 (a) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED.



## THE ISSUER

### General information about the Issuer

The Issuer was incorporated on 15 February 2005, under the name "Devest 8", as a French *société par actions simplifiée*. Its term of existence is ninety-nine (99) years from the date of its incorporation. The legal and commercial name of the Issuer is "CM-CIC Covered Bonds". The Issuer is registered with the French *Registre du Commerce et des Sociétés de Paris* under number 480 618 800. The Issuer adopted the name "CM-CIC Covered Bonds" and the legal form of a French "*Société anonyme à conseil d'administration*" on 16 April 2007. From the date of its incorporation and until 16 April 2007, the Issuer was a dormant entity owned by BFCM and did not engage in any business activity.

The Issuer is governed by:

- (a) the French Commercial Code (*Code de commerce*) (former Act of 24 July 1966 relating to commercial companies); and
- (b) the French Monetary and Financial Code (*Code monétaire et financier*) (former Act of 24 January 1984 relating to the activities and control of credit institutions).

The Issuer's registered office and principal place of business is located at 6 rue de Ventadour 75001 Paris, France. The telephone number of the Issuer's registered office is: + 33 1 45 96 79 02.

The Issuer's authorised and issued share capital is €120,000,000 (one hundred and twenty million euros) consisting of 12,000,000 (twelve million) ordinary shares with a par value of €10 each.

The Issuer is a subsidiary of BFCM and licensed as a credit institution (*établissement de crédit*) with limited and exclusive purpose by the French *Comité des établissements de crédit et des entreprises d'investissement* (CECEI).

On the Programme Date, 99.99 per cent. of the Issuer's share capital is held by BFCM.

### Issuer's Activities

#### *Special purpose entity and restrictions on object and powers*

The Issuer is a recently established entity, with separate legal capacity and existence, licensed by the French banking regulator notably for the purpose of making Borrower Advances and issuing the Covered Bonds. The Issuer's objects and powers will to the extent possible be restricted to those activities necessary to carry out its obligations under the Programme Documents. The Issuer does not have and will not have any employees, nor will it own or lease any premises. The Issuer will undertake pursuant to the Administrative Agreement and its articles of association not to engage in unrelated business activities or incur any material liabilities other than those contemplated in the Programme Documents.

#### *Limitations on indebtedness*

Pursuant to the Conditions, the Issuer will be restricted from incurring additional indebtedness (other than as contemplated by the Programme Documents) unless:

- (a) such indebtedness is fully subordinated to the outstanding indebtedness incurred in relation to the Covered Bonds, as the case may be; or
- (b) prior Rating Affirmation has been delivered in relation to such indebtedness.

### *Limited recourse*

Each party to any Programme Document will agree:

- (a) not to seek recourse under any obligation, covenant or agreement of the Issuer contained in any Programme Document against any shareholder, member of the board of directors (*conseil d'administration*), managing director (*directeur général*), or agent of the Issuer, by the enforcement of any assessment or by any proceeding, by virtue of any statute or otherwise; it being expressly agreed and understood that any obligation of the Issuer under any Programme Document is a corporate obligation of the Issuer, and that no personal liability shall attach to or be incurred by the shareholders, members of the board of directors (*conseil d'administration*), managing directors (*directeurs généraux*) or agents of the Issuer, as such, or any of them under or by reason of any of the obligations, covenants or agreements of the Issuer contained in any Programme Document or implied therefrom and, as a condition of and in consideration for the execution by the Issuer of any Programme Document, to waive any and all personal liability of every such shareholder, member of the board of directors (*conseil d'administration*), managing director (*directeur général*) or agent of the Issuer for breaches by the Issuer of any of its obligations, covenants or agreements under any Programme Document;
- (b) to limit its recourse against the Issuer under any Programme Document to amounts payable or expressed to be payable to it by the Issuer in respect of its obligations and liabilities under any Programme Document (and, for the avoidance of doubt, to the exclusion of any damage for breach of contract or other penalties not expressed as being payable by the Issuer under any Programme Document) and in accordance with the then applicable Priority Payment Order; and
- (c) that amounts payable or expressed to be payable by the Issuer in respect of its obligations and liabilities under any Programme Document shall be recoverable only from and to the extent of the amount of the Available Funds, as calculated on the relevant Interest Payment Date or (as applicable) on the relevant Final Maturity Date of each relevant Series of Covered Bonds (provided that, to the extent that no Available Funds exist at the relevant date, the Issuer shall not be liable to make payment of the aforementioned amounts and provided further that in the event that the Available Funds at the relevant date are insufficient to pay in full all amounts whatsoever due to it and all other claims ranking *pari passu* to its claims, then its claims against the Issuer shall be limited to its respective shares of such Available Funds (as determined in accordance with the then applicable Priority Payment Order) and, after payment to it of its respective share of such Available Funds, the obligations of the Issuer to it shall be discharged in full).

### *Non-petition*

Each party to any Programme Document will also agree that prior to the date which is eighteen (18) months and one (1) day after the earlier of (i) the Final Maturity Date of the last Series issued by the Issuer under the Programme, or (ii) the date of payment of any sums outstanding and owing under the latest outstanding Covered Bond:

- (a) it will not take any corporate action or other steps or legal proceedings for the winding-up, dissolution or organisation or for the appointment of a receiver, administrator, administrative receiver, trustee, liquidator, examiner, sequestrator or similar officer of the Issuer, or the Issuer or of any or all of the Issuer's revenues and assets; and
- (b) it will not have any right to take steps for the purpose of obtaining payment of any amounts payable to it under any Programme Document by the Issuer and shall not until such time take any step to recover any debts whatsoever owing to it by the Issuer otherwise than in accordance with, and subject to, the Conditions;

The above undertakings by each relevant party survive the termination of any Programme Document and the payment of all sums owing under any such Programme Document.

### *No risk of Issuer consolidation upon insolvency of the Group*

The Issuer is intended to be a ring-fenced, bankruptcy remote entity that will be unaffected by the insolvency of the Group. Under French applicable law, the Issuer's assets may only be "consolidated" into the insolvency proceedings of any other member of the Group if either (i) there is commingling of its assets (*confusion de patrimoine*) with the assets of that member of the Group or (ii) the Issuer is a "fictitious" entity (*société fictive*).

### *Restrictions on mergers or reorganisations*

The Issuer will undertake in the Conditions not to enter into any merger, re-organisation or similar transaction without prior Representative Consent and Rating Affirmation.

### *Separateness covenants*

Pursuant to the Conditions, the Issuer will undertake to observe certain separateness covenants in order to maintain its independent existence and to avoid the risk of bringing it and its assets within the scope of any Insolvency Proceedings in relation to the relevant Borrower and/or the Group (based on applicable general principles of French law such as "piercing the corporate veil", "alter ego" or "substantive consolidation" principles).

## **Issuer Risk Management**

Pursuant to the terms of the Administrative Agreement (see below section "**The Issuer – The Administrative Agreement**") and of the *Convention d'externalisation et de Mise à Disposition de Moyens*, the risk management of the Issuer is delegated to BFCM.

### *Ongoing and periodic internal control system*

The Issuer has set up ongoing internal and periodic control systems, in accordance with the *Règlement 97-02* of the French *Comité de la Réglementation Bancaire et Financière* (the "**Règlement**") relating to the internal control of the credit institutions and investment companies. Ongoing internal and periodic control systems take into account the Issuer's legal form as a French limited company with a board of directors (*société anonyme à conseil d'administration*) and the fact that the Issuer has no own means.

### *Ongoing internal control system (contrôle permanent)*

In accordance with the article 7-5 of the *Règlement*, the ongoing internal control (*contrôle interne permanent*) of the Issuer is under the responsibility of Mr. Jean TARDITS, Head of Ongoing Internal Control 'Business Lines' (*Responsable du Contrôle Permanent Métiers*) of the Group.

In accordance with the article 6 a) of the *Règlement*, the ongoing internal control (*contrôle interne permanent*) implemented on behalf of the company is organised around:

- (i) a middle-office, exercising a level 1 control under the responsibility of the head of post-market activities of the "*CM-CIC Marchés*" department of CIC, and will deal with the accounting aspects, using a dedicated team placed under the responsibility of the head of accounting middle-office, and with the risks aspects, using a dedicated team placed under the responsibility of the head of risks middle-office.
- (ii) a team in charge of market activities, intervening as level 2 control and which ensures a monitoring of the risks and of the controls carried out within the Issuer.

The above mentioned team in charge of the control of market activities is attached to the ongoing internal control 'business lines' (*Contrôle Permanent Métiers*) implemented for the Group (taken as a whole), under the responsibility of Mr. Jean TARDITS, who reports to the Control and Conformity Committee (*Comité de Contrôle et de Conformité*), lead by Mr. Alain FRADIN, Deputy Managing Director of CFCM CEE, member of the Supervisory Board (*Directoire*) and Vice-President of CIC, in charge of risks in the Group.

In accordance with the article 7-1 of the *Règlement*, the units in charge of the engagement of the operations will be separated from the units in charge of their approval, their settlement and the monitoring of risks.

#### *Periodic Internal Control system (contrôle périodique)*

In accordance with the article 7-5 of the *Règlement*, the periodic internal control system (*contrôle périodique*) of the activities of the Issuer is the periodic internal control system implemented within the Group, under the responsibility of Mr. Pascal LAUGEL, Head of Periodic Internal Control 'Business Lines' (*Responsable du Contrôle Périodique Métiers*).

Within the framework of the regulatory requirements defined by the *Règlement*, the periodic internal control of specialized business lines of the Group is carried out with specialized auditors.

In addition to the information given to the persons in charge of the audited structures, the Head of Periodic Internal Control 'Business Lines' reports his observations, conclusions and recommendations to the executive body of the Group. In addition, he provides information to the Control and Conformity Committee, lead by Mr. Alain FRADIN, of which he is a member. This Committee holds regular meetings.

#### *Compliance Control*

In accordance with article 11 of the *Règlement*, the compliance control of the activities of the Issuer is carried out under the responsibility of Mr Stephane CADOR, Head of Compliance of the Group.

The person in charge of the compliance controls within the Issuer informs the Board of Directors of the Issuer of the conclusions of its missions.

Any new mode of conclusion of banking and investment services by the Issuer are subject a systematic preliminary opinion by the person in charge of compliance within the framework of the application for the procedure "new products - news activities" ("*Nouveaux produits – nouvelles activités*") implemented at the Group level.

Level 1 internal controls are carried out by all persons acting on behalf of the Issuer with respect to accounting, administrative, regulatory and IT systems treatments of the activities of the Issuer. Some of these controls are integrated in the electronic processes and are therefore carried out automatically.

#### *Accounting*

In the context of the *Convention d'externalisation et de mise à disposition de moyens*, the general accounting, the consolidation of periodical financial statements and regulatory statements (BAFI) are carried out by a team of the accounting department *Métiers & Filiales* of CIC.

To carry out such services, the accounting department *Métiers & Filiales* of CIC uses the accounting tools made available by Euro Information, one of the two IT companies of the Group.

#### *IT Systems*

All of the procedures below are carried out, under the responsibility of BFCM, through the use of programs which are part of the IT systems of Euro Information, one of the two IT companies of the Group.

The general accounting and the provision of financial statements are carried out through the tool EI (accounting package). The accounting statements are based on the information taken out of the BAN transactions which supply the consolidation tool MAGNITUDE by CARTESIS. This tool is used for the setting up of the consolidated accounts of BFCM, CFCM CEE and the Group, and is also used for the setting up of individual financial statements, on the basis of a centralised process.

The preparation and provision of regulatory and prudential statements are carried through the tools EVOLAN REPORT by SOPRA.

All of the accounting records are carried out in accordance with the standards of the Group and updated in the event of any modification of the applicable regulations.

Finally, the preparation and electronic processing tasks relating to the accounting information systems of the Issuer are carried out, under the responsibility of BFCM, by specialised teams of Euro Information which have expertise in this domain and benefit from a backup site.

Such organisation is based on general accounting managed by CIC – accounting department "*Métiers & Filiales*". The Advances made available by the Issuer under the Borrower Facility Agreement and the issue of Covered Bonds are followed up by the back offices of BFCM in the KTP tool. This tool generates accounting information flows sent on a daily basis, by batch, to the central system. KTP also initiates the cash flows. The entire process is validated daily by the follow-up of the bank accounts. The inventories are generated monthly by KTP and also interfaced with the central system. These inventories are monitored by the *Contrôle Comptable et Réglementaire* and are used as a basis for regulatory information purposes, established by the accounting department of CIC.

#### *Internal control reporting*

At least twice a year, the board of directors of the Issuer shall review the activity and the results of the periodic and ongoing internal controls, and in particular, shall verify the compliance control on the basis of information provided by both the Managing Director and the internal control officer.

#### *Information procedures of the Board of Directors*

The managing director of the Issuer shall keep the board of directors of the Issuer informed of the economic and financial situation of the Issuer and shall communicate any and all measures consisting of the system of the internal control as well as the main items and results which have been observed with respect to the risks to which the Issuer is exposed.

#### *Procedures handbook*

A procedures handbook notably sets out the conditions under which the recording, the management, the administration and the reporting of the information are performed as well as the accounting schemes and commitment procedures of the transactions. In the context of the *Convention d'externalisation et de mise à disposition de moyens*, each relevant party thereto is entrusted with the duties of updating the procedures handbook relating to its activities.

#### *Internal control documentation*

In the context of the *Convention d'externalisation et de mise à disposition de moyens*, a documentation on periodical and ongoing internal controls is prepared in order to be made available, upon request, to the board of directors of the Issuer, the auditors of the Issuer and the *Secrétariat Général de la Commission Bancaire*.

On the basis of the information collected by BFCM in the exercise of its mission, and of further information provided by the Issuer, BFCM shall submit to the Issuer, once a year, a report on the internal control in accordance with article L. 225-37 of the French Commercial Code (*Code de commerce*).

On the basis of the information collected by the persons in charge of the Group internal control in the exercise of their mission, and of further information provided by the Issuer, a report on internal control in accordance with article 42 of the *Règlement* shall be prepared once a year and submitted for approval to the Board of Directors of the Issuer.

On the basis of the information collected by the persons in charge of the Group internal control in the exercise of their mission, and of further information provided by the Issuer, a report on the assessment and monitoring of risks to which the Issuer is exposed, in accordance with article 43 of the *Règlement*, shall be prepared once a year.

### *Duty of care on money laundering transactions*

The entities of the Group have a duty of care with respect to money laundering risks and have to inform the Issuer in the event they identify any such risk. However, the Issuer is primarily responsible of anti-money laundering and "know you customer" checks for the transactions the Issuer enters into.

In accordance with the provisions of the *Convention d'externalisation et de mise à disposition de moyens*, the Issuer benefits from the anti-money laundering procedures of the Group.

The TRACFIN representatives in charge of performing the above mentioned tasks are Mr. Jean-Marie WINTZERITH, representing the Group and, in collaboration with Mr. Stéphane CADOR, notably in charge of controlling the performance within CM-CIC Covered Bonds.

### **Issuer Financial Elements**

The financial year of the Issuer runs from 1 January to 31 December. The annual results of the Issuer shown hereafter are the non consolidated accounts. The Issuer does not produce consolidated financial statements.

### *Prudential ratios*

The Issuer's prudential ratios are assessed at the Group level and at the Issuer level (see *Expected capital adequacy ratio* below).

### *Expected capital adequacy ratio*

	2008	2009	2010
<b>European Solvency Ratio</b>			
TIER 1	121	124	126
UPPER TIER 2	60	60	60
LOWER TIER 2	60	60	60
<b>REGULATORY CAPITAL – Total</b>	<b>241</b>	<b>244</b>	<b>246</b>
	-	-	-
Risk Weighting	1 948	2 749	3 049
Regulatory Capital Basel I	156	220	244
<b>European Solvency Ratio BASEL I</b>	<b>12.39</b>	<b>8.86</b>	<b>8.05</b>
	-	-	-
BASEL II	-	-	-
<i>BFCM has a rating of AA3- method foundation IRB approach</i>	-	-	-
<i>=&gt; 14.40%</i>	1,042.76	1,979.07	2,195.35
European Solvency Ratio Basel II	17.21	12.31	11.19
Basel Coefficient II	0.90	0.80	0.00
	-	-	-
Regulatory Capital Basel I	156	220	244
Regulatory Capital Basel II	112	158	176
Regulatory Capital in compliance with Directive on European Solvency Ratios	140	176	176
<b>RSE Basel II</b>	<b>13.77</b>	<b>11.07</b>	<b>11.19</b>
<i>=&gt; Basel II: no need to constitute regulatory capital in relation to the Borrower Facility Agreement since it benefits the mother company (BFCM).</i>	-	-	-
	-	-	-

The information provided in this paragraph "Expected capital adequacy ratio" is forward-looking statements that reflect the current expectations of the Issuer with respect to future events and financial

performance. These forward-looking statements reflect present expectations of future events and speak only as of the date of this Base Prospectus. The Issuer does not intend to release publicly any updates or revisions to any forward-looking statements contained in this paragraph "Expected capital adequacy ratio" to reflect any change in the Issuer's expectations or any change in events, conditions or circumstances, on which such forward-looking statements are based.

### **Issuer Share capital, Subordinated Loans and Issuer Majority Shareholder's undertakings**

#### *Share capital*

The Issuer's issued share capital is €120,000,000 (one hundred and twenty million euros) consisting of 12,000,000 (twelve million) ordinary shares with a par value of €10 each (the "**Issuer Share Capital**").

The share capital may be increased or decreased in accordance with legal provisions. New shares can be issued either at par value or at a premium.

A capital increase can only be approved by an extraordinary general meeting of shareholders, on the basis of a report by the board of directors (*conseil d'administration*).

An extraordinary general meeting of shareholders can delegate the necessary powers to the board of directors (*conseil d'administration*) to increase the share capital on one (1) or more occasions, to establish the terms of the increase, to certify that such terms have been carried out and to amend the Issuer's articles of association accordingly.

A reduction in capital can be decided by an extraordinary general meeting of shareholders, which may delegate to the board of directors (*conseil d'administration*) all the necessary powers to carry out such a reduction.

#### *Subordinated Loans*

As from 6 July 2007, the Issuer also benefited from two (2) €60,000,000 (sixty million euro) subordinated shareholder's loans granted by BFCM (the "**Subordinated Loans**").

Each Subordinated Loan agreement provides that all amounts to be paid by the Issuer under this Subordinated Loan agreement will be paid according to the relevant Priority Payment Order, as described in Condition 15 of the Terms and Conditions.

Each Subordinated Loan agreement includes Limited Recourse and Non petition provisions, as described in "**Issuer's Activities – Limited Recourse**" and "**Issuer's Activities – Non-Petition**".

No amendment, modification, alteration or supplement shall be made to the Subordinated Loan agreements without prior Rating Affirmation if the same materially and adversely affects the interest of the Issuer or the Bondholders.

For the avoidance of doubt, the Subordinated Loan agreements may be amended, modified, altered or supplemented without prior Rating Affirmation:

- (a) to cure any ambiguity, omission, defect or inconsistency;
- (b) to evidence or effect the transition of any party to a Subordinated Loan agreement to any successor;
- (c) to add to the undertakings and other obligations of BFCM under a Subordinated Loan agreement;  
or
- (d) to comply with any mandatory requirements of applicable laws and regulations.

The Subordinated Loan agreements are governed by, and construed in accordance with, French law. The Issuer and BFCM, as lender, have agreed to submit any dispute that may arise in connection with the Subordinated Loan agreements to the jurisdiction of the competent court of Paris.

### *Shareholder Letter of Undertaking*

As the majority shareholder of the Issuer and pursuant to a letter of undertaking (the "**Shareholder Letter of Undertaking**"), BFCM undertakes in favour of the Bondholders of Covered Bonds of all Series to be issued, represented by their respective Representative:

- (a) not to take or participate in any corporate action or other steps or legal proceedings for the voluntary winding-up, dissolution or organisation of the Issuer or of any or all of the Issuer's revenues and assets;
- (b) not to take or participate in any corporate action or other steps or legal proceedings for the voluntary appointment of a receiver, administrator, administrative receiver, trustee, liquidator, examiner, sequestrator or similar officer with respect to the Issuer or of any or all of the Issuer's revenues and assets;
- (c) not to amend the constitutional documents (and in particular the articles of association) of the Issuer other than as expressly contemplated under the Programme Documents or without a prior Representative Consent and Rating Affirmation;
- (d) unless required by any administrative or regulatory authorities or under any applicable law or regulation (as the same shall have been notified by the Issuer and/or BFCM to the Rating Agencies) or unless approved by BFCM subject to prior Rating Affirmation, that BFCM will procure that the Issuer will at all times comply with its undertakings and other obligations as set forth in the banking license of the Issuer or in the related application form (*dossier d'agrément*) filed with the *Comité des établissements de crédit et des entreprises d'investissement* (CECEI);
- (e) not to permit any amendments to the Programme Documents other than as expressly permitted or contemplated under the Programme Documents or without the prior Representative Consent and prior Rating Affirmation;
- (f) not to permit that the Issuer cease to be consolidated within the tax group formed under the *régime d'intégration fiscale* provided by articles 223 A *et seq.* of the French General Tax Code (*Code général des impôts*), with BFCM as head of that tax group and not to amend the tax consolidation agreement (*convention d'intégration fiscale*) in force at the date hereof between BFCM and the Issuer without prior Rating Affirmation;
- (g) not to create or permit to subsist any encumbrance over the whole or any part of the shares of the Issuer it owns;
- (h) not to sell, transfer, lease out or otherwise dispose of, by one (1) or more transactions or series of transactions (whether or not related), whether voluntarily or involuntarily, the whole or any part of the shares of the Issuer it owns; and
- (i) to take any necessary steps, which are available to it as shareholder, to remain majority shareholder of the Issuer.

### **Issuer Management bodies**

#### *The chairman and managing director*

Mr. Christian KLEIN, chairman of the board of directors (*président du conseil d'administration*) and Mr. Christian ANDER, managing director (*directeur général*) are responsible for the conduct of the Issuer's activities vis-à-vis the French financial regulator in accordance with article L. 511-13 of the French Monetary and Financial Code (*Code monétaire et financier*).

In accordance with French applicable corporate laws, the managing director (*directeur général*) represents the Issuer vis-à-vis third parties. The chairman of the board of directors (*président du conseil d'administration*) ensures the efficient functioning of the board of directors (*conseil d'administration*).



### *Board of directors (conseil d'administration)*

The board of directors (*conseil d'administration*) consists of a minimum of three (3) members and a maximum of eighteen (18) members. The term of office is six (6) years.

### *Members of the board of directors (conseil d'administration)*

On the Programme Date, the board of directors (*conseil d'administration*) consists of five (5) members.

<u>Name and Position</u>	<u>Date of appointment</u>
Mr. Christian KLEIN, <i>président du conseil d'administration</i>	16 April 2007
Mr. Christian ANDER, <i>directeur général</i>	16 April 2007
Mr. Philippe VIDAL, <i>administrateur</i>	16 April 2007
Mr. Luc CHAMBAUD, <i>administrateur indépendant</i>	28 juin 2008
BFCM (represented by Mr. Marc BAUER), <i>administrateur</i>	16 April 2007

The members of the board of directors (*conseil d'administration*) have their business addresses at the registered office of the Issuer.

Mr. Christian KLEIN, chairman of the board of directors (*président du conseil d'administration*) is also managing director (*directeur général*) of BFCM and head of CM - CIC Marchés, in charge of the *Métiers Refinancement et Commercial*.

Mr. Christian ANDER, *directeur général*, is also head of the *Métiers Refinancement* of CM - CIC Marchés.

Mr. Philippe VIDAL, *administrateur*, is also member of the executive board (*membre du directoire*) of Credit Industriel et Commercial (CIC).

### *Rights and duties of the board of directors (conseil d'administration)*

In accordance with French applicable corporate laws and the articles of association of the Issuer, the board of directors (*conseil d'administration*) determines the scope of the Issuer's business activities. Without prejudice to the powers expressly granted to meetings of the shareholders, and in so far as the articles of association permit, the board of directors (*conseil d'administration*) deals with all matters relating to the conduct of the Issuer's business, within the limit of the corporate purpose (*objet social*) of the Issuer. When dealing with third parties, the Issuer is bound by acts of the board of directors (*conseil d'administration*) which do not come within the scope of the Issuer's corporate purpose, unless it can prove that the third party knew that a specific action was out of that scope.

The board of directors (*conseil d'administration*) shall carry out the inspections and verifications which it considers appropriate. The chairman of board of directors (*conseil d'administration*) or the managing director (*directeur général*) is required to send all the documents and information necessary to perform this task to each director (*administrateur*).

The chairman of the board of directors (*président du conseil d'administration*) organises and oversees the work of the board of directors (*conseil d'administration*) and reports to the shareholders' general meeting.

### *Rights and duties of the managing director (directeur général)*

The general management of the Issuer shall be performed by the managing director (*directeur général*). The managing director (*directeur général*) shall have the most extensive powers to act on behalf of the Issuer in all circumstances, but will exercise its powers subject to those that the law allocates explicitly to shareholders' meetings and to the board of directors (*conseil d'administration*).

With regard to the shareholders, the by-laws of the Issuer provides that some actions shall not be able to be taken by the board of directors (*conseil d'administration*), nor by the chairman (*président*), nor by any managing director (*directeur général*) whatsoever, without the prior consent of the shareholders' general meeting. Such provisions of the by-laws of the Issuer restricting the actions the board of directors (*conseil*

*d'administration*), the chairman (*président*) or the managing director (*directeur général*) may take are not enforceable against third parties.

#### *The Issuer Independent Representative*

According to the by-laws of the Issuer, the board of directors (*conseil d'administration*) will, at any time, include an independent member (the "**Issuer Independent Representative**"), i.e. a member having no relationship with the Issuer, its shareholders or its management, which may compromise the independence of judgement by such member, as further described and detailed in the by-laws of the Issuer. On the Programme Date, Mr. Luc Chambaud is the Issuer Independent Representative.

The written confirmation consent of the Issuer Independent Representative (the "**Issuer Independent Representative Consent**") will be required regarding any action, determination or appointment, as specified under the Terms and Conditions and/or any other Programme Documents.

#### **Issuer Statutory Auditors**

The statutory auditors of the Issuer are:

- (a) PricewaterhouseCoopers Audit, 63, rue de Villiers, 92208 Neuilly-sur-Seine Cedex, France;
- (b) Ernst & Young, 41, rue Ybry, 92576 Neuilly-sur-Seine Cedex, France.

#### **The Administrative Agreement**

This section sets out the main material terms of the Administrative Agreement.

##### *Background*

The "**Administrative Agreement**" refers to the agreement dated on or prior to the Programme Date and entered into between CM-CIC Covered Bonds, as Issuer and BFCM, as Administrator (the "**Administrator**").

##### *Purpose*

Under the Administrative Agreement, CM-CIC Covered Bonds, as Issuer, appoints BFCM as its servicer for the rendering of administrative services to the Issuer (including all necessary advice, assistance and know-how, whether technical or not, day to day management and corporate administration services). The Administrator will always act in the best and exclusive interest of CM-CIC Covered Bonds.

##### *Administrator's duties*

Pursuant to the Administrative Agreement, the Administrator will *inter alia*:

- (a) advise and assist the Issuer in all accounting and tax matters;
- (b) advise and assist the Issuer in all legal and administrative matters;
- (c) ensure that the Issuer will exercise each of its rights and perform each of its obligations under the Programme Documents;
- (d) provide the Issuer with all necessary assistance and know-how, whether technical or other, to exercise and perform all of its rights and obligations under the Programme Documents;
- (e) assist the Issuer in operating its bank accounts, the management and investment of its available cash in Permitted Investments in accordance with the relevant Permitted Investments rules, and any other matters in relation to the management of its bank accounts and funds so as to ensure that the Issuer will at all times comply with the provisions of the Programme Documents;

- (f) act as custodian of any and all other documents that any corporate company similar to the Issuer shall keep on file under any applicable laws, until the Service Termination Date;
- (g) upon enforcement of the Collateral Security following the occurrence of a Borrower Event of Default, cause the Collateral Providers to deliver the Collateral Security Assets to the Issuer and hence the Issuer to take title to such assets;
- (h) upon enforcement of the Collateral Security following the occurrence of a Borrower Event of Default and upon the Issuer taking title to the Collateral Security Assets, ensure the servicing of such assets (if not transferred to a substitute servicer), and notify the debtors for the direct payment to the Issuer of the amounts due under the Home Loans.

*Administrator's duties regarding the refinancing of the Transferred Assets*

After title to Home Loans and related Home Loan Security and Substitution Assets has been transferred to the Issuer upon enforcement of the Collateral Security following the occurrence of a Borrower Event of Default (the "**Transferred Assets**"), the Administrator (or the Substitute Administrator) acting on behalf of the Issuer will sell or refinance such Home Loans, related Home Loan Security and Substitution Assets in order for the Issuer to receive sufficient Available Funds to make payments when due under the relevant Series of Covered Bonds (after taking into account all payments to be made in priority thereto according to the relevant Priority Payment Order and the relevant payment dates and Final Maturity Date under each relevant Series of Covered Bonds).

The Administrator (or the Substitute Administrator) acting on behalf of the Issuer shall ensure that the Home Loans, related Home Loan Security and Substitution Assets which are proposed for sale or refinancing (the "**Selected Assets**") at any relevant date (the "**Relevant Date**") will be selected on a random basis, provided that (i) no more Selected Assets will be selected than are necessary for the estimated sale or refinancing proceeds to equal the Adjusted Required Redemption Amount, and (ii) the aggregate outstanding principal amount or value (and interest accrued thereon) of such Selected Assets shall not exceed the "Selected Assets Required Amount (SARA)", which is calculated as follows:

$$\text{SARA} = \text{Adjusted Required Redemption Amount} * A/B$$

where:

"**Adjusted Required Redemption Amount**" means an amount equal to the euro equivalent of the outstanding principal amount (together with Interest Amount accrued thereon) of the first Series of Covered Bonds maturing after the Relevant Date less amounts standing to the credit of the Issuer Accounts (excluding all amounts to be applied on the first Payment Date following the Relevant Date to repay higher ranking amounts in the relevant Priority Payment Order and those amounts that are required to repay any Series which mature prior to or on the same date as the relevant Series);

"**A**" means the euro equivalent of the aggregate of the outstanding principal amount or value (together with interest accrued thereon) of all Transferred Assets; and

"**B**" means the euro equivalent of the outstanding principal amount (together with Interest Amount accrued thereon) in respect of all Series of Covered Bonds then outstanding.

The Administrator (or the Substitute Administrator) acting on behalf of the Issuer will offer the Selected Assets for sale to potential buyers for the best price reasonably available but in any event for an amount not less than the Adjusted Required Redemption Amount.

If the Selected Assets have not been sold or refinanced (in whole or in part) in an amount equal to the Adjusted Required Redemption Amount by the date which is six (6) months prior to the Final Maturity Date of the Series of Covered Bonds maturing after the Relevant Date (after taking into account all payments, provisions and credits to be made in priority thereto), then the Administrator (or the Substitute Administrator) acting on behalf of the Issuer will (i) offer the Selected Assets for sale for the best price reasonably available or (ii) seek to refinance the Selected Assets on the best terms reasonably available, notwithstanding that such amount may be less than the Adjusted Required Redemption Amount.

For the purpose hereof, the Administrator (or the Substitute Administrator) acting on behalf of the Issuer may through a tender process appoint a portfolio manager of recognised standing on a basis intended to incite the portfolio manager to achieve the best price for the sale or refinancing of the relevant Home Loans, related Home Loan Security and the relevant Substitution Assets (if such terms are commercially available in the market) and to advise it in relation to the sale or refinancing of the same to potential buyers.

In respect of any sale or refinancing of the Selected Assets, the Administrator (or the Substitute Administrator) acting on behalf of the Issuer shall use all reasonable endeavours to procure that the same are sold as quickly as reasonably practicable (in accordance, as the case may be, with the recommendations of the portfolio manager) taking into account the market conditions at that time.

For such purposes, "**Permitted Investments**" means:

- (a) Euro denominated government securities, Euro demand or time deposits, certificates of deposit and short term debt obligations (including commercial paper) provided that in all cases such investments have a remaining maturity date of thirty (30) days or less and mature on or before the next following Payment Date and the short term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made are rated at least A-1 (short term) or A (long term) by S&P, F1 (short term) by Fitch and P-1 (short term) by Moody's;
- (b) Euro denominated government securities, Euro demand or time deposits, certificates of deposit and short term debt obligations (including commercial paper) provided that in all cases such investments have a remaining maturity date of three hundred and sixty-four (364) days or less and the short term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made are rated at least A-1+ (short term) or AA- (long term) by S&P, F1+ (short term) by Fitch and P-1 by Moody's; and
- (c) Euro denominated government securities, Euro demand or time deposits, certificates of deposit which have a remaining maturity date of more than three hundred and sixty-four (364) days and the long term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made are rated at least AAA by S&P, AAA by Fitch and Aaa by Moody's.

#### *Substitution and Agency*

The Administrator may not assign its rights and obligations under the Administrative Agreement but will have the right to be assisted by, to appoint or to substitute for itself any third party in the performance of certain or all its tasks under the Administrative Agreement provided that:

- (a) the Administrator remains liable to the Issuer for the proper performance of those tasks and, with respect to the Issuer only, the relevant third party has expressly waived any right to any contractual claim against the Issuer; and
- (b) the relevant third party has undertaken to comply with all obligations binding upon the Administrator under the Administrative Agreement.

#### *Fees*

In consideration of the services provided by the Administrator to the Issuer under the Administrative Agreement, the Issuer will pay to the Administrator an administration fee computed subject to, and in accordance with, the provisions of the Administrative Agreement.

#### *Representations, warranties and undertakings*

The Administrator has made the customary representations and warranties and undertakings to the Issuer, the representations and warranties being given on the execution date of the Administrative Agreement and continuing until the Service Termination Date.

### *Indemnities*

Pursuant to the Administrative Agreement, the Administrator undertakes to hold harmless and fully and effectively indemnify the Issuer against all actions, proceedings, demands, damages, costs, expenses (including legal fees), claims, losses, prejudice or other liability, which the Issuer may sustain or incur as a consequence of the occurrence of any default by the Administrator in its performance of any of its obligations under the Administrative Agreement.

### *Resignation of the Administrator*

The Administrator will not resign from the duties and obligations imposed on it as Administrator pursuant to the Administrative Agreement, except:

- (a) upon a determination that the performance of its duties under the Administrative Agreement will no longer be permissible under applicable law; and
- (b) in the case where the Issuer does not comply with any of its material obligations under the Administrative Agreement and fails to remedy the situation within one hundred and eighty days (180) days from the receipt by the Issuer of a notice from the Administrator,

such resignation being effective on the date upon which (i) the event in paragraph (a) above occurs; or (ii) one hundred and eighty (180) days after the date of delivery of the notice referred to in paragraph (b) above and the date upon which the Administrator becomes unable to act as Administrator.

### *Administrator's Defaults*

Each of the following events shall constitute an Administrator's Default:

- (a) any material representation or warranty made by the Administrator is or proves to have been incorrect or misleading in any material respect when made, and the same is not remedied (if capable of remedy) within sixty (60) Business Days after the Issuer has given notice thereof to the Administrator or (if sooner) the Administrator has knowledge of the same, provided that the Issuer, at its discretion, certifies that it is prejudicial to the interests of the holders of the relevant Covered Bonds;
- (b) the Administrator fails to comply with any of its material obligations under the Administrative Agreement unless such breach is capable of remedy and is remedied within sixty (60) Business Days after the Issuer has given notice thereof to the Administrator or (if sooner) the Administrator has knowledge of the same, provided that the Issuer, at its discretion, certifies that it is prejudicial to the interests of the holders of the relevant Covered Bonds;
- (c) an Insolvency Event occurs in respect of the Administrator; or
- (d) at any time it is or becomes unlawful for the Administrator to perform or comply with any or all of its material obligations under the Administrative Agreement or any or all of its material obligations under the Administrative Agreement are not, or cease to be, legal, valid and binding.

For such purposes, "**Insolvency Event**" means the occurrence of any of the following events:

- (a) the relevant entity is, or is deemed or declared for the purposes of any law to be, unable to pay its debts as they fall due or to be insolvent, including without limitation, *en état de cessation des paiements*, or admits in writing its inability to pay its debts as they fall due;
- (b) the relevant entity by reason of financial difficulties, begins formal negotiations with one (1) or more of its creditors with a view to the general readjustment or rescheduling of any of its indebtedness or applies for or is subject to an amicable settlement or a *règlement amiable* pursuant to articles L. 611-1 *et seq.* of the French Commercial Code (*Code de commerce*);
- (c) a meeting of the shareholders of the relevant entity is convened for the purpose of considering any resolution for (or to petition for) its winding-up or its administration or any such resolution is passed;

- (d) any person presents a petition for the winding-up or for the administration or for the bankruptcy of the relevant entity and the petition is not discharged within thirty (30) days;
- (e) any order for the winding-up or administration of the relevant entity is issued;
- (f) a judgement is issued for the judicial liquidation (*liquidation judiciaire*), the safeguard of the relevant entity (*procédure de sauvegarde*), the rescheduling of the debt of the relevant entity (*redressement judiciaire*) or the transfer of the whole or part of the business of the relevant entity (*cession de l'entreprise*); or
- (g) any liquidator, trustee in bankruptcy, receiver, administrative receiver, administrator or the like (including, without limitation, any *mandataire ad hoc*, *administrateur judiciaire*, *administrateur provisoire*, *conciliateur* or *mandataire liquidateur*) is appointed in respect of the relevant entity or any substantial or material part of the assets or the directors of the relevant entity request such appointment.

#### *Administrator Rating Trigger Event*

If an Administrator Rating Trigger Event occurs, the Administrator will notify the Issuer in writing of the occurrence of the Administrator Rating Trigger Event within five (5) Business Days from the date upon which it becomes aware of such event and this will constitute a termination event under the Administrative Agreement.

For such purposes, "**Administrator Rating Trigger Event**" means the event in which the long-term senior unsecured, unsubordinated and unguaranteed debt obligations of the Administrator become rated below BBB by S&P, or Baa2 by Moody's or BBB by Fitch.

#### *Termination*

"**Administrator Termination Events**" under the Administrative Agreement will include the following events:

- (a) the termination of the Administrative Agreement in accordance with its scheduled term;
- (b) the occurrence and continuation of any Administrator's Default;
- (c) the occurrence of the Administrator Rating Trigger Event;
- (d) the occurrence of a Borrower Event of Default; or
- (e) the resignation of the Administrator.

If an Administrator Termination Event occurs and is continuing, the Issuer shall terminate the Administrative Agreement by delivery of a written termination notice to the Administrator (the "**Notice of Termination**"). Upon receipt by the Administrator of the Notice of Termination, the Administrative Agreement will terminate with effect:

- not earlier than twenty (20) Business Days as from the receipt by the Administrator of the Notice of Termination, if such Notice of Termination is served due to the occurrence of a Borrower Event of Default or of an Administrator Rating Trigger Event;
- not earlier than twenty (20) Business Days as from the receipt by the Administrator of the Notice of Termination or at any other date that the Issuer may have specified in the Notice of Termination, if such Notice of Termination is served due to any other reason,

(each, a "**Service Termination Date**"), and save for any continuing obligations of the Administrator contained in the Administrative Agreement.

Upon the Service Termination Date, the Issuer will replace BFCM, as Administrator, by any substitute entity (the "**Substitute Administrator**"), the choice of which being subject to prior Rating Affirmation.

Notwithstanding the Service Termination Date, the Administrator will continue to be bound by all its obligations under the Administrative Agreement until the appointment of the Substitute Administrator is effective. The Administrator undertakes to act in good faith to assist any Substitute Administrator.

### *Limited Recourse – Non Petition*

The Administrative Agreement includes Limited Recourse and Non petition provisions, as described in "**Issuer's Activities – Limited Recourse**" and "**Issuer's Activities – Non-Petition**".

### *Amendment*

No amendment, modification, alteration or supplement shall be made to the Administrative Agreement without prior Rating Affirmation if the same materially and adversely affects the interest of the Issuer or the Bondholders.

For the avoidance of doubt, the Administrative Agreement may be amended, modified, altered or supplemented without prior Rating Affirmation:

- (a) to cure any ambiguity, omission, defect or inconsistency;
- (b) to evidence or effect the transition of any party to the Administrative Agreement to any successor;
- (c) to add to the undertakings and other obligations of the Administrator under the Administrative Agreement; or
- (d) to comply with any mandatory requirements of applicable laws and regulations.

### *Governing Law – Jurisdiction*

The Administrative Agreement shall be governed by, and construed in accordance with, French law. The Issuer and the Administrator have agreed to submit any dispute that may arise in connection with the Administrative Agreement to the jurisdiction of the competent court of Paris.

## **The Issuer Accounts Agreement**

This section sets out the main material terms of the Issuer Accounts Agreement pursuant to which the Issuer Accounts are opened in the books of the Issuer Accounts Bank.

### *Background*

The Issuer Accounts Agreement refers to the agreement dated on or prior to the Programme Date and entered into between CM-CIC Covered Bonds, as Issuer and BFCM, as Issuer Accounts Bank (the "**Issuer Accounts Bank**") (the "**Issuer Accounts Agreement**").

### *Purpose*

Under the Issuer Accounts Agreement, CM-CIC Covered Bonds, as Issuer, appoints BFCM as its account bank for the opening and operation of its bank accounts (the "**Issuer Accounts**"). The Issuer Accounts Bank will always act in the best and exclusive interest of CM-CIC Covered Bonds.

### *Issuer Accounts*

The Issuer Accounts opened in the name of the Issuer in the books of the Issuer Accounts Bank include:

- (a) the "**Issuer Cash Accounts**", including the Issuer General Account (denominated in Euro), the Cash Collateral Account (denominated in Euro) and the Share Capital Proceeds Account (denominated in Euro); and
- (b) the "**Issuer Securities Accounts**", which are securities accounts (*compte d'instrument financiers*) opened in relation to each Issuer Cash Account,

it being provided that, according to the Issuer Accounts Agreement, upon request of the Issuer, the Administrator may open within the books of the Issuer Accounts Bank, any new bank cash account (and the corresponding securities account) in the name of the Issuer which may be necessary or advisable for the performance by the Issuer of its rights and obligations under any Programme Document, and notably in case of issuance of Covered Bonds denominated in a Specified Currency other than Euro.

#### *Funds Allocation*

Each of the Issuer Bank Accounts shall be exclusively allocated to the operation of the Issuer.

Each Issuer Account will be pledged in accordance with the Issuer Accounts Pledge Agreement (see "**The Issuer Security – The Issuer Accounts Pledge Agreement**").

All sums standing to the credit balance of the Issuer Cash Accounts may be invested from time to time in Permitted Investments by the Administrator (see "**The Issuer – The Administrative Agreement**").

#### *Operation*

The Issuer Cash Accounts shall not be operated by the Issuer Accounts Bank otherwise than in accordance with the provisions of the Issuer Accounts Agreement and the Administrative Agreement and, in particular, the Issuer Accounts Bank shall be entitled to refuse to, without being liable for any such refusal:

- (a) deliver credit cards or other means of payment with respect to the Issuer Cash Accounts or make any transfer from any of the Issuer Cash Accounts upon instructions of the Administrator other than by bank transfer or any such other means as is agreed with the Issuer;
- (b) debit any of the Issuer Cash Accounts upon instructions of any person other than the Issuer or the Administrator;
- (c) debit any of the Issuer Cash Accounts upon instructions of the Administrator, if the Issuer Accounts Bank is aware that such instructions may cause a debit balance of the relevant Issuer Cash Accounts (in which case the Issuer Accounts Bank will promptly inform the Administrator and the Issuer and postpone the performance of the relevant instructions until it has received the relevant renewed written instructions of the same); or
- (d) implement any instruction from the Issuer (or the Administrator acting on its behalf) in connection with the Issuer Accounts if it is aware that an implementation of such instruction would constitute a breach of any provision of the Issuer Accounts Agreement.

#### *Issuer General Account*

As from the Programme Date and on any relevant date thereafter, the Issuer General Account shall be credited or debited by the Issuer Accounts Bank, acting upon the instructions of the Issuer (or the Administrator acting on its behalf), with any and all amounts which are not specified to be credited or debited to any other Issuer Cash Accounts (the "**Issuer General Account**").

#### *Cash Collateral Account*

The Cash Collateral Account shall be credited and debited only subject to, and in accordance with, the Cash Collateral Agreement as described in "**The Borrower Security Documents – The Cash Collateral Agreement**" and in "**Asset Monitoring – The Pre-Maturity Test**" (the "**Cash Collateral Account**").

Upon the occurrence of a Borrower Event of Default, the Issuer (or the Administrator acting on its behalf) will give the appropriate instructions in order to ensure that the balance of the Cash Collateral Account be allocated in accordance with the applicable Priority Payment Order.

#### *Share Capital Proceeds Account*

On or prior to the Programme Date, the Share Capital Proceeds Account shall be credited with the amount of the Issuer Share Capital and the Subordinated Loans (the "**Share Capital Proceeds Account**").



Upon the occurrence of a Borrower Event of Default, the Issuer (or the Administrator acting on its behalf) will give the appropriate instructions in order to ensure that the balance of the Share Capital Proceeds Account be allocated in accordance with the applicable Priority Payment Order.

*Representations, warranties and undertakings*

The Issuer Accounts Bank has made the customary representations and warranties and undertakings to the Issuer, the representations and warranties being given on the execution date of the Issuer Accounts Agreement and continuing until the Service Termination Date.

*Indemnities*

Pursuant to the Issuer Accounts Agreement, the Issuer Accounts Bank undertakes to hold harmless and fully and effectively indemnify the Issuer against all actions, proceedings, demands, damages, costs, expenses (including legal fees), claims, losses, prejudice or other liability, which the Issuer may sustain or incur as a consequence of the occurrence of any default by the Issuer Accounts Bank in its performance of any of its obligations under the Issuer Accounts Agreement.

*Resignation of Issuer Accounts Bank*

The Issuer Accounts Bank will not resign from the duties and obligations imposed on it as Issuer Accounts Bank pursuant to the Issuer Accounts Agreement, except as follows:

- (a) upon a determination that the performance of its duties under the Issuer Accounts Agreement will no longer be permissible under applicable law; and
- (b) in the case where the Issuer does not comply with any of its material obligations under the Issuer Accounts Agreement and fails to remedy the situation within one hundred and eighty (180) days from the receipt by the Issuer of a notice from the Issuer Accounts Bank (with copy to the Administrator),

such resignation being effective on the date upon which (i) the event in paragraph (a) above occurs or (ii) one hundred and eighty (180) days after the date of delivery of the notice referred to in paragraph (b) above and the date upon which the Issuer Accounts Bank becomes unable to act as Issuer Accounts Bank.

*Issuer Accounts Bank's Defaults*

Each of the following events shall constitute an Issuer Accounts Bank's Default (a "**Issuer Accounts Bank's Default**"):

- (a) any material representation or warranty made by the Issuer Accounts Bank is or proves to have been incorrect or misleading in any material respect when made, and the same is not remedied (if capable of remedy) within sixty (60) Business Days after the Issuer has given notice thereof to the Issuer Accounts Bank or (if sooner) the Issuer Accounts Bank has knowledge of the same, provided that the Issuer, at its discretion, certifies that it is prejudicial to the interests of the holders of the relevant Covered Bonds;
- (b) the Issuer Accounts Bank fails to comply with any of its material obligations under the Issuer Accounts Agreement to which it is a party unless such breach is capable of remedy and is remedied within sixty (60) Business Days after the Issuer has given notice thereof to the Issuer Accounts Bank or (if sooner) the Issuer Accounts Bank has knowledge of the same, provided that the Issuer, at its discretion, certifies that it is prejudicial to the interests of the holders of the relevant Covered Bonds;
- (c) an Insolvency Event occurs in respect of the Issuer Accounts Bank; or
- (d) at any time it is or becomes unlawful for the Issuer Accounts Bank to perform or comply with any or all of its material obligations under the Issuer Accounts Agreement or any or all of its material obligations under the Issuer Accounts Agreement are not, or cease to be, legal, valid and binding.

For such purposes, "**Insolvency Event**" means the occurrence of any of the following events:

- (a) the relevant entity is, or is deemed or declared for the purposes of any law to be, unable to pay its debts as they fall due or to be insolvent, including without limitation, *en état de cessation des paiements*, or admits in writing its inability to pay its debts as they fall due;
- (b) the relevant entity by reason of financial difficulties, begins formal negotiations with one (1) or more of its creditors with a view to the general readjustment or rescheduling of any of its indebtedness or applies for or is subject to an amicable settlement or a *règlement amiable* pursuant to articles L. 611-1 *et seq.* of the French Commercial Code (*Code de commerce*);
- (c) a meeting of the shareholders of the relevant entity is convened for the purpose of considering any resolution for (or to petition for) its winding-up or its administration or any such resolution is passed;
- (d) any person presents a petition for the winding-up or for the administration or for the bankruptcy of the relevant entity and the petition is not discharged within thirty (30) days;
- (e) any order for the winding-up or administration of the relevant entity is issued;
- (f) a judgement is issued for the judicial liquidation (*liquidation judiciaire*), the safeguard of the relevant entity (*procédure de sauvegarde*), the rescheduling of the debt of the relevant entity (*redressement judiciaire*) or the transfer of the whole or part of the business of the relevant entity (*cession de l'entreprise*); or
- (g) any liquidator, trustee in bankruptcy, receiver, administrative receiver, administrator or the like (including, without limitation, any *mandataire ad hoc*, *administrateur judiciaire*, *administrateur provisoire*, *conciliateur* or *mandataire liquidateur*) is appointed in respect of the relevant entity or any substantial or material part of the assets or the directors of the relevant entity request such appointment.

#### *Issuer Accounts Bank Rating Trigger Event*

If an Issuer Accounts Bank Rating Trigger Event occurs, the Administrator will notify the Issuer in writing of the occurrence of such event and then within thirty (30) Business Days of such occurrence either:

- the then existing Issuer Bank Accounts will be closed and new accounts will be opened under the terms of a new Issuer Accounts Agreement substantially on the same terms as the Issuer Accounts Agreement, with another financial institution whose short term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least A-1 by S&P, P- 1 by Moody's and F1 and A by Fitch; or
- subject to prior Rating Affirmation, the Issuer Accounts Bank will obtain a guarantee of its obligations under the Issuer Accounts Agreement on terms acceptable to the Issuer, acting reasonably, from a financial institution whose short term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least A-1 by S&P, P- 1 by Moody's and F1 and A by Fitch.

The same provisions will apply each time an Issuer Accounts Bank Rating Trigger Event occurs in relation to any substitute financial institution appointed in replacement of an Issuer Accounts Bank.

For such purposes, "**Issuer Accounts Bank Rating Trigger Event**" means the event in which the short-term senior unsecured, unsubordinated and unguaranteed debt obligations of the then appointed Issuer Accounts Bank become rated below A-1 by S&P, or P-1 by Moody's or F1 or A by Fitch.

#### *Termination*

"Issuer Accounts Bank Termination Events" under the Issuer Accounts Agreement will include the following events:

- (a) the termination of the Issuer Accounts Agreement in accordance with its scheduled term;
- (b) the occurrence and continuation of any Issuer Accounts Bank's Default;

- (c) the occurrence of the Issuer Accounts Bank Rating Trigger Event;
- (d) the occurrence of a Borrower Event of Default; or
- (e) the resignation of the Issuer Accounts Bank.

If an Issuer Accounts Bank Termination Event occurs and is continuing, the Issuer shall terminate the Issuer Accounts Agreement by delivery of a written termination notice to the Issuer Accounts Bank (the "**Notice of Termination**"). Upon receipt by the Issuer Accounts Bank of the Notice of Termination, the Issuer Accounts Agreement will terminate with effect not earlier than twenty (20) Business Days as from the receipt by the Issuer Accounts Bank of the Notice of Termination or at any other date that the Issuer may have specified in the Notice of Termination (each, a "**Service Termination Date**") save for any continuing obligations of the Issuer Accounts Bank contained in the Issuer Accounts Agreement.

Upon the Service Termination Date, the Issuer will replace BFCM, as Issuer Accounts Bank, by any substitute entity (the "**Substitute Issuer Accounts Bank**"), the choice of which being subject to prior Rating Affirmation.

Notwithstanding the Service Termination Date, the Issuer Accounts Bank will continue to be bound by all its obligations under the Issuer Accounts Bank Agreement until the appointment of the Substitute Issuer Accounts Bank is effective. The Issuer Accounts Bank undertakes to act in good faith to assist any Substitute Issuer Accounts Bank.

#### *Limited Recourse – Non Petition*

The Issuer Accounts Agreement includes Limited Recourse and Non petition provisions, as described in "**Issuer's Activities – Limited Recourse**" and "**Issuer's Activities – Non-Petition**".

#### *Amendment*

No amendment, modification, alteration or supplement shall be made to the Issuer Accounts Agreement without prior Rating Affirmation if the same materially and adversely affects the interest of the Issuer or the Bondholders.

For the avoidance of doubt, the Issuer Accounts Agreement may be amended, modified, altered or supplemented without prior Rating Affirmation:

- (a) to cure any ambiguity, omission, defect or inconsistency;
- (b) to evidence or effect the transition of any party to the Issuer Accounts Agreement to any successor;
- (c) to add to the undertakings and other obligations of the Issuer Accounts Bank under the Issuer Accounts Agreement; or
- (d) to comply with any mandatory requirements of applicable laws and regulations.

#### *Governing Law – Jurisdiction*

The Issuer Accounts Agreement shall be governed by, and construed in accordance with, French law. The Issuer and the Issuer Accounts Bank have agreed to submit any dispute that may arise in connection with the Issuer Accounts Agreement to the jurisdiction of the competent court of Paris.

## THE ISSUER SECURITY

The Issuer Security is the first-ranking pledge of the Issuer Accounts granted pursuant to the Issuer Accounts Pledge Agreement and the first-ranking pledge of the Borrower Facility Receivables granted pursuant to the Issuer Receivables Pledge Agreement (the "**Issuer Security**"). The Issuer Security Assets are the Issuer Accounts and the Borrower Facility Receivables pledged according to the present section (the "**Issuer Security Assets**").

### The Issuer Accounts Pledge Agreement

#### *Background*

The Issuer Accounts Pledge Agreement refers to the agreement dated on or prior to the Programme Date and made between (i) the Issuer in its capacity as pledgor and (ii) BNP Paribas Securities Services (the "**Issuer Security Agent**") acting in the name and on behalf of the Bondholders in their capacity as beneficiaries (the "**Beneficiaries**") under the pledge (the "**Issuer Accounts Pledge Agreement**").

#### *Issuer Secured Liabilities*

Under the Issuer Accounts Pledge Agreement, the Issuer will undertake, in respect to any issue of Covered Bonds, to:

- (a) charge to the Bondholders, as represented by the Issuer Security Agent, all its rights, title and interest, whether present or future, actual or contingent, in respect of the Issuer Cash Accounts in accordance with the provisions of articles L. 521-1 and L. 521-3 of the French Commercial Code (*Code de commerce*) and articles 2355 *et seq.* of the French Civil Code (*Code civil*); and
- (b) pledge in favour of the Bondholders, as represented by the Issuer Security Agent, the Issuer Securities Accounts, including any investments at any time and from time to time standing to the credit of the said Issuer Securities Account, in accordance with the provisions of article L. 211-20 of the French Monetary and Financial Code (*Code monétaire et financier*),

so as to secure as they become due and payable the payments of all and any amount owed in respect of Covered Bonds issued by the Issuer, whether present or future (the "**Issuer Secured Liabilities**").

The subscription or purchase of Covered Bonds results by force of law in the (i) acceptance that all the Beneficiaries will benefit *pari passu* from the first-ranking security provided under the Issuer Accounts Pledge Agreement and any Issuer Accounts Pledge Agreement Deed of Retake and (ii) appointment of the Issuer Security Agent as agent in order to manage the said security in their name and on their behalf.

#### *Release and retake*

Upon the issue of further series of Covered Bonds on each subsequent issue date after the Closing Date, the existing security provided in accordance with the Issuer Accounts Pledge Agreement securing the repayment of all and any amount owed in respect of the then outstanding Covered Bonds will be (a) released by the Issuer Security Agent and (b) re-taken by the Issuer Security Agent, as first-ranking security for the repayment of all and any amount owed in respect of the then outstanding Covered Bonds and the new series of Covered Bonds issued on such subsequent issue date. A deed of release and a deed of retake, specifying the Issuer Secured Liabilities, the Beneficiaries and the relevant Issuer Accounts to be pledged, will be executed upon each subsequent issue of Covered Bonds (respectively, the "**Issuer Accounts Pledge Agreement Deed of Release**" and the "**Issuer Accounts Pledge Agreement Deed of Retake**").

All the Beneficiaries will benefit *pari passu* from the first-ranking security provided under the Issuer Accounts Pledge Agreement and any Issuer Accounts Pledge Agreement Deed of Retake.

### *Representations, warranties and undertakings*

The Issuer, as Pledgor, has made the customary representations and warranties and undertakings to the Beneficiaries, the representations and warranties being given on the execution date of the Accounts Pledge Agreement and continuing until satisfaction in full of the Issuer Secured Liabilities.

### *Enforcement of the charge over the Issuer Cash Accounts*

Upon the service of an Issuer Enforcement Notice following the occurrence of an Issuer Event of Default, the Issuer Security Agent acting on behalf of the Beneficiaries will be entitled to request from the Issuer Accounts Bank, upon service of a notification (*mise en demeure*) to the Issuer and the Issuer Accounts Bank, that all sums standing to the credit of all the Issuer Cash Accounts be paid to the Issuer Security Agent for the benefit of the Beneficiaries, up to the outstanding amount of the Issuer Secured Liabilities.

### *Enforcement of the pledge over the Issuer Securities Accounts*

Upon the service of an Issuer Enforcement Notice following the occurrence of an Issuer Event of Default, the Issuer Security Agent acting on behalf of the Beneficiaries will be entitled to request from the Issuer Accounts Bank, upon service of a notification (*mise en demeure*) to the Issuer and the Issuer Accounts Bank, that title to all financial instruments or other securities (*titres financiers*) credited to the Issuer Securities Account be transferred to the Issuer Security Agent for the benefit of the Beneficiaries, up to the outstanding amount of the Issuer Secured Liabilities.

For the purpose of such transfer of title, the relevant financial instruments and other securities (*titres financiers*) will be valued, on the date of enforcement of the pledge, on the basis of (a) their public quotation or, as appropriate, (ii) their marked to market value, as determined in both cases on the first Business Day immediately preceding the day of such enforcement.

### *Registration – Notification*

The French translation of the Issuer Accounts Pledge Agreement and any subsequent Issuer Accounts Pledge Agreement Deed of Release and Issuer Accounts Pledge Agreement Deed of Retake will be registered by the Issuer Security Agent, acting on behalf of the Beneficiaries, at the expense of the Issuer, with the relevant tax authorities and the Issuer Security Agent will cause, at the Issuer's expense, notice of the Issuer Accounts Pledge Agreement and any subsequent Issuer Accounts Pledge Agreement Deed of Release and Issuer Accounts Pledge Agreement Deed of Retake to be given to the Issuer Accounts Bank by registered letter in accordance with the provisions of article 2362 para.1 of the French Civil Code (*Code civil*).

### *Termination upon the occurrence of an Issuer Security Agent Rating Trigger Event under the Issuer Accounts Pledge Agreement*

If an Issuer Security Agent Rating Trigger Event occurs, the Issuer Security Agent will notify the Issuer and the Representative in writing of the occurrence of the Issuer Security Agent Rating Trigger Event. In this case, the Representative, acting on behalf of the Bondholders, shall terminate the appointment of BNP Paribas Securities Services as Issuer Security Agent by delivery of a written termination notice to the Issuer Security Agent (the "**Notice of Termination**"). Upon receipt by the Issuer Security Agent of the Notice of Termination, the appointment of BNP Paribas Securities Services as Issuer Security Agent will terminate with effect not earlier than twenty (20) Business Days as from the receipt by the Issuer Security Agent of the Notice of Termination or at any other date that the Representative may have specified in the Notice of Termination (each, a "**Termination Date**").

Upon the Termination Date, the Representative will replace BNP Paribas Securities Services, as Issuer Security Agent, by any substitute entity (the "**Substitute Issuer Security Agent**"), the choice of which being subject to prior Rating Affirmation.

Notwithstanding the Termination Date, the Issuer Security Agent will continue to be bound by all its obligations as Issuer Security Agent until the appointment of the Substitute Issuer Security Agent is effective. The Issuer Security Agent undertakes to act in good faith to assist any Substitute Issuer Security Agent.

For such purposes, "**Issuer Security Agent Rating Trigger Event**" means the event in which the long-term senior unsecured, unsubordinated and unguaranteed debt obligations of the Issuer Security Agent or (if not rated) those of its guarantor become rated below BBB by S&P, or Baa2 by Moody's or BBB by Fitch.

#### *Amendment*

No amendment, modification, alteration or supplement shall be made to the Accounts Pledge Agreement without prior Rating Affirmation if the same materially and adversely affects the interest of the Issuer or the Bondholders.

For the avoidance of doubt, the Accounts Pledge Agreement may be amended, modified, altered or supplemented without prior Rating Affirmation:

- (a) to cure any ambiguity, omission, defect or inconsistency;
- (b) to evidence or effect the transition of any party to the Accounts Pledge Agreement to any successor;
- (c) to add to the undertakings and other obligations of the Issuer Security Agent under the Accounts Pledge Agreement; or
- (d) to comply with any mandatory requirements of applicable laws and regulations.

#### *Governing Law – Jurisdiction*

The Accounts Pledge Agreement shall be governed by, and construed in accordance with, French law. The Issuer and the Issuer Security Agent (acting on behalf of the Beneficiaries) have agreed to submit any dispute that may arise in connection with the Accounts Pledge Agreement to the jurisdiction of the competent court of Paris.

### **The Receivables Pledge Agreement**

#### *Background*

The Receivables Pledge Agreement refers to the French law-governed agreement dated on or prior to the Programme Date made between (i) CM-CIC Covered Bonds (the "**Pledgor of Receivables**") and (ii) BNP Paribas Securities Services (the "**Issuer Security Agent**") on behalf of the Bondholders in their capacity as beneficiaries (the "**Beneficiaries**") under the pledge (the "**Receivables Pledge Agreement**").

#### *Issuer Secured Liabilities*

Under the Receivables Pledge Agreement, CM-CIC Covered Bonds, as Pledgor of Receivables, undertakes, in respect to any issue of Covered Bonds, to pledge to the Beneficiaries any and all receivables from time to time held by the Issuer against the Borrower under the Borrower Facility (the "**Borrower Facility Receivables**") so as to secure as they become due and payable the payments of all and any amount owed in respect of Covered Bonds issued by the Issuer, whether present or future (the "**Issuer Secured Liabilities**").

The subscription or purchase of Covered Bonds results by force of law in the (i) acceptance that all the Beneficiaries will benefit *pari passu* from the first-ranking security provided under the Receivables Pledge Agreement and any Receivables Pledge Agreement Deed of Retake and (ii) appointment of the Issuer Security Agent as agent in order to manage the said security in their name and on their behalf.

#### *Release and retake*

Upon the issue of further series of Covered Bonds on each subsequent issue date after the Closing Date, the existing security provided in accordance with the Receivables Pledge Agreement securing the repayment of all and any amount owed in respect of the then outstanding Covered Bonds will be (a) released by the Issuer Security Agent and (b) re-taken by the Issuer Security Agent, as first-ranking

security for the repayment of all and any amount owed in respect of the then outstanding Covered Bonds and the new series of Covered Bonds issued on such subsequent issue date. A deed of release and a deed of retake, specifying the Issuer Secured Liabilities, the Beneficiaries, and the relevant Borrower Facility Receivables to be pledged, will be executed upon each subsequent issue of Covered Bonds (respectively, the "**Receivables Pledge Agreement Deed of Release**" and the "**Receivables Pledge Agreement Deed of Retake**").

All the Beneficiaries will benefit *pari passu* from the first-ranking security provided under the Receivables Pledge Agreement and any Receivables Pledge Agreement Deed of Retake.

#### *Representations, warranties and undertakings*

The Issuer, as Pledgor, has made the customary representations and warranties and undertakings to the Beneficiaries, the representations and warranties being given on the execution date of the Receivables Pledge Agreement and continuing until satisfaction in full of the Issuer Secured Liabilities.

#### *Enforcement*

Upon the service of an Issuer Enforcement Notice following the occurrence of an Issuer Event of Default, the Issuer Security Agent acting on behalf of the Beneficiaries will be entitled, upon service of a notification (*mise en demeure*) to the Pledgor of Receivables:

- (a) to request from the Pledgor of Receivables that title to all Borrower Facility Receivables and any ancillary rights thereof (*droits qui s'y attachent*) be transferred to the Issuer Security Agent for the benefit of the Beneficiaries up to the outstanding amount of the Issuer Secured Liabilities, in accordance with the provisions of article 2365 of the French Civil Code (*Code civil*); and
- (b) as the case may be, to notify, at the expense of the Pledgor of Receivables, the Borrower by registered letter (the "**Receivables Pledge Notice**"), of the Receivables Pledge Agreement and any subsequent Receivables Pledge Agreement Deed of Release and Receivables Pledge Agreement Deed of Retake, it being expressly provided that upon receipt by the Borrower of the Receivables Pledge Notice, the Borrower will pay any and all amounts due and payable pursuant to the Borrower Facility (including but not limited to, any principal and interest) to the credit of the bank account specified in the Receivables Pledge Notice (the "**Receivables Pledge Account**"), opened in the name of the Issuer Security Agent on behalf of the Beneficiaries. Any such amount received by the Issuer Security Agent on behalf of the Beneficiaries shall be held by the Issuer Security Agent as cash collateral (*gage-espèces*) for the satisfaction in full of the Issuer Secured Liabilities.

For the purpose of the transfer of title specified above, the relevant Borrower Facility Receivables will be valued, on the date of enforcement of the pledge, on the basis of their outstanding principal amount as the same will be determined on the first Business Day immediately preceding the day of such enforcement.

#### *Registration – Notification*

The French translation of the Receivables Pledge Agreement and any subsequent Receivables Pledge Agreement Deed of Release and Receivables Pledge Agreement Deed of Retake will be registered by the Issuer Security Agent, acting on behalf of the Beneficiaries, at the expense of the Issuer, with the relevant tax authorities and the Issuer Security Agent.

#### *Termination upon the occurrence of an Issuer Security Agent Rating Trigger Event under the Receivables Pledge Agreement*

If an Issuer Security Agent Rating Trigger Event occurs, the Issuer Security Agent will notify the Issuer and the Representative in writing of the occurrence of the Issuer Security Agent Rating Trigger Event. In this case, the Representative, acting on behalf of the Bondholders, shall terminate the appointment of BNP Paribas Securities Services as Issuer Security Agent by delivery of a written termination notice to the Issuer Security Agent (the "**Notice of Termination**"). Upon receipt by the Issuer Security Agent of the Notice of Termination, the appointment of BNP Paribas Securities Services as Issuer Security Agent will terminate with effect not earlier than twenty (20) Business Days as from the receipt by the Issuer Security

Agent of the Notice of Termination or at any other date that the Representative may have specified in the Notice of Termination (each, a "**Termination Date**").

Upon the Termination Date, the Representative will replace BNP Paribas Securities Services, as Issuer Security Agent, by any substitute entity (the "**Substitute Issuer Security Agent**"), the choice of which being subject to prior Rating Affirmation.

Notwithstanding the Termination Date, the Issuer Security Agent will continue to be bound by all its obligations as Issuer Security Agent until the appointment of the Substitute Issuer Security Agent is effective. The Issuer Security Agent undertakes to act in good faith to assist any Substitute Issuer Security Agent.

For such purposes, "**Issuer Security Agent Rating Trigger Event**" means the event in which the long-term senior unsecured, unsubordinated and unguaranteed debt obligations of the Issuer Security Agent or (if not rated) those of its guarantor become rated below BBB by S&P, or Baa2 by Moody's or BBB by Fitch.

#### *Amendment*

No amendment, modification, alteration or supplement shall be made to the Receivables Pledge Agreement without prior Rating Affirmation if the same materially and adversely affects the interest of the Issuer or the Bondholders.

For the avoidance of doubt, the Receivables Pledge Agreement may be amended, modified, altered or supplemented without prior Rating Affirmation:

- (a) to cure any ambiguity, omission, defect or inconsistency;
- (b) to evidence or effect the transition of any party to the Receivables Pledge Agreement to any successor;
- (c) to add to the undertakings and other obligations of the Issuer Security Agent under the Receivables Pledge Agreement; or
- (d) to comply with any mandatory requirements of applicable laws and regulations.

#### *Governing Law – Jurisdiction*

The Receivables Pledge Agreement shall be governed by, and construed in accordance with, French law. The Issuer and the Issuer Security Agent (acting on behalf of the Beneficiaries) have agreed to submit any dispute that may arise in connection with the Receivables Pledge Agreement to the jurisdiction of the competent court of Paris.



## THE BORROWER AND THE BORROWER FACILITY AGREEMENT

### The Borrower

The borrower under the Borrower Facility Agreement (the "**Borrower**") is BFCM.

#### *General information relating to BFCM*

Banque Fédérative du Crédit Mutuel (BFCM) is a limited liability company (*société anonyme*) organised under the laws of France, originally established in France on 1 June 1933 under the name *Banque Mosellane* with a term expiring, unless extended, on 1 June 2032. The name *Banque du Crédit Mutuel Lorraine* was adopted in 1966. BFCM is licensed as a credit institution, having its registered office at 34 rue de Wacken 67000 Strasbourg, France and registered with the Trade and Companies Register of Strasbourg, France under number 355 801 929. The telephone number at the Issuer's registered office is +33 3 88 14 88 14. The short term rating of BFCM is A-1 (S&P), P-1 (Moody's) and F1+ (Fitch). The long term rating of BFCM is A+ (S&P), Aa3 (Moody's) and AA- (Fitch).

BFCM forms part of the Crédit Mutuel Centre Est Europe group (the "**CMCEE Group**") and, together with the Crédit Mutuel Sud-Est (and its members), the Crédit Mutuel Ile de France (and its members) and the Crédit Mutuel Savoie Mont-Blanc (and its members) referred to below, the "**CEE Group**", which forms part of the French mutualist banking group, the Crédit Mutuel group (the "**Crédit Mutuel Group**"). BFCM and its subsidiaries are together referred to as the "**BFCM Group**".

BFCM's last annual report is available on its website: <http://www.bfcm.creditmutuel.fr>.

#### *Activities*

BFCM acts as central treasury to the CEE Group and undertakes capital and money market activities on behalf of the CEE Group as well as providing financing to a number of its customers. As a holding company, BFCM coordinates and develops the BFCM Group's business activities which are mainly banking and insurance.

#### *General information relating to share capital*

Currently, the total issued share capital of BFCM amounts to €1,302,192,250 divided into 26,043,845 fully paid up shares of €50.00 each, all of the same category (ordinary shares).

Currently 94.56 per cent. of BFCM's share capital is held by the Caisse Fédérale du Crédit Mutuel Centre Est Europe. The remaining shares are held mainly by the Fédération du Crédit Mutuel du Sud-Est, the Fédération de Crédit Mutuel d'Ile-de-France, the Fédération de Crédit Mutuel Midi-Atlantique and the caisses locales of the Centre Est Europe Fédération, the Sud-Est Fédération, the Savoie Mont-Blanc Fédération, the Ile-de-France Fédération and the Midi-Atlantique Fédération, in accordance with a provision in BFCM's by-laws which states that only caisses locales, coopératives and mutual entities within the Centre Est Europe Fédération, the Sud-Est Fédération, the Ile-de-France Fédération and the Midi-Atlantique Fédération or Caisses Fédérales of other Fédérations within the French mutualist banking group, the Crédit Mutuel group (the "**Crédit Mutuel Group**") and Caisse Centrale du Crédit Mutuel or members of the board of directors of BFCM may hold its shares and transfers may only be made between such parties.

#### *Management and administration*

BFCM is managed by its board of directors (*Conseil d'administration*). Its by-laws provide for a board of directors consisting of not less than three (3) and not more than fourteen (14) directors who are appointed by the general meeting of the shareholders for a period of three (3) years, but may serve any number of consecutive terms.

The board of directors is chaired by a chairman (*président*). The chairman is responsible for the general management of BFCM and represents it in relation to third parties. On the proposal of the chairman, the board of directors has also appointed one managing director (*directeur général*).

### *Control*

As a regulated bank, BFCM is subject to various controls by the French financial regulators (*Comité des établissements de crédit et des entreprises d'investissement, Commission Bancaire, Banque de France, Autorité des Marchés Financiers, etc.*).

### *Accounting regulations and methods*

BFCM presents its consolidated financial statements according to the IFRS standards and its non-consolidated financial statements according to the provisions in use in all private industrial and commercial companies.

The accounts of BFCM are subject to examination by Ernst & Young located at 41 rue Ybry, 92576 Neuilly-sur-Seine, and KMT Audit, Réseau KPMG, Espace Européen de l'Entreprise, located at 9 avenue de l'Europe 67300 Schiltigheim, the statutory auditors (*commissaires aux comptes*) of BFCM which were re-appointed for a period of six (6) years, expiring at the close of the ordinary general meeting to be called in 2010 to approve the financial statements for the year ending 31 December 2009, as of 11 May 2004.

The consolidated and non-consolidated financial statements of BFCM must be approved by its board of directors and, within six (6) months following the end of each financial year, are submitted, together with the statutory auditors' report, for examination by the shareholders meeting of BFCM. The consolidated interim financial statements of BFCM for the first six (6)-month period of each financial year are only subject to a limited review by its statutory auditors.

## **The Borrower Facility Agreement**

### *Background*

The proceeds from the issuance of the Covered Bonds under the Programme will be used by CM-CIC Covered Bonds, as lender (in such capacity, the "**Lender**") to fund advances to be made available to BFCM, as borrower (in such capacity, the "**Borrower**") under a multicurrency term facility agreement (the "**Borrower Facility**").

The Lender and the Borrower have agreed to enter into a Borrower Facility agreement, as amended from time to time, (the "**Borrower Facility Agreement**") in order to determine the terms and conditions according to which the Lender shall grant the Borrower with advances under the Borrower Facility (each, a "**Borrower Advance**").

### *The Borrower Facility*

The Borrower Facility shall be made available to the Borrower in an aggregate maximum amount equal to €30,000,000,000 (the "**Borrower Facility Commitment**") for the purpose of financing the general financial needs of the Borrower. In particular, the sums borrowed by the Borrower under the Borrower Facility shall be used to fund advances to be made to the benefit of entities of the CIC Group and/or of the CEE Group, in accordance with the usual and current practices of BFCM.

Pursuant to the Borrower Facility Agreement, the Borrower shall send to the Administrator (with a copy to the Issuer) a duly completed drawdown request (a "**Drawdown Request**") in respect of the Borrower Advance to be made available under the Borrower Facility. Upon receipt of a Drawdown Request by the Administrator (with copy to the Lender), the Lender, together with the Administrator, shall elaborate (i) corresponding Final Terms of the Covered Bonds to be issued to fund such Drawdown Request, and (ii) final terms of Borrower Advance ("**Final Terms of Borrower Advance**") reflecting the terms and conditions of such corresponding Final Terms of the Covered Bonds.

The Borrower may (i) accept the terms and conditions of the Final Terms of Borrower Advance proposed by the Administrator and the Lender, in which case such Final Terms of Borrower Advance shall be definitive between the Borrower and the Lender and a Borrower Advance shall be made available according to such Final Terms of Borrower Advance, or (ii) refuse the terms and conditions of such Final Terms of Borrower Advance, in which case such Final Terms of Borrower Advance and the relevant Drawdown Request shall be considered as null and void between the Borrower and the Lender.

#### *Principal and interest amounts*

The terms and conditions regarding the calculation and the payment of principal and interest under a Borrower Advance shall mirror the equivalent terms and conditions of the corresponding Final Terms of Covered Bonds, it being provided that, as a principle, the interest to be paid by the Borrower under a Borrower Advance shall be the financing costs of the Lender under the Covered Bonds funding such Borrower Advance increased by a margin fixed by the Issuer and agreed by the Borrower (the "**Issuer Margin**"). The terms and conditions regarding the calculation and the payment of principal and interest under a Borrower Advance shall be further described hereunder and in the relevant Final Terms of Borrower Advance. Any amounts repaid or prepaid under any Borrower Advance may be re-borrowed.

The Issuer Margin aims at covering, in particular, all the costs and expenses related to the structuring and the updating of the Programme, all the costs and expenses related to the issuance of Covered Bonds and taxes of the Issuer during the Programme.

#### *Representations, warranties and undertakings*

The Borrower has made the customary representations and warranties and undertakings to the Lender, the representations and warranties being given on the execution date of the Borrower Facility Agreement and continuing until all sums due by the Borrower under the Borrower Facility Agreement shall have been repaid in full.

#### *Main other terms*

The Borrower Facility Agreement also provides for:

- (a) customary tax gross-up provisions relating to payments to be made by the Borrower to the Lender under Borrower Facility Agreement;
- (b) customary tax indemnity provisions relating to any payment to be made by the Lender on account of tax on or in relation to any sum received or receivable under the Borrower Facility Agreement by the Lender from the Borrower or any liability in respect of any such payment is asserted, imposed, levied or assessed against the Lender;
- (c) customary "increased costs" provisions;
- (d) general financial information covenants and other customary covenants of the Borrower.

#### *Borrower Events of Default*

Each of the following constitute a Borrower event of default for the purposes of the Borrower Facility Agreement (each, a "**Borrower Event of Default**"):

- (a) the Borrower fails to pay any sum due under the Borrower Facility when due, in the currency and in the manner specified herein; provided, however, that where such non-payment is due to an administrative error or the failure of continuing external payment systems or clearing systems reasonably used by the Borrower and such payment is made by the Borrower within three (3) Business Days of such non-payment, such non-payment shall not constitute a Borrower Event of Default;
- (b) a Breach of Pre-Maturity Test occurs;
- (c) a Breach of Asset Cover Test occurs;
- (d) a Breach of Collection Loss Reserve Funding Requirement occurs;

- (e) any material representation or warranty made by the Borrower, in the Borrower Facility Agreement or in any notice or other document, certificate or statement delivered by it pursuant hereto or in connection herewith is or proves to have been incorrect or misleading in any material respect when made, and the same is not remedied (if capable of remedy) within sixty (60) Business Days after the Administrator or the Issuer has given notice thereof to the Borrower or (if sooner) the Borrower has knowledge of the same, provided that the Issuer, at its discretion, certifies that it is prejudicial to the interests of the holders of the relevant Covered Bonds;
- (f) the Borrower fails to comply with any of its material obligations under the Borrower Facility Agreement unless such breach is capable of remedy and is remedied within sixty (60) Business Days after the Administrator or the Issuer has given notice thereof to the Borrower or (if sooner) the Borrower has knowledge of the same, provided that the Issuer, at its discretion, certifies that it is prejudicial to the interests of the holders of the relevant Covered Bonds;
- (g) any Collateral Provider(s) fail to comply with any of its/their material obligations under the Programme Documents unless such breach is capable of remedy and is remedied (i) within sixty (60) Business Days after the Administrator or the Issuer has given notice thereof to the Borrower and the Collateral Security Agent or (ii) (if sooner) the Borrower or the Collateral Security Agent has knowledge of the same, provided that, in case of (i) and (ii), the Issuer, at its discretion, certifies that it is prejudicial to the interest of the holders of the relevant Covered Bonds;
- (h) the Borrower fails to pay any sum due to the Collateral Providers as Collateral Security Fee under the Collateral Security Agreement when due and such failure is not remedied within sixty (60) Business Days after such failure;
- (i) as regards the Borrower, an Insolvency Event occurs;
- (j) any effect, event or matter (regardless of its nature, cause or origin and in particular the commencement of any legal, administrative or other proceedings against the Borrower) occurs which is or could be reasonably expected to be materially adverse to (i) the financial or legal situation, assets, business or operations of the Borrower and (ii) the ability of the Borrower to perform its payment obligations or the financial covenants under any of the Programme Documents;
- (k) at any time it is or becomes unlawful for the Borrower to perform or comply with any or all of its material obligations under the Borrower Facility Agreement or any of the material obligations of the Borrower under the Borrower Facility Agreement are not or cease to be legal, valid and binding; or
- (l) upon the occurrence of a Hedging Rating Trigger Event (as defined in section "**The Hedging Strategy**" of this Base Prospectus), (i) the Issuer (or the Administrator on its behalf) fails to enter into any Issuer Hedging Agreement (as defined in section "**The Hedging Strategy**" of this Base Prospectus) with any relevant Eligible Hedging Provider (as defined in section "**The Hedging Strategy**" of this Base Prospectus) within thirty (30) calendar days from the occurrence date of such Hedging Rating Trigger Event, as described under the Hedging Strategy (as defined in section "**The Hedging Strategy**" of this Base Prospectus) or (ii) the Issuer (or the Administrator on its behalf) or the Borrower fails to enter into any Borrower Hedging Agreement (as defined in section "**The Hedging Strategy**" of this Base Prospectus) within thirty (30) calendar days from the occurrence date of such Hedging Rating Trigger Event, as described under the Hedging Strategy (as defined in section "**The Hedging Strategy**" of this Base Prospectus).

Upon the occurrence of a Borrower Event of Default, the Administrator shall, by written notice (such notice to constitute a *mise en demeure*) to the Borrower (with a copy to the Rating Agencies), (i) declare that no more Borrower Advances shall be made under the Borrower Facility, (ii) declare that the Borrower Facility shall be cancelled, and (iii) declare that the Borrower Advances shall immediately become due and payable and enforce its rights under the Security Documents (a "**Borrower Enforcement Notice**").

For such purposes, "**Insolvency Event**" means the occurrence of any of the following events:

- (a) the relevant entity is, or is deemed or declared for the purposes of any law to be, unable to pay its debts as they fall due or to be insolvent, including without limitation, *en état de cessation des paiements*, or admits in writing its inability to pay its debts as they fall due;

- (b) the relevant entity by reason of financial difficulties, begins formal negotiations with one (1) or more of its creditors with a view to the general readjustment or rescheduling of any of its indebtedness or applies for or is subject to an amicable settlement or a *réglement amiable* pursuant to articles L. 611-1 *et seq.* of the French Commercial Code (*Code de commerce*);
- (c) a meeting of the shareholders of the relevant entity is convened for the purpose of considering any resolution for (or to petition for) its winding-up or its administration or any such resolution is passed;
- (d) any person presents a petition for the winding-up or for the administration or for the bankruptcy of the relevant entity and the petition is not discharged within thirty (30) days;
- (e) any order for the winding-up or administration of the relevant entity is issued;
- (f) a judgement is issued for the judicial liquidation (*liquidation judiciaire*), the safeguard of the relevant entity (*procédure de sauvegarde*), the rescheduling of the debt of the relevant entity (*redressement judiciaire*) or the transfer of the whole or part of the business of the relevant entity (*cession de l'entreprise*); or
- (g) any liquidator, trustee in bankruptcy, receiver, administrative receiver, administrator or the like (including, without limitation, any *mandataire ad hoc*, *administrateur judiciaire*, *administrateur provisoire*, *conciliateur* or *mandataire liquidateur*) is appointed in respect of the relevant entity or any substantial or material part of the assets or the directors of the relevant entity request such appointment.

#### *Broken Funding Indemnity*

If, as a consequence of a Borrower Event of Default, the Lender receives or recovers all or any part of a Borrower Advance otherwise than as described or scheduled under the relevant Finals Terms of Borrower Advance, the Borrower shall pay to the Lender on demand an amount equal to the amount (if any) of the difference (if positive) between (x) the additional interest which would have been payable on the amount so received or recovered had such Borrower Event of Default not occurred, and (y) the amount of interest which the Lender reasonably determines would have been payable to the Lender on the last day of the term thereof in respect of a deposit equal to the amount so received or recovered placed by it with a prime bank for a period starting on the third (3<sup>rd</sup>) Business Day following the date of such receipt or recovery and ending on the last day of the term thereof.

#### *Limited Recourse – Non Petition*

The Borrower Facility Agreement includes Limited Recourse and Non petition provisions, as described in "**Issuer's Activities – Limited Recourse**" and "**Issuer's Activities – Non-Petition**".

#### *Amendment*

No amendment, modification, alteration or supplement shall be made to the Borrower Facility Agreement without prior Rating Affirmation if the same materially and adversely affects the interest of the Issuer or the Bondholders.

For the avoidance of doubt, the Borrower Facility Agreement may be amended, modified, altered or supplemented without prior Rating Affirmation:

- (a) to cure any ambiguity, omission, defect or inconsistency;
- (b) to evidence or effect the transition of any party to the Borrower Facility Agreement to any successor;
- (c) to add to the undertakings and other obligations of the Borrower under the Borrower Facility Agreement; or
- (d) to comply with any mandatory requirements of applicable laws and regulations.

*Governing Law – Jurisdiction*

The Borrower Facility Agreement shall be governed by, and construed in accordance with, French law. The Lender and the Borrower have agreed to submit any dispute that may arise in connection with the Borrower Facility Agreement to the jurisdiction of the competent court of Paris.

## THE COLLATERAL SECURITY

### The Collateral Security Agreement

#### *Background*

The Collateral Security Agreement refers to the agreement dated on or prior to the Programme Date, as amended from time to time, and made between (i) the Issuer, in its capacity as Lender, (ii) collateral providers (the "**Collateral Providers**") and (iii) BFCM, in its respective capacity as Borrower, Collateral Provider, Collateral Security Agent, Administrator and Issuer Calculation Agent (the "**Collateral Security Agreement**").

#### *Secured Liabilities*

The Collateral Security Agreement sets forth the terms and conditions upon which the Collateral Providers, represented by the Collateral Security Agent, shall grant Eligible Assets as collateral security (*garantie financière*) (the "**Collateral Security**") for the benefit of the Lender in order to secure, as they become due and payable, the payments of all and any amounts owed by the Borrower under the Borrower Facility, whether present or future (the "**Secured Liabilities**").

#### *Collateral Providers on or about the Programme Date*

On or about the Programme Date, the Collateral Providers, duly represented by the Collateral Security Agent, have entered into the Collateral Security Agreement. Under the Collateral Security Agreement, each of these Collateral Providers has represented and warranted for the benefit of the Issuer that, on the Programme Date, it complies with the Collateral Provider Eligibility Criteria.

#### *Accession of Collateral Providers after the Programme Date*

At any time after the Programme Date but prior to the occurrence of any Borrower Event of Default or any Issuer Event of Default which is continuing unremedied, and subject to the procedure described in the Collateral Security Agreement, any entity may access to the Collateral Security Agreement as Collateral Provider provided that:

- (a) it complies, upon its accession to the Collateral Security Agreement, with the Collateral Provider Eligibility Criteria; and
- (b) it is not already a Collateral Provider at such time.

Upon its accession to the Collateral Security Agreement and pursuant to the relevant terms and conditions of the Collateral Security Agreement, each acceding Collateral Provider shall have the same rights and obligations as those of the other Collateral Providers.

#### *Withdrawal of Collateral Providers*

At any time after the Programme Date but prior to the occurrence of any Borrower Event of Default or any Issuer Event of Default which is continuing unremedied, any Collateral Provider (except BFCM) may withdraw from the Collateral Security Agreement, provided that such withdrawal does not and is not likely to cause any Borrower Event of Default (including the occurrence of a Breach of Asset Cover Test). As further described in the Collateral Security Agreement, such withdrawal shall be subject to the following conditions precedent:

- (a) the issuance by the Collateral Security Agent (acting in the name and on behalf of the relevant Collateral Provider(s)) of a withdrawal letter (a "**Withdrawal Letter**");
- (b) the notification by each of the Issuer, the Administrator, the Issuer Calculation Agent and the Collateral Security Agent to the relevant withdrawing Collateral Provider(s) (or to any of its representatives) indicating its acceptance of the withdrawal of such Collateral Provider, by way of

signature of the relevant Withdrawal Letter, it being provided that the Collateral Security Agent shall execute such Withdrawal Letter in its own name and on its own behalf but also in the name and on behalf of each of the relevant Collateral Provider(s);

- (c) the confirmation by the Issuer Calculation Agent that such withdrawal does not and is not likely to cause any Borrower Event of Default; and
- (d) the Issuer Calculation Agent shall have controlled and certified in writing to the Issuer that the Home Loan Receivables granted as Collateral Security by the withdrawing Collateral Provider(s) have been properly identified and that the withdrawal of such Collateral Provider(s), the subsequent release of Home Loan Receivables granted as Collateral Security by it/them, shall not result in a Non Compliance with Asset Cover Test. For such purpose, provided that the aggregate Home Loan Outstanding Principal Amount of the Home Loan Receivables granted as Collateral Security by the withdrawing Collateral Provider(s) exceeds 1% (one per cent.) of the aggregate Home Loan Outstanding Principal Amount of the Home Loan Receivables granted as Collateral Security by any and all Collateral Provider(s), the Issuer Calculation Agent shall recalculate the Weighted Average Recovery Rate ("**WARR**"), the Weighted Average Frequency of Foreclosure ("**WAFF**"), the Weighted Average Loss Severity ("**WALS**") and the Asset Percentage that would be applicable following the release of the Home Loans Receivables granted by such withdrawing Collateral Provider(s) as Collateral Security.

For such purpose, "**Home Loan Outstanding Principal Amount**" means, with respect to each relevant Home Loan, the amount of principal outstanding at the relevant date under such relevant Home Loan.

Upon its withdrawal from the Collateral Security Agreement and pursuant to the relevant terms and conditions of the Collateral Security Agreement, each withdrawn Collateral Provider shall have no rights or obligations under the Collateral Security Agreement and the Home Loans Receivables granted as Collateral Security by such withdrawn Collateral Provider shall be automatically released without any further formality.

At all times after the Programme Date, the Collateral Security Agent shall keep an updated list of the Collateral Providers, containing sufficient details of such Collateral Providers and taking into account any accession or withdrawal made pursuant to the Collateral Security Agreement and any other material events affecting the legal and financial situation of the Collateral Providers (and in particular the compliance with the Collateral Provider Eligibility Criteria). Such list shall be communicated by the Collateral Security Agent to the Issuer, the Administrator and/or the Issuer Calculation Agent, promptly upon their request.

For the purposes of the Collateral Security Agreement, each Collateral Provider granting Collateral Security shall, at the end of the current calendar month, comply with all the following cumulative Collateral Provider Eligibility Criteria (the "**Collateral Provider Eligibility Criteria**"):

- (a) the relevant entity is:
  - if granting Substitution Assets as Collateral Security, BFCM;
  - if granting any other type of Eligible Assets as Collateral Security, either:
    - 1) CIC, CIC Banque Scalbert Dupont – Crédit Industriel de Normandie, CIC Banque Crédit Industriel de l'Ouest – Banque Régionale de l'Ouest, CIC Société Bordelaise, CIC Est (resulting from the merger of CIC Banque Crédit Industriel d'Alsace et de Lorraine and CIC Banque Société Nancéienne Varin-Bernier), CIC Lyonnaise de Banque and, subject to Rating Affirmation, any other French legal entity, located in France, duly licensed as a French credit institution (*établissement de crédit*), controlled by BFCM within the meaning of article L. 233-3 of the French Commercial Code (*Code de commerce*), or
    - 2) a *Caisse de Crédit Mutuel* (within the meaning of articles L. 512-55 *et seq.* of the French Monetary and Financial Code (*Code monétaire et financier*) and to the exclusion of the *caisses mutuelles agricoles et rurales* referred to in articles R. 512-26 *et seq.* of the French Monetary and Financial Code (*Code monétaire et financier*) which forms part of the CEE Group;



- (b) the relevant entity has validly executed the Collateral Security Agreement on the Programme Date or has become a party thereto in accordance with relevant provisions of the Collateral Security Agreement;
- (c) the relevant entity has the power to enter into the Collateral Security Agreement and to exercise its rights and perform its obligations thereunder and all corporate and other action required to authorise its execution of the Collateral Security Agreement and its performance of its obligations thereunder have been done, fulfilled and performed;
- (d) all acts, conditions and things required to be done, fulfilled and performed in order (x) to enable such entity lawfully to enter into, exercise its rights under and perform and comply with the obligations expressed to be assumed by it in the Collateral Security Agreement, (y) to ensure that the obligations expressed to be assumed by it in the Collateral Security Agreement are legal, valid and binding and (z) to make the Collateral Security Agreement admissible in evidence in its jurisdiction of incorporation have been done, fulfilled and performed (as appropriate);
- (e) any material obligations expressed to be assumed by the relevant entity in the Collateral Security Agreement are legal and valid obligations binding and enforceable on it in accordance with their respective terms;
- (f) the relevant entity is not in breach of any of its material obligations under the Collateral Security Agreement;
- (g) the execution and delivery of the Collateral Security Agreement by the relevant entity nor the performance by it of any of the transactions contemplated therein nor of any of its obligations thereunder nor the creation of the security thereby constituted does not and will not:
  - 1) conflict with its constitutive documents; or
  - 2) contravene or constitute a default under or otherwise conflict with any provision contained in any material law, judgement, order, licence, permit or consent by which such entity or any of the assets of such entity is bound or affected; or
  - 3) conflict, in any material respect, with any agreement or document to which it is a party or by which it is bound nor will breach any obligation under any negative pledge or cause any limitation of such entity to be exceeded;
- (h) the relevant entity is able to meet its payment obligations with its current assets and is not in a position of cessation of payment (*cessation des paiements*), nor is there any basis for any third party to request the opening of insolvency or similar proceedings against such entity.

#### *Collateral Security Agent*

In accordance with the Collateral Security Agreement, each Collateral Provider has appointed BFCM as its agent (*mandataire*) under and in connection with the Collateral Security Agreement and in particular in order to manage the Collateral Security in the name and on behalf of the Collateral Providers (the "**Collateral Security Agent**").

#### *Resignation of the Collateral Security Agent*

The Collateral Security Agent will not resign from the duties and obligations imposed on it as Collateral Security Agent pursuant to the Collateral Security Agreement, except upon a determination that the performance of its duties under the Collateral Security Agreement shall no longer be permissible under the applicable law, such determination to be evidenced by the delivery to the Issuer of a external counsel's opinion to such effect. No such resignation shall become effective before the date upon which the Collateral Security Agent becomes unable to act as Collateral Security Agent, as specified in the external counsel's opinion.

### *Collateral Security Agent's Defaults*

Collateral Security Agent's Defaults will occur upon *inter alia* the occurrence of the following events:

- (a) any material representation or warranty made by the Collateral Security Agent is or proves to have been incorrect or misleading in any material respect when made, and the same is not remedied (if capable of remedy) within sixty (60) Business Days after the Issuer has given notice thereof to the Collateral Security Agent or (if sooner) the Collateral Security Agent has knowledge of the same, provided that the Issuer, at its discretion, certifies that it is prejudicial to the interests of the holders of the relevant Covered Bonds;
- (b) the Collateral Security Agent fails to comply with any of its material obligations under the Collateral Security Agreement unless such breach is capable of remedy and is remedied within sixty (60) Business Days after the Issuer has given notice thereof to the Collateral Security Agent or (if sooner) the Collateral Security Agent has knowledge of the same, provided that the Issuer, at its discretion, certifies that it is prejudicial to the interests of the holders of the relevant Covered Bonds;
- (c) an Insolvency Event occurs in respect of the Collateral Security Agent; or
- (d) at any time it is or becomes unlawful for the Collateral Security Agent to perform or comply with any or all of its material obligations under the Collateral Security Agreement or any or all of its material obligations under the Collateral Security Agreement are not, or cease to be, legal, valid and binding.

For such purposes, "**Insolvency Event**" means the occurrence of any of the following events:

- (a) the relevant entity is, or is deemed or declared for the purposes of any law to be, unable to pay its debts as they fall due or to be insolvent, including without limitation, *en état de cessation des paiements*, or admits in writing its inability to pay its debts as they fall due;
- (b) the relevant entity by reason of financial difficulties, begins formal negotiations with one (1) or more of its creditors with a view to the general readjustment or rescheduling of any of its indebtedness or applies for or is subject to an amicable settlement or a *règlement amiable* pursuant to articles L. 611-1 *et seq.* of the French Commercial Code (*Code de commerce*);
- (c) a meeting of the shareholders of the relevant entity is convened for the purpose of considering any resolution for (or to petition for) its winding-up or its administration or any such resolution is passed;
- (d) any person presents a petition for the winding-up or for the administration or for the bankruptcy of the relevant entity and the petition is not discharged within thirty (30) days;
- (e) any order for the winding-up or administration of the relevant entity is issued;
- (f) a judgement is issued for the judicial liquidation (*liquidation judiciaire*), the safeguard of the relevant entity (*procédure de sauvegarde*), the rescheduling of the debt of the relevant entity (*redressement judiciaire*) or the transfer of the whole or part of the business of the relevant entity (*cession de l'entreprise*); or
- (g) any liquidator, trustee in bankruptcy, receiver, administrative receiver, administrator or the like (including, without limitation, any *mandataire ad hoc*, *administrateur judiciaire*, *administrateur provisoire*, *conciliateur* or *mandataire liquidateur*) is appointed in respect of the relevant entity or any substantial or material part of the assets or the directors of the relevant entity request such appointment.

### *Collateral Security Agent Rating Trigger Event*

If a Collateral Security Agent Rating Trigger Event occurs, the Collateral Security Agent will notify the Issuer in writing of the occurrence of the Collateral Security Agent Rating Trigger Event within five (5) Business Days from the date upon which it becomes aware of such event and this will constitute a Collateral Security Agent Termination Event.

For such purposes, "**Collateral Security Agent Rating Trigger Event**" means the event in which the long-term senior unsecured, unsubordinated and unguaranteed debt obligations of the Collateral Security Agent become rated below BBB by S&P, or Baa2 by Moody's or BBB by Fitch.

### *Termination*

"**Collateral Security Agent Termination Events**" under the Collateral Security Agreement will include the following events:

- (a) the termination of the Collateral Security Agreement in accordance with its scheduled term;
- (b) the occurrence and continuation of any Collateral Security Agent's Default;
- (c) the occurrence of the Collateral Security Agent Rating Trigger Event;
- (d) the occurrence of a Borrower Event of Default; or
- (e) the resignation of the Collateral Security Agent.

If a Collateral Security Agent Termination Event occurs and is continuing, the appointment of the Collateral Security Agent under the Collateral Security Agreement shall be terminated by the sending to the Collateral Security Agent by the Issuer of a written notice for the purposes thereof (the "**Notice of Termination**"). Upon receipt by the Collateral Security Agent of the Notice of Termination, the appointment of the Collateral Security Agent will terminate with effect:

- not earlier than twenty (20) Business Days as from the receipt by the Collateral Security Agent of the Notice of Termination, if such Notice of Termination is served due to the occurrence of a Borrower Event of Default or of a Collateral Security Agent Rating Trigger Event;
- not earlier than twenty (20) Business Days as from the receipt by the Collateral Security Agent of the Notice of Termination or at any other date that the Issuer may have specified in the Notice of Termination, if such Notice of Termination is served due to any other reason.

(each, a "**Service Termination Date**"), and save for any continuing obligations of the Collateral Security Agent contained in the Collateral Security Agreement.

Upon the Service Termination Date, the Collateral Providers will replace BFCM, as Collateral Security Agent, by any substitute entity (the "**Substitute Collateral Security Agent**"), the choice of which being subject to prior Rating Affirmation.

Notwithstanding the Service Termination Date, the Collateral Security Agent will continue to be bound by all its obligations under the Collateral Security Agreement until the appointment of the Substitute Collateral Security Agent is effective. The Collateral Security Agent undertakes to act in good faith to assist any Substitute Collateral Security Agent.

### *Eligible Assets*

For the purposes of the Collateral Security Agreement, an "**Eligible Asset**" means (i) in relation to Collateral Security granted by any and all Collateral Providers (except BFCM), any Home Loan Receivable that complies with the Home Loan Eligibility Criteria (each as further described below) and (ii), only in relation to Collateral Security granted by BFCM (acting as Collateral Provider), any Substitution Asset.

The "**Home Loan Eligibility Criteria**" include the following cumulative eligibility criteria:

- (a) prior to the date upon which the Home Loan has been made available to the borrower thereof, all lending criteria and preconditions as applied by the originator of the Home Loan pursuant to its customary lending procedures were satisfied;
- (b) the underlying property is located in the jurisdiction of the originator of the Home Loan;
- (c) the Home Loan is governed by the law of the jurisdiction where the originator of the Home Loan is located;
- (d) the Home Loan is denominated in Euro or in CHF;
- (e) all sums due under the Home Loan (including interest and costs) are secured by a fully effective Home Loan Security;
- (f) at the date on which the Collateral Security Agent, acting in the name and on behalf of the relevant Collateral Provider, notifies the other parties that such Home Loan is effectively granted as Collateral Security (the "**Selection Date**"), the current principal balance of such Home Loan is no more than Euro 1,000,000 or its equivalent in CHF;
- (g) the loan-to-value of the Home Loan is no more than one hundred per cent. (100%);
- (h) at the relevant Selection Date, the remaining term for the Home Loan is less than thirty (30) years;
- (i) at the relevant Selection Date, the borrower under the Home Loan has paid at least one (1) instalment in respect of the Home Loan;
- (j) the borrower under the Home Loan is an individual who is not an employee of the originator of such Home Loan;
- (k) the Home Loan is current (i.e. does not present any arrears) as at the Selection Date;
- (l) the Home Loan is either monthly or quarterly amortising as at the Selection Date;
- (m) the borrower under the Home Loan does not benefit from a contractual right of set off;
- (n) the opening by the borrower under the Home Loan of a bank account dedicated to payments due under the Home Loan is not provided in the relevant contractual arrangements as a condition precedent to the originator of the Home Loan making the Home Loan available to the borrower under the Home Loan;
- (o) except where prior Rating Affirmation has been obtained, no amount drawn under the Home Loan is capable of being redrawn by the borrower thereof (i.e. the Home Loan is not flexible); and
- (p) as at the end of the current calendar month, the Collateral Provider granting such Home Loans Receivables as Collateral Security complies with any and all above mentioned Collateral Provider Eligibility Criteria.

If it is confirmed that a Home Loan ceases to comply with one (1) or several of the above Home Loan Eligibility Criteria (each, an "**Ineligible Home Loan**"), any Home Loan Receivables granted as Collateral Security under such Ineligible Home Loan shall account for zero for the purpose of calculation of the Asset Cover Test on the relevant Asset Cover Test Date (see "**Asset Monitoring – Asset Cover Test**"). In addition, the Collateral Security Agent, acting in the name and on behalf of the relevant Collateral Provider(s), may request that such Ineligible Home Loan Receivables be released from the scope of the Collateral Security.

The Home Loan Eligibility Criteria may be amended from time to time subject to prior Rating Affirmation.

For the purpose hereof:

**"Home Loan"** means each and any loan financing the acquisition of residential real estate property originated by any Collateral Provider.

**"Home Loan Receivable"** means each and any loan receivable arising from any Home Loan.

**"Home Loan Security"** means, in respect of a Home Loan, a Mortgage or a Home Loan Guarantee.

**"Home Loan Guarantee"** means (i) each and any joint and several guarantee or other type of guarantee provided by issued by *Crédit Logement* or by *Cautionnement Mutuel de l'Habitat (CMH)* or, subject to Rating Affirmation, a credit institution of the EEA specialised in the guaranteeing of loans financing the acquisition of residential real estate property and guaranteeing the Home Loans; or (ii), subject to Rating Affirmation, each and any financial guarantee or other type of guarantee provided by insurance companies or mutual insurance companies and guaranteeing the Home Loans.

**"Mortgage"** means each duly registered first ranking mortgage (and in particular in respect of Home Loans governed by French law, any *hypothèque*) or similar first ranking legal privilege (and in particular in respect of Home Loans governed by French law, any *privilège de prêteur de deniers*) securing the repayment of any given Home Loan, or any second ranking mortgage securing the repayment of any given Home Loan if the relevant first ranking mortgage is granted to secure the repayment of a Home Loan which receivable is granted as Collateral Security.

**"Substitution Assets"** means:

- (a) Euro or other Specified Currency demand or time deposits, certificates of deposit, long-term debt obligations and short-term debt obligations (including commercial paper) provided that in all cases such investments have a remaining period to maturity of one (1) year or less and the short-term unsecured, unguaranteed and unsubordinated debt obligations or, as applicable, the long-term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being duly licensed for such purposes) are rated at least P-1/Aa3 by Moody's, A-1+/AA- by S&P and F1+ by Fitch; or
- (b) Euro or other Specified Currency denominated government and public securities, provided that such investments have a remaining maturity of one (1) year or less and which are rated at least Aaa by Moody's, AAA by S&P and AAA by Fitch; or
- (c) Euro or other Specified Currency denominated residential mortgage backed securities provided that such investments have a remaining period to maturity of one (1) year or less, are actively traded in a continuous, liquid market on a recognised stock exchange, are held widely across the financial system, are available in an adequate supply and which are rated at least P-1/Aa3 by Moody's, A-1+/AA- by S&P and F1+ by Fitch.

#### *Collateral Security Assets*

Eligible Assets shall be validly granted as Collateral Security and shall qualify as **"Collateral Security Assets"** for the purposes of the Collateral Security Agreement only upon satisfaction of numerous conditions precedents, including in particular that the same shall have been duly identified in the relevant Collateral Provider's IT systems.

#### *Creation and Perfection*

The Collateral Security shall be created in accordance with articles L.211-36 II and L.211-38 to L.211-40 (formerly articles L. 431-7 *et seq.*) of the French Monetary and Financial Code (*Code monétaire et financier*). The Collateral Security shall not entail any transfer of title with respect to the relevant Eligible Assets until enforcement.

The Collateral Security shall be perfected pursuant to paragraphs I and II, 1°) and II, 2°) of article L. 211-38 of the French Monetary and Financial Code (*Code monétaire et financier*).

The perfection of each security shall not be conditional upon any formality other than the identification of the assets subject to the Collateral Security.

#### *Asset Monitoring and Asset Cover Test*

The Collateral Security Agent, acting in the name and on behalf of the Collateral Providers, shall monitor the Collateral Security Assets so as to at all times comply with the Asset Cover Test (as further described in "**Asset Monitoring – The Asset Cover Test**").

In particular, the Collateral Security Agent, acting in the name and on behalf of the Collateral Providers, may at any time add, substitute or release Collateral Security Assets (including Home Loan Receivables arising from Ineligible Home Loans) from the scope of the Collateral Security. However, any such addition, substitution and/or release shall be effective only subject to confirmation by the Issuer Calculation Agent that a Non Compliance with Asset Cover Test would not occur as a result of such addition, substitution and/or release. For such purpose, the Issuer Calculation Agent shall recalculate the Asset Percentage (as defined in "**Asset Monitoring – The Asset Cover Test**") that would be applicable following such addition, substitution and/or release each time any such addition, substitution or release is requested by the Collateral Security Agent.

Upon non compliance with the Asset Cover Test on any applicable test date, the Collateral Security Agent, acting in the name and on behalf of the Collateral Providers, shall cure such non compliance by:

- (a) causing the Collateral Providers to grant additional or substitute Eligible Assets as Collateral Security pursuant to the relevant terms of the Collateral Security Agreement; and/or
- (b) causing the Collateral Providers to release Collateral Security Assets from the Collateral Security pursuant to the relevant terms of the Collateral Security Agreement.

A failure to cure a non compliance with the Asset Cover Test which has occurred on any Asset Cover Test Date prior to the next following Asset Cover Test Date shall constitute a "**Breach of Asset Cover Test**" under the Collateral Security Agreement. Any Breach of Asset Cover Test shall be deemed the occurrence of a Borrower Event of Default under the Borrower Facility Agreement.

#### *Asset Servicing*

The Collateral Providers shall perform the servicing of the Collateral Security Assets in accordance with applicable laws and its customary servicing procedures (the "**Servicing Procedures**"), using the degree of skill, care and attention as for the servicing of its assets for its own account, without interfering with the Issuer's material rights under the Collateral Security Agreement.

Based on the information received from the Collateral Providers, the Collateral Security Agent, acting in the name and on behalf of the Collateral Providers, shall provide the Issuer with on each Asset Cover Test Date, an asset report (the "**Asset Report**") up-to-date as at the last Business Day of the calendar month immediately preceding such Asset Cover Test Date, and (if different from an Asset Cover Test Date) on each date upon which a Collateral Security Assets is selected by the Collateral Security Agent, acting in the name and on behalf of the Collateral Providers, for inclusion in the scope of the Collateral Security. Each Asset Report shall include the relevant data and information with respect to the relevant assets.

The Collateral Security Agent and the Collateral Providers shall furthermore, in accordance with the Servicing Procedures, establish, maintain or cause to be maintained and furthermore administer at all times accurate, complete and up-to-date records with respect to the Collateral Security Assets.

For the purpose of satisfying itself as to whether the Collateral Security Assets remain Eligible Assets or control Asset Reports, the Issuer (or any agent acting on its behalf) is granted the access to the Collateral Security Agent's premises and to the Collateral Providers' premises, or to premises where the Asset Records are located, in order to inspect or audit such Asset Records (such right of inspection or audit including taking copies of all or any document or data).

If a Servicing Rating Trigger Event occurs with respect to the Borrower, the Administrator will notify the Issuer in writing of the occurrence of such event and then within thirty (30) Business Days of such occurrence, the Issuer and the Collateral Security Agent, acting in the name and on behalf of the Collateral

Providers, will use reasonable endeavours to appoint a new servicer (whose long-term senior unsecured, unsubordinated and unguaranteed debt obligations (if rated) are rated at least BBB by S&P, Baa2 by Moody's or BBB- by Fitch), for the servicing of the Collateral Security Assets granted by the Borrower and by the *Caisses de Crédit Mutuel* which form part of the CEE Group.

If a Servicing Rating Trigger Event occurs with respect to CIC, the Administrator will notify the Issuer in writing of the occurrence of such event and then within thirty (30) Business Days of such occurrence, the Issuer and the Collateral Security Agent, acting in the name and on behalf of the Collateral Providers, will use reasonable endeavours to appoint a new servicer (whose long-term senior unsecured, unsubordinated and unguaranteed debt obligations (if rated) are rated at least BBB by S&P, Baa2 by Moody's or BBB- by Fitch), for the servicing of the Collateral Security Assets granted by the Collateral Providers being subsidiaries of the Borrower.

For such purposes, "**Servicing Rating Trigger Event**" means, with respect to the Borrower or CIC, as applicable, the event in which its long-term senior unsecured, unsubordinated and unguaranteed debt obligations become rated below BBB by S&P, or Baa2 by Moody's or BBB- by Fitch.

For the purpose hereof:

"**Asset Records**" means:

- (a) the computer and manual records, files, internal data, books and all other information (including information stored in information systems) related to the Collateral Security Assets, together with the underlying contracts and other documents evidencing title of the relevant entity to such assets (including, with respect to Home Loans, the related Home Loan Security); and
- (b) the records, files, internal data, computer systems and all other information related to the Collection Accounts and the operation of the same.

"**Collection Accounts**" means any and all bank accounts opened in the name of a Collateral Provider to collect interest and principal paid under the Home Loan Receivables granted as Collateral Security, as specified from time to time to the Issuer Calculation Agent pursuant to the relevant terms of the Collateral Security Agreement.

#### *Collateral Security Fee*

The Borrower shall pay to the Collateral Security Agent, acting in the name and on behalf of the Collateral Providers (except BFCM), a remuneration for the commitment of such Collateral Providers to grant assets as Collateral Security under the Collateral Security Agreement (the "**Collateral Security Fee**"). For each Collateral Provider (except BFCM), such Collateral Security Fee shall be calculated as follows: (i) the Borrower will estimate the financial costs incurred under the Borrower Debt, should the Collateral Security not be granted by the Collateral Providers and determine the financial cost saved due to the granting of such Collateral Security (the "**Financial Saving**"), and (ii) an amount equal to the Financial Saving shall be distributed as Collateral Security Fee to the Collateral Providers on the basis of the total nominal amount of the Home Loans owned by such Collateral Provider and which meet the Home Loan Eligibility Criteria as at the last Selection Date.

#### *Representations, warranties and undertakings*

The Collateral Security Agent and the Collateral Providers have made customary representations, warranties and undertakings in favour of the Issuer, such representations and warranties being given on the execution date of the Collateral Security Agreement and continuing until satisfaction in full of the Secured Liabilities.

#### *Collection Loss Trigger Event*

Upon downgrading of the credit rating of the Borrower below A-2 (short-term) (S&P) or F1 or A (Fitch) or P-1 (Moody's) (or any other credit rating trigger which may be agreed with the Rating Agencies after the date hereof) or upon downgrading of the credit rating of CIC below A-2 (short-term) (S&P) or F1 or A (Fitch) or P-1 (Moody's) (or any other credit rating trigger which may be agreed with the Rating Agencies after the date hereof) (each, a "**Collection Loss Trigger Event**") and within ten (10) Business Days from

the occurrence of such Collection Loss Trigger Event, the Borrower shall be required to pay into the credit of a bank account to be opened within such period in its name and in its books (the "**Collection Loss Reserve Account**"), an amount equal to collections received by the Collateral Providers under the Home Loans and the Substitution Assets granted as Collateral Security during the three (3) calendar months preceding the occurrence date of the Collection Loss Trigger Event, as the same shall be reported to the Issuer, the Administrator and the Issuer Calculation Agent (with a copy to the Rating Agencies) within the above mentioned ten (10) Business Day-period.

All cash credited to the Collection Loss Reserve Account as described above shall be granted as Collateral Security subject to, and in accordance with, the relevant terms of the Collateral Security Agreement and shall secure the Secured Liabilities as they become due and payable.

Failure by the Borrower to fund the Collection Loss Reserve Account up to the required amount within the required period following the occurrence date of the Collection Loss Trigger Event shall constitute a "**Breach of Collection Loss Reserve Funding Requirement**" within the meaning of the Collateral Security Agreement. A Breach of Collection Loss Reserve Funding Requirement shall result in the occurrence of a "**Borrower Event of Default**" under the Borrower Facility Agreement.

#### *Home Loan Guarantee Trigger Events*

Upon the downgrading of the credit rating of the Borrower below A- (long term) (S&P) or A- (long term) (Fitch) or A3 (long term) (Moody's) (or any other credit rating trigger which may be agreed upon by the Rating Agencies after the date hereof) (the "**Level 1 Home Loan Guarantee Trigger Event**") (and for as long as such Level 1 Home Loan Guarantee Trigger Event is not remedied) and within ten (10) Business Days from the occurrence of such Level 1 Home Loan Guarantee Trigger Event, the Borrower shall be required to pay and maintain into a dedicated bank account to be opened within such period in its name and in the books of the Issuer Accounts Bank (the "**Mortgages Registration Reserve Account**") an amount equal to the registration costs of mortgages or similar legal privileges (*hypothèque* or *privilège de prêteur de deniers*) securing the repayment of any Home Loans granted as Collateral Security and secured by Home Loan Guarantees granted by *Cautionnement Mutuel de l'Habitat* (CMH), to be incurred by the relevant Collateral Providers and/or by the *Cautionnement Mutuel de l'Habitat* (CMH) should they register such mortgages or similar legal privileges (the "**Mortgage Registration Costs**"). The amount of such Mortgage Registration Costs will be estimated by the Issuer (or by any of its representatives) and communicated to the Rating Agencies prior being applied.

All cash credited to the Mortgages Registration Reserve Account as described above shall be granted as Collateral Security subject to, and in accordance with, the relevant terms of the Collateral Security Agreement and shall secure the Secured Liabilities as they become due and payable.

Failure by the Borrower to fund the Mortgages Registration Reserve Account up to the required amount within the required period following the occurrence of a Level 1 Home Loan Guarantee Trigger Event shall result in the occurrence of a "**Borrower Event of Default**" under the Borrower Facility Agreement.

Upon the downgrading of the credit rating of the Borrower below BBB (long term) (S&P) or BBB (long term) (Fitch) or Baa2 (long term) (Moody's) (or any other credit rating trigger which may be agreed upon by the Rating Agencies after the date hereof) (the "**Level 2 Home Loan Guarantee Trigger Event**") and within sixty (60) days from the occurrence of such Level 2 Home Loan Guarantee Trigger Event:

- (a) - the Borrower and each relevant Collateral Provider shall (i) pursuant to the relevant Home Loan contractual documentation, use all reasonable efforts to initiate and to continue the process of creating and registering, in the name of the relevant Collateral Providers, the mortgages or similar legal privileges (*hypothèque* or *privilège de prêteur de deniers*) to secure the repayment of any Home Loans granted as Collateral Security and secured by Home Loan Guarantees granted by *Cautionnement Mutuel de l'Habitat* (CMH) or (ii) ensure that *Cautionnement Mutuel de l'Habitat* (CMH) uses all reasonable efforts to initiate and to continue the process of creating and registering, in the name of the relevant Collateral Providers, the mortgages or similar legal privileges (*hypothèque* or *privilège de prêteur de deniers*) to secure the repayment of any Home Loans already secured by Home Loan Guarantees granted by *Cautionnement Mutuel de l'Habitat* (CMH); and



- if required by *Cautionnement Mutuel de l'Habitat* (CMH) and/or by the relevant Collateral Providers, the Borrower shall reimburse the same with the registration costs of the mortgages or similar legal privileges mentioned above, as the case may be, from sums credited to the Mortgages Registration Reserve Account; it being provided that the Borrower shall not use the sums credited to the Mortgages Registration Reserve Account for any other purposes than such reimbursement;

or

- (b) the Borrower shall ensure that the commitment of *Cautionnement Mutuel de l'Habitat* (CMH) under the Home Loan Guarantees granted by *Cautionnement Mutuel de l'Habitat* (CMH) and securing the repayment of Home Loans granted as Collateral Security is fully guaranteed or insured by an Eligible CMH Guarantor (the "**CMH Guarantee**").

Upon the occurrence of a Level 2 Home Loan Guarantee Trigger Event, and within one hundred and twenty (120) days from the occurrence of such Level 2 Home Loan Guarantee Trigger Event, and provided that the CMH Guarantee has not been implemented at such time, any Home Loans Receivables (i) granted as Collateral Security and secured by Home Loan Guarantees granted by *Cautionnement Mutuel de l'Habitat* (CMH) (ii) which is not secured by a mortgages or similar legal privileges (*hypothèque* or *privilège de prêteur de deniers*) shall account for zero for the purpose of calculation of the Asset Cover Test on any relevant Asset Cover Test Date (see "**Asset Monitoring – The Asset Cover Test**") and, as applicable, shall account for zero for the purpose of calculation of the Amortisation Test on any relevant Amortisation Test Date (see "**Asset Monitoring – The Amortisation Test**"). In addition, the Collateral Security Agent, acting in the name and on behalf of the relevant Collateral Provider(s), may request that such Home Loan Receivables be released from the scope of the Collateral Security.

For such purposes,

**"Eligible CMH Guarantor"** means a financial institution which meets the following conditions:

- such financial institution is permitted under any applicable and relevant law to provide guarantees; and
- (i) the rating of its senior unsecured, unsubordinated and unguaranteed debt obligations under the CMH Guarantee is at least a CMH Guarantor Required Rating, or (ii) the rating of the senior unsecured, unsubordinated and unguaranteed debt obligations of the guarantor of its obligations under the CMH Guarantee is at least a CMH Guarantor Required Rating, or (iii) this financial institution has provided collateral for its obligations and taken any remedial action as required by the relevant Rating Agencies.

**"CMH Guarantor Required Rating"** means, with respect to any guarantor granting a CMH Guarantee or, as applicable, its guarantor under the relevant guarantee, A- (long term) (S&P) and A- (long term) (Fitch) and A3 (long term) (Moody's) (or any other credit rating trigger which may be agreed upon by the Rating Agencies after the date hereof).

### *Enforcement*

Upon the service of a Borrower Enforcement Notice subject to, and in accordance with, the relevant terms of the Borrower Facility Agreement following the occurrence of a Borrower Event of Default, the Issuer (represented by the Issuer Independent Representative or by the Administrator or the Substitute Administrator) shall be entitled to exercise all rights, actions and privileges with respect to the Collateral Security Assets as granted to a secured creditor in accordance with paragraph II, 3°) of article L. 211-38 of the French Monetary and Financial Code (*Code monétaire et financier*). In particular, with immediate effect as from the service to the Borrower and to the Collateral Security Agent, acting in the name and on behalf of the Collateral Providers, of a Borrower Enforcement Notice:

- (a) the Collateral Providers shall no longer be entitled to service the Collateral Security Assets and shall refrain from taking any action whatsoever in connection with the Collateral Security Assets or vis-à-vis the underlying debtors, except upon the written prior instructions of each of the Issuer or the Administrator (or the Substitute Administrator), or any of its representative, agent or expert acting on its behalf;

- (b) the Issuer shall be vested in all the rights of title, all discretions, benefits and all other rights of the Collateral Providers with respect to any and all Collateral Security Assets, related Asset Records and related documents, including, without formality whatsoever, all rights of title, all discretions, benefits and all other rights in relation to any right, privilege, guarantee or security interest (*droit accessoire, privilège, garantie ou sûreté*) ancillary or as the case may be attached to the Collateral Security Assets (and, in particular, any and all relevant Home Loan Security); and
- (c) the Issuer (represented by the Administrator (or the Substitute Administrator) or any of its representative, agent or expert acting on its behalf) shall:
  - take whatever action required in order to perfect, or any other action which it deems necessary for the purpose of perfecting, its rights of title, discretions, privileges, remedies and other rights with respect to any or all Collateral Security Assets and any related rights, privileges, guarantees and security interest ancillary or attached to any or all Collateral Security Assets; and/or
  - exercise all its rights, discretions, privileges and remedies under any or all Collateral Security Assets or any related documents; and/or
  - enforce all its rights, discretions, privileges and remedies under any or all Home Loan Security and the other guarantees and security interest ancillary or attached to any or all Collateral Security Assets; and/or
  - serve a notice to any or all the debtors and all other relevant entities under any or all Collateral Security Assets, mentioning the new payment instructions to be observed by the same with respect to the payment of sums due under the Collateral Security Assets and/or the related Asset Contractual Documentation.

After transfer of title with respect to any or all Collateral Security Assets, the Issuer (represented by the Administrator (or the Substitute Administrator) or any of its representative, agent or expert acting on its behalf) may dispose of, transfer, sale or cause to be sold, any or all the Collateral Security Assets to any third party or refinance the same (by way of securitisation or otherwise).

For the purpose hereof:

**"Asset Contractual Documentation"** means, in relation to any and all Collateral Security Assets, all originals or executive or true copies (*copies exécutoires*) of any contract, instrument or other document (such as riders, waivers and amendments) providing for the terms and conditions of, and/or evidencing title and benefit to, such Collateral Security Assets and any right, privilege, guarantee or security interest (*droit accessoire, privilège, garantie ou sûreté*) ancillary or as the case may be attached thereto (and, in particular, any and all relevant Home Loan Security).

*Conditions of enforcement*

Enforcement requires no other formality whatsoever (including the necessity to obtain a court order or conduct an auction), any notification requirements (to the Borrower, the Collateral Providers or any other person) nor any other procedures.

Pursuant to article L. 211-40 of the French Monetary and Financial Code (*Code monétaire et financier*), no right of the Issuer to enforce the Collateral Security shall be in any manner affected or limited by any insolvency proceedings mentioned under the sixth book of the French Commercial Code (*Livre VI du Code de Commerce*) which would have been opened with respect to the Collateral Providers or any of its assets.

*Collateral Security Agent's and Collateral Providers' obligations upon enforcement*

With immediate effect as from the service to the Borrower and to the Collateral Security Agent, acting in the name and on behalf of the Collateral Providers, of a Borrower Enforcement Notice and upon the instructions of each of the Issuer, the Administrator (or the Substitute Administrator) or any of its representative, agent or expert acting on its behalf (each, an **"Enforcing Party"**), the Collateral Security Agent and the Collateral Providers shall:

- (a) execute any document, take whatever action and do all such things required in order to perfect, or any other action that the Enforcing Party deems necessary for the purpose of perfecting, the Issuer's

rights of title, discretions, privileges, remedies and other rights in relation to any or all Collateral Security Assets and any related rights, privileges, guarantees and security interest ancillary or attached thereto;

- (b) deliver such Asset Records and related documents to the Enforcing Party to such place as the same may reasonably designate;
- (c) allow to the Enforcing Party reasonable access to its facilities, premises, computer and/or software systems;
- (d) take all steps and do all things and cooperate in good faith to enable any entity which shall have been appointed as Substitute Administrator in replacement of the Administrator to take over its duties in such capacity.

#### *Application of proceeds*

Once the Issuer shall have been vested in all rights of title, discretions, benefits and other rights with respect to any and all the Collateral Security Assets following enforcement of the Collateral Security, any principal and interest payments, distributions, sale or liquidation proceeds and other sums (together, the "**Enforcement Proceeds**") received by the Issuer thereunder shall be held by the Issuer as cash collateral (*gage-espèces*) for the satisfaction in full of the Secured Liabilities.

Subject to the discharge in full of all the Secured Liabilities, the Collateral Security Agent, acting in the name and on behalf of the Collateral Providers, shall have the right to claim against the Issuer for repayment (*créance de restitution*) of the portion of the Enforcement Proceeds received by the Issuer and not applied to the satisfaction of the Secured Liabilities. Such repayment by the Issuer to the Collateral Security Agent, acting in the name and on behalf of the Collateral Providers, shall be made as soon as reasonably practicable following the day upon which all sums due under any and all the Tranches and Series of Covered Bonds shall have been repaid in full.

#### *Limited Recourse – Non Petition*

The Collateral Security Agreement includes Limited Recourse and Non petition provisions, as described in "**Issuer's Activities – Limited Recourse**" and "**Issuer's Activities –Non-Petition**".

#### *Amendment*

No amendment, modification, alteration or supplement shall be made to the Collateral Security Agreement without prior Rating Affirmation if the same materially and adversely affects the interest of the Issuer or the Bondholders.

For the avoidance of doubt, the Collateral Security Agreement may be amended, modified, altered or supplemented without prior Rating Affirmation:

- (a) to cure any ambiguity, omission, defect or inconsistency;
- (b) to evidence or effect the transition of any party to the Collateral Security Agreement to any successor;
- (c) to add to the undertakings and other obligations of the Collateral Security Agent and/or of the Collateral Providers under the Collateral Security Agreement; or
- (d) to comply with any mandatory requirements of applicable laws and regulations.

#### *Governing Law – Jurisdiction*

The Collateral Security Agreement shall be governed by, and construed in accordance with, French law. The parties to the Collateral Security Agreement have agreed to submit any dispute that may arise in connection with the Collateral Security Agreement to the jurisdiction of the competent court of Paris.

## **The Cash Collateral Agreement**

### *Background*

The Cash Collateral Agreement refers to the agreement dated on or prior to the Programme Date and made between (i) the Issuer in its capacity as Lender, and (ii) BFCM in its capacity as Cash Collateral Provider (the "**Cash Collateral Provider**"), Administrator and Issuer Calculation Agent (the "**Cash Collateral Agreement**").

### *Secured Liabilities*

The Cash Collateral Agreement sets forth the terms and conditions upon which the Cash Collateral Provider shall fund certain amounts as cash collateral (*gage espèces*) (each, a "**Cash Collateral**") into the Cash Collateral Account so as to secure as they become due and payable the payments of all and any amounts owed by the Borrower under the Borrower Facility, whether present or future (the "**Secured Liabilities**").

### *Creation and Perfection*

Any Cash Collateral shall be created upon credit of the corresponding sums into the Cash Collateral Account.

The perfection of each Cash Collateral shall not be conditional upon any formality. Each Cash Collateral shall entail the transfer of title in favour of the Issuer with respect to the relevant cash funded into the Cash Collateral Account.

Cash at any time standing to the credit of the Cash Collateral Account may be invested only in Permitted Investments whose maturity is earlier than the Final Maturity Date of the relevant Series of Covered Bonds.

### *Pre-Maturity Test*

The Cash Collateral Provider shall be requested to fund the Cash Collateral Account with the relevant Cash Collateral and up to the required amount upon non compliance by the Borrower of certain pre-maturity ratings levels following the occurrence date of such non compliance and during a certain pre-maturity test period (as further described in "**Asset Monitoring – The Pre-Maturity Test**").

Failure by the Cash Collateral Provider to fund the Cash Collateral Account with the relevant Cash Collateral and up to the required amount within the required period following any non compliance with the relevant pre-maturity ratings levels and on any relevant test date following such non compliance shall constitute a Breach of Pre-Maturity Test under the Cash Collateral Agreement which breach shall in turn result in the occurrence of a Borrower Event of Default under the Borrower Facility Agreement.

### *Representations, warranties and undertakings*

The Cash Collateral Provider has made the customary representations and warranties and undertakings to the Issuer, the representations and warranties being given on the execution date of the Cash Collateral Agreement and continuing until satisfaction in full of the Secured Liabilities.

### *Enforcement*

Upon the service of a Borrower Enforcement Notice subject to, and in accordance with, the relevant terms of the Borrower Facility Agreement following the occurrence of a Borrower Event of Default, the Issuer (represented by the Issuer Independent Representative or by the Administrator or Substitute Administrator) shall be entitled to apply all sums standing to the credit of the Cash Collateral Account in satisfaction of all the Secured Liabilities.

Any sum remaining to the credit of the Cash Collateral Account after satisfaction in full of the Secured Liabilities shall be promptly repaid to the Borrower.

*Conditions of enforcement*

Enforcement requires no other formality whatsoever (including the necessity to obtain a court order or conduct an auction), any notification requirements (to the Borrower, the Cash Collateral Provider or any other person) nor any other procedures .

No right of the Issuer to enforce its rights under the Cash Collateral Agreement shall be in any manner affected or limited by any Insolvency Proceedings with respect to the Borrower.

*Limited Recourse – Non Petition*

The Cash Collateral Agreement includes Limited Recourse and Non petition provisions, as described in **"Issuer's Activities – Limited Recourse"** and **"Issuer's Activities – Non – Petition"**.

*Amendment*

No amendment, modification, alteration or supplement shall be made to the Cash Collateral Agreement without prior Rating Affirmation if the same materially and adversely affects the interest of the Issuer or the Bondholders.

For the avoidance of doubt, the Cash Collateral Agreement may be amended, modified, altered or supplemented without prior Rating Affirmation:

- (a) to cure any ambiguity, omission, defect or inconsistency;
- (b) to evidence or effect the transition of any party to the Cash Collateral Agreement to any successor;
- (c) to add to the undertakings and other obligations of the Cash Collateral Provider under the Cash Collateral Agreement; or
- (d) to comply with any mandatory requirements of applicable laws and regulations.

*Governing Law – Jurisdiction*

The Cash Collateral Agreement shall be governed by, and construed in accordance with, French law. The Issuer and the Cash Collateral Provider have agreed to submit any dispute that may arise in connection with the Cash Collateral Agreement to the jurisdiction of the competent court of Paris.

## ASSET MONITORING

Under the Collateral Security Agreement and for so long as no Borrower Event of Default has occurred and been enforced subject to, and in accordance with, the relevant terms of the Borrower Facility Agreement, the Collateral Security Agent and the Collateral Providers shall monitor the Collateral Security Assets so as to ensure compliance with an asset cover test (the "**Asset Cover Test**").

Under the Cash Collateral Agreement and for so long as no Borrower Event of Default has occurred and been enforced subject to, and in accordance with, the relevant terms of the Borrower Facility Agreement, the Borrower shall fund the Cash Collateral Account up to an amount sufficient so as to ensure compliance with a pre-maturity test (the "**Pre-Maturity Test**").

Under Condition 5 (f) and following the enforcement of a Borrower Event of Default subject to, and in accordance with, the relevant terms of the Borrower Facility Agreement, the Issuer shall ensure compliance with an amortisation test (the "**Amortisation Test**").

### The Asset Cover Test

The following terms shall have the following definitions:

"**Asset Cover Test Date**" means the twentieth (20<sup>th</sup>) day of each calendar month and each issuance date of a Series or a Tranche of Covered Bonds. The first Asset Cover Test Date shall be 20 August 2007.

"**Asset Cover Test Calculation Period**" means, in relation to any Asset Cover Test Date, each period starting on, and including, the immediately preceding Asset Cover Test Date, and ending on, and excluding such Asset Cover Test Date.

Compliance with the Asset Cover Test requires compliance with the asset cover ratio R specified below (the "**Asset Cover Ratio**"). Such compliance is tested by the Issuer Calculation Agent from time to time subject to, and in accordance with, the relevant terms of the Collateral Security Agreement and the Calculation Services Agreement.

*The Asset Cover Ratio (R)*

"**R**" means the following ratio which shall be at least equal to one (1) at each Asset Cover Test Date:

$$R = \left[ \frac{\text{Adjusted Aggregate Asset Amount (AAAA)}}{\text{Aggregate Covered Bond Outstanding Principal Amount}} \right]$$

whereby:

"**Aggregate Covered Bond Outstanding Principal Amount**" means, at any Asset Cover Test Date, the aggregate amount of principal (in euro or euro equivalent with respect to Covered Bonds denominated in a Specified Currency) outstanding at such date under all Covered Bonds.

"**Adjusted Aggregate Asset Amount (AAAA)**" means, at any Asset Cover Test Date:

$$(AAAA) = A + B + C + D - (Y + Z)$$

whereby:

"**A**" means the lower of "A1" and "A2".

"**A1**" is equal to the sum of all Adjusted Home Loan Outstanding Principal Amounts of all Home Loans granted as Collateral Security and excluding the Home Loans which have become Ineligible Home Loans (see "**The Collateral Security**" for a description of the Home Loans Eligibility Criteria) during the applicable Asset Cover Test Calculation Period (the "**Relevant Home Loan**"), as such Adjusted Home Loan Outstanding Principal Amounts under Borrower Facility will be calculated on the relevant Asset Cover Test Date, whereby:

"**Adjusted Home Loan Outstanding Principal Amount**" means, with respect to each Relevant Home Loan granted as Collateral Security, the lower of:

- (i) the Home Loan Outstanding Principal Amount of such Relevant Home Loan minus the Applicable Deemed Reductions; and
- (ii) the LTV Cut-Off Percentage of the Indexed Valuation relating to such Relevant Home Loan minus the Applicable Deemed Reductions;

"**Applicable Deemed Reductions**" means, the aggregate sum of the financial losses incurred by the Collateral Providers with respect to the Relevant Home Loans to the extent that such financial losses have been incurred as a direct result of a material breach of the Servicing Procedures by the relevant Collateral Providers during the applicable Asset Cover Test Calculation Period (see "**The Collateral Security Agreement – Asset Servicing**" for a description of the Servicing Procedures).

"**Home Loan Outstanding Principal Amount**" means, with respect to each Relevant Home Loan, the amount of principal outstanding at the relevant Asset Cover Test Date under such Relevant Home Loan.

"**LTV Cut-Off Percentage**" means:

- (i) eighty per cent. (80%) for each Relevant Home Loan secured by a Mortgage;
- (ii) eighty per cent. (80%) for each Relevant Home Loan secured by a Home Loan Guarantee issued by *Crédit Logement* or by *Cautionnement Mutuel de l'Habitat (CMH)*;
- (iii) a percentage which will be agreed with the Rating Agencies from time to time for each Relevant Home Loan that has the benefit of an insurance policy with an acceptable insurer or guarantee with an acceptable financial institution, insuring the credit risk under such Relevant Home Loan; and
- (iv) a percentage which will be agreed with the Rating Agencies from time to time for each Relevant Home Loan not mentioned under (i) to (iii) above.

"**Index**" means the index of increases of house prices issued by PERVAL in relation to residential properties in France.

"**Indexed Valuation**" means at any date in relation to any Relevant Home Loan secured over any Property:

- (i) where the Original Market Value of that Property is equal to or greater than the Price Indexed Valuation as at that date, the Price Indexed Valuation; or
- (ii) where the Original Market Value of that Property is less than the Price Indexed Valuation as at that date, the Original Market Value plus eighty per cent. (80%) of the difference between the Price Indexed Valuation and the Original Market Value.

"**Original Foreclosure Value**" in relation to any Property means the purchase price of such Property or (as applicable) the most recent valuation of such Property, as disclosed to the relevant Collateral Provider by the relevant debtor under the related Relevant Home Loan.

"**Original Market Value**" in relation to any Property means the Original Foreclosure Value divided by 1.

**"Price Indexed Valuation"** in relation to any Property at any date means the Original Market Value of that Property increased or decreased as appropriate by the increase or decrease in the Index since the date of the Original Market Value.

**"A2"** is equal to the sum of all unadjusted Home Loan Outstanding Principal Amounts of all Relevant Home Loans minus the Applicable Deemed Reductions (as defined above) multiplied by the applicable Asset Percentage, whereby:

**"Asset Percentage"** means (i) 92.5 per cent. (92.5%) or (ii) such percentage figure as is determined on quarterly basis by the Issuer Calculation Agent pursuant to the relevant terms of the Collateral Security Agreement.

For the purpose of the calculation of the Asset Percentage referred to in (ii) above, the Issuer Calculation Agent will calculate, on a quarterly basis, the Weighted Average Recovery Rate ("**WARR**"), the Weighted Average Frequency of Foreclosure ("**WAFF**"), and the Weighted Average Loss Severity ("**WALS**") (and/or such figures calculated in accordance with such alternative methodologies as agreed with S&P and Fitch) for all Relevant Home Loans or for a random sample of the same or as otherwise agreed by S&P and Fitch. The WARR and WALS (or other relevant figures) so calculated will be incorporated by the Issuer Calculation Agent into one (1) or more cash flow models approved by S&P and Fitch. Such models, which test the credit enhancement required in various cash flow scenarios, will indicate, on the basis of the latest WARR, WAFF and WALS figures (or other agreed relevant figures), the Asset Percentage needed in order to provide credit enhancement to cover all such cash flow scenarios. Save where otherwise agreed with S&P and Fitch, the Asset Percentage will be adjusted in accordance with the various methodologies prescribed by S&P and Fitch provided that the Asset Percentage may not, at any time, exceed 92.5 per cent. (92.5%).

**"B"** is equal to the aggregate amount of cash standing to the credit of the Cash Collateral Account, as reported by the Collateral Security Agent in the relevant Asset Report.

**"C"** is equal to the aggregate value outstanding under all Substitution Assets (the "**Aggregate Substitution Asset Amount (ASAA)**") granted as Collateral Security provided that, the amount of the Aggregate Substitution Asset Amount (ASAA) (whatever such amount is at any Asset Cover Test date) shall in any event account only for up to twenty per cent. (20%) of the Adjusted Aggregate Asset Amount (AAAA) for the purposes hereof. The Aggregate Substitution Asset Amount (ASAA) shall be reported by the Collateral Security Agent in the relevant Asset Report. Substitution Assets will be valued on the last Business Day of the calendar month immediately preceding each Asset Cover Test Date and be taken into account for their mark-to-market value at a discount based on a methodology agreed with the Rating Agencies.

**"D"** is equal to the aggregate value outstanding under all Permitted Investments, as determined by the Issuer Accounts Bank (or the Administrator on its behalf) and reported to the Issuer Calculation Agent pursuant to the Issuer Accounts Bank Agreement. Permitted Investments will be valued on the last Business Day of the calendar month immediately preceding each Asset Cover Test Date and be taken into account for their mark-to-market value at a discount based on a methodology agreed with the Rating Agencies.

**"Y"** is equal to (i) zero before any Issuer Hedging Agreement shall be entered into by the Issuer subject to, and in accordance with, the Hedging Strategy and (ii) otherwise, an amount equal to the payments due under the Issuer Hedging Agreements (plus interest thereon) within the period of  $\alpha$  plus two (2) months preceding the relevant Asset Cover Test Date where  $\alpha$  means the period between two (2) interest payment dates (first day of such period included and last day of such period excluded) under the relevant Issuer Hedging Agreements.

**"Z"** is equal to:  $WAM * \text{Covered Bond Outstanding Principal Amount} * 1.00 \text{ per cent. (1\%)}$ , or any other amount as agreed between the Issuer and the Cash Collateral Provider, subject to prior Rating Affirmation, whereby:

**"WAM"** means the greater of (i) the weighted average maturity of Series of Covered Bonds outstanding as at the relevant Asset Cover Test Date, and (ii) one (1) year.



**"Covered Bond Outstanding Principal Amount"** means, at any Asset Cover Test Date, the aggregate amount of principal (in euro or euro equivalent with respect to Covered Bonds denominated in a Specified Currency) outstanding at such date under all Series of Covered Bonds.

*Calculation of the Asset Cover Ratio (R)*

On each Asset Cover Test Date, the Asset Cover Ratio (R) shall be calculated by the Issuer Calculation Agent according to the terms, definitions and calculation formula set forth above.

No later than three (3) Business Days following any Asset Cover Test Date, the Issuer Calculation Agent shall inform the Issuer, the Borrower and the Collateral Security Agent (with a copy to the Rating Agencies and to the Asset Monitors) of its calculation of the Asset Cover Ratio (R).

*Non Compliance with Asset Cover Test*

Non compliance with the Asset Cover Test (the **"Non Compliance with Asset Cover Test"**) would result from the Asset Cover Test Ratio (R) being less than 1.

*Remedies*

Upon Non Compliance with Asset Cover Test on any Asset Cover Test Date, the Collateral Security Agent shall:

- (i) cause the Collateral Providers to grant additional or substitute Eligible Assets as Collateral Security pursuant to the relevant terms of the Collateral Security Agreement; and/or
- (ii) cause the Collateral Providers to release Collateral Security Assets from the Collateral Security pursuant to the relevant terms of the Collateral Security Agreement;

in each case, as necessary to cure such Non Compliance with Asset Cover Test.

A Non Compliance with Asset Cover Test will not constitute an Issuer Event of Default or a Borrower Event of Default. However, it will prevent the Issuer from issuing any further Series as long as it remains unremedied.

*Breach of Asset Cover Test*

The failure by the Collateral Security Agent, acting in the name and on behalf of the Collateral Providers, to cure a Non Compliance with Asset Cover Test occurred on any Asset Cover Test Date prior to the next following Asset Cover Test Date shall constitute a **"Breach of Asset Cover Test"** within the meaning of the Collateral Security Agreement. The Issuer Calculation Agent will inform promptly the Issuer, the Borrower and the Collateral Security Agent (with a copy to the Rating Agencies and to the Asset Monitors) of the occurrence of a Breach of Asset Cover Test.

A Breach of Asset Cover Test will result in a Borrower Event of Default within the meaning of, and subject to, the relevant terms of the Borrower Facility Agreement.

A Breach of Asset Cover Test will not constitute an Issuer Event of Default but will prevent the Issuer from issuing any further Series.

## The Pre-Maturity Test

Compliance with the Pre-Maturity Test requires compliance with the ratings specified below with respect to the Borrower within each relevant Pre-Maturity Test Period.

For the purpose hereof:

**"Pre-Maturity Test Period"** means the period starting from, and including, the one hundred and eightieth (180<sup>th</sup>) Business Day preceding the Final Maturity Date of each Series of Covered Bonds and ending on, and excluding, such Final Maturity Date.

### *Pre-Maturity Ratings Required Levels*

The required ratings with respect to the Borrower (together, the **"Pre-Maturity Ratings Required Levels"**) are the following credit ratings from any of S&P, Moody's or Fitch respectively at least A-1 (short-term) (S&P), P-1 (short-term) (Moody's) or F1+ (short-term) (Fitch).

### *Pre-Maturity Test*

The Issuer Calculation Agent shall test compliance or non compliance by the Borrower with the Pre-Maturity Ratings Required Level subject to, and in accordance with, the relevant terms of the Calculation Services Agreement.

### *Non Compliance with Pre-Maturity Test*

Upon downgrading of the Borrower below any of the Pre-Maturity Ratings Required Levels within a Pre-Maturity Test Period, the Issuer Calculation Agent shall inform the Cash Collateral Provider of the same within three (3) Business Days from such downgrading by written notice (the **"Non Compliance Notice"**) delivered to the Cash Collateral Provider subject to, and in accordance with, the relevant terms of the Cash Collateral Agreement.

The downgrading of the Borrower below any of the Pre-Maturity Ratings Required Levels will not constitute an Issuer Event of Default nor a Borrower Event of Default.

### *Remedies*

If a Non Compliance Notice is received by the Cash Collateral Provider within a Pre-Maturity Test Period, the Cash Collateral Provider shall fund the Cash Collateral Account up to an amount (the **"Cash Collateral Required Funding Amount (CCRFA)"**) calculated by the Issuer Calculation Agent as being the amount of cash to be funded by the Cash Collateral Provider into the Cash Collateral Account with respect to the relevant Series of Covered Bonds so as to ensure that the total amount of cash funded by the Cash Collateral Provider into the Cash Collateral Account with respect to such Series of Covered Bonds (the **"Cash Collateral Required Total Amount (CCRTA)"**) is equal to:

$$\text{CCRTA} = (\text{Covered Bond Principal Amount} + \text{Costs})$$

whereby:

**"Costs"** means the aggregate amount of fees, costs, expenses, taxes and other ancillary sums (excluding interest and principal amounts) scheduled to be payable by the Issuer within the relevant Pre-Maturity Test Period under the relevant Series of Covered Bonds.

**"Covered Bond Principal Amount"** means the aggregate amount of principal (in euro or euro equivalent with respect to Covered Bonds denominated in a Specified Currency) scheduled to be redeemed at the Final Maturity Date of the relevant Series of Covered Bonds.

The Cash Collateral Provider shall fund the CCRFA in full within thirty (30) Business Days from the receipt of the Non Compliance Notice.

### *Breach of Pre-Maturity Test*

The failure by the Cash Collateral Provider to fund into the Cash Collateral Account the relevant Cash Collateral Required Funding Amount (CCFRA) subject to, and in accordance with, the above described conditions shall constitute a Breach of Pre-Maturity Test within the meaning of the Cash Collateral Agreement.

A Breach of Pre-Maturity Test will result in a Borrower Event of Default within the meaning of, and subject to, the relevant terms of the Borrower Facility Agreement. A Breach of Pre-Maturity Test will not constitute an Issuer Event of Default.

### **The Amortisation Test**

The following terms shall have the following definitions:

**"Amortisation Test Date"** means the twentieth (20<sup>th</sup>) day of each calendar month following the enforcement of a Borrower Event of Default.

**"Amortisation Test Calculation Period"** means, in relation to any Amortisation Test Date, each period starting on, and including, the immediately preceding Amortisation Test Date, and ending on, and excluding such Amortisation Test Date.

Compliance with the Amortisation Test requires compliance with the amortisation ratio RA specified below (the **"Amortisation Ratio (RA)"**). Such compliance is tested by the Issuer Calculation Agent from time to time throughout the period following the enforcement of a Borrower Event of Default subject to, and in accordance with the Condition 5 (f) and the Calculation Services Agreement.

### *The Amortisation Ratio*

**"RA"** means the following ratio which shall be at least equal to one (1) at each Amortisation Test Date:

$$RA = \left[ \frac{TAAA'}{ACBOPA} \right]$$

whereby:

**"Aggregate Covered Bond Outstanding Principal Amount (ACBOPA)"** means, at any Amortisation Test Date, the aggregate amount of principal (in euro or euro equivalent with respect to Covered Bonds denominated in a Specified Currency) outstanding at such date under all Covered Bonds.

**"Transferred Aggregate Asset Amount (TAAA')"** means, at any Amortisation Test Date:

$$(TAAA') = A' + B + C + D + E - Z$$

whereby:

**"A'"** is equal to the sum of all Transferred Home Loan Outstanding Principal Amounts of all Home Loans title to which has been transferred to the Issuer upon enforcement of the Collateral Security following the enforcement of a Borrower Event of Default (each, a **"Relevant Home Loan"**), as such Adjusted Home Loan Outstanding Principal Amounts will be calculated on the relevant Amortisation Test Date, whereby:

**"Home Loan Outstanding Principal Amount"** means, with respect to each Relevant Home Loan, the amount of principal outstanding at the relevant Amortisation Test Date under such Relevant Home Loan.

**"Transferred Home Loan Outstanding Principal Amount"** means, with respect to each Relevant Home Loan, the Home Loan Outstanding Principal Amount of such Relevant Home Loan multiplied by M, where for all the Relevant Home Loans that are less than three (3) months

in arrears,  $M = 1$  and for all the Relevant Home Loans that are three (3) months or more in arrears,  $M = 0.7$ .

"B", "C", "D" and "Z" have the meaning ascribed to such terms, and shall be determined, on each relevant Amortisation Test Date, subject to, and in accordance with, the terms and formula described in "**The Asset Cover Test**" above.

"E" is equal to the aggregate amount of principal and interest payments, distributions, indemnities, insurance and other proceeds, payments under any Home Loan Security and other sums received during the applicable Amortisation Test Calculation Period by the Issuer from the debtors or other relevant entities under the Collateral Security Assets whose title has been transferred to the Issuer following enforcement of the Collateral Security, as the same shall be reported by the Issuer Calculation Agent on each Amortisation Test Date subject to, and in accordance with, the relevant terms of the Calculation Services Agreement.

#### *Calculation of the Amortisation Ratio*

On each Amortisation Test Date, the Amortisation Ratio (RA) shall be calculated by the Issuer Calculation Agent according to the terms, definitions and calculation formula set forth above.

No later than three (3) Business Days following any Amortisation Test Date, the Issuer Calculation Agent shall inform the Issuer (with a copy to the Rating Agencies and to the Asset Monitors) of its calculation of the Amortisation Ratio (RA).

#### *Non Compliance with Amortisation Test*

A "**Non Compliance with Amortisation Test**" will result from the Amortisation Ratio (RA) being less than one (1).

A Non Compliance with Amortisation Test will not constitute an Issuer Event of Default. However, it will prevent the Issuer from issuing any further Series.

#### *Breach of Amortisation Test*

The failure by the Issuer to cure a Non Compliance with Amortisation Test occurred on any Amortisation Test Date prior to the next following Amortisation Test Date shall constitute a "**Breach of Amortisation Test**". The Issuer Calculation Agent will inform promptly the Issuer, each relevant Representative and the Issuer Security Agent (with a copy to the Rating Agencies and to the Asset Monitors) of the occurrence of a Breach of Amortisation Test.

A Breach of Amortisation Test will result in an Issuer Event of Default within the meaning of the Terms and Conditions.

### **The Calculation Services Agreement**

This section sets out the main material terms of the Calculation Services Agreement.

#### *Background*

The "**Calculation Services Agreement**" refers to the agreement dated on or prior to the Programme Date and entered into between (i) CM-CIC Covered Bonds, in its capacity as Lender and (ii) BFCM, in its capacity as Issuer Calculation Agent (the "**Issuer Calculation Agent**").

### *Purpose*

Under the Calculation Services Agreement, CM-CIC Covered Bonds, as Issuer, appoints BFCM as its servicer for the purposes of any calculation and determinations to be made under the Programme Documents (but excluding all calculation and determinations to be made with respect to the Series of Covered Bonds, such calculation and determinations to be made on behalf of the Issuer by the Calculation Agent under the Issuer Agency Agreement). The Issuer Calculation Agent will always act in the best and exclusive interest of CM-CIC Covered Bonds.

### *Duties of the Issuer Calculation Agent*

Pursuant to the Calculation Services Agreement, the Issuer Calculation Agent will *inter alia* undertake:

- (a) all and any calculation in relation to the Borrower Facility Agreement, including, but not limited to, any interest and principal amounts and the effective global rate (*taux effectif global*);
- (b) all and any calculation in relation to the Collateral Security Agreement, including, but not limited to, the Asset Cover Test (see "**Asset Monitoring**");
- (c) all and any calculation in relation to the Cash Collateral Agreement, including, but not limited to, the Pre-Maturity Test (see "**Asset Monitoring**");
- (d) all and any calculation in relation to the Amortisation Test (see "**Asset Monitoring**").

### *Substitution and Agency*

The Issuer Calculation Agent may not assign its rights and obligations under the Calculation Services Agreement but will have the right to be assisted by, to appoint or to substitute for itself any third party in the performance of certain or all its tasks under the Calculation Services Agreement provided that:

- (a) the Issuer Calculation Agent remains liable to the Issuer for the proper performance of those tasks and, with respect to the Issuer only, the relevant third party has expressly waived any right to any contractual claim against the Issuer; and
- (b) the relevant third party has undertaken to comply with all obligations binding upon the Issuer Calculation Agent under the Calculation Services Agreement.

### *Fees*

In consideration of the services provided by the Issuer Calculation Agent to the Issuer under the Calculation Services Agreement, the Issuer will pay to the Issuer Calculation Agent a servicing fee computed subject to, and in accordance with, the provisions of the Calculation Services Agreement.

### *Representations, warranties and undertakings*

The Issuer Calculation Agent has made the customary representations and warranties and undertakings to the Issuer, the representations and warranties being given on the execution date of the Calculation Services Agreement and continuing until the Service Termination Date.

### *Indemnities*

Pursuant to the Calculation Services Agreement, the Issuer Calculation Agent undertakes to hold harmless and fully and effectively indemnify the Issuer against all actions, proceedings, demands, damages, costs, expenses (including legal fees), claims, losses, prejudice or other liability, which the Issuer may sustain or incur as a consequence of the occurrence of any default by the Issuer Calculation Agent in its performance of any of its obligations under the Calculation Services Agreement.

### *Resignation of the Issuer Calculation Agent*

The Issuer Calculation Agent will not resign from the duties and obligations imposed on it as Issuer Calculation Agent pursuant to the Calculation Services Agreement, except:

- (a) upon a determination that the performance of its duties under the Calculation Services Agreement will no longer be permissible under applicable law; and
- (b) in the case where the Issuer does not comply with any of its material obligations under the Calculation Services Agreement and fails to remedy the situation within one hundred and eighty days (180) from the receipt by the Issuer of a notice from the Issuer Calculation Agent,

such resignation being effective on the date upon which (i) the event in paragraph (a) above occurs; or (ii) one hundred and eighty (180) days after the date of delivery of the notice referred to in paragraph (b) above and the date upon which the Issuer Calculation Agent becomes unable to act as Issuer Calculation Agent.

#### *Issuer Calculation Agent's Defaults*

Issuer Calculation Agent's Defaults will occur upon *inter alia* the occurrence of the following events:

- (a) any material representation or warranty made by the Issuer Calculation Agent is or proves to have been incorrect or misleading in any material respect when made, and the same is not remedied (if capable of remedy) within sixty (60) Business Days after the Issuer has given notice thereof to the Issuer Calculation Agent or (if sooner) the Issuer Calculation Agent has knowledge of the same, provided that the Issuer, at its discretion, certifies that it is prejudicial to the interests of the holders of the relevant Covered Bonds;
- (b) the Issuer Calculation Agent fails to comply with any of its material obligations under the Calculation Services Agreement unless such breach is capable of remedy and is remedied within sixty (60) Business Days after the Issuer has given notice thereof to the Issuer Calculation Agent or (if sooner) the Issuer Calculation Agent has knowledge of the same, provided that the Issuer, at its discretion, certifies that it is prejudicial to the interests of the holders of the relevant Covered Bonds;
- (c) an Insolvency Event occurs in respect of the Issuer Calculation Agent; or
- (d) at any time it is or becomes unlawful for the Issuer Calculation Agent to perform or comply with any or all of its material obligations under the Calculation Services Agreement or any or all of its material obligations under the Calculation Services Agreement are not, or cease to be, legal, valid and binding.

For such purposes, "**Insolvency Event**" means the occurrence of any of the following events:

- (a) the relevant entity is, or is deemed or declared for the purposes of any law to be, unable to pay its debts as they fall due or to be insolvent, including without limitation, *en état de cessation des paiements*, or admits in writing its inability to pay its debts as they fall due;
- (b) the relevant entity by reason of financial difficulties, begins formal negotiations with one (1) or more of its creditors with a view to the general readjustment or rescheduling of any of its indebtedness or applies for or is subject to an amicable settlement or a *règlement amiable* pursuant to articles L. 611-1 *et seq.* of the French Commercial Code (*Code de commerce*);
- (c) a meeting of the shareholders of the relevant entity is convened for the purpose of considering any resolution for (or to petition for) its winding-up or its administration or any such resolution is passed;
- (d) any person presents a petition for the winding-up or for the administration or for the bankruptcy of the relevant entity and the petition is not discharged within thirty (30) days;
- (e) any order for the winding-up or administration of the relevant entity is issued;
- (f) a judgement is issued for the judicial liquidation (*liquidation judiciaire*), the safeguard of the relevant entity (*procédure de sauvegarde*), the rescheduling of the debt of the relevant entity (*redressement judiciaire*) or the transfer of the whole or part of the business of the relevant entity (*cession de l'entreprise*); or
- (g) any liquidator, trustee in bankruptcy, receiver, administrative receiver, administrator or the like (including, without limitation, any *mandataire ad hoc*, *administrateur judiciaire*, *administrateur provisoire*, *conciliateur* or *mandataire liquidateur*) is appointed in respect of the relevant entity or

any substantial or material part of the assets or the directors of the relevant entity request such appointment.

#### *Issuer Calculation Agent Rating Trigger Event*

If an Issuer Calculation Agent Rating Trigger Event occurs, the Issuer Calculation Agent will notify the Issuer in writing of the occurrence of the Issuer Calculation Agent Rating Trigger Event within five (5) Business Days from the date upon which it becomes aware of such event and this will constitute a termination event under the Calculation Services Agreement.

For such purposes, "**Issuer Calculation Agent Rating Trigger Event**" means the event in which the long-term senior unsecured, unsubordinated and unguaranteed debt obligations of the Administrator become rated below BBB by S&P, or Baa2 by Moody's or BBB by Fitch.

#### *Termination*

"Issuer Calculation Agent Termination Events" under the Calculation Services Agreement will include the following events:

- (a) the termination of the Calculation Services Agreement in accordance with its scheduled term;
- (b) the occurrence and continuation of any Issuer Calculation Agent's Default;
- (c) the occurrence of the Issuer Calculation Agent Rating Trigger Event;
- (d) the occurrence of a Borrower Event of Default; or
- (e) the resignation of the Issuer Calculation Agent.

If an Issuer Calculation Agent Termination Event occurs and is continuing, the Issuer shall terminate the Calculation Services Agreement by delivery of a written termination notice to the Issuer Calculation Agent (the "**Notice of Termination**"). Upon receipt by the Issuer Calculation Agent of the Notice of Termination, the Calculation Services Agreement will terminate with effect:

- not earlier than twenty (20) Business Days as from the receipt by the Issuer Calculation Agent of the Notice of Termination, if such Notice of Termination is served due to the occurrence of a Borrower Event of Default or of an Issuer Calculation Agent Rating Trigger Event;
- not earlier than twenty (20) Business Days as from the receipt by the Issuer Calculation Agent of the Notice of Termination or at any other date that the Issuer may have specified in the Notice of Termination, if such Notice of Termination is served due to any other reason.

(each, a "**Service Termination Date**"), and save for any continuing obligations of the Issuer Calculation Agent contained in the Calculation Services Agreement.

Upon the Service Termination Date, the Issuer will replace BFCM, as Issuer Calculation Agent, by any substitute entity (the "**Substitute Issuer Calculation Agent**"), the choice of which being subject to prior Rating Affirmation.

Notwithstanding the Service Termination Date, the Issuer Calculation Agent will continue to be bound by all its obligations under the Calculation Services Agreement until the appointment of the Substitute Issuer Calculation Agent is effective. The Issuer Calculation Agent undertakes to act in good faith to assist any Substitute Issuer Calculation Agent.

#### *Limited Recourse – Non Petition*

The Calculation Services Agreement includes Limited Recourse and Non petition provisions, as described in "**Issuer's Activities – Limited Recourse**" and "**Issuer's Activities – Non-Petition**".

*Amendment*

No amendment, modification, alteration or supplement shall be made to the Calculation Services Agreement without prior Rating Affirmation if the same materially and adversely affects the interest of the Issuer or the Bondholders.

For the avoidance of doubt, the Calculation Services Agreement may be amended, modified, altered or supplemented without prior Rating Affirmation:

- (a) to cure any ambiguity, omission, defect or inconsistency;
- (b) to evidence or effect the transition of any party to the Calculation Services Agreement to any successor;
- (c) to add to the undertakings and other obligations of the Issuer Calculation Agent under the Calculation Services Agreement; or
- (d) to comply with any mandatory requirements of applicable laws and regulations.

*Governing Law – Jurisdiction*

The Calculation Services Agreement shall be governed by, and construed in accordance with, French law. The Issuer and the Issuer Calculation Agent have agreed to submit any dispute that may arise in connection with the Calculation Services Agreement to the jurisdiction of the competent court of Paris.

**The Asset Monitor Agreement and the Engagement Letter***Background*

The "**Asset Monitor Agreement**" refers to the agreement dated on or prior to the Programme Date and made between (i) the Issuer, (ii) BFCM as the Issuer Calculation Agent or, as the applicable, the Administrator and (iii) BNP Paribas Securities Services as the Issuer Security Agent. The "**Engagement Letter**" refers to the letter dated on or prior to the Programme Date, issued by Ernst & Young and PricewaterhouseCoopers Audit as Asset Monitors (the "**Asset Monitors**") and duly accepted by the Issuer, pursuant to which Ernst & Young and PricewaterhouseCoopers Audit are appointed as Asset Monitors.

Under the Asset Monitor Agreement and the Engagement Letter, Ernst & Young and PricewaterhouseCoopers Audit have been appointed as Asset Monitors by the Issuer to carry out, subject to due receipt of the information to be provided by the Issuer Calculation Agent to the Asset Monitors, various testing and notification duties in relation to the calculations performed by the Calculation Agent in relation to the Asset Cover Test and the Amortisation Test subject to and in accordance with the terms of the Asset Monitor Agreement.

*Services of the Asset Monitors*

If the Asset Cover Test Date immediately preceding an anniversary of the Programme Date falls prior to the occurrence of a Borrower Event of Default, and subject to receipt of the information to be provided to it by the Issuer Calculation Agent in relation to the calculations performed by the Issuer Calculation Agent regarding the relevant Asset Cover Test, the Asset Monitors will test the arithmetic accuracy of the calculations performed by the Issuer Calculation Agent in relation to the Asset Cover Test on the Asset Cover Test Date immediately preceding an anniversary of the Programme Date, as applicable, with a view to reporting on the arithmetic accuracy or otherwise of such calculations.

On each Amortisation Test Date (it being provided that the first Amortisation Test Date shall be the 20<sup>th</sup> day of the calendar month immediately following the enforcement of a Borrower Event of Default) and subject to receipt of the information to be provided to it by the Issuer Calculation Agent in relation to the calculations performed by the Issuer Calculation Agent regarding the relevant Amortisation Test, the Asset Monitors will test the arithmetic accuracy of the calculations performed by the Issuer Calculation Agent in relation to the Amortisation Test on the relevant Amortisation Test Date, with a view to reporting on the arithmetic accuracy or otherwise of such calculations.



Upon the occurrence of a Calculation Monitoring Rating Trigger Event and for so long as such Calculation Monitoring Rating Trigger Event is continuing, or, if the Asset Monitors have been notified of the occurrence of a Non Compliance with Asset Cover Test or of a Non Compliance with Amortisation Test (see "**Asset Monitoring**"), and subject to receipt of the information to be provided to the Asset Monitors, the Asset Monitors shall conduct the tests of the Issuer Calculation Agent's calculations referred to above, as applicable, in respect of every Asset Cover Test Date or Amortisation Test Date, as applicable.

For the purposes of this section "The Asset Monitor Agreement and the Engagement Letter", "**Calculation Monitoring Rating Trigger Event**" means the event in which the long-term senior unsecured, unsubordinated and unguaranteed debt obligations of BFCM become rated below BBB by S&P, or Baa2 by Moody's or BBB by Fitch.

If the tests conducted by the Asset Monitors in accordance the provisions above, reveal arithmetic errors in the relevant calculations performed by the Issuer Calculation Agent such that:

- the Asset Cover Test had been failed on the relevant Asset Cover Test Date (where the Issuer Calculation Agent had recorded it as being satisfied); or
- the Amortisation Test had been failed on the relevant Amortisation Test Date (where the Issuer Calculation Agent had recorded it as being satisfied);

and subject to receipt of the information to be provided to the Asset Monitors, for a period of six (6) months thereafter, the Asset Monitors shall conduct the tests of the Issuer Calculation Agent's calculations referred to above, in respect of every Asset Cover Test Date or each Amortisation Test Date, as applicable, occurring during such six (6)-month period.

The Asset Monitors shall notify the Issuer, in writing, of the relevant calculations performed by the Issuer Calculation Agent and of the results of its tests of the accuracy of the Issuer Calculation Agent's calculations. If the calculations performed by the Administrator have not been performed correctly, the Asset Monitors will report the correct calculation of the Asset Cover Test or Amortisation Test, as applicable. The Issuer shall transfer any notifications and reports received from the Asset Monitors to the parties to the Asset Monitor Agreement (with copy to the Rating Agencies), promptly upon receipt of such notifications and reports.

The Asset Monitors are entitled, in the absence of manifest error, to assume that all information provided to the Asset Monitors is true and correct and is complete and not misleading and are not required to conduct an audit or other similar examination in respect of or otherwise take steps to verify the accuracy or completeness of such information.

#### *Termination*

The Issuer may, at any time but only with the prior written consent of the Issuer Security Agent, terminate the appointment of the Asset Monitors hereunder upon providing the Asset Monitors with sixty (60) days' prior written notice, provided that such termination may not be effected unless and until a replacement has been found by the Issuer (such replacement to be approved by the Issuer Security Agent unless the replacement is an accountancy firm of national standing) which agrees to perform the duties (or substantially similar duties) of the Asset Monitors set out in this Agreement.

Each Asset Monitor may, at any time, resign from its appointment under the Engagement Letter upon providing the Issuer with sixty (60) days' prior written notice. If a replacement asset monitor has not been found by the Issuer within sixty (60) days of notice of resignation by the relevant Asset Monitor, such Asset Monitor shall immediately use its best endeavours to appoint a replacement (such replacement to be approved by the Issuer Security Agent if the replacement is an accountancy firm of international standing) which agrees to perform the duties (or substantially similar duties) of such Asset Monitor set out in the Asset Monitor Agreement.

*Fees*

Under the terms of the Asset Monitor Agreement, the Issuer will pay to the Asset Monitors a fee for the tests to be performed by the Asset Monitors.

*Limited Recourse – Non Petition*

The Asset Monitor Agreement includes Limited Recourse and Non petition provisions, as described in "**Issuer's Activities – Limited Recourse**" and "**Issuer's Activities – Non-Petition**". The Engagement Letter also refers to such Limited Recourse and Non petition provisions.

*Amendment*

Except as further described under the Asset Monitor Agreement, any material amendment to the Asset Monitor Agreement and/or to the Engagement Letter is subject to the Rating Affirmation.

*Governing Law – Jurisdiction*

The Asset Monitor Agreement shall be governed by, and construed in accordance with, French law. Each party to the Asset Monitor Agreement and the Asset Monitors irrevocably submit to the exclusive jurisdiction of the French courts in any action or proceeding arising out of or relating to the Asset Monitor Agreement and/or to the Engagement Letter, and hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined by such courts.

## CASH FLOW

### Cash management

Pursuant to the Administrative Agreement, the Administrator will assist the Issuer in operating its bank accounts, the management and investment of its available cash in Permitted Investments in accordance with the relevant Permitted Investments rules, and any other matters in relation to the management of its bank accounts and funds so as to ensure that the Issuer will at all times comply with the provisions of the Programme Documents.

Pursuant to the Administrative Agreement and, subject to and, in accordance with the Terms and Conditions, the Administrator will invest any cash standing from time to time to the credit of the Issuer Cash Accounts pending application in accordance with the Priority Payment Orders (see "**Cash Flow – Priority Payment Orders**"), in instruments which qualify as Permitted Investments (as defined in "**The Issuer – The Administrative Agreement**").

### Issuer Accounts

Available Funds of the Issuer will be from time to time credited and debited by the Administrator on behalf of the Issuer into the Issuer Cash Accounts opened in the books of the Issuer Accounts Bank (see "**The Issuer – The Issuer Accounts Bank Agreement**" for a further description of the Issuer Accounts).

For the purposes hereof:

"**Available Funds**" means:

- (a) in the absence of service of a Borrower Enforcement Notice (and whether an Issuer Enforcement Notice has been served to the Fiscal Agent and the Issuer by the relevant Representative or not):
  - (i) payment proceeds from the Borrower under the Borrower Facility;
  - (ii) cash from Permitted Investments (if any) standing to the credit of the Issuer General Account; and
  - (iii) payment proceeds from the Issuer Hedging Agreements and Borrower Hedging Agreements (if any).
- (b) following the service of a Borrower Enforcement Notice and enforcement of the Collateral Security (and whether an Issuer Enforcement Notice has been served to the Fiscal Agent and the Issuer by the relevant Representative or not):
  - (i) payment proceeds, whether in interest, principal or otherwise, received by the Issuer following service of a notice to any or all debtors under the Home Loans mentioning the new payment instructions to be observed by the same with respect to the payment of sums due under the Home Loans and/or the related Asset Contractual Documentation and standing to the credit of the Issuer General Account;
  - (ii) insurance proceeds and other proceeds (other than that proceeds mentioned in (i) above) received entities by the Issuer under the Home Loans and standing to the credit of the Issuer General Account;
  - (iii) payment proceeds, whether in interest, principal or otherwise, received by the Issuer from the debtors under the Substitution Assets and standing to the credit of the Issuer General Account;
  - (iv) proceeds from disposal of, transfer, sale or refinancing (by way of securitisation or otherwise) of the Home Loans and Substitution Assets and standing to the credit of the Issuer General Account;

- (v) proceeds from the enforcement of any Home Loan Security (if any) and standing to the credit of the Issuer General Account;
- (vi) cash from Permitted Investments (if any) standing to the credit of the Issuer General Account;
- (vii) cash standing to the credit of the Cash Collateral Account;
- (viii) payment proceeds from the Issuer Hedging Agreements and Borrower Hedging Agreements (if any); and
- (ix) cash standing to the credit of the Share Capital Proceeds Account.

## Priority Payment Orders

### *Pre-Enforcement Priority Payment Order*

In the absence of service by the Administrator to the Borrower of a Borrower Enforcement Notice and in the absence of service by the relevant Representative of an Issuer Enforcement Notice, on any Payment Date and (as applicable) Final Maturity Date of each relevant series of Covered Bonds, the Administrator (on behalf of the Issuer) will give the appropriate instructions to the Issuer Accounts Bank to debit the relevant Issuer Cash Accounts and (as the case may be) the relevant Issuer Securities Accounts (other than the Issuer General Account) from the cash that shall constitute the Available Funds of the Issuer on such date and shall credit the same into the Issuer General Account. The Administrator (on behalf of the Issuer) shall then give the appropriate instructions on such date to the Issuer Accounts Bank and the Paying Agent to apply the Available Funds of the Issuer to the following payments owed by the Issuer on such date, in the following Pre-Enforcement Priority Payment Order:

- (i) **first**, in or towards payment or discharge *pari passu* and *pro rata* of the following amounts then due and payable by the Issuer: (i) the Issuer's liability, if any, to taxation, and (ii) any costs, expenses, fees, remuneration and indemnity payments (if any) and any other amounts payable by the Issuer to any stock exchange and other listing entities where the Covered Bonds are admitted to trading, any clearing systems entities where the Covered Bonds are cleared, BFCM (with respect to any insurance premium, regulatory, professional and legal fees, costs and other expenses paid by BFCM on behalf of the Issuer and to be repaid by the Issuer to BFCM subject to, and in accordance with, the relevant terms of the *Convention d'Externalisation et de Mise à Disposition de Moyens*), the Administrator, the Issuer Calculation Agent, the Asset Monitors, the Issuer Accounts Bank, the Paying Agents, the Permanent Dealers, the Issuer's Auditors, the Representatives, the Issuer Security Agent and the Rating Agencies in respect of the monitoring fees (together, the "**Senior Administrative and Tax Costs**");
- (ii) **secondly**, in or towards payment or discharge *pari passu* and *pro rata* of any and all amounts then due and payable by the Issuer, if any, under the Issuer Hedging Agreements and the Borrower Hedging Agreements (other than Hedging Termination Costs) (together, the "**Hedging Costs**");
- (iii) **thirdly**, in or towards payment or discharge *pari passu* and *pro rata* of any and all Interest Amounts then due and payable by the Issuer under the relevant series of Covered Bonds;
- (iv) **fourthly**, in or towards payment or discharge *pari passu* and *pro rata* of any and all principal amounts then due and payable by the Issuer under the relevant series of Covered Bonds;
- (v) **fifthly**, only after and subject to the full repayment of any outstanding Covered Bonds, in or towards payment or discharge *pari passu* and *pro rata* of any and all amounts then due and payable by the Issuer, if any, in respect of any payments to be made by the Issuer following an early termination of the Issuer Hedging Agreements or Borrower Hedging Agreements as a result of an event of default under the same in respect of which the relevant hedge counterparty of the Issuer is the defaulting party or following a termination event of the same as a result of an illegality in respect of which the hedge counterparty of the Issuer is the affected party (together, the "**Hedging Termination Costs**"); and

- (vi) **sixthly** (or fifthly prior to full repayment of any outstanding Covered Bonds), in or towards payment *pari passu* and *pro rata* of any and all amounts then due and payable by the Issuer with respect to (i) any dividend to be then distributed to the Issuer's shareholders, and (ii) interest, principal and other payments then due and payable under the Subordinated Loans.

*Controlled Post-Enforcement Priority Payment Order*

In the event of service by the Administrator (on behalf of the Issuer) to the Borrower of a Borrower Enforcement Notice and thereafter unless and until no Issuer Enforcement Notice has been served to the Issuer by the relevant Representative, on any Payment Date and (as applicable) Final Maturity Date of each relevant series of Covered Bonds, the Administrator (on behalf of the Issuer) will give the appropriate instructions to the Issuer Accounts Bank to debit the relevant Issuer Cash Accounts (and as the case may be) the relevant Issuer Securities Accounts (other than the Issuer General Account) from the cash that shall constitute the Available Funds of the Issuer on such date and shall credit the same into the Issuer General Account. The Administrator (on behalf of the Issuer) shall then give the appropriate instructions on such date to the Issuer Accounts Bank and the Paying Agent to apply the Available Funds of the Issuer to the following payments owed by the Issuer on such date, in the following Controlled Post-Enforcement Priority Payment Order:

- (i) **first**, in or towards payment or discharge *pari passu* and *pro rata* of the Senior Administrative and Tax Costs then due and payable by the Issuer;
- (ii) **secondly**, in or towards payment or discharge *pari passu* and *pro rata* of any and all Hedging Costs then due and payable by the Issuer, if any, under the Issuer Hedging Agreements and the Borrower Hedging Agreements (other than Hedging Termination Costs);
- (iii) **thirdly**, in or towards payment or discharge *pari passu* and *pro rata* of any and all Interest Amounts then due and payable by the Issuer under the relevant series of Covered Bonds;
- (iv) **fourthly**, in or towards payment or discharge *pari passu* and *pro rata* of any and all principal amounts then due and payable by the Issuer under the relevant series of Covered Bonds;
- (v) **fifthly**, only after and subject to the full repayment of any outstanding Covered Bonds, in or towards payment or discharge *pari passu* and *pro rata* of any and all Hedging Termination Costs then due and payable by the Issuer, if any; and
- (vi) **sixthly**, (a) only after and subject to the full repayment of any outstanding Covered Bonds, in or towards payment *pari passu* and *pro rata* of any and all amounts then due and payable by the Issuer with respect to any and all enforcement proceeds surplus amounts remaining after enforcement of the Collateral Security subject to, and in accordance with, the relevant terms of the Collateral Security Agreement; and (b) only after and subject to the full repayment of any outstanding Covered Bonds and sums referred to in (a) above, in or towards payment *pari passu* and *pro rata* of any and all amounts then due and payable by the Issuer to any third parties (with respect to any dividend already voted and to be then distributed to the Issuer's shareholders, and interest, principal and other payments then due and payable under the Subordinated Loans).

*Accelerated Post-Enforcement Priority Payment Order*

In the event of service by the relevant Administrative of an Issuer Enforcement Notice and thereafter (whether a Borrower Enforcement Notice shall have been served to the Borrower by the Administrator or not), the Administrator (on behalf of the Issuer) will promptly and no later than three (3) Business Days after receipt by the Issuer of such Issuer Enforcement Notice give the appropriate instructions to the Issuer Accounts Bank to debit all the Issuer Accounts (other than the Issuer General Account) from the cash that shall constitute the Available Funds of the Issuer on such date and shall credit the same into the Issuer General Account. The Administrator (on behalf of the Issuer) shall then give the appropriate instructions on such date to the Issuer Accounts Bank and the Paying Agent to apply the Available Funds of the Issuer to the following payments owed by the Issuer on such date, in the following Accelerated Post-Enforcement Priority Payment Order:

- (i) **first**, in or towards payment or discharge *pari passu, pro rata* and in full of all Senior Administrative and Tax Costs then due and payable by the Issuer and remaining unpaid at such date;
- (ii) **secondly**, after and subject to the full repayment of any and all sums referred to in (i) above, in or towards payment or discharge *pari passu, pro rata* and in full of any and all sums then due and payable by the Issuer, if any, under the Issuer Hedging Agreements and the Borrower Hedging Agreements (other than Hedging Termination Costs) and remaining unpaid at such date;
- (iii) **thirdly**, after and subject to the full repayment of any and all sums referred to in (i) and (ii) above, in or towards payment or discharge *pari passu, pro rata* and in full of any and all Interest Amounts then due and payable by the Issuer under the relevant series of Covered Bonds and remaining unpaid at such date;
- (iv) **fourthly**, after and subject to the full repayment of any and all sums referred to in (i) to (iii) above, in or towards payment or discharge *pari passu, pro rata* and in full of any and all principal amounts then due and payable by the Issuer under the relevant series of Covered Bonds and remaining unpaid at such date;
- (v) **fifthly**, after and subject to the full repayment of any and all sums referred to in (i) to (iv) above, in or towards payment or discharge *pari passu, pro rata* and in full of any and all Hedging Termination Costs then due and payable by the Issuer and remaining unpaid at such date; and
- (vi) **sixthly**, after and subject to the full repayment of any and all sums referred to in (i) to (v) above, (a) as applicable, in or towards payment *pari passu* and *pro rata* of any and all amounts then due and payable by the Issuer with respect to any and all enforcement proceeds surplus amounts remaining after enforcement of the Collateral Security subject to, and in accordance with, the relevant terms of the Collateral Security Agreement; and (b) only after and subject to the full repayment of any sums referred to in (a) above, in or towards payment *pari passu* and *pro rata* of any and all amounts then due and payable by the Issuer to any third parties (with respect to any dividend already voted and to be then distributed to the Issuer's shareholders, and interest, principal and other payments then due and payable under the Subordinated Loans)

## ORIGINATION OF THE HOME LOANS

### Procedure for the granting of Home Loans

The *Caisses de Crédit Mutuel* and the CIC entities offer a full range of housing loans in order to meet the financing needs of their clients. Almost all of these loans are granted by *Caisses de Crédit Mutuel* or CIC entities.

#### *The loan application*

The loan application provides all the required information regarding the borrower and the loan. The IT system supports and controls the process of loan origination, the assessment of risks and the financing proposal. The IT system is common to all of the entities of the group.

#### *The analysis of the loan application*

The analysis of a loan application entails looking at the following:

- the "risk group", which is the set of parties who have inter-related economic interests (e.g. a family group or an individual and a business for which he has some liability);
- any other use of credit by the borrower.

A bespoke credit approval program automatically collects all available information (income, outstanding loans, expenses, behaviour of the current account) and assigns a credit rating (from A+ to F). This credit rating is used to assess the credit risk of the relevant borrower or risk group and to assign an approval limit to the client relationship managers.

The analysis of the asset to be financed is made on the basis of the information contained in the loan application.

#### *Financing plan*

Depending on the borrower and the description of the financed assets, the credit approval program proposes a suitable financing plan, taking into account all regulatory aspects, the client's requests (maximum monthly payments, maximum duration) as well as aspects relating to the financial costs.

No approval of the loan financing is possible without the credit risk of the borrower having been assessed and approved. Such approval is made within the approval limit of the client relationship manager.

#### *The approval limits*

The approval limit of each *Caisse de Crédit Mutuel* is determined, with regard to the commitment it may undertake, on the basis of an approval or delegation of the relevant *Fédération de Crédit Mutuel* or relevant CIC entity.

For each *Caisse de Crédit Mutuel* or CIC branch, the approval limit of such entity is based on:

- criteria relating to financings granted by such *Caisse de Crédit Mutuel* or CIC branch (outstanding financings under the structure, changes in information relating to credit risks including bad debt risks and litigation risks, overrun accounts, sensitive risks and deteriorated outstanding principal);
- criteria relating to the quality of credit applications recently processed by such *Caisse de Crédit Mutuel* or CIC branch (including the number of applications submitted for approval and the percentage of approvals obtained);
- the typology, the rating by Internal Audit, the organisation and the environment of each *Caisse de*

*Crédit Mutuel* or CIC branch; and

- for the *Caisse de Crédit Mutuel*, the financial criteria of that *Caisse de Crédit Mutuel* (equity, gross operating results, net cash flow less dividends margin, recourse or non recourse to a solidarity fund).

#### *The commitment reference document*

A commitment reference document has been created within the CM-CIC group. This commitment reference document describes the procedures to be followed by each relevant entity. It is currently being extended to all of the CM-CIC entities, in order to ensure the consistent and controlled growth of the credit activities of the CM-CIC group.

The commitment reference document is regularly updated on the basis of regulatory or statutory changes. In particular, in order to meet the constraints of the Basel II reform, the CM-CIC group has implemented an internal rating system in order to derive an internal credit rating scale. The credit rating scale is used in a number of operational processes and programs (the credit decision, payments, sensitive risks, collection, control, etc). In particular, the credit rating scale will be used to weight the approval limits and the related delegations to grant loans.

#### *Decision process*

The statutory and/or regulatory provisions specific to each *Fédération de Crédit Mutuel* detail the terms and conditions applicable to the setting of the approval limits of the relevant *Caisse de Crédit Mutuel*. The criteria for assigning these levels are the same for all of the *Fédérations de Crédit Mutuel*. Equivalent rules are implemented within the CIC entities.

The delegations for credit decisions are granted:

- to the directors of the relevant *Caisse de Crédit Mutuel* or CIC branch; or
- to the client managers of the relevant *Caisse de Crédit Mutuel* or CIC branch,

depending on the internal organisation of the *Caisse de Crédit Mutuel* (including the rules relating to the *Fédération de Crédit Mutuel*) or of the relevant CIC entity.

The approval limits of the *Caisses de Crédit Mutuel* and of the CIC branches and the delegations to their staff are weighted depending on the internal credit rating of the relevant borrower.

For the *Caisses de Crédit Mutuel* only, decisions relating to commitments are under the responsibility of the each *Caisse de Crédit Mutuel*, within their approval limits as weighted by the credit risk score of the borrower. Approval or agreement of the relevant *Fédération de Crédit Mutuel* is required with respect to credits granted to private individuals and/or professionals in the event that the consolidated authorizations of the borrower or of its risk group exceed the global approval limit of the relevant *Caisse de Crédit Mutuel* as weighted by the credit risk score of the borrower.

### **Servicing of Home Loans**

The servicing of Home Loans is based on specific triggers and automated processes which occur at different stages and which, depending on the level of trigger, will subject the relevant Home Loan to commercial recovery and/or amicable recovery and/or, as the case may be, recovery through legal action.

#### *Commercial recovery*

With respect to the accounts of its clients (current accounts, loans...), each *Caisse de Crédit Mutuel* or CIC branch is responsible for dealing with irregular situations as soon as they are detected. Each director of a *Caisse de Crédit Mutuel* or CIC branch is responsible for the procedures followed to rectify such irregular situations and delegates, as appropriate, all or part of these procedures to his employees.

The management of the debtor accounts is carried out in accordance with the level of credit risk and of urgency. A review is carried out, at least daily with respect to sensitive accounts, weekly with respect to



the processing of outstanding payments on loans and periodically with respect to any other situation.

Finally, the decisions made in the context of the management of irregular situations shall respect the internal and external rules in force and in particular those relating to the storage of information, the authority levels of the staff concerned and the regulatory constraints.

#### *Amicable recovery*

The management system for recovering unpaid receivables due by an individual is based on:

- objective criteria relating to the irregularity on the account, the overdue amount and the internal credit rating;
- automated triggers and processing.

If, after a fixed period of time following the first occurrence of an overdue payment or an overrun on an account, the defaulted client has not rectified the situation, the management of all of his accounts is promptly transferred from the usual client manager to a recovery manager. This latter, situated in a *Caisse de Crédit Mutuel*, a CIC branch or on a collection platform, is responsible for the prompt recovery of the sums outstanding or unpaid, and at the lowest possible cost, while maintaining both the commercial relationship with the client and the image of CM-CIC group.

In the event of failure of the amicable recovery phase (and with the exception of files transferred directly by the CMRC function to external service providers), the relevant *Caisse de Crédit Mutuel* or CIC branch undertakes to enter promptly into a procedure for recovery by way of legal action.

#### *Processing by the CMRC function*

Individual person's accounts which satisfy the predefined criteria are, after validation, automatically transferred to the Crédit Mutuel Client Recovery function (*Crédit Mutuel Recouvrement Clientèle* or CMRC). This function is responsible for the amicable recovery of these accounts. The intervention of CMRC is intended to improve the quality and the efficiency of the management of the client account, through the transfer of the account to a recovery specialist.

#### *Processing by a Caisse de Crédit Mutuel or by a CIC branch*

When there is no available function specifically dedicated to amicable recovery with respect to individuals, amicable recovery is kept at the level of the relevant *Caisse de Crédit Mutuel* or CIC branch. Whenever such function is available, amicable recovery may be kept at the level of the *Caisse de Crédit Mutuel* or CIC branch benefiting from the necessary internal skills and organisation for the processing of risks in an efficient manner, in agreement with the relevant originating department.

#### *Recovery through legal action*

The recovery must involve legal action when:

- amicable recovery has failed;
- key deadlines for any legal process are reached;
- the debtors and guarantors have left without leaving an address and do not respond to communication;
- proceedings have been undertaken by another creditor (seizure of real estate, forced sale (*cession forcée*), etc.);
- safeguarding proceedings, bankruptcy proceedings or liquidation proceedings have been initiated.

This list is not comprehensive and other events may cause the relevant lender to initiate legal action. At this stage, the main objective is to obtain the repayment of the home loan receivables, in particular through legal proceedings. The preservation of the client relationship is no longer a priority for the relevant lender.

## THE HEDGING STRATEGY

The present section describes the hedging strategy (the "**Hedging Strategy**") to be implemented from time to time, by the Issuer upon the occurrence of a Hedging Rating Trigger Event (as defined below) and/or any Borrower Event of Default (as defined under the Conditions 5 (g) of the Terms and Conditions), as applicable.

### *Hedging strategy before the occurrence of a Hedging Rating Trigger Event and/or any Borrower Event of Default*

The Covered Bonds issued under the Programme may be Fixed Rate Covered Bonds, Floating Rate Covered Bonds, Index Linked Covered Bonds (but subject to Prior Rating Affirmation) or Zero Coupon Covered Bonds. Each Series of Covered Bonds will be denominated in any Specified Currency and may be Dual Currency Covered Bonds (see "**Terms and Conditions of the Covered Bonds**").

The proceeds from the issuance of the Covered Bonds under the Programme will be used by the Issuer to fund Borrower Advances to be made available to the Borrower under the Borrower Facility. The terms and conditions regarding the calculation and the payment of principal and interest under a Borrower Advance shall mirror the equivalent terms and conditions of the Covered Bonds funding such Borrower Advance, as further described hereunder and in the relevant Final Terms of the Borrower Advance (see "**The Borrower Facility Agreement**").

The Issuer is therefore not exposed to any risk of an interest rate or currency mismatch arising between the payments received on the Borrower Advances and the payments to be made under the Covered Bonds. As a consequence, in the absence of any Hedging Rating Trigger Event (as defined below) and of any Borrower Event of Default, the Issuer will have no obligation to hedge any interest rate or currency risk.

The determination of the currency and of the interest rate of each Series of Covered Bonds, as specified in each applicable Final Terms, shall be made by the Issuer regardless of the currencies in which the Collateral Security Assets are denominated and the interest rate conditions applicable, as the case may be, to such Collateral Security Assets (see "**The Collateral Security**").

Before the enforcement of the Collateral Security, any interest rate or currency risk linked to the mismatch between the Collateral Security Assets and the Borrower Debt will be hedged according to the usual and current strategies and practices of the Group (the "**Hedging Current Practices**"). Under such Hedging Current Practices, any interest rate or currency risk linked to the mismatch between the Collateral Security Assets and the refinancing of each relevant CM-CIC Entities is hedged as follows:

- any such interest rate or currency risks borne by the CIC entities are hedged by BFCM through the refinancing provided by BFCM to these CIC entities;
- any such interest rate or currency risks borne by the *Caisses de Crédit Mutuel* (within the meaning of articles L. 512-55 *et seq.* of the French Monetary and Financial Code (*Code monétaire et financier*)) affiliated to CFCM CEE are hedged by CFCM CEE through the refinancing provided by CFCM CEE to the said *Caisses de Crédit Mutuel*, and then, by BFCM through the refinancing provided by BFCM to CFCM CEE.

As a consequence, under the Hedging Current Practices, any interest rate or currency risk linked to the mismatch between the Collateral Security Assets and the refinancing of each relevant CM-CIC Entities is hedged directly or indirectly by BFCM.

Upon enforcement of the Collateral Security following the occurrence of a Borrower Event of Default, and the transfer of the title to the Collateral Security Assets to the Issuer, the Issuer would need to have in place appropriate derivative transactions to hedge the currency and interest rate risks arising from such Home Loans and Homes Loans Security.

*Hedging Strategy upon the occurrence of a Hedging Rating Trigger Event*

Provisions common to the Issuer Hedging Agreements and to the Borrower Hedging Agreements

Upon the issuance of each Series of Notes, the Issuer Calculation Agent shall communicate to the Issuer (with copy to the Borrower, the Administrator and the Rating Agencies) the margin (relative to Euribor (one (1) month)) to be paid by the Borrower when hedging the interest and principal payable by the Issuer under such Series in the relevant Specified Currency, into variable rate flows denominated in Euros and indexed to Euribor (one (1) month) (the "**Notes Hedging Margin**").

At the end of each three (3) calendar months' period as from the Programme Date and before the occurrence of a Hedging Rating Trigger Event, the Issuer Calculation Agent shall communicate to the Issuer (with copy to the Borrower, the Administrator and the Rating Agencies) the average margin (relative to Euribor (one (1) month)) to be received by the Issuer when hedging the interest and principal payable under the Collateral Security Assets in each relevant currency, into variable rate flows denominated in Euros and indexed to Euribor (one (1) month) (the "**Assets Hedging Margin**").

Upon the occurrence of a Hedging Rating Trigger Event, the Issuer (or the Administrator on its behalf) will enter into:

- (a) derivative agreement(s) with Eligible Hedging Providers (as defined below) (the "**Issuer Hedging Agreement(s)**");
- (b) a back-to-back derivative agreement concluded with BFCM (the "**Borrower Hedging Agreement**" and together with the Issuer Hedging Agreement(s), the "**Hedging Agreements**").

These Hedging Agreements will hedge both:

- the amount of interest and principal payable by the Issuer under the relevant Series, in the relevant Specified Currency; and
- the amount corresponding to the interest and principal payable under the Collateral Security Assets, in each relevant currency,

into variable rate flows denominated in Euros and indexed to Euribor (one (1) month) or, subject to prior Rating Affirmation, to any other index (the "**Permitted Index**"). The financial conditions of these Hedging Agreements shall be determined so that (a) the margin payable by the Issuer under the Hedging Agreement related to a Series of Notes is no more than the Notes Hedging Margin calculated for such Series and (b) the margin received by the Issuer under the Hedging Agreement related to the Collateral Security Assets is at least as much as the last communicated Assets Hedging Margin.

Upon the occurrence of a Hedging Rating Trigger Event, a failure by the Issuer (or the Administrator on its behalf) to enter into any Issuer Hedging Agreement with any relevant Eligible Hedging Provider or into any Borrower Hedging Agreement with BFCM within thirty (30) calendar days from the occurrence date of such Hedging Rating Trigger Event, as described under the Hedging Strategy, will constitute an Issuer Event of Default (see "**Terms and Conditions of the Covered Bonds**").

Each Hedging Agreement shall be in Approved Form (as defined below).

Each Hedging Agreement will provide that all amounts to be paid by the Issuer under such Hedging Agreement will be paid according to the relevant Priority Payment Order, as described in Condition 15 of the Terms and Conditions.

Any costs and expenses to be born by the Issuer when negotiating and/or entering into any Hedging Agreement (including, in particular, any sums to be paid to allow the Hedging Agreements to be transacted at the Notes Hedging Margin and the Assets Hedging Margin, given the market conditions prevailing at the time the Hedging Agreements are transacted (*soulte*)) shall be paid by BFCM.

In particular, upon the termination of a Hedging Agreement, the Issuer or BFCM or any relevant Eligible Hedging Provider(s), as applicable, may be liable to make a termination payment to the other party in accordance with the provisions of the relevant Hedging Agreement (the "**Hedging Termination Costs**"). Such Hedging Termination Costs, when to be paid by the Issuer and provided that the amount of such costs has not been reduced to zero (0) in accordance with the provisions of the relevant Hedging Agreement, shall be subordinated to payments under the Covered Bonds, as described in Condition 15 of the Terms and Conditions (see also "**Cash Flow – The Issuer Priority Orders of Payments**").

Pursuant to the terms of the Hedging Agreements, in the event that the relevant ratings of the Eligible Hedging Provider(s) (or its respective guarantor, as applicable) (the "**Hedging Provider**") is or are downgraded by a Rating Agency below the required ratings specified in the relevant Hedging Agreement and, where applicable, as a result of such downgrade, the then current ratings of any outstanding Covered Bonds would be adversely affected, the relevant Hedging Provider will, in accordance with and pursuant to the terms of the relevant Hedging Agreement, be required to take certain remedial measures which may include one (1) or more of the following: (i) providing collateral for its obligations under the relevant Hedging Agreement; (ii) arranging for its obligations under the relevant Hedging Agreement to be transferred to a replacement hedging provider with the ratings required by the Rating Agencies (as specified in the relevant Hedging Agreement); (iii) procuring another entity with the ratings required by the relevant Rating Agency (as specified in the relevant Hedging Agreement) to become co-obligor in respect of its obligations under the relevant Hedging Agreement; and/or (iv) taking such other actions as the relevant Hedging Provider may agree with the relevant Rating Agency.

#### The Issuer Hedging Agreement(s)

The Issuer Hedging Agreement(s) will be used to hedge mismatches between the Collateral Security Assets and the Covered Bonds in the following manner.

The interest rate payable by the Issuer with respect to a Series may be calculated in various manners, depending on the type of Covered Bonds (Fixed Rate Covered Bonds, Floating Rate Covered Bonds, Index Linked Covered Bonds or Zero Coupon Covered Bonds). Each Series of Covered Bonds may be denominated in any Specified Currency or may be Dual Currency Covered Bonds. To provide a hedge between:

- the amount of interest and principal payable by the Issuer under the relevant Series, in the relevant Specified Currency; and
- the amount corresponding to the interest and principal payable under the Collateral Security Assets, in each relevant currency,

each relevant Eligible Hedging Provider (where applicable with the appropriate collateralisation requirements) and the Issuer will enter into interest rate and/or currency derivative transactions (each, a "**Hedging Transaction**") in relation to each relevant Series in Approved Form and in substance acceptable to the Rating Agencies, upon the occurrence of a Hedging Rating Trigger Event.

Each Issuer Hedging Agreement may be terminated in accordance with certain termination events and events of default. An Issuer Event of Default will not constitute a termination event under any Issuer Hedging Agreement.

#### The Borrower Hedging Agreement

The Borrower Hedging Agreement will be used to hedge mismatches between the Collateral Security Assets and the Borrower Advances, and as such, the purpose of the Borrower Hedging Agreement will be to transfer to the Borrower the benefit of the Issuer Hedging Agreement(s).

The terms and conditions regarding the calculation and the payment of principal and interest under a Borrower Advance shall mirror the equivalent terms and conditions of the Covered Bonds funding such Borrower Advance. As a consequence, the interest rate payable by the Borrower with respect to a Borrower Advance may be calculated in various manners, depending on the type of Covered Bonds funding such Borrower Advance (Fixed Rate Covered Bonds, Floating Rate Covered Bonds, Index Linked Covered Bonds or Zero Coupon Covered Bonds). Moreover, each Borrower Advance may be denominated in one (1) or two (2) Specified Currencies. To provide a hedge between:

- the amount of interest and principal payable by the Borrower under the relevant Borrower Advance, in the relevant Specified Currencies (which shall be equivalent to the amount of interest and principal payable by the Issuer under the Covered Bonds funding such relevant Borrower Advance); and
- the amount of interest and principal in relation to the Collateral Security Assets, in each relevant currency, to be hedged by BFCM in accordance with the Hedging Current Practices (for the avoidance of doubt, in order to hedge any currency and interest risks related thereto),

BFCM and the Issuer will enter into interest rate and/or currency derivative transactions (each, a **"Borrower Hedging Transaction"**) in relation to each relevant Series in form and substance acceptable to the Rating Agencies, upon the occurrence of a Hedging Rating Trigger Event.

The Borrower Hedging Agreement may be terminated in accordance with certain termination events and events of default. In particular, a Borrower Event of Default will constitute a termination event under the Borrower Hedging Agreement but shall not constitute a termination event under the Issuer Hedging Agreement(s).

#### *Hedging Strategy upon the occurrence of a Borrower Event of Default*

Upon the occurrence of a Borrower Event of Default, and the subsequent transfer in favour of the Issuer of title to the Home Loans (and related Home Loans Security) following an enforcement of the Collateral Security:

- (a) the Issuer will maintain its rights and obligations under the existing Issuer Hedging Agreement(s);
- (b) the Issuer will immediately terminate the Borrower Hedging Agreement.

For the purposes of this section "The Hedging Strategy",

**"Approved Form"** means a 1992 (Multicurrency - Cross Border) or 2002 ISDA Master Agreement (including its schedule), credit support document and confirmation governed thereby or, as the case may be, a 2001 FBF Master Agreement relating to transactions on forward financial instruments (including its schedule), collateral annex and confirmation governed thereby, in a form agreed by the Issuer and the Borrower pursuant to the Hedging Approved Form Letter or otherwise agreed subject to prior Rating Affirmation.

**"Hedging Rating Trigger Event"** means the event in which the short-term senior unsecured, unsubordinated and unguaranteed debt obligations of BFCM become rated below A-1 by S&P, or A1 by Moody's or F1+ by Fitch.

**"Eligible Hedging Provider"** means a financial institution which meets the following conditions:

- such financial institution is permitted under any applicable and relevant law to enter into derivative contracts with French residents; and
- (i) the rating of its senior unsecured, unsubordinated and unguaranteed debt obligations is at least a Hedging Required Rating, or (ii) the rating of the senior unsecured, unsubordinated and unguaranteed debt obligations of its guarantor under the relevant Hedging Agreement is at least a Hedging Required Rating, or (iii) this financial institution has provided collateral for its obligations under the relevant Hedging Agreement and taken any remedial action as required by the relevant Rating Agencies.

**"Hedging Required Rating"** means, as regards any Eligible Hedging Provider or, as applicable, its guarantor under the relevant Hedging Agreement:

- in relation to the hedging of currency risks and other risks, A-1 (short-term) by S&P, and P-1 (short-term) by Moody's and F1 (short-term)/A+ (long-term) by Fitch; or
- in relation to the hedging of interest risks, A-1 (short-term) by S&P, and P-1 (short-term) by Moody's and F1 (short-term)/A (long-term) by Fitch.

**"Hedging Approved Form Letter"** means any letter agreement dated on or prior to the Programme Date and pursuant to which the Issuer and the Borrower agree the Approved Form of the Hedging Agreements.

## **FORM OF FINAL TERMS**

**Final Terms dated [ ● ]**

[LOGO, if document is printed]

### **CM-CIC COVERED BONDS**

Issue of [Aggregate Nominal Amount of Tranche] [Title of Covered Bonds]  
under the €30,000,000,000 Covered Bond Programme

Issue Price: [ ● ] per cent.

[Name(s) of Dealer(s)]

## PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 16 November 2009 [and the supplement to the Base Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 (the "**Prospectus Directive**").

This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplement to the Base Prospectus] [is] [are] available for viewing on the website of the Luxembourg Stock Exchange (www.bourse.lu) at least during a period of twelve months from the date of the Base Prospectus, and during normal business hours at the registered office of the Issuer and at the specified office of the Paying Agent(s) where copies may be obtained. [In addition<sup>1</sup>, the Base Prospectus [and the supplement to the Base Prospectus] [is] [are] available for viewing [on/at] [●].]

*The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the Conditions) set forth in the Base Prospectus dated [original date] [and the supplement to the Base Prospectus dated [●]]. This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus dated 16 November 2009 [and the supplement to the Base Prospectus dated [●]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the [Prospectus/Base Prospectus] dated [original date] [and the supplement to the Base Prospectus dated [●]] and are attached hereto. Full information on the Issuer and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the [Prospectus/Base Prospectus] dated [original date] and [current date] [and the supplement to the Base Prospectus dated [●] and [●]]. [The [Prospectus/Base Prospectus] [and the supplement to the Base Prospectus] [is] [are] available for viewing on the website of the Luxembourg Stock Exchange (www.bourse.lu) at least during a period of twelve months from the date of the Base Prospectus, [and] during normal business hours at the registered office of the Issuer and at the specified office of the Paying Agent(s) where copies may be obtained. [In addition<sup>2</sup>, the Base Prospectus [and the supplement to the Base Prospectus] [is] [are] available for viewing [on/at] [●].]

*[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]*

*[When completing final terms or adding any other final terms or information consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under article 16 of the Prospectus Directive, the publication of which would in turn trigger the investors' right to withdraw their acceptances within a forty-eight (48)-hour time period.]*

- |    |  |  |
|----|--|--|
| 1. | <b>Issuer:</b>                           | CM-CIC Covered Bonds   |
| 2. | [(i)] <b>Series Number:</b>              | [●]  |
|    | [(ii)] <b>Tranche Number:</b>            | [●]  |
|    |  | (If fungible with an existing Series, details of that Series, including the date on which the Covered Bonds become fungible).] |
| 3. | <b>Specified Currency or Currencies:</b> | [●]  |

<sup>1</sup> If the Covered Bonds are listed on a Regulated Market other than the Luxembourg Stock Exchange.

<sup>2</sup> If the Covered Bonds are listed on a Regulated Market other than the Luxembourg Stock Exchange.

- 4. Aggregate Nominal Amount of Covered Bonds:** [ ● ]  
 [(i)] Series: [ ● ]  
 [(ii)] Tranche: [ ● ]
- 5. Issue Price:** [ ● ] per cent. of the Aggregate Nominal Amount  
 [plus accrued interest from *[insert date]* (if applicable)]
- 6. Specified Denominations:** [ ● ] (*one (1) denomination only for Dematerialised Covered Bonds*) (*Not less than €50,000 or its equivalent in other currency at the Issue Date, when the Covered Bonds are admitted to trading on a Regulated Market of the European Union in circumstances which require the publication of a prospectus under the Prospectus Directive*)
- 7. (i) Issue Date:** [ ● ]  
**(ii) Interest Commencement Date:** [*Specify*/Issue Date/Not Applicable]
- 8. Final Maturity Date:** [*Specify date or (for Floating Rate Covered Bonds) Interest Payment Date falling in or nearest to the relevant month and year*]
- 9. Interest Basis:** [[ ● ] per cent. Fixed Rate]  
 [[*EURIBOR, EONIA, LIBOR, CMS, TEC or other*] +/- [ ● ] per cent. Floating Rate]  
 [Zero Coupon]  
 [Index Linked Interest]  
 [Other (*specify*)]  
 (*further particulars specified below*)
- 10. Redemption/Payment Basis:** [Redemption at par]<sup>3</sup>  
 [Index Linked Redemption]  
 [Dual Currency]  
 [Partly Paid]  
 [Instalment]  
 [Other (*specify*)]  
 (*further particulars specified below*)
- 11. Change of Interest or Redemption/Payment Basis:** [*Specify details of any provision for convertibility of Covered Bonds into another interest or redemption/ payment basis*]
- 12. Put/Call Options:** [Bondholder Put]  
 [Issuer Call]  
 [*(further particulars specified below)*]  
 [*other option: specify details*]

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<sup>3</sup>

If the Final Redemption Amount is different than one hundred per cent. (100%) of the nominal value, the Covered Bonds will constitute derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation No. 809/2004 will apply. This form of Final Terms has been annotated to indicate where the key additional requirements of Annex XII are dealt with. Note that some regulatory authorities may require the inclusion of information or placeholders addressing Paragraph 5 of Annex XII even though (noting that such information is not required by Annex XIII) the denomination of the Covered Bonds is €50,000 or more. Where Annex XII is not applicable but income on the Notes is linked to an underlying, nevertheless consider including disclosure in relation to the underlying.



13. (i) **Status of the Covered Bonds:** Senior
- (ii) **Date of Board approval for issuance of Covered Bonds obtained:** [ ● ]
14. **Method of distribution:** [Syndicated/Non-syndicated]

#### PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. **Fixed Rate Covered Bond Provisions:** [Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) **Rate[(s)] of Interest:** [ ● ] per cent. per annum [payable [annually / semi-annually / quarterly / monthly / other (specify)] in arrear]
- (ii) **Interest Payment Date(s):** [ ● ] in each year [where applicable (adjusted pursuant to the [specify applicable Business Day Convention])]
- (iii) **Fixed Coupon Amount[(s)]:** [ ● ] per [ ● ] in Specified Denomination
- (iv) **Broken Amount(s):** [Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)]]
- (v) **Day Count Fraction:** [30/360 / Actual/Actual (ICMA/ISDA) / other]
- (vi) **Determination Dates:** [ ● ] in each year  
(insert regular Interest Payment Dates, ignoring Issue Date or Final Maturity Date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))
- (vii) **Other terms relating to the method of calculating interest for Fixed Rate Covered Bonds:** [Not Applicable/give details]
16. **Floating Rate Covered Bond Provisions:** [Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) **Interest Period(s):** [ ● ]
- (ii) **Specified Interest Payment Dates:** [ ● ]
- (iii) **First Interest Payment Date:** [ ● ]
- (iv) **Interest Period Date:** [ ● ] [Interest Payment Date / Other (specify)]
- (v) **Business Day Convention:** [Floating Rate Business Day Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ other (give details)]  
[Insert "unadjusted" if the application of the relevant business day convention is not intended to affect the Interest Amount]
- (vi) **Business Centre(s) (Condition 6(a)):** [ ● ]

- (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/FBF Determination/other (*give details*)]
- (viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Calculation Agent): [ ● ]
- (ix) Screen Rate Determination: [Applicable/Not Applicable]
- Benchmark: [ ● ] (*specify Benchmark [EURIBOR, EONIA, LIBOR, CMS, TEC or other] and months [e.g. EURIBOR 3 months] (additional information if necessary)*)
  - Relevant Time: [ ● ]
  - Interest Determination Date(s): [ ● ]
  - Primary Source: [*Specify relevant screen page or "Reference Banks"*]
  - Reference Banks (if Primary Source is "Reference Banks"): [*Specify four*]
  - Relevant Financial Centre: [*The financial centre most closely connected to the benchmark - specify if not Paris*]
  - Representative Amount: [*Specify if screen or Reference Bank quotations are to be given in respect of a transaction of a specified notional amount*]
  - Effective Date: [*Specify if quotations are not to be obtained with effect from commencement of Interest Accrual Period*]
  - Specified Duration: [*Specify period for quotation if not duration of Interest Accrual Period*]
- (x) FBF Determination: [Applicable/Not Applicable]
- Floating Rate (*Taux Variable*): [ ● ] (*specify Benchmark [EURIBOR, EONIA, LIBOR, CMS, TEC or other] and months [e.g. EURIBOR 3 months] (additional information if necessary)*)
  - Floating Rate Determination Date (*Date de Détermination du Taux Variable*): [ ● ]
  - FBF Definitions (if different from those set out in the Conditions): [ ● ] (*specify how rate determined (e.g. relevant page) if different or not specified in FBF Definitions*)
- (xi) Margin(s): [+/-] [ ● ] per cent. per annum
- (xii) Minimum Rate of Interest: [Not Applicable/[ ● ] per cent. per annum]
- (xiii) Maximum Rate of Interest: [Not Applicable/[ ● ] per cent. per annum]

- (xiv) Day Count Fraction: [ ● ]
- (xv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Covered Bonds, if different from those set out in the Conditions: [ ● ]
- 17. Zero Coupon Covered Bond Provisions** [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Amortisation Yield: [ ● ] per cent. per annum
- (ii) Day Count Fraction: [ ● ]
- (iii) Any other formula/basis of determining amount payable: [ ● ]
- 18. Index-Linked Interest Covered Bond/other variable-linked interest Covered Bond Provisions<sup>4</sup>:** [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Index/Formula/other variable: [give or annex details]
- (ii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Calculation Agent): [ ● ][give name and address]
- (iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable: [ ● ]
- (iv) Interest Determination Date(s): [ ● ]
- (v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [ ● ] [Need to include a description of market disruption or settlement disruption events and adjustment provisions]
- (vi) Interest or Calculation Period(s): [ ● ]
- (vii) Specified Interest Payment Dates: [ ● ]

4

If the Final Redemption Amount is different than one hundred per cent. (100%) of the nominal value, the Covered Bonds will constitute derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation No. 809/2004 will apply. This form of Final Terms has been annotated to indicate where the key additional requirements of Annex XII are dealt with. Note that some regulatory authorities may require the inclusion of information or placeholders addressing Paragraph 5 of Annex XII even though (noting that such information is not required by Annex XIII) the denomination of the Covered Bonds is €50,000 or more. Where Annex XII is not applicable but income on the Notes is linked to an underlying, nevertheless consider including disclosure in relation to the underlying.

- (viii) Business Day Convention: [Floating Rate Business Day Convention/  
Following Business Day Convention/Modified  
Following Business Day Convention/Preceding  
Business Day Convention/other (*give details*)]
- (ix) Business Centre(s): [ ● ]
- (x) Minimum Rate of Interest: [Not Applicable/[ ● ] per cent. per annum]
- (xi) Maximum Rate of Interest: [Not Applicable/[ ● ] per cent. per annum]
- (xii) Day Count Fraction: [ ● ]
- 19. Dual Currency Covered Bond Provisions<sup>5</sup>:** [Applicable/Not Applicable]  
(*If not applicable, delete the remaining sub-  
paragraphs of this paragraph*)
- (i) Rate of Exchange/Method of  
calculating Rate of Exchange: [*give details*]
- (ii) Party, if any, responsible for calculating  
the principal and/or interest due (if not  
the Calculation Agent): [ ● ][*give name and address*]
- (iii) Provisions applicable where calculation  
by reference to Rate of Exchange  
impossible or impracticable: [*Need to include a description of market  
disruption or settlement disruption events and  
adjustment provisions*]
- (iv) Person at whose option Specified  
Currency(ies) is/are payable: [ ● ]
- (v) Day Count Fraction: [ ● ]

## PROVISIONS RELATING TO REDEMPTION

- 20. Call Option:** [Applicable/Not Applicable]  
(*If not applicable, delete the remaining sub-  
paragraphs of this paragraph*)
- (i) Optional Redemption Date(s): [ ● ]
- (ii) Optional Redemption Amount(s) of  
each Covered Bond and method, if any,  
of calculation of such amount(s): [ ● ] per Covered Bond of [ ● ] specified  
denomination
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [ ● ]
- (b) Maximum Redemption Amount: [ ● ]

<sup>5</sup>

If the Final Redemption Amount is different than one hundred per cent. (100%) of the nominal value, the Covered Bonds will constitute derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation No. 809/2004 will apply. This form of Final Terms has been annotated to indicate where the key additional requirements of Annex XII are dealt with. Note that some regulatory authorities may require the inclusion of information or placeholders addressing Paragraph 5 of Annex XII even though (noting that such information is not required by Annex XIII) the denomination of the Covered Bonds is €50,000 or more. Where Annex XII is not applicable but income on the Notes is linked to an underlying, nevertheless consider including disclosure in relation to the underlying.

- (iv) Notice period<sup>6</sup>: [ ● ]
- 21. Put Option:** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [ ● ]
- (ii) Optional Redemption Amount(s) of each Covered Bond and method, if any, of calculation of such amount(s): [ ● ] per Covered Bond of [ ● ] specified denomination
- (iii) Notice period<sup>7</sup>: [ ● ]
- 22. Final Redemption Amount of each Covered Bond<sup>8</sup>:** [[ ● ] per Covered Bond of [ ● ] specified denomination / Specified Denomination/Other *(Specify)*]
- In cases where the Final Redemption Amount is Index-Linked or other variable-linked:
- (i) Index/Formula/variable: [give or annex details]
- (ii) Party responsible for calculating the Final Redemption Amount (if not the Calculation Agent): [ ● ] [give name and address]
- (iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: [ ● ]
- (iv) Determination Date(s): [ ● ]
- (v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [ ● ]
- (vi) Payment Date: [ ● ]

<sup>6</sup> If setting notice periods which are different to those provided in the terms and conditions, consider the practicalities of distribution of information through intermediaries, for example clearing systems, as well as any other notice requirements which may apply, for example as between the Issuer and the Fiscal Agent.

<sup>7</sup> If setting notice periods which are different to those provided in the terms and conditions, consider the practicalities of distribution of information through intermediaries, for example clearing systems, as well as any other notice requirements which may apply, for example as between the Issuer and the Fiscal Agent.

<sup>8</sup> If the Final Redemption Amount is different than one hundred per cent. (100%) of the nominal value, the Covered Bonds will constitute derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation No. 809/2004 will apply. This form of Final Terms has been annotated to indicate where the key additional requirements of Annex XII are dealt with. Note that some regulatory authorities may require the inclusion of information or placeholders addressing Paragraph 5 of Annex XII even though (noting that such information is not required by Annex XIII) the denomination of the Covered Bonds is €50,000 or more. Where Annex XII is not applicable but income on the Notes is linked to an underlying, nevertheless consider including disclosure in relation to the underlying.

(vii) Minimum Final Redemption Amount: [ ● ]

(viii) Maximum Final Redemption Amount: [ ● ]

**23. Early Redemption Amount:**

Early Redemption Amount(s) of each Covered Bond payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same and/or any other terms (if required or if different from that set out in Condition 7):

[ ● ]

**GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS**

**24. Form of Covered Bonds:**

[Dematerialised Covered Bonds/ Materialised Covered Bonds] (Materialised Covered Bonds are only in bearer form)

[Delete as appropriate]

(i) Form of Dematerialised Covered Bonds:

[Not Applicable / if Applicable specify whether bearer form (*au porteur*) / registered form (*au nominatif*)]

(ii) Registration Agent:

[Not Applicable/if applicable give name and address] (Note that a Registration Agent must be appointed in relation to Fully Registered Dematerialised Covered Bonds only)

(iii) Temporary Global Certificate:

[Not Applicable/Temporary Global Certificate exchangeable for Definitive Materialised Covered Bonds on [ ● ] (the "Exchange Date"), being forty (40) days after the Issue Date subject to postponement as specified in the Temporary Global Certificate]

**25. Financial Centre(s) or other special provisions relating to payment dates for the purposes of Condition 8(g):**

[Not Applicable/Give details. Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub-paragraphs 15 (ii), 16(iv) and 18(ix) relate]

**26. Talons for future Coupons or Receipts to be attached to Definitive Materialised Covered Bonds (and dates on which such Talons mature):**

[Yes/No/Not Applicable. If yes, give details] (Only applicable to Materialised Covered Bonds)

**27. Details relating to Partly Paid Covered Bonds: amount of each payment comprising**

the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Covered Bonds and interest due on late payment:

[Not Applicable/give details]

28. **Details relating to Instalment Covered Bonds: amount of each instalment, date on which each payment is to be made:**

[Not Applicable/give details]

29. **Redenomination, renominalisation and reconventioning provisions:**

[Not Applicable/The provisions [in Condition 2(d)] [annexed to these Final Terms] apply]

30. **Consolidation provisions:**

[Not Applicable/The provisions [in Condition 16(b)] [annexed to these Final Terms] apply]

31. **Other final terms:**

[Not Applicable/give details]

*(When adding any other final terms consideration should be given as to whether such terms constitute a "significant new factor" and consequently trigger the need for a supplement to the Base Prospectus under article 16 of the Prospectus Directive.)*

## DISTRIBUTION

32. (i) **If syndicated, names of Managers:**

[Not Applicable/give names]

- (ii) **Date of subscription agreement]:**

[●]<sup>9</sup>

- (iii) **Stabilising Manager(s) (if any):**

[Not Applicable/give name]

33. **If non-syndicated, name of Dealer:**

[Not Applicable/give name]

34. **Additional selling restrictions:**

[Not Applicable/give details]

35. **U.S. selling restrictions:**

The Issuer is Category 1 for the purposes of Regulation S under the United States Securities Act of 1933, as amended.

[TEFRA C/ TEFRA D/ TEFRA Not Applicable]  
*(TEFRA are not applicable to Dematerialised Covered Bonds)*

## GENERAL

The aggregate principal amount of Covered Bonds issued has been translated into Euro at the

[●]

<sup>9</sup>

Required only for derivative securities to which Annex XII to the Prospectus Directive Regulation applies.

rate of [ ● ] per cent. producing a sum of:

## **[PURPOSE OF FINAL TERMS]**

These Final Terms comprise the final terms required for issue and admission to trading on the [*specify relevant regulated market*] of the Covered Bonds described herein pursuant to the Euro 30,000,000,000 Covered Bond Programme of CM-CIC Covered Bonds.]

## **RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in these Final Terms. [*(Relevant third party information)*] has been extracted from (*specify source*). The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by (*specify source*), no facts have been omitted which would render the reproduced information inaccurate or misleading.]<sup>10</sup>

Signed on behalf of CM-CIC Covered Bonds:

By: .....

Duly authorised

<sup>10</sup>

Include if third party information is provided, for example in compliance with Annex XII of the Prospectus Directive Regulation in relation to an index of its components, an underlying security or the issuer of an underlying security.



## PART B – OTHER INFORMATION

### 1. RISK FACTORS

*[Insert any risk factors that are material to the Covered Bonds being admitted to trading in order to assess the market risk associated with these Covered Bonds and that may affect the Issuer's ability to fulfil its obligations under the Covered Bonds which are not covered under "Risk Factors" in the Base Prospectus. If any such additional risk factors need to be included consideration should be given as to whether they constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under article 16 of the Prospectus Directive.]*

### 2. LISTING AND ADMISSION TO TRADING

- |       |  |  |
|-------|--|--|
| (i)   | Listing(s):  | [Official List of the Luxembourg Stock Exchange-<br>other ( <i>specify</i> )/None]   |
| (ii)  | (a) Admission to trading:  | [Application has been made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to trading on [ <i>specify relevant regulated market</i> ] with effect from [●].][Application is expected to be made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to trading on [ <i>specify relevant regulated market</i> ] with effect from [●].] [Not Applicable]<br>(Where documenting a fungible issue need to indicate that original Covered Bonds are already admitted to trading.)   |
|       | (b) Regulated Markets or equivalent markets on which, to the knowledge of the Issuer, securities of the same class of the Covered Bonds to be admitted to trading are already admitted to trading: | [●]  |
| (iii) | Estimate of total expenses related to admission to trading:  | [●]  |
| (iv)  | Additional publication of Base Prospectus and Final Terms:   | [●] ( <i>See paragraph 10 of the section "General Information" of this Base Prospectus which provides that the Base Prospectus will be published on the website of the Luxembourg Stock Exchange at least during a period of twelve (12) months from the date of the Base Prospectus and that the Final Terms related to Covered Bonds on any Regulated Market will be published on the website of the Luxembourg Stock Exchange. Please provide for additional methods of publication in respect of an admission to trading on a regulated market other than the Luxembourg Stock Exchange.</i> ) |

### 3. RATINGS

Ratings:

The Covered Bonds to be issued have been rated:

[S & P: [ ● ]]

[Moody's: [ ● ]]

[Fitch: [ ● ]]

[[Other]: [ ● ]]

*(The above disclosure should reflect the rating allocated to Covered Bonds of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

### 4. [NOTIFICATION

The *Commission de Surveillance du Secteur Financier*, which is the Luxembourg competent authority for the purpose of the Prospectus Directive [has been requested to provide/has provided - include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues] the [include names of competent authorities of host Member States] with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive.]

### 5. [THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST

*If advisors are mentioned in these Final Terms, specify the capacity in which the advisors have acted.*

*Specify other information mentioned in the Final Terms which has been audited or reviewed by auditors and where auditors have produced a report. Insert the report or, with permission of the competent authority, a summary of the report.*

*Where a statement or report attributed to a person as an expert is included in these Final Terms in respect of the Issuer or the Covered Bonds, provide such person's name, business address, qualifications and material interest if any in the Issuer. If the report has been produced at the Issuer's request a statement to that effect that such statement or report is included, in the form and context in which it is included, with the consent of that person who has authorised the contents of that part in respect of the Issuer or the Covered Bonds.*

*Where information has been sourced from a third party, provide a confirmation that this information has been accurately reproduced and that as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.*

*In addition, the Issuer shall identify the source(s) of the information.]*

### 6. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

Need to include a description of any interest, including conflicting ones, that is material to the issue, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement: "Save as discussed in "Subscription and Sale", so far as the Issuer is aware, no person involved in the offer of the Covered Bonds has an interest material to the offer."

*[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]*

**7. REASONS FOR THE OFFER[, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES]<sup>11</sup>**

- (i) Reasons for the offer: [ ● ]

*(See "Use of Proceeds" wording in Base Prospectus – if reasons for offer different from general corporate purposes will need to include those reasons here.)*

- [(ii) Estimated net proceeds: [ ● ]

*(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)*

- (iii) Estimated total expenses:

[ ● ]<sup>12</sup>

*(If the Covered Bonds are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, (i) above is required (regardless of the minimum denomination of the securities) where the reasons for the offer are different from making profit and/or hedging certain risks and where this is the case disclosure of net proceeds and total expenses at (ii) and (iii) above are also required.)*

**8. [FIXED RATE COVERED BONDS ONLY – YIELD**

- Indication of yield: [ ● ]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield. ]

**9. [INDEX-LINKED OR OTHER VARIABLE-LINKED COVERED BONDS ONLY – PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING<sup>13</sup>**

*[Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information. Include other information concerning the underlying required by Paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.*

*[(When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]*

<sup>11</sup> Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies. See footnote no. 8 above.

<sup>12</sup> Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies. See footnote no. 8 above.

<sup>13</sup> For derivative securities to which Annex XII to the Prospectus Directive Regulation applies, please complete instead paragraph 11 below relating to explanation of effect on value of investment, return on derivatives securities and information concerning the underlying.

**10. [DUAL CURRENCY COVERED BONDS ONLY – PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT<sup>14</sup>**

*[Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained, the underlying on which it is based and of the method used to relate the two, a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.*

*[(When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]*

**11. [DERIVATIVES ONLY – EXPLANATION OF EFFECT ON VALUE OF INVESTMENT, RETURN ON DERIVATIVES SECURITIES AND INFORMATION CONCERNING THE UNDERLYING SETTLEMENT PROCEDURES FOR DERIVATIVE SECURITIES**

*[Need to include a description of the settlement procedures of the derivative securities.]]*

**RETURN ON DERIVATIVES SECURITIES**

Return on derivative securities:	<i>[Description of how any return on derivative securities takes place]</i>
Payment or delivery date:	[ ● ]
Method of calculation:	[ ● ]

**INFORMATION CONCERNING THE UNDERLYING**

The exercise price or the final reference price of the underlying:	[ ● ]
A statement setting out the type of the underlying and details of where information on the underlying can be obtained:	
- an indication where information about the past and the further performance of the underlying and its volatility can be obtained	[ ● ]
- where the underlying is a security:	[Applicable/Not Applicable]
the name of the issuer of the security:	[ ● ]
the ISIN (International Security Identification Number) or other such security identification code:	[ ● ]
- where the underlying is an index:	[Applicable/Not Applicable]
the name of the index and a description of the index if it is composed by the issuer. If the index is not composed by the issuer, where information about the index can be obtained:	[ ● ]
- where the underlying is an interest rate:	[Applicable/Not Applicable]
a description of the interest rate:	[ ● ]

<sup>14</sup>

For derivative securities to which Annex XII to the Prospectus Directive Regulation applies, please complete instead paragraph 11 below relating to explanation of effect on value of investment, return on derivatives securities and information concerning the underlying.

- others: [Applicable/Not Applicable]

where the underlying does not fall within the categories specified above the Final Terms shall contain equivalent information: [●]

- where the underlying is a basket of underlyings: [Applicable/Not Applicable]

disclosure of the relevant weightings of each underlying in the basket: [●]

A description of any market disruption or settlement disruption events that affect the underlying: [●]

Adjustment rules with relation to events concerning the underlying:<sup>15</sup> [●]

## OTHER

Name and address of Calculation Agent: [●]

[Information on taxes on the income from the Covered Bonds withheld at source in the country where admission to trading (other than in Luxembourg) is sought: [●]]

## 12. [DERIVATIVES ONLY – POST ISSUANCE INFORMATION CONCERNING THE UNDERLYING

The Issuer will not provide any post-issuance information, except if required by any applicable laws and regulations.

*[If post-issuance information is to be reported, specify what information will be reported and where such information can be obtained.]]*

## 13. [TERMS AND CONDITIONS OF THE OFFER<sup>16</sup>

### CONDITIONS, OFFER STATISTICS, EXPECTED TIMETABLE AND ACTION REQUIRED TO APPLY FOR THE OFFER

Offer Price: [Issue Price] *[specify the expected price at which the securities will be offered or the method of determining the price and the process for its disclosure. Indicate the amount of any expenses and taxes specifically charged to the subscriber or purchaser]*

Conditions to which the offer is subject: [Not Applicable/give details]

Total amount of the issue/offer; if the amount is not fixed, description of the arrangements and

<sup>15</sup> Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies.

<sup>16</sup> Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies.

time for announcing to the public the amount of the offer: [Not Applicable/*give details*]

The time period, including any possible amendments, during which the offer will be open and description of the application process: [Not Applicable/*give details*]

Description of the application process: [Not Applicable/*give details*]

Description of the possibility to reduce subscriptions and the manner for refunding excess amount paid by applicants: [Not Applicable/*give details*]

Details of the minimum and/or maximum amount of application: [Not Applicable/*give details*]

Method and time limits for paying and delivering the Covered Bonds: [Not Applicable/*give details*]

Manner and date on which results of the offer are to be made public: [Not Applicable/*give details*]

Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [Not Applicable/*give details*]

#### 14. [PLAN OF DISTRIBUTION AND ALLOTMENT]<sup>17</sup>

The various categories of potential investors to which the securities are offered. If the offer is being made simultaneously in the markets of two (2) or more countries and if a tranche has been or is being reserved for certain of these, indicate any such tranche: [●]

Process for notification to applicants of the amount allotted and indication whether dealing may begin before notification is made:] [●]

#### 15. [PRICING]<sup>18</sup>

Indication of the expected price at which the securities will be offered or the method of determining the price and the process for its disclosure. Indicate the amount of any expenses and taxes specifically charged to the subscriber or purchaser:] [●]

#### 16. [PLACING AND UNDERWRITING]<sup>19</sup>

Name and address of the coordinator(s) of the global offer and of single parts of the offer and, to the extent known to the issuer or to the offeror, of the placers in the various countries where the offer takes place: [●]

Entities agreeing to underwrite the issue on a firm commitment basis, and entities agreeing to place

<sup>17</sup> Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies.

<sup>18</sup> Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies.

<sup>19</sup> Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies.

the issue without a firm commitment or under 'best efforts' arrangements. Where not all of the issue is underwritten, a statement of the portion not covered:]

[●]

## 17. OPERATIONAL INFORMATION

ISIN Code:

[●]

Common Code:

[●]

Depositories:

(i) Euroclear France to act as Central Depositary

[Yes/No]

(ii) Common Depositary for Euroclear Bank and Clearstream Banking, *société anonyme*

[Yes/No]

Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* and the relevant identification number(s):

[Not Applicable/give name(s) and number(s) and address(es)]

Delivery:

Delivery [against/free of] payment

Names and addresses of initial Paying Agent(s):

**Fiscal Agent and Principal Paying Agent**

**BNP Paribas Securities Services**

Global Corporate Trust  
Immeuble Tolbiac  
25 quai Panhard et Levassor  
75013 Paris  
France

**Luxembourg Paying Agent,  
Calculation Agent and Luxembourg  
Listing Agent**

**BNP Paribas Securities Services,**

**Luxembourg Branch**  
33 rue de Gasperich, Howald –  
Hesperange  
L – 2085 Luxembourg  
Luxembourg

Names and addresses of additional Paying Agent(s) (if any):

[●]

## TAXATION

*The following is a summary limited to certain tax considerations in France and in Luxembourg relating to the payments made in respect of the Covered Bonds that may be issued under the Programme and specifically contains information on taxes on the income from the securities withheld at source. This summary is based on the laws in force in France and in the Grand Duchy of Luxembourg as of the date of this Base Prospectus and as applied by the tax authorities, all of which are subject to changes or to different interpretation. It does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Covered Bonds. Each prospective holder or beneficial owner of Covered Bonds should consult its tax advisor as to the tax consequences of any investment in or ownership and disposal of the Covered Bonds in light of its particular circumstances.*

### EU Savings Directive

The EC Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments (the "**Directive**") requires each Member State as from 1 July 2005 to provide to the tax authorities of another Member State details of payments of interest and other similar income within the meaning of the Directive made by a paying agent within its jurisdiction to (or under circumstances to the benefit of) an individual resident in that other Member State, except that Belgium, Luxembourg and Austria will instead impose a withholding system for a transitional period unless the beneficiary of interest payment elects for the exchange of information.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Covered Bond as a result of the imposition of such withholding tax.

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008, the European Commission published a detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the Directive they may amend or broaden the scope of the requirements described above.

### French Withholding Tax

*The following is a summary limited to the French withholding tax considerations relating to the payments in respect of the Covered Bonds made to a beneficial holder of Covered Bonds which (i) is not a French resident for tax purposes, (ii) does not hold the Covered Bonds in connection with a permanent establishment or a fixed base in France and (iii) does not hold shares of the Issuer and is not otherwise affiliated with the Issuer (such holder being hereafter referred to as a "**Non-French tax resident**").*

The Directive has been implemented in French law by article 242 ter of the French General Tax Code (*Code général des impôts*) and articles 49 I ter to 49 I sexies of the Schedule III to the French General Tax Code (*Code général des impôts*). article 242 ter of the French General Tax Code (*Code général des impôts*), imposes on paying agents based in France an obligation to report to the French tax authorities certain information with respect to interest payments made to beneficial owners domiciled in another member state, including, among other things, the identity and address of the beneficial owner and a detailed list of the different categories of interest paid to that beneficial owner.

Pursuant to article 131 *quater* of the French General Tax Code (*Code général des impôts*), as construed by administrative circular no. 5 I-11-98 dated 30 September 1998 and rulings (*rescrits*) no. 2007/59 (FP) dated 8 January 2008 and no. 2009/23 (FP) dated 7 April 2009, all issued by the French tax authorities, payments of interest and other similar revenues to be made by the Issuer to Non-French tax residents in respect of Covered Bonds constituting obligations or debt instruments (*titres de créances*) assimilated thereto for French tax purposes benefit from the exemption from deduction of tax at source which would otherwise be applicable under article 125 A III of the French General Tax Code (*Code général des impôts*).

The tax regime applicable to Covered Bonds which do not constitute obligations or debt instruments (*titres de créances*) assimilated thereto for French tax purposes will be set out in the relevant Final Terms.



## **Luxembourg Withholding Tax**

The Directive has been implemented in Luxembourg law by Act of 21 June 2005.

### **Individuals**

#### *Luxembourg residents*

A ten per cent. (10%) withholding tax has been introduced, as from 1 January 2006, on interest payments made by Luxembourg paying agents (defined in the same way as in the Directive) to Luxembourg individual residents. Only interest accrued after 1 July 2005 falls within the scope of this withholding tax. Income (other than interest) from investment funds and from current accounts provided that the interest rate is not higher than 0.75% are exempt from the withholding tax. Furthermore, interest which is accrued once a year on savings accounts (short and long term) and which does not exceed €250 per person and per paying agent is exempted from the withholding tax.

This withholding tax represents the final tax liability for the Luxembourg individual resident taxpayers.

#### *Luxembourg non-residents*

Subject to the application of the Directive and the applicable laws, there is no withholding tax on payments of interest (including accrued but unpaid interest) made to Luxembourg non-resident Bondholders.

Under the Directive and the Laws, a Luxembourg based paying agent (within the meaning of the Directive) is required since 1 July 2005 to withhold tax on interest and other similar income paid by it to (or under certain circumstances, to the benefit of) an individual resident in another Member State unless the beneficiary of the interest payments elects for the exchange of information. The same regime applies to payments to individuals or Residual Entities resident in certain dependent territories.

The withholding tax rate was initially fifteen per cent. (15%) until 30 June 2008, increasing steadily to twenty per cent. (20%) as from 1 July 2008 and to thirty-five per cent. (35%) as from 1 July 2011. The withholding tax system will only apply during a transitional period, the ending of which depends on the conclusion of certain agreements relating to information exchange with certain other countries.

### **Corporations**

There is no withholding tax for Luxembourg resident and non-resident corporations holders of the Covered Bonds on payments of interest (including uncured but unpaid interest).

## **SUBSCRIPTION AND SALE**

Subject to the terms and on the conditions contained in an amended and restated dealer agreement dated on 16 November 2009 between the Issuer, the Arranger and the Permanent Dealers (the "**Dealer Agreement**"), the Covered Bonds will be offered by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Covered Bonds directly on its own behalf to Dealers that are not Permanent Dealers. The Covered Bonds may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer(s). The Covered Bonds may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Covered Bonds to be issued in syndicated Tranches that are jointly and severally underwritten by two (2) or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Covered Bonds subscribed by it. The Issuer has agreed to reimburse the Arranger for its expenses incurred in connection with the Programme and the Dealers for certain of their activities in connection with the Programme.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Covered Bonds. The Dealers have agreed to indemnify the Issuer against certain liabilities in connection with the offer and sale of the Covered Bonds. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Covered Bonds in certain circumstances prior to payment for such Covered Bonds being made to the Issuer.

### **Selling Restrictions**

#### **General**

These selling restrictions may be modified by the agreement of the Issuer and the Dealers in particular following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Covered Bonds to which it relates or in a supplement to this Base Prospectus.

Each Dealer has agreed that it will comply, to the best of its knowledge, with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Covered Bonds or has in its possession or distributes the Base Prospectus, any other offering material or any Final Terms and neither the Issuer nor any other Dealer shall have responsibility therefore.

#### **United States of America**

The Covered Bonds have not been and will not be registered under the Securities Act, and subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of U.S. persons as defined under Regulation S. Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will not offer or sell the Covered Bonds of any identifiable Tranche within the United States, except as permitted by the Dealer Agreement.

Materialised Covered Bonds having a maturity of more than one (1) year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

In addition, until forty (40) days after the commencement of the offering of any identifiable Tranche, an offer or sale of Covered Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

This Base Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Covered Bonds outside the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Covered Bonds, in whole or in part, for any reason. This Base Prospectus does not constitute an offer to any person in the United States. Distribution of this Base Prospectus by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States is prohibited.

## Japan

The Covered Bonds have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended: the "**FIEL**") and each of the Dealers has agreed that it will not, directly or indirectly, offer or sell any Covered Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident in Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan.

## European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each of the Dealers and the Issuer have represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Covered Bonds to the public in that Relevant Member State:

- (a) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (c) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Covered Bonds referred to in (a) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Covered Bonds**" to the public in relation to any Covered Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Covered Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

## France

Each of the Dealers and the Issuer has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, any Covered Bonds to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Base Prospectus, the relevant Final Terms or any other offering material relating to the Covered Bonds and such offers, sales and distributions have been and will be made in France only to (a) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*), all as defined in, and in accordance with, articles L. 411-1, L. 411-2 and D. 411-1 to D. 411-3 of the French Monetary and Financial Code (*Code monétaire et financier*).

These selling restrictions may be amended in the relevant Final Terms.

This Base Prospectus, prepared in connection with the Covered Bonds to be issued under the Programme, has not been submitted to the clearance procedures of the *Autorité des marchés financiers*.

## United Kingdom

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

- (a) in relation to any Covered Bonds which have a maturity of less than one (1) year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Covered Bonds other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Covered Bonds would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the "FSMA") by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Covered Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Covered Bonds in, from or otherwise involving the United Kingdom.

## The Netherlands

Each Dealer represents and agrees that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell in the Netherlands any Covered Bonds other than to persons who trade or invest in securities in the conduct of a profession or business which includes banks, stock brokers, insurance companies, pension funds, other institutional investors and finance companies and treasury departments of large enterprises.

## Italy

This Base Prospectus has not been, nor will be, published in the Republic of Italy in connection with the offering of Covered Bonds and such offering of Covered Bonds has not been registered with the *Commissione Nazionale per le Società e la Borsa* ("**Consob**") in the Republic of Italy pursuant to Legislative Decree no. 58 of 24 February 1998 as amended (the "**Financial Services Act**") and to Consob Regulation no. 11971 of 14 May 1999, as amended (the "**Issuers' Regulation**") and, accordingly, no Covered Bond may be offered, sold or delivered, and will not, be offered, sold or delivered, directly or indirectly, in the Republic of Italy in an offer to the public, nor may, or will, copies of this Base Prospectus or of any other document relating to the Covered Bonds be distributed in the Republic of Italy, except:

- (a) to qualified investors (*investitori qualificati*), as defined in Article 34-ter, paragraph 1(b) of the Issuers' Regulation; or
- (b) in other circumstances which are exempted from the rules on offers to the public pursuant to, and in compliance with, the conditions set out in Article 100 of the Financial Services Act and its implementing regulations, including Article 34-ter, first paragraph, of the Issuers' Regulation.

Any offer, sale or delivery of Covered Bonds or distribution of copies of this Base Prospectus or any other document relating to the Covered Bonds in the Republic of Italy under (a) or (b) above must, and will, be effected in accordance with all relevant Italian securities, tax and exchange control and other applicable laws and regulations and, in particular, will be made:

- (a) by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, Consob Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the "**Banking Act**"); and
- (b) in compliance with any other applicable laws and regulations or requirement and limitation which may be, from time to time, imposed by Consob, the Bank of Italy and/or any other Italian authority.

Any investor purchasing Covered Bonds in the offering is solely responsible for ensuring that any offer or resale of Covered Bonds it purchased in the offering occurs in compliance with applicable Italian laws and

regulations. No person resident or located in the Republic of Italy other than the original addressees of this Base Prospectus may rely on this Base Prospectus or its content.

## GENERAL INFORMATION

- (1) This Base Prospectus has been approved by the CSSF, as competent authority in Luxembourg for the purposes of the Prospectus Directive. It has not been submitted to the clearance procedures of the *Autorité des marchés financiers*.
- (2) The Issuer has obtained all necessary corporate and other consents, approvals and authorisations in France in connection with the establishment of the Programme. Any issuance of Covered Bonds under the Programme, to the extent that such Covered Bonds constitute *obligations* under French law, requires the prior authorisation of the board of directors (*conseil d'administration*) of the Issuer, which may delegate its power to any other member of the board of directors (*conseil d'administration*), to the managing director (*directeur général*), or with the latter's agreement to any of the deputy managing director (*directeur général délégué*), or to any other person.
- (3) There has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2008.
- (4) The Issuer is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceeding which are pending or threatened of which the Issuer is aware), during a period covering at least the previous twelve (12) months which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer.
- (5) Save as disclosed in this Base Prospectus, there are no material contracts that are not entered into the ordinary course of the Issuer's business which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligation to Bondholders in respect of the Covered Bonds being issued.
- (6) Application may be made for Covered Bonds to be accepted for clearance through Euroclear France (115, rue Réaumur, 75081 Paris cedex 02, France) and/or Euroclear (boulevard du Roi Albert II, 1210 Bruxelles, Belgique) and Clearstream, Luxembourg (42, avenue JF Kennedy, 1855 Luxembourg, Luxembourg). The Common Code and the International Securities Identification Number (ISIN) or the identification number for any other relevant clearing system for each Series of Covered Bonds will be set out in the relevant Final Terms.
- (7) PricewaterhouseCoopers Audit, 63, rue de Villiers, 92208 Neuilly-sur-Seine Cedex, France and Ernst & Young, 41, rue Ybry, 92576 Neuilly-sur-Seine, France (both entities regulated by the *Haut Conseil du Commissariat aux Comptes* and duly authorised as *Commissaires aux comptes*) have been appointed as *Commissaires aux comptes* to the Issuer as from 16 April 2007 and have audited and rendered unqualified audit reports on the non-consolidated financial statements of the Issuer for the fiscal years ended 31 December 2006 and 31 December 2007.
- (8) The Issuer does not intend to provide post-issuance transaction information regarding the Covered Bonds to be admitted to trading and the performance of the underlying collateral, except if required by any applicable laws and regulations.
- (9) The Issuer does not produce consolidated financial statements.
- (10) This Base Prospectus will be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) during a period of at least twelve (12) months from the date of this Base Prospectus. The Final Terms related to Covered Bonds admitted to trading on any Regulated Market of the EEA in accordance with the Prospectus Directive will be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) during a period of at least twelve (12) months from the date of this Base Prospectus.

In addition, should the Covered Bonds be admitted to trading on a Regulated Market of the EEA other than the Luxembourg Stock Exchange in accordance with the Prospectus Directive, the Final Terms related to those Covered Bonds will provide whether this Base Prospectus and the relevant Final Terms will be published on the website of (x) the Regulated Market of the Member State of the EEA where the Covered Bonds have been admitted to trading or (y) the competent authority of the Member State of the EEA where the Covered Bonds have been listed.

- (11) So long as Covered Bonds are capable of being issued under the Programme, copies of the following documents will, when published, be available during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted), at the registered office of the Issuer and at the specified office of the Paying Agent(s):
- (a) the *statuts* of the Issuer;
  - (b) the audited non-consolidated financial statements of the Issuer in respect of the financial years ended 31 December 2007 and 2008;
  - (c) the Agency Agreement (which includes the form of the *Lettre Comptable*, the Temporary Global Certificate, the Definitive Materialised Covered Bonds, the Coupons, the Receipts and the Talons);
  - (d) the Issuer Accounts Pledge Agreement and the Receivables Pledge Agreement;
  - (e) Final Terms for Covered Bonds that are admitted to trading on the Official List of the Luxembourg Stock Exchange and traded on the Regulated Market of the Luxembourg Stock Exchange or any other Regulated Market in the EEA;
  - (f) a copy of this Base Prospectus together with any supplement to this Base Prospectus or further Base Prospectus;
  - (g) all reports, letters and other documents, historical financial information, valuations and statements prepared by any expert at the Issuer's request any part of which is included or referred to in this Base Prospectus.

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**Issuer**

**CM-CIC Covered Bonds**

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**PricewaterhouseCoopers Audit**

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**Asset Monitors**

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