



Crédit Mutuel-CIC Home Loan SFH

(société de financement de l'habitat duly licensed as a French credit institution with the status of *société financière*)

**€30,000,000,000 International Covered Bond Programme
for the issue of obligations de financement de l'habitat and other covered bonds**

Under the International Covered Bond Programme (the "**International Programme**") described in this base prospectus (the "**Base Prospectus**"), Crédit Mutuel-CIC Home Loan SFH (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue *obligations de financement de l'habitat* within the meaning of article L.515-36-I of the French Monetary and Financial Code (*Code monétaire et financier*) to be governed by French law and other covered bonds to be governed either by the law of New South Wales, Australia or German law, as specified in the relevant Final Terms (as defined below) (respectively, the "**French Law Covered Bonds**", the "**Australian Law Covered Bonds**" or the "**German Law Covered Bonds**" and together, the "**International Covered Bonds**"), all benefiting from the statutory priority right of payment (*Privilège*) created by article L.515-19 of the French Monetary and Financial Code (*Code monétaire et financier*), as more fully described herein.

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

Application has been made to the *Autorité des marchés financiers* (the "**AMF**") for approval of this Base Prospectus in its capacity as competent authority in France pursuant to articles 212-2 of its *Règlement Général* and L.621-8 of the French Monetary and Financial Code (*Code monétaire et financier*) which implement the Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 in France, as amended.

Application may be made to Euronext Paris during a period of twelve (12) months after the date of approval of this Base Prospectus for French Law Covered Bonds issued under the International Programme to be listed and admitted to trading on Euronext Paris. Euronext Paris is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004, appearing on the list of regulated markets issued by the European Commission (a "**Regulated Market**"). French Law Covered Bonds issued under the International 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**"). All French Law Covered Bonds admitted to trading on a Regulated Market in circumstances which require the publication of a prospectus under the Prospectus Directive shall have a minimum denomination of €100,000 (or its equivalent in any other currency at the time of issue) or such higher amount as may be allowed or required from time to time.

The Australian Law Covered Bonds and German Law Covered Bonds will not be admitted to trading or listed on any market or stock exchange. The relevant final terms (the "**Final Terms**") in respect of the issue of any French Law Covered Bonds will specify whether or not such French Law Covered Bonds will be listed and admitted to trading on any market and, if so, the relevant market. A form of Final Terms with respect to French Law Covered Bonds is contained herein. A form of Final Terms with respect to Australian Law Covered Bonds is contained in the Australian Deed Poll dated the date of this Base Prospectus (the "**Deed Poll**") and a form of Final Terms with respect to German Law Covered Bonds is contained in the amended and restated agency agreement dated the date of this Base Prospectus (the "**Agency Agreement**").

French Law 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 article 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 section "*Terms and Conditions of the French Law Covered Bonds - Form, Denomination and Title*") 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 French Law Bondholder (as defined in section "*Terms and Conditions of the French Law Covered Bonds - Form, Denomination and Title*"), 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 French Law 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 for interest or talons attached (the "**Definitive Materialised Covered Bonds**"), on or after a date expected to be on or about the fortieth (40th) day after the issue date of the French Law Covered Bonds (subject to postponement as described in section "*Temporary Global Certificate in respect of French Law Covered Bonds which are Materialised Covered Bonds*") upon certification as to non-U.S. beneficial ownership as more fully described herein. Temporary Global Certificates will (a) in the case of a Tranche (as defined in section "*Terms and Conditions of the French Law 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).

Australian Law Covered Bonds will be issued in dematerialised registered uncertificated form only, as more fully described in the Deed Poll. German Law Covered Bonds will be issued in materialised registered form only, as more fully described in the Agency Agreement.

International Covered Bonds issued under the International Programme are expected on issue to be rated **Aaa** by Moody's Investors Service Ltd., **AAA** by Standard & Poor's Credit Market Services France SAS and **AAA** by Fitch France SAS (together the "**Rating Agencies**"). Each of the Rating Agencies is established in the European Union, registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended, and included in the list published on the European Securities and Markets Authority's website (www.esma.europa.eu) as of the date of this Base Prospectus. 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.

This Base Prospectus, any supplement(s) thereto and, so long as French Law Covered Bonds are admitted to trading on any Regulated Market in accordance with the Prospectus Directive, the Final Terms relating to such French Law Covered Bonds will be available on the websites of the AMF (www.amf-france.org) and of the Issuer (www.creditmutuelcic-sfh.com).

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

ARRANGER
BNP PARIBAS

PERMANENT DEALERS

Banque Fédérative du Crédit Mutuel

BNP PARIBAS

This Base Prospectus (together with any supplements thereto that may be published from time to time) constitutes a base prospectus for the purposes of article 5.4 of the Prospectus Directive (as defined below) and contains or incorporates by reference 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 French Law Covered Bonds (but not the Australian Law Covered Bonds nor the German Law Covered Bonds) to be issued under the International Programme. The terms and conditions applicable to each Tranche (as defined in section "*General Description of the International 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.

In this Base Prospectus, "Prospectus Directive" means Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 (as amended, including by Directive 2010/73/EU of the European Parliament and of the Council of 24 November 2010, to the extent implemented in the relevant Member State of the EEA (each a "Relevant Member State")), and includes any relevant implementing measure with respect thereto in each Relevant Member State.

This Base Prospectus is to be read and construed in conjunction with any document and/or information which is incorporated herein by reference (see section "*Documents incorporated by Reference*" below), with any supplement that may be published from time to time as well as, in relation to any Tranche of International Covered Bonds, with the relevant Final Terms.

This Base Prospectus (together with any supplements thereto that may be published 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 or incorporated by reference in this Base Prospectus in connection with the issue or sale of the International 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, the Dealers or the Australian Registrar (each as defined in section "*General Description of the International 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 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 supplemented or that any other information supplied in connection with the International 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 International Covered Bonds in certain jurisdictions may be restricted by law. The Issuer, the Arranger, the Dealers or the Australian Registrar do not represent that this Base Prospectus may be lawfully distributed, or that any International 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, the Arranger, the Dealers or the Australian Registrar which is intended to permit a public offering of any International Covered Bonds or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no International 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 International Covered Bonds may come are required by the Issuer, the Arranger, the Dealers and the Australian Registrar to inform themselves of, and to observe any such restrictions on the distribution of this Base Prospectus and the offering and sale of International Covered Bonds. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of International Covered Bonds in the United States of America, Australia, Japan, Switzerland and the EEA (including France, Italy, The Netherlands and the United Kingdom) (see section "*Subscription and Sale*" below).

The International 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 of America, subject to certain exceptions, and may not be offered or sold within the United States of America or to, or for the account or benefit of, U.S. Persons as defined in Regulation S under the Securities Act ("Regulation S"). The International Covered Bonds may include Materialised Covered Bonds in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, the International 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, as amended. The International Covered Bonds are being offered and sold outside the United States of America to non-U.S. Persons in reliance on Regulation S.

Neither this Base Prospectus nor any other disclosure document in relation to the International Covered Bonds has been, or will be, lodged with the Australian Securities and Investment Commission. No action has been taken which would permit an offering of the International Covered Bonds in circumstances that would require disclosure under Parts 6D.2 or 7.9 of the Corporations Act 2001 of Australia.

The Issuer is neither a bank nor an authorised deposit-taking institution which is authorised under the Banking Act 1959 of Australia. The International Covered Bonds will not be the obligations of the Australian Government and, in particular, the International Covered Bonds will not be guaranteed by the Commonwealth of Australia.

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

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

The Arranger, the Dealers and the Australian Registrar have not separately verified the information contained or incorporated by reference in this Base Prospectus. Neither the Arranger nor any of the Dealers nor the Australian Registrar makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information contained or incorporated by reference in this Base Prospectus. Neither this Base Prospectus nor any other information supplied in connection with the International Programme (including any information incorporated by reference herein) 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, the Dealers or the Australian Registrar that any recipient of this Base Prospectus or any other financial statements should purchase the International Covered Bonds. Each prospective investor of International Covered Bonds should determine for itself the relevance of the information contained or incorporated by reference in this Base Prospectus and its purchase of International Covered Bonds should be based upon such investigation as it deems necessary. Neither the Arranger nor any of the Dealers nor the Australian Registrar 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 International Covered Bonds of any information that may come to the attention of the Arranger, the Dealers or the Australian Registrar.

In connection with the issue of any Tranche of French Law Covered Bonds, 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 French Law Covered Bonds or effect transactions with a view to supporting the market price of the French Law 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 Issuer, the Arranger, the Dealers or the Australian Registrar makes any representation to any prospective investor in the International Covered Bonds regarding the legality of its investment under any applicable laws. Any prospective investor in the International Covered Bonds should be able to bear the economic risk of an investment in the International 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, references to "£", "pounds sterling" and "Sterling" are to the lawful currency of the United Kingdom, references to "\$", "USD" and "U.S. Dollar" are to the lawful currency of the United States of America, references to "¥", "JPY" and "Yen" are to the lawful currency of Japan, references to "CHF" and "Swiss Francs" are to the lawful currency of Switzerland and references to "A\$", "AUD" and "Australian Dollar" are to the lawful currency of Australia.

INTERACTION BETWEEN THE INTERNATIONAL PROGRAMME AND U.S. PROGRAMME

On 20 September 2012, the Issuer has established a separate €30,000,000,000 covered bond programme (the "**U.S. Programme**") pursuant to which the Issuer may issue covered bonds governed by New York law (the "**New York Law Covered Bonds**"), as set forth in a base prospectus which received visa no. 12-0456 from the *Autorité des marchés financiers* (the "**AMF**") on 20 September 2012, as supplemented by the supplement dated 27 May 2013 which received visa no. 13-0239 from the AMF on 27 May 2013.

As the International Programme and the U.S. Programme are based on a common structure documentation, attention of investors is therefore drawn to the fact that certain features of the International Programme also apply to the U.S. Programme and New York Law Covered Bonds, and notably:

- the Programme Limit applies to both programmes, *i.e.* the aggregate nominal amount of covered bonds issued under the International Programme and/or U.S. Programme shall not at any time exceed €30,000,000,000 (or the equivalent in other currencies at the date of issue);
- the provisions relating to the Borrower (as further described in section "*The Borrower and the Borrower Facility Agreement*") are common to the International Programme and the U.S. Programme;
- the advances made available by the Issuer to Banque Fédérative du Crédit Mutuel under a multicurrency term facility agreement, shall be granted out of the issuance proceeds of the International Covered Bonds or the New York Law Covered Bonds (as further described in sections "*The Borrower and the Borrower Facility Agreement*" and "*Use of Proceeds*");
- the advances made out of the issuance proceeds of International Covered Bonds and New York Law Covered Bonds will be secured by the same collateral security (*garantie financière*) for the benefit of the Issuer, granted over the same pool of home loans (as further described in section "*The Collateral Security*" and "*Origination of the home loans*");
- all provisions regarding calculations and allocations of flows (as further described in sections "*Asset Monitoring*" and "*Cash Flows*") are common to the International Programme and the U.S. Programme;
- the duties of the specific controller (*Contrôleur spécifique*) are common to the International Programme and the U.S. Programme and notably aim at (i) ensuring that the Issuer complies with the applicable provisions of the French Monetary and Financial Code (*Code monétaire et financier*), (ii) monitoring the balance between the Issuer's assets and liabilities in terms of rates and maturity (cash flow adequacy) and (iii) controlling that the Eligible Assets granted as collateral (*garantie financière*) in order to secure Borrower Advances comply with the specific provisions of the French Monetary and Financial Code (*Code monétaire et financier*) (as further described in section "*Asset Monitoring*");
- the duties of the Administrator (as further described in section "*The Issuer*") are common to the International Programme and the U.S. Programme; and
- the hedging strategy implemented by the Issuer before the occurrence of a Hedging Rating Trigger Event and/or a Borrower Event of Default or upon the occurrence of a Hedging Rating Trigger Event and/or a Borrower Event of Default (as further described in section "*The Hedging Strategy*") shall apply to the International Programme and the U.S. Programme.

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

I declare, to the best of my knowledge (having taken all reasonable care to ensure that such is the case), that the information contained or incorporated by reference in this Base Prospectus is in accordance with the facts and contains no omission likely to affect its import.

Paris, 30 July 2013

Mr. Christian Ander, *Directeur général*

Crédit Mutuel-CIC Home Loan SFH

6, avenue de Provence

75452 Paris Cedex 9

France

GENERAL DESCRIPTION OF THE INTERNATIONAL PROGRAMME

Words and expressions defined in the section entitled "Terms and Conditions of the French Law Covered Bonds" below shall have the same meanings in this general description. Unless otherwise specified, the expression "International Covered Bonds" refers to the French Law Covered Bonds, the Australian Law Covered Bonds and the German Law Covered Bonds to the extent permitted by the terms and conditions applicable to the relevant International Covered Bonds.

1. INTERNATIONAL COVERED BONDS

Issuer: Crédit Mutuel-CIC Home Loan SFH, limited liability company (*société anonyme*) incorporated under French law and *société de financement de l'habitat* (SFH) duly licensed as a French credit institution (*établissement de crédit*) with the status of *société financière* delivered by the French *Autorité de contrôle prudentiel* on 28 March 2011.

Arranger: BNP Paribas.

Dealers: Banque Fédérative du Crédit Mutuel ("**BFCM**") and BNP Paribas have been appointed by the Issuer as dealers in respect of the International Programme.

The Issuer may from time to time terminate the appointment of any Dealer under the International Programme or appoint additional dealers either in respect of one (1) or more Tranches or in respect of the whole International Programme. References in this Base Prospectus to "**Permanent Dealers**" are to BFCM and BNP Paribas and to such additional persons that may be appointed as dealers in respect of the whole International Programme (and whose appointment has not been terminated) and references to "**Dealers**" are to all Permanent Dealers and all persons appointed as a dealer in respect of one (1) or more Tranches.

Description: International Covered Bond Programme.

Under the International Programme, the Issuer, subject to compliance with all relevant laws, regulations and directives, may from time to time issue International Covered Bonds to be governed by French law, the law of New South Wales, Australia or German law.

The French Law Covered Bonds will be *obligations de financement de l'habitat* within the meaning of article L.515-36-I of the French Monetary and Financial Code (*Code monétaire et financier*). The German Law Covered Bonds will be *Namenschuldverschreibungen*.

The principal and interest of the International Covered Bonds will benefit from the *privilège* (statutory priority right of payment) created by article L.515-19 of the French Monetary and Financial Code (*Code monétaire et financier*) (the "**Privilège**") (for further description, see section "Main features of the legislation and regulations relating to sociétés de financement de l'habitat").

Programme Limit: Up to €30,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Covered Bonds outstanding under the International Programme and/or U.S. Programme at any one time.

Fiscal Agent, Principal Paying Agent and Calculation Agent: BNP Paribas Securities Services.

Australian Registrar: Citigroup Pty Limited.

German Fiscal Agent, German
Paying Agent, German
Calculation Agent and German
Registrar:

Citibank, N.A., London Branch

Method of Issue:

The International Covered Bonds are issued outside France and may be distributed on a syndicated or non-syndicated basis.

Series and Tranche:

The International Covered Bonds will be issued in series (each a "**Series**") on the same or different issue dates. The International Covered Bonds of each Series will be interchangeable with all other International Covered Bonds of that Series.

Each Series may be issued in tranches (each a "**Tranche**") on one or more issue dates and on terms identical to the terms of other Tranches of the same Series, save in respect of the issue date, issue price, first payment of interest and aggregate nominal amount of the Tranche.

The International Covered Bonds will be issued under, as the case may be, the terms and conditions of the French Law Covered Bonds, Australian Law Covered Bonds or German Law Covered Bonds, as completed by the relevant final terms relating to the specific terms of each Tranche (the "**Final Terms**").

For the purpose of this Base Prospectus, the terms "**Series**", "**Tranche**" and "**Final Terms**" shall, whenever the context so permits, be deemed to include, as the case may be, any series or tranche or the relevant Final Terms relating to issues of New York Law Covered Bonds.

Maturities:

Subject to compliance with all relevant laws, regulations and directives, the International Covered Bonds may have any maturity as specified in the relevant Final Terms (the "**Final Maturity Date**"), subject to such minimum maturity as may be required by the applicable legal and/or regulatory requirements.

For the purpose of this Base Prospectus, the term "**Final Maturity Date**" shall, whenever the context so permits, also refer to the final maturity date of the New York Law Covered Bonds.

Currencies:

Subject to the Hedging Strategy (see section "*The Hedging Strategy*") and to compliance with all relevant laws, regulations and directives, International Covered Bonds may be issued in Euro, U.S. Dollars, Sterling, Yen, Swiss Francs, Australian Dollars and, subject to prior Rating Affirmation (of S&P only), in any other currency agreed between the Issuer and the relevant Dealer(s).

Denomination(s):

The International Covered Bonds shall be issued in the Specified Denomination(s) set out in the relevant Final Terms, save that the minimum denomination of all French Law Covered Bonds admitted to trading on a Regulated Market in circumstances which require the publication of a prospectus under the Prospectus Directive shall be €100,000 (or its equivalent in any other currency at the time of issue) or such higher amount as may be allowed or required from time to time in relation to the relevant Specified Currency. Dematerialised Covered Bonds and Australian Law Covered Bonds of a particular Series shall be issued in one (1) denomination only.

Status of the International Covered Bonds:

The International Covered Bonds and, where applicable, any related Coupons and Receipts, will constitute direct, unconditional, unsubordinated and, in accordance with Condition 5, privileged obligations of the Issuer and will rank *pari passu* without any preference among themselves and equally and rateably with all other present or future bonds (including the Covered Bonds of all other Series) and other resources raised by the Issuer benefiting from the *Privilège* created by article L.515-19 of the French Monetary and Financial Code (*Code monétaire et financier*) as described in Condition 5 (See section "*Terms and Conditions of the French Law Covered Bonds - Privilège*" and section "*Main features of the legislation and regulations relating to sociétés de financement de l'habitat*").

Negative Pledge:

There will be a negative pledge as set out in Condition 6(a).

Issuer Events of Default:

The terms and conditions of the International Covered Bonds will contain events of default as set out in Condition 11.

Redemption Amount:

The Final Terms will specify the redemption amount payable.

Optional Redemption:

The Final Terms issued in respect of each Series of International Covered Bonds will state whether such International 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 International Bondholders, and if so the terms applicable to such redemption among the options described in Condition 8.

Final Redemption:

Unless previously redeemed, purchased and cancelled as provided below pursuant to any Issuer's or International Bondholders' option in accordance with Condition 8(c) or 8(d), each International 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 International Covered Bonds falling within Condition 8(b), its final Instalment Amount.

Redemption by Instalments:

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 International Covered Bonds may be redeemed.

Early Redemption:

Except as provided in "**Optional Redemption**" above, International Covered Bonds will be redeemable at the option of the Issuer prior to their stated maturity only for tax reasons (as provided in Condition 8(f)) or illegality (as provided in Condition 8(g)).

French Withholding Tax:

1. All payments of principal and interest by or on behalf of the Issuer in respect of the French Law Covered Bonds shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within France or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

2. Payments of interest and other revenues made by the Issuer on French Law Covered Bonds (except French Law Covered Bonds issued on or after 1 March 2010 and which are to be consolidated (*assimilables* for the purpose of French law) and form a single Series with French Law Covered Bonds issued before 1 March 2010) will not be subject to the withholding tax set out under article 125 A III of the French General Tax Code (*Code général des impôts*) unless such payments are made outside France in a non-cooperative State or territory (*Etat ou territoire non*

coopératif) within the meaning of article 238-0 A of the French General Tax Code (*Code général des impôts*) (a "**Non-Cooperative State**"). If such payments under the French Law Covered Bonds are made in a Non-Cooperative State, a seventy-five per cent. (75%) withholding tax will be applicable (subject (where relevant) to certain exceptions summarised below and the more favourable provisions of any applicable double tax treaty) by virtue of article 125 A III of the French General Tax Code (*Code général des impôts*).

Notwithstanding the foregoing, the seventy-five per cent. (75%) withholding tax will not apply in respect of a particular issue of French Law Covered Bonds if the Issuer can prove that the principal purpose and effect of such issue of French Law Covered Bonds was not that of allowing the payments of interest or other revenues to be made in a Non-Cooperative State (the "**Exception**"). Pursuant to the official regulation published by French tax authorities on 12 September 2012 (*Bulletin Officiel des Finances Publiques-Impôts* - BOI-INT-DG-20-50-20120912, Section no. 990), an issue of French Law Covered Bonds will be deemed to have a qualifying purpose and effect, and accordingly will be able to benefit from the Exception without the Issuer having to provide any proof of the purpose and effect of such issue of French Law Covered Bonds, if such French Law Covered Bonds are:

- (i) offered by means of a public offer within the meaning of article L.411-1 of the French Monetary and Financial Code (*Code monétaire et financier*) or pursuant to an equivalent offer in a state or territory other than a Non-Cooperative State. For this purpose, an "equivalent offer" means any offer requiring the registration or submission of an offer document by or with a foreign securities market authority; or
- (ii) admitted to trading on a regulated market or on a French or foreign multilateral securities trading system provided that such market or system is not located in a Non-Cooperative State, and the operation of such market is carried out by a market operator or an investment services provider, or by such other similar foreign entity, provided further that such market operator, investment services provider or entity is not located in a Non-Cooperative State; or
- (iii) admitted, at the time of their issue, to the operations of a central depository or of a securities clearing and delivery and payments systems operator within the meaning of article L.561-2 of the French Monetary and Financial Code (*Code monétaire et financier*), or of one or more similar foreign depositories or operators provided that such depository or operator is not located in a Non-Cooperative State.

Furthermore, by virtue of article 238 A of the French General Tax Code (*Code général des impôts*), interest and other revenues on such French Law Covered Bonds are not deductible from the Issuer's taxable income if they are paid or accrued to persons established or domiciled in a Non-Cooperative State or paid in such a Non-Cooperative State. Under certain conditions, any such non-deductible interest and other revenues may be recharacterised as constructive dividends pursuant to article 109 of the French General Tax Code (*Code général des impôts*), in which case such non-deductible interest and other revenues may be subject to the withholding tax set out under article 119 *bis* of the French General Tax Code (*Code général des impôts*), at a rate of thirty per cent. (30%) or seventy-five per cent. (75%).

However, neither the non-deductibility set out under article 238 A of the French General Tax Code (*Code général des impôts*) nor the withholding tax set out in article 119 *bis* 2 of the French General Tax Code (*Code général des impôts*) will apply in respect of the issue of

French Law Covered Bonds if the Issuer can prove that it can benefit from the Exception and that the relevant interest or revenues relate to genuine transactions and are not in an abnormal or exaggerated amount. Pursuant to the official regulation published by French tax authorities on 12 September 2012 (*Bulletin Officiel des Finances Publiques-Impôts* - BOI-INT-DG-20-50-20120912, Section no.550), an issue of French Law Covered Bonds will benefit from the Exception without the Issuer having to provide any proof of the purpose and effect of the issue of the French Law Covered Bonds if such covered bonds qualify to one of the three above-mentioned classifications.

3. Interest and other revenues on French Law Covered Bonds which are to be consolidated (*assimilables* for the purpose of French law) and form a single Series with French Law Covered Bonds issued (or deemed issued) outside France as provided under article 131 *quater* of the French General Tax Code (*Code général des impôts*), before 1 March 2010 will be exempt from the withholding tax set out under article 125 A III of the French General Tax Code (*Code général des impôts*).

In addition, interest and other revenues paid by the Issuer on such French Law Covered Bonds will not be subject to the withholding tax set out in article 119 *bis* of the French General Tax Code (*Code général des impôts*) solely on account of their being paid in a Non-Cooperative State or accrued or paid to persons established or domiciled in a Non-Cooperative State.

4. Pursuant to Article 9 of the 2013 French finance law (*loi de finances pour 2013*, no. 2012-1509 of 29 December 2012) subject to certain limited exceptions, interest and other similar incomes received as from 1st January 2013 by individuals who are fiscally domiciled (*domiciliés fiscalement*) in France are subject to a twenty-four per cent. (24%) withholding tax, which is deductible from their personal income tax liability in respect of the year in which the payment has been made. Social contributions (CSG, CRDS and other related contributions) are also levied by way of withholding tax at an aggregate rate of fifteen and a half per cent. (15.5%) on interest and other similar incomes paid to individuals who are fiscally domiciled (*domiciliés fiscalement*) in France.

Luxembourg Withholding Tax

All payments of interest and principal by the Issuers in the context of the holding, disposal, redemption or repurchase of the French Law Covered Bonds can be made free and clear of any withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with the applicable Luxembourg law, subject however to:

- (i) the application of the Luxembourg laws of 21 June 2005 implementing the Savings Directive as well as several agreements concluded between Luxembourg and certain dependent or associated territories of the European Union and providing for the possible application of a withholding tax (of thirty-five per cent. (35%) as from 1 July 2011) on interest paid to certain Luxembourg non resident investors (individuals and Residual Entities) (see, paragraph "EU Savings Directive" above, which may be applicable in the event of the Issuer appointing a paying agent in Luxembourg within the meaning of the Savings Directive or Agreements).

In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Savings Directive;

- (ii) the application as regards Luxembourg resident individuals of the Luxembourg law of 23 December 2005 which has introduced a ten per cent. (10%) withholding tax on certain interest payments (*i.e.* with certain exemptions, interest payments within the meaning of the Luxembourg Laws of 21 June 2005 implementing the Savings Directive and the Agreements). This law applies to interest payments accrued as from 1 July 2005 and paid as from 1 January 2006. Further and pursuant to the Luxembourg law of 17 July 2008, Luxembourg resident individuals who are the beneficial owners of interest payments and other similar income made by a paying agent established outside Luxembourg in a Member State of the European Union or of the European Economic Area or in a jurisdiction having concluded an agreement with Luxembourg in connection with the Savings Directive, may also opt for a ten per cent. (10%) levy. In such case, the ten per cent. (10%) levy is calculated on the same amounts as for the payments made by Luxembourg resident paying agents. The option for the ten per cent. (10%) levy must cover all interest payments made by the paying agent to the Luxembourg resident beneficial owner during the entire civil year. For Luxembourg resident individuals acting in the course of the management of their private wealth, the ten per cent. (10%) levy is final whether such withholding tax is levied on a mandatory basis by a Luxembourg paying agent or levied at the option of such Luxembourg resident individual.

Responsibility for the withholding of tax in application of the above-mentioned Luxembourg laws of 21 June 2005 and the law of 23 December 2005 is assumed by the Luxembourg paying agent within the meaning of these laws.

Interest Periods and Interest Rates:

The length of the interest periods for the International Covered Bonds, the applicable interest rate and/or its method of calculation may differ from time to time or be constant depending on the Series. International Covered Bonds may have a maximum interest rate, a minimum interest rate or both. The use of interest accrual periods permits the International Covered Bonds to bear interest at different rates in the same interest period. The relevant Final Terms will set out such information among the options and terms and conditions described in Condition 7.

Fixed Rate International 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 International Covered Bonds:

Floating Rate International 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 2007 FBF Master Agreement relating to transactions on forward financial instruments as supplemented by the Technical Schedules, as published by the *Fédération Bancaire Française* (FBF) as may be amended from time to time; or
- (b) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended from time to time; or
- (c) on the basis of a reference rate appearing on an agreed screen page

of a commercial quotation service (including, without limitation, EURIBOR, EONIA, LIBOR),

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

Zero Coupon International Covered Bonds:

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

Form of International Covered Bonds:

(A) French Law Covered Bonds

French Law Covered Bonds may be issued in either dematerialised form ("**Dematerialised Covered Bonds**") or in materialised form ("**Materialised Covered Bonds**").

Dematerialised Covered Bonds may, at the option of the Issuer, be issued in bearer form (*au porteur*) or in registered form (*au nominatif*) and, in such latter case, at the option of the relevant holder of French Law Covered Bonds, in either fully registered form (*au nominatif pur*) or administered form (*au nominatif administré*). No physical documents of title will be issued in respect of Dematerialised Covered Bonds.

Materialised Covered Bonds will be in bearer form only. A Temporary Global Certificate will initially be delivered in respect of each Tranche of Materialised Covered Bonds. Materialised Covered Bonds may only be issued outside France.

(B) Australian Law Covered Bonds

Australian Law Covered Bonds will be issued in dematerialised registered uncertificated form only. No certificate or other evidence of title will be delivered in respect of Australian Law Covered Bonds, unless required by law or the Issuer determines otherwise.

(C) German Law Covered Bonds

German Law Covered Bonds will be issued in materialised registered form only.

Representation of French law Bondholders:

Holders of French Law 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 a separate legal entity and will act in part through a representative and in part through a general meeting of the French Law Bondholders.

Governing Law:

The International Covered Bonds will be governed by, and construed in accordance with, French law, the law of New South Wales, Australia or German law, as specified in the relevant Final Terms.

However, all International Covered Bonds will be governed by French law with respect to the *Privilège* created by article L.515-19 of the French Monetary and Financial Code (*Code monétaire et financier*).

Clearing Systems:

Euroclear France as central depositary in relation to Dematerialised Covered Bonds, Clearstream, Luxembourg and Euroclear in relation to Materialised Covered Bonds and the Austraclear System in relation to Australian Law Covered Bonds, or any other clearing system that may be agreed between the Issuer, the relevant Dealer(s) and, in respect of French Law Covered Bonds, the Fiscal Agent, as specified in the

relevant Final Terms.

**Initial Delivery of
Dematerialised Covered
Bonds:**

At least one (1) Paris business day before the issue date of each Tranche of Dematerialised Covered Bonds, the *Lettre comptable* relating to such Tranche shall be deposited with Euroclear France as central depository.

**Initial Delivery of Materialised
Covered Bonds:**

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), as specified in the relevant Final Terms.

Issue Price:

The International Covered Bonds may be issued at their nominal amount or at a discount or premium to their nominal amount.

**Listing and Admission to
Trading:**

Application may be made for French Law Covered Bonds to be listed and admitted to trading on Euronext Paris 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 French Law Covered Bonds may also be unlisted.

Australian Law Covered Bonds and German Law Covered Bonds will neither be listed nor be admitted to trading on any market or stock exchange.

Rating:

The International Covered Bonds issued under the International Programme are expected on issue to be rated Aaa by Moody's Investors Service Ltd., AAA by Standard & Poor's Credit Market Services France SAS and AAA by Fitch France SAS (the "**Rating Agencies**"). As of the date of this Base Prospectus, each of the Rating Agencies is established in the European Union, registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council dated 16 September 2009 on credit rating agencies, as amended, and included in the list published on the European Securities and Markets Authority's website (www.esma.europa.eu).

The rating of the International 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 relevant Rating Agency.

Selling Restrictions:

There are restrictions on the offer and sale of International Covered Bonds and the distribution of offering material in various jurisdictions (see section "*Subscription and Sale*").

The Issuer is Category 2 for the purposes of Regulation S under the United States Securities Act of 1933, as amended ("**Regulation S**").

Materialised Covered Bonds will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) and any successor regulation issued under the Hiring Incentives to Restore Employment Act of 2010 (the "**Hire Act**") (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) and any successor regulation issued under the Hire Act (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 French Law 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.

TEFRA rules are not applicable to International Covered Bonds which are in bearer form (which include both Dematerialised Covered Bonds and Australian Law Covered Bonds) for U.S. tax purposes.

2. THE BORROWER FACILITY AGREEMENT AND THE COLLATERAL SECURITY

The Borrower Facility Agreement:

The proceeds from the issuance of the Covered Bonds under the International Programme and the U.S. Programme will be used by Crédit Mutuel-CIC Home Loan SFH, as lender (in such capacity, the "**Lender**") to fund advances (each a "**Borrower Advance**") which shall be made available to 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 Collateral Security Agreement and the Cash Collateral Agreement (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 the payments, as they become due and payable, of all and any amounts owed by the Borrower under the Borrower Facility Agreement, 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 (as further described in "*The Collateral Security Agreement*"). In particular, Home Loan Receivables shall comply with the criteria defined in article L.515-35 II of the French Monetary and

Financial Code (*Code monétaire et financier*).

The Collateral Security shall be created in accordance with article L.211-36 *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 section "*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 the payments, as they become due and payable, of all and any amounts owed by the Borrower under the Borrower Facility Agreement, 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 (i) 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*") and/or (ii) certain liquidity ratings levels following the occurrence date of such non compliance (as further described in "*Asset Monitoring – The Regulatory Liquidity 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 Required Level or Liquidity Ratings Required Level and on any relevant test date following such non compliance shall constitute a Breach of Pre-Maturity Test or a Breach of Regulatory Liquidity 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").

Such Asset Cover Test shall be performed without prejudice to compliance by the Issuer with cover test provided by laws and regulations applicable to *sociétés de financement de l'habitat* (in particular the cover test provided for under articles L.515-20 and R.515-7-2 of the French Monetary and Financial Code (*Code monétaire et financier*) (see section "*Main features of the legislation and regulations relating to sociétés de financement de l'habitat*").

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*").

Regulatory Cover Ratio:

The Issuer must at all times maintain a cover ratio between its assets and its liabilities benefiting from the *Privilège*. In particular, pursuant to articles L.515-20 and R.515-7-2 of the French Monetary and Financial Code (*Code monétaire et financier*), the Issuer must at all time maintain a ratio of at least one hundred and two per cent. (102%) as between its assets and the total amount of its liabilities benefiting from the *Privilège* (the "**Regulatory Cover Test**").

(See section "*Main features of the legislation and regulations relating to sociétés de financement de l'habitat*").

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 (180th) 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*").

Regulatory Liquidity 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 regulatory liquidity test (the "**Regulatory Liquidity Test**").

Upon the downgrading of the Borrower below any of the Regulatory Liquidity ratings required levels (see section "*Asset Monitoring – The Regulatory Liquidity 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 Regulatory Liquidity Test within the meaning of the Cash Collateral Agreement.

A Breach of Regulatory Liquidity 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 Regulatory Liquidity Test will not constitute an Issuer Event of Default.

(see section "*Asset Monitoring – The Regulatory Liquidity 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:

This Base Prospectus, any supplement(s) thereto and, so long as French Law Covered Bonds are admitted to trading on any Regulated Market in accordance with the Prospectus Directive, the Final Terms relating to such French Law Covered Bonds will be published on the websites of the AMF (www.amf-france.org) and of the Issuer (www.creditmutuelcic-sfh.com).

For so long as International Covered Bonds may be issued pursuant to this Base Prospectus, copies of this Base Prospectus and various other documents will also be available upon request and free of charge during normal 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), the Australian Registrar and the German Fiscal Agent.

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the International Covered Bonds issued under the International 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 the International Covered Bonds issued under the International Programme are also described below.

The Issuer believes that the factors described below represent the principal risks inherent to investing in International Covered Bonds issued under the International Programme. However, the Issuer does not represent that the factors below are exhaustive. Investors must be aware that other risks and uncertainties which, as of the date of this Base Prospectus, are not known to the Issuer; or are considered immaterial, may have a significant impact on the Issuer; its activity, its financial condition or the International Covered Bonds. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus (including any documents incorporated by reference herein) and form their own opinions as to potential risks 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 International Covered Bonds and consult their own financial or legal advisers about risks associated with investment in a particular Series of International Covered Bonds and the suitability of investing in the International Covered Bonds in light of their particular circumstances.

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

Words and expressions defined elsewhere in this Base Prospectus shall have the same meaning when used below.

1. Risks related to the Issuer

The Issuer has sole liability under the International Covered Bonds

The Issuer is the only entity with the obligation to pay principal and interest in respect of the International Covered Bonds. The International Covered Bonds are not and will not be the obligation or responsibility 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 Fiscal Agent, the Australian Registrar, the German Fiscal Agent, the German Registrar, the Paying Agents, the Asset Monitors, 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.

The Issuer has limited resources

In the absence of any Borrower Event of Default, the Issuer's ability to meet its obligations under the International 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, any proceeds generated by Permitted Investments, and any proceeds under the Substitution Assets.

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 International Covered Bonds will depend on the proceeds from the Collateral Security granted by the Collateral Providers that is enforced in favour of the Issuer. These proceeds would be the amount of principal and interest paid directly to the Issuer by the relevant debtors under the Home Loans 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. The Issuer would also be entitled to any amounts to be received under any hedging agreement concluded in accordance with the Hedging Strategy, any proceeds generated by Permitted Investments, the Cash Collateral provided by the Cash Collateral Provider under the Cash Collateral Agreement, the available amount under the Share Capital Proceeds Account, and any proceeds under the Substitution Assets.

The Issuer will not have any further source of funds available to meet its obligations under the International Covered Bonds other than (i) the recourse the Issuer has against the Borrower under the Borrower Debt until such Borrower Debt is repaid in full and (ii) as the case may be, funds raised under credit operations with the

Banque de France under its monetary policy and intraday credit operations and secured by International Covered Bonds issued and subscribed by the Issuer itself in accordance with article L.515-32-1 of the French Monetary and Financial Code (*Code monétaire et financier*).

An Issuer Event of Default will not automatically trigger a Borrower Event of Default, and the Issuer will then not be able to enforce the Collateral Security securing the repayment of the International Covered Bonds in order to cure such Issuer Event of Default if no Borrower Event of Default has occurred and is continuing. Therefore, notwithstanding the occurrence of such an Issuer Event of Default, if no Borrower Event of Default occurs, the Issuer's ability to meet its obligations under the International Covered Bonds will still depend only on the principal and interest paid by the Borrower under the Borrowed Advances, the amounts received under any hedging agreement concluded in accordance with the Hedging Strategy, the proceeds generated by Permitted Investments, the Cash Collateral and the available amount under the Share Capital Proceeds Account.

There can be no assurance that the resources available to the Issuer will be sufficient to meet its obligations under the International Covered Bonds as scheduled or at all.

The Issuer relies on BFCM and other third parties to perform its obligations under the Programme Documents

The Issuer has entered into agreements with BFCM and other third parties, which have agreed to perform services for the Issuer. These services include, but are not limited to, the appointment of BFCM as:

- Administrator to provide the Issuer with all necessary advice, assistance and know-how, whether technical or otherwise, including in connection with the Issuer's day to day management and corporate administration and to ensure that the Issuer exercises its rights and performs its obligations under the Programme Documents; and
- Issuer Calculation Agent to make calculations as provided under the Programme Documents and in particular to make the calculations in relation to the Asset Cover Test, the Regulatory Cover Test, the Pre-Maturity Test, the Regulatory Liquidity 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 International Covered Bonds may be affected. For instance, if the Collateral Providers or the Collateral Security Agent fail to administer the Collateral Security Assets and/or the Collateral Security adequately, the value of the Collateral Security or any part thereof may be negatively impacted, and in turn, the ability of the Issuer to make payments under the International Covered Bonds may be affected.

Under the Hedging Strategy, the Issuer also relies on BFCM (only to the extent a Borrower Event of Default has not occurred) and/or any relevant Eligible Hedging Provider(s) to provide it with the funds matching its obligations under the International Covered Bonds (see section "*The Hedging Strategy*").

Under the relevant Programme Documents, the Issuer may in certain circumstances terminate the appointment of any third party that defaults in the performance of its obligations, in which case the transfer of the servicing function to a new servicer could result in delays, increased costs and/or losses in collection of sums due to the Issuer under its assets, could create operational and administrative difficulties for the Issuer, and could adversely affect its ability to perform its obligations under the International Covered Bonds.

The Programme Documents require that certain third parties be substituted upon the occurrence of certain events, and there is no guarantee that an appropriate substitute will be found

Pursuant to the Programme Documents, certain third parties will require substitution in the event 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 Accounts Bank) is downgraded and in certain other circumstances described in the Programme Documents. No assurance can be given that a substitute entity will be found.

In particular, if the long-term debt of the Administrator is downgraded or another Administrator Termination Event occurs pursuant to the terms of the Administrative Agreement, 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 serve on terms similar to those of the Administrative Agreement. In addition, 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 serve on terms similar to those of the Administrative Agreement. The ability of a substitute Administrator to perform the required services fully would depend, among 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 Collateral Security Assets or any part thereof, and/or the ability of the Issuer to make payments under the International Covered Bonds. No Administrator has or will have any obligation to advance payments that the Borrower fails to make in a timely manner. The Issuer Independent Representative is not obliged under any circumstance to act as an Administrator or to monitor the proper performance of obligations by any Administrator.

Certain conflicts of interest may arise during the life of the International Programme

Conflicts of interest may arise during the life of the International Programme. These include, for example, potential conflicts that may arise as a result of BFCM's several roles in different capacities under the Programme Documents, including as Borrower.

During the course of their business activities, the parties to the Programme Documents 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 services may differ from, and conflict with, the interests of the Issuer or of the holders of the International Covered Bonds.

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

The Issuer is subject to French laws and proceedings affecting creditors generally, including article 1244-1 of the French Civil Code (*Code civil*), conciliation proceedings (*procédure de conciliation*), safeguard proceedings (*procédure de sauvegarde*), financial accelerated safeguard proceedings (*procédure de sauvegarde financière accélérée*) and judicial reorganisation or liquidation proceedings (*procédures de redressement judiciaire ou de liquidation judiciaire*).

As a regulated credit institution (*établissement de crédit*), the Issuer is also subject to the specific provisions of article L.613-26 *et seq.* of the French Monetary and Financial Code (*Code monétaire et financier*) that specify the conditions for opening an insolvency proceeding against a credit institution (*établissement de crédit*) (prior information and opinion of the French banking authority (*Autorité de contrôle prudentiel*)), include specific concepts of cash flow insolvency (*cessation des paiements*) and set out specific rules for the liquidation of a credit institution (*établissement de crédit*).

The above-mentioned insolvency rules apply equally to each party to the Programme Documents that is regulated as a credit institution in France.

In general, French insolvency rules favour the continuation of a business and the protection of employment over the payment of creditors.

However, the Issuer, as a *société de financement de l'habitat*, benefits from certain exceptions to these insolvency rules, as described under section "Main features of the legislation and regulations relating to sociétés de financement de l'habitat"). While these exceptions may protect International Covered Bonds from some of the risks inherent in French insolvency law, there can be no assurance that they will be sufficient to provide complete protection.

Holders of the International Covered Bonds may not declare the International Covered Bonds immediately due and payable in the event the Issuer files for bankruptcy.

The bankruptcy of the Issuer, which is an event that is customarily considered an event of default under debt instruments giving rise to an absolute or qualified right on the part of the registered holder to declare such debt instrument immediately due and payable, constitutes the occurrence of an Issuer Event of Default under the terms and conditions applicable to International Covered Bonds. However, under the legal framework applicable to *sociétés de financement de l'habitat*, the opening of bankruptcy proceedings or of conciliation proceedings with respect to the Issuer will not give rise to the right on the part of the holders of the International Covered Bonds to declare the International Covered Bonds immediately due and payable. The French Monetary and Financial Code (*Code monétaire et financier*) provides for all cash flows generated by the eligible assets of the Issuer (as described under article L.515-19 1° of the French Monetary and Financial Code (*Code monétaire et financier*)) to be allocated as a matter of priority to servicing the liabilities of the Issuer that benefit from the *Privilège* as they fall due, in preference to all other claims, whether or not secured or statutorily preferred and, until payment in full of the liabilities of the Issuer that benefit from the *Privilège*, as such liabilities fall due, no creditors (other than the Bondholders and the creditors benefiting from the *Privilège*) may avail themselves of any right over the assets and rights of the Issuer.

The International Covered Bonds include restrictions on the ability of International Covered Bondholders to seek recourse and enforcement.

Recourse against the Issuer is restricted by the applicable priority of payment as described under section "Cash Flow" in this Base Prospectus and amounts payable by the Issuer will be recoverable only from and to the extent of the Available Funds. No enforcement action under the International 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 International Programme or the U.S. Programme, or (ii) the date of payment of any sums outstanding and owing under the latest outstanding Covered Bond.

The value of Permitted Investments fluctuates and may decrease

Any available funds standing to the credit of the Issuer Accounts (prior to their allocation and distribution) will be invested by the Administrator in Permitted Investments. The value of the Permitted Investments may fluctuate significantly, and the Issuer may be exposed to a credit risk in relation to 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, or will be liable if the market value of any of the Permitted Investments fluctuates and decreases.

United States Foreign Account Tax Compliance Act ("FATCA") Withholding Risk

United States legislation known as FATCA imposes a thirty (30) per cent. withholding tax on certain payments to certain non-US financial institutions that do not agree to provide information relating to its U.S. account holders to the U.S. Internal Revenue Service ("IRS"). The IRS is still in the process of developing and issuing guidance on the implementation of FATCA and the full extent and implications of the legislation are currently unclear. Although it is not expected that there will be FATCA withholding tax on the International Covered Bonds, no assurances in this regard can be provided to investors. As a result, it is possible that International Bondholders may receive less interest or principal than initially anticipated. Prospective investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and to determine how this legislation might affect each International Bondholder in light of its particular circumstances. For more information, see section "Taxation – United States Foreign Account Tax Compliance Act".

2. Risks related to the Borrower

The value, credit rating and timing of payments on the International Covered Bonds may be affected by changes in BFCM's financial condition or credit ratings.

The terms of the International Covered Bonds and the Programme Documents contain provisions that require the Issuer to take certain actions if the credit rating of BFCM deteriorates, or if BFCM defaults in its obligations as Borrower under the Borrower Facility. These actions include changing the account where the Issuer's funds are deposited, requiring BFCM (as Borrower) to provide cash collateral, and requiring the Issuer to enter into hedging agreements with banks other than BFCM. In addition, in case of a Borrower Event of Default, the International Covered Bonds could be repaid before their scheduled maturity dates. While payment of the International Covered Bonds should be covered by cash flow on the Home Loans that are included in the Collateral Security, or proceeds from the sale of such Home Loans, a change in the timing of payments could have an adverse impact on investors.

In addition, the rating agencies have publicly stated that the credit ratings of covered bonds are linked to the credit ratings of the programme sponsor (which is BFCM, with respect to this International Programme). While the link between the ratings of a programme sponsor and those of the related covered bonds is not direct, and precise correlation between these ratings has not been published by the rating agencies, a significant downgrading of BFCM's credit rating could have an impact on the credit rating, and the value, of the International Covered Bonds.

As a result of the foregoing, a significant deterioration in the financial condition of BFCM could have an adverse impact on the trading price of the International Covered Bonds, even in the absence of a rating trigger event or a Borrower Event of Default. If either such event were to occur, the impact on the trading price of the International Covered Bonds would be more significant.

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.

In addition, should the Borrower be subject to any applicable insolvency proceedings referred to in Book VI of the French Commercial Code (*Code de commerce*) (pertaining to insolvency proceedings as a matter of French

law), this would impair the ability of the Issuer to claim against the 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, in accordance with articles L.211-38-I and L.211-40 of the French Monetary and Financial Code (*Code monétaire et financier*), 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 to enforce the Collateral Security granted by the Collateral Providers (and then the ability of the Issuer to be transferred full title to the Home Loans and the related Home Loan Security, granted as Collateral Security by BFCM as Collateral Provider) will not be affected by the opening against the Borrower of any insolvency proceedings referred to in book VI (*Livre VI*) of the French Commercial Code (*Code de commerce*).

3. Risks related to the Collateral Security

The interpretation by French courts of rules applicable to Collateral Security is uncertain.

The Home Loans and related Home Loan Security that 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 Directive 2002/47/EC of the European Parliament and of the Council of 6 June 2002 on financial collateral arrangements(as amended from time to time).

Although these French laws are in full force and effect as of the date of this Base Prospectus, French courts have not yet had the opportunity to interpret such rules, and therefore the manner in which the Collateral Security would be enforced by a French court is uncertain.

There may be a delay in the ability of the Issuer to obtain effective direct payment from the debtors under the Home Loans in the event the relevant Collateral Security is enforced.

The Collateral Security Agreement will provide that the relevant Home Loans and Home Loan Security will be granted as Collateral Security (as defined in section "*The Collateral Security – The Collateral Security Agreement*") without notifying 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 title to the relevant Home Loans and related Home Loan Security has been transferred to the Issuer. Until such notification has been given, 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(s).

There is no guarantee that the debtors under the relevant Home Loans will be notified at the required time, and there can be no assurance as to the ability of the Issuer to obtain effective direct payment from the debtors under the relevant Home Loans in a timely manner, which may affect the Issuer's ability to make payments under the International Covered Bonds. The Hedging Agreement(s) concluded in accordance with the Hedging Strategy are designed to cover only limited amounts of interest on the related Series of International Covered Bonds for a limited period of time in this situation.

Until the debtors have been notified and provided, at such time, that 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 in order to obtain payment of amounts that should have been paid directly to the Issuer but that were paid to such Collateral Providers and commingled by them with other funds.

The relevant Home Loans and related Home Loan Security may be subject to set-off by the relevant 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, subject to restrictive conditions, to set off the relevant Home Loans receivables against a claim they may have against the relevant Collateral Providers. In the absence of contractual arrangements providing for statutory set-off under the Home Loans, and since no provision under the Home Loans expressly provides a waiver of set-off (see section "*The Collateral Security – The Collateral Security Agreement – Home Loan Eligibility Criteria*"), a debtor under a Home Loan is entitled to invoke either (i) a statutory or a judicial set-off, or (ii) a set-off based on mutuality of claims (*connexité*).

Furthermore, so long as the debtor under a Home Loan is not notified of the transfer of such Home Loan to the Issuer upon enforcement of the Collateral Security, such debtor is entitled to invoke statutory and judicial set-off as if no transfer had taken place. After notification of the transfer, such debtor is still entitled to invoke statutory set-off against the Issuer if, prior to the notification of the transfer, the conditions for statutory set-off (*compensation légale*) were satisfied.

A set-off between mutual claims (*dettes connexes*) is available by law. Mutual claims mainly result from economic inter-relationships. Mutuality of claims will be determined on a case by case basis, depending on the

facts and 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.

The value of the Collateral Security prior to or following enforcement thereof may not be maintained.

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, the Amortisation Test, the other provisions of the Programme Documents or the regulatory cover ratio provided for in articles L.515-20 and R.515-7-2 of the French Monetary and Financial Code (*Code monétaire et financier*), 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 may be adversely affected.

Sale or refinancing of Home Loans and related Home Loan Security by the Issuer following enforcement of the Collateral Security may affect the ability of the Issuer to make payments when due under the International Covered Bonds.

Once title to Home Loans and related Home Loan Security 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 must (pursuant to the Administrative Agreement) sell or refinance such Home Loans and related Home Loan Security in order for the Issuer to receive sufficient Available Funds to make payments when due under the relevant Series of Covered Bonds. All payments will be made according to the priority of payment order then applicable in accordance with section "*Cash Flow*" of this Base Prospectus and the relevant payment dates and Final Maturity Date under each relevant Series of Covered Bonds then outstanding.

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

There is no guarantee that a buyer will be found to acquire Home Loans and related Home Loan Security at the times required and there can be no guarantee or assurance as to the price that may 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 and related Home Loan Security to third parties, the Issuer will not be permitted to give warranties or indemnities as to 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 will benefit a 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 will 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.

4. Risk related to the Home Loans and related Home Loan Security

Debtors under the Home Loans may not be able to pay.

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

If following enforcement of the Collateral Security, the Issuer does not receive the full amount due from the debtors on such Home Loans, the ability of the Issuer to make payments under the International Covered Bonds may be affected.

The Issuer is therefore exposed to 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 guarantees or warrants 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 a Home Loan to make timely payment of amounts due under such Home Loan will mainly depend on the debtor's assets and liabilities as well as the debtor's income. Such income may be adversely affected by a large number of factors, some of which (i) relate specifically to the debtor (including but

not limited to age, health, employment situation and family situation) or (ii) are more general in nature (such as changes in governmental regulations and fiscal policy).

Furthermore, a debtor under a Home Loan 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.

The value of the properties securing the Home Loans may decrease.

The value of the properties securing the Home Loans may decrease as a result of any number of factors, including the national or international economic climate, regional economic or housing conditions, changes in tax laws, mortgage interest rates, inflation, the availability of financing, yields on alternative investments, increasing utility costs and other day-to-day expenses, political developments and government policies. In addition, as the properties securing the Home Loans are predominantly located in France, the value of such properties may decline in the event of a general downturn in the value of property in France. A reduction in the value of these properties could result in the Issuer having insufficient funds to meet its obligations under the International Covered Bonds.

None of the Issuer, the Arranger, the Dealers, the Administrator or any other party to any Programme Document has undertaken an independent investigation regarding the Home Loans or related Home Loan Security.

None of the Issuer, the Arranger, the Dealers, 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 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 Home Loan Eligibility Criteria (as defined in section "*The Collateral Security – The Collateral Security Agreement – Home Loan Eligibility Criteria*") relating to any Home Loan is material and (if capable of remedy) is not remedied, the Collateral Providers are required under the Collateral Security Agreement to provide sufficient Eligible Home Loans and the Issuer may acquire Substitution Assets, in both cases in order to maintain compliance with the Asset Cover Test.

In addition, the Issuer, as a *société de financement de l'habitat*, has appointed a specific controller (*contrôleur spécifique*). The specific controller (*contrôleur spécifique*) must certify that the cover ratio is satisfied in connection with (i) the Issuer's quarterly programme of issues benefiting from the *Privilège* and (ii) any specific issue benefiting from the *Privilège* in a principal amount greater than €500 million. The specific controller (*contrôleur spécifique*) must also verify the compliance of assets with the eligibility criteria, the process of yearly revaluation and the quality of the asset liability management.

Holders will receive a limited description of the Home Loans.

The holders of the International Covered Bonds will not receive detailed statistics or information in relation to the Home Loans or to the Collateral Security Assets, as it is expected that the composition of the Collateral Security Assets will 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 International Programme. However, each Eligible Home Loan will be required to meet the applicable Home Loan Eligibility Criteria.

The Home Loans may be subject to prepayment.

The rate of prepayment of Home Loans is influenced by a wide variety of economic, social and other factors, including prevailing market interest rates, changes in tax laws (including amendments to mortgage interest tax deductibility), local and regional economic conditions and changes in the debtor's behaviour (including home-owner mobility). No guarantee can be given as to the prepayment rate for the Home Loans, and variation in the prepayments rate on the Home Loans may reduce the amount of funds available to make payments under the International Covered Bonds upon the service of a Borrower Enforcement Notice.

The Collateral Providers may change their lending criteria.

Each of the Home Loans originated by the Collateral Providers will be 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 the type of financed property, the term of loan, the age of applicants, the loan-to-value ratio, the status of applicants and their credit history. All lending criteria and preconditions as applied by the originator of the Home Loan pursuant to its customary lending procedures must be satisfied prior to the provision of the Home

Loan. Each of the Collateral Providers retains the right to revise its lending criteria from time to time (although only Home Loans that meet the then applicable Home Loan Eligibility Criteria will be Eligible Home Loans). If the lending criteria change in a manner that affects the creditworthiness of the Home Loans, this may lead to increased defaults by borrowers and may affect the realisable value of the Collateral Security Assets, and may ultimately affect the ability of the Issuer to make payments under the International Covered Bonds upon the service of a Borrower Enforcement Notice.

The French legal procedures must be followed in 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 any related expenses may affect the Issuer's ability to liquidate the properties secured under such mortgages in an efficient and timely manner. An outline of these procedures is set out below (specific rules apply to lender's privileges and mortgages registered in the departments of Haut-Rhin, Bas-Rhin and Moselle, but they do not substantially change the nature of these procedures set out below.)

Foreclosure on property located in France by secured creditors (*saisie immobilière*) may be implemented via a voluntary sale by the debtor upon judicial authorisation (*vente amiable sur autorisation judiciaire*) or may require the sale of the property at a public auction (*vente aux enchères*). The foreclosure procedure may take up to one and a half year in normal circumstances. The beneficiary of a lender's privilege or 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 *et seq.* 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 payer*). This notice should be filed at the French Land and Charges Registry having jurisdiction in the district where the relevant real property is located. A number of legal notices are required to be given prior to the sale, including a summons (*assignation à comparaître*). The debtor may file objections against such foreclosure, the validity of which will be decided by a competent court. In the context of a public auction, the reserve price is set by the creditor. 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.

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 instructions either to pay the debt secured by the property or to surrender such property at an auction.

The exercise of such *droit de suite* is often stayed 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 for the sale proceeds to be allocated (*affecté*) to them in accordance with article 2475 of the French Civil Code (*Code civil*), 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%).

Certain Home Loans benefit from a Home Loan Guarantee rather than a mortgage.

Certain Home Loans benefit from a Home Loan Guarantee from a credit institution or an insurance company rather than a mortgage. If following enforcement of the Collateral Security, a guarantor does not pay in whole or in part any amounts due under the relevant Home Loan Guarantees or does not pay such amounts in a timely manner, this may adversely affect the ability of the Issuer to make payments under the International Covered Bonds.

5. Risks relating to swaps and options derivatives

The Issuer may be exposed to interest and currency risks.

Each Borrower Advance granted by the Issuer for the benefit of the Borrower under the Borrower Facility Agreement will be made available in the same Specified Currency and according to the same interest conditions as the International Covered Bonds funding such Borrower Advance. As a consequence, as long as a Borrower

Event of Default does not occur, the Issuer will not be exposed to currency or interest risk regarding the Borrower Debt and the International Covered Bonds.

However, there can be no assurance that the Home Loans that are part of the Collateral Security will bear interest under the same terms and conditions as the International Covered Bonds and will be denominated in the same currency as the International Covered Bonds. Upon the occurrence of a Borrower Event of Default and the enforcement of the Collateral Security, Home Loans and related Home 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 International 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 a Hedging Rating Trigger Event. However, there can be no assurance that the Hedging Strategy will adequately address such hedging risks.

Implementation of the Hedging Strategy is subject to various risks.

Upon the occurrence of a 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 as 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(s) with any relevant Eligible Hedging Provider or enter into any Borrower Hedging Agreement(s) with the Borrower within thirty (30) calendar days from the occurrence of such Hedging Rating Trigger Event, as described in "*The Hedging Strategy*", will constitute an Issuer Event of Default and a Borrower Event of Default. In addition, in certain circumstances, the hedging documentation contemplated under the Hedging Strategy may be terminated and, leaving the Issuer's exposure unhedged if replacement interest rates and/or currency derivative transactions are not entered into.

6. Risks related to International Covered Bonds generally

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

Each potential investor in the International 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 International Covered Bonds, the merits and risks of investing in the relevant International Covered Bonds and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement to this Base Prospectus and the relevant Final Terms;
- (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 International Covered Bonds and the impact the relevant International 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 International Covered Bonds, including where the currency for principal or interest payments is different from the potential investor's currency;
- (d) understand thoroughly the terms of the relevant International Covered Bonds and be familiar with the behaviour of any relevant rates and financial markets;
- (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; and
- (f) be aware, in terms of any legislation or regulatory regime applicable to such investor, of the applicable restrictions on its ability to invest in International Covered Bonds generally and in any particular type of International Covered Bonds.

A potential investor should not invest in International Covered Bonds unless it has the expertise (either alone or with a financial adviser) to evaluate how the International Covered Bonds will perform under changing conditions, the resulting effects on the value of such International Covered Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Modification of the Terms and Conditions

The French Law Bondholders will, in respect of all Tranches in any Series of French Law Covered Bonds, be grouped automatically for the defence of their common interest in a *masse*, as defined in Condition 13(a), and a General Meeting can be held. The Terms and Conditions applicable to French Law Covered Bonds permit in certain cases defined majorities to bind all holders of French Law Covered Bonds including French Law Bondholders who did not attend and vote at the relevant General Meeting and French Law Bondholders who voted in a manner contrary to the majority. The General Meeting may deliberate on any proposal relating to the

modification of the Terms and Conditions including any proposal, whether for arbitration or settlement, relating to rights in controversy or which was the subject of judicial decisions, as more fully described in Condition 13(a).

Similarly, any modification of the Terms and Conditions applicable to Australian Law Covered Bonds and/or German Law Covered Bonds may be made pursuant to specific provisions with respect thereto.

Certain decisions of holders of French Law Covered Bonds taken at International 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 French Law Covered Bonds of a single Series then outstanding and cannot be decided upon at a meeting of the holders of the French Law Covered Bonds of all Series. Any resolution to direct the Representative to serve an Issuer Enforcement Notice will be effective for the holders of such Series of French Law Covered Bonds, including the holders of such Series of French Law Covered Bonds who did not attend and vote at the relevant meeting and the holders of such Series of French Law Covered Bonds who voted in a manner contrary.

Decisions of majority holders of Australian Law Covered Bonds may bind all holders of the relevant Series

Any Extraordinary Resolution permitting the service of an Issuer Enforcement Notice, and any approval via an Extraordinary Resolution to take any action as provided under this Base Prospectus must be passed at a meeting of the holders of the Australian Law Covered Bonds of a single Series then outstanding and cannot be decided upon at a meeting of the holders of the Australian Law Covered Bonds of all Series. Any Extraordinary Resolution permitting the service of an Issuer Enforcement Notice will be effective for all the holders of such Series of Australian Law Covered Bonds, including the holders of such Series of Australian Law Covered Bonds who did not attend and vote at the relevant meeting and the holders of such Series of Australian Law Covered Bonds who voted in a manner contrary.

Change of law

The Terms and Conditions of the International Covered Bonds are based on French law, in the case of French Law Covered Bonds, the law of New South Wales, Australia, in the case of Australian Law Covered Bonds and German law, in the case of German Law Covered Bonds, in each case, 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, the law of New South Wales, Australia or German law (as applicable) or administrative practice after the date of this Base Prospectus.

Future regulatory changes may have an adverse effect on the Issuer

The Issuer is subject to financial services laws, regulations, administrative actions and policies in each jurisdiction in which it carries on business. Changes in supervision and regulation, in particular in France, could materially affect the Issuer's business, the products and services offered or the value of its assets. Future changes in regulation, tax or other policies are beyond the control of the Issuer and may have a material adverse effect on it.

Purchasers and sellers of International Covered Bonds may be subject to various tax, documentary, duty or other requirements.

Purchasers and sellers of the International Covered Bonds may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the International Covered Bonds are transferred, or other jurisdictions (including France). In some jurisdictions, no official statements of the tax authorities or court decisions may be available for financial instruments such as the International Covered Bonds. Potential investors are advised not to rely upon the tax overview contained in this Base Prospectus and any supplement thereto, but to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, holding, sale and redemption of the International Covered Bonds.

Ratings of the International Covered Bonds and Rating Affirmation

The ratings assigned to the International Covered Bonds by the Rating Agencies are based on the *Privilège*, 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. 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 judgment of the Rating Agencies, circumstances so warrant. A qualification, downgrade or withdrawal of

any rating applicable to the International Covered Bonds may affect both the value of the International Covered Bonds and their liquidity in the secondary market.

The Rating Agencies will be notified if certain discretions are 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 International Covered Bonds. Any decision as to whether or not to confirm, downgrade, withdraw or qualify the ratings of all classes or any class of International 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.

If a particular matter involves a request to the Rating Agencies to give a prior Rating Affirmation, the Rating Agencies, at their sole discretion, may or may not give such affirmation. Depending on the timing of delivery of the request and any information needed to be provided as part of such request, the Rating Agencies may not 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 International Covered Bonds form part since the date of this Base Prospectus. Furthermore, in the event that the Rating Agencies give a Rating Affirmation, this will be on the basis of full and timely receipt by the relevant International Bondholders of interest on the International Covered Bonds and the likelihood of receipt of principal of the International Covered Bonds by the relevant Final Maturity Date. There is no assurance that after any such affirmation, the then current ratings of the International Covered Bonds will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by one or more of the Rating Agencies. As such an affirmation of the ratings of the International 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 International Covered Bonds will be paid or repaid in full and when due.

Agencies other than the Rating Agencies could seek to rate the International Covered Bonds and if such unsolicited ratings are lower than the comparable ratings assigned to the International Covered Bonds by the Rating Agencies, those unsolicited ratings could have an adverse effect on the value and the marketability of the International 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.

A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the relevant Rating Agency at any time. In addition, the Rating Agencies may change their methodologies for rating securities similar to the International Covered Bonds. If the Rating Agencies change their practices for rating such securities and the ratings of the International Covered Bonds are subsequently lowered, the trading price of the International Covered Bonds may be negatively affected.

EU Savings Directive

The Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments (the "**Savings 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 Savings 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. However, for a transitional period, Luxembourg and Austria impose instead a withholding tax on any payment of interest within the meaning of the Savings Directive, unless the beneficiary of interest payments elects for the exchange of information (the end of this transition period depending on the conclusion of some other agreements relating to the exchange of information with some other countries). Several countries and territories not members of the European Union, including Switzerland, have adopted similar measures (a withholding system in the case of Switzerland applies, unless the beneficiary of interest payments elects for the exchange of information). The current rate of this withholding tax is thirty-five per cent. (35%), and will remain so until the end of the transitional period.

The Luxembourg Government has announced its intention to introduce, as of 1 January 2015, automatic exchange of information with respect to the Savings Directive.

The European Commission proposed some amendments to the Savings Directive which could, if they were adopted, amend or expand the scope of some requirements described above.

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 International Covered Bond as a result of the imposition of such withholding tax.

Transactions on the International Covered Bonds could be subject to a future European financial transaction tax

On 14 February 2013, the European Commission has proposed a directive (the "**Proposed Directive**") aiming for an enhanced cooperation with respect to the taxation of financial transactions, which if adopted would subject transactions involving financial institutions in securities such as the International Covered Bonds to a financial transaction tax (the "**FTT**"). According to the Proposed Directive, the FTT was initially intended to enter into force on 1 January 2014 in eleven Member States (Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovenia, Slovakia and Spain) (the "**Participating Member States**"), subject to implementing legislation by each Participating Member State.

Pursuant to the Proposed Directive, the FTT would apply to all financial transactions where at least one party to the transaction, or person acting for the account of one party to the transaction, is established in a Participating Member State. However, the FTT should not apply to transactions on the primary market referred to in Article 5(c) of EC Regulation 1287/2006 dated 10 August 2006, including the subscription and allocation of financial instruments upon issuance. The FTT would be payable by each financial institution established, or deemed to be established, in a Participating Member State as long as (i) it is party to a transaction, or acts for the account of a party to a transaction, or (ii) the transaction has been entered into for its own account. The taxation rate would be left to the discretion of each Member State but would not be less than 0.1 per cent. (0.1%) for financial instruments other than derivative instruments.

Each prospective investor should bear in mind that, where the Proposed Directive applies, buying, selling or exchanging International Covered Bonds would be subject to the FTT at a rate of at least 0.1 per cent. (0.1%), provided that the above mentioned requirements are met. As a result, each investor would either have to bear the FTT or reimburse the financial institution of the relevant amount.

Where the FTT due has not been paid timely, each party to a financial transaction, including persons other than financial institutions shall become jointly and severally liable for the payment of the FTT due.

If the proposed directive is adopted and implemented in local legislation, holders of International Covered Bonds may be exposed to increased transaction costs with respect to financial transactions carried out with respect to the International Covered Bonds and the liquidity of the market for the International Covered Bonds may be diminished.

The Proposed Directive is still being discussed by the Participating Member States and might therefore be modified at any time and any implementing legislation by any Participating Member State and might also differ from the Proposed Directive in its final form.

Prospective International Bondholders should consult their own tax advisers in relation to the consequences of the FTT associated with subscribing, purchasing, holding and disposing the International Covered Bonds.

The International Law Covered Bonds may become subject to statutory loss absorption under currently pending bank regulatory initiatives

Pending initiatives proposed by the European Commission, the French Government and the Basel Committee on Banking Supervision may lead to new legislation or regulations that could adversely affect the rights of holders of the International Law Covered Bonds. While the proposals differ in a number of respects, they generally provide that debt securities or hybrid capital instruments could be subject to mandatory conversion to equity or cancellation in whole or in part if certain trigger events occur in respect of the issuing bank or its group (such as failing to meet capital ratio requirements or a determination that an injection of capital from the State is needed). Some of the proposals apply only to subordinated debt securities, while others encompass all debt securities.

It is not possible to predict whether any such proposals will be adopted, or if so what form they will ultimately take, what instruments will be subject to mandatory conversion or cancellation or whether securities issued prior to the effective date of the rules will be subject to write-down. If any such proposals are adopted, or if the market perceives that they are likely to be adopted, and if they apply to the Issuer and the International Law Covered Bonds, then the market value of the International Law Covered Bonds could be adversely affected, regardless of whether a trigger event occurs or is imminent.

7. Risks related to the market generally

An active trading market for the International Covered Bonds may not develop

International Covered Bonds may have no established trading market when issued, and one may never develop. Australian Law Covered Bonds and German Law Covered Bonds will not be admitted to trading on any stock exchange or any other market and a secondary market will probably not develop through other means. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their International 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 International 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 International 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 International Covered Bonds.

In addition, prevailing global credit market conditions have reduced liquidity in the secondary market for instruments similar to the International Covered Bonds. This lack of liquidity may result in investors suffering losses on the International Covered Bonds in secondary resales even if there is no decline in the credit strength of the Issuer or the performance of the Collateral Security Assets. The Issuer cannot predict when these circumstances will change and if and when they do whether there will be a more liquid market for the International Covered Bonds and instruments similar to the International Covered Bonds at that time.

Investments in International Covered Bonds may be exposed to exchange rate risks and exchange controls

The Issuer will pay principal and interest on the International 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 (i) the Investor's Currency-equivalent yield on the International Covered Bonds, (ii) the Investor's Currency-equivalent value of the principal payable on the International Covered Bonds and (iii) the Investor's Currency-equivalent market value of the International 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.

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 (i) International Covered Bonds are legal investments for it, (ii) International Covered Bonds can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any International Covered Bonds. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of International Covered Bonds under any applicable risk-based capital or similar rules.

8. Risks related to the structure of a particular issue of International Covered Bonds

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

International Covered Bonds subject to optional redemption by the Issuer

An optional redemption feature of International Covered Bonds is likely to limit their market value. During any period when the Issuer may elect to redeem International Covered Bonds, the market value of such International 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 International Covered Bonds when its cost of borrowing is lower than the interest rate on the International 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 International 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 International Covered Bonds

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

In addition, the yield of International Covered Bonds which bear interest at a fixed rate is calculated at the issue date of such International Covered Bonds on the basis of its issue price. It is not an indication of future yield.

Floating Rate International Covered Bonds

The floating rate at which a Series of International Covered Bonds may bear interest will generally be comprised of (i) a reference rate and (ii) a margin to be added or subtracted, as the case may be, from such reference rate. Typically, the relevant margin will not change throughout the life of the International Covered Bonds but there will be a periodic adjustment (as specified in the relevant Final Terms) of the reference rate (e.g., every three (3) months or six (6) months) which itself will change in accordance with general market conditions. Accordingly, payment of interest under International Covered Bonds may be volatile and 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 International Covered Bonds upon the next periodic adjustment of the relevant reference rate.

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 International 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 International 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 International Covered Bonds.

Zero Coupon Covered Bonds

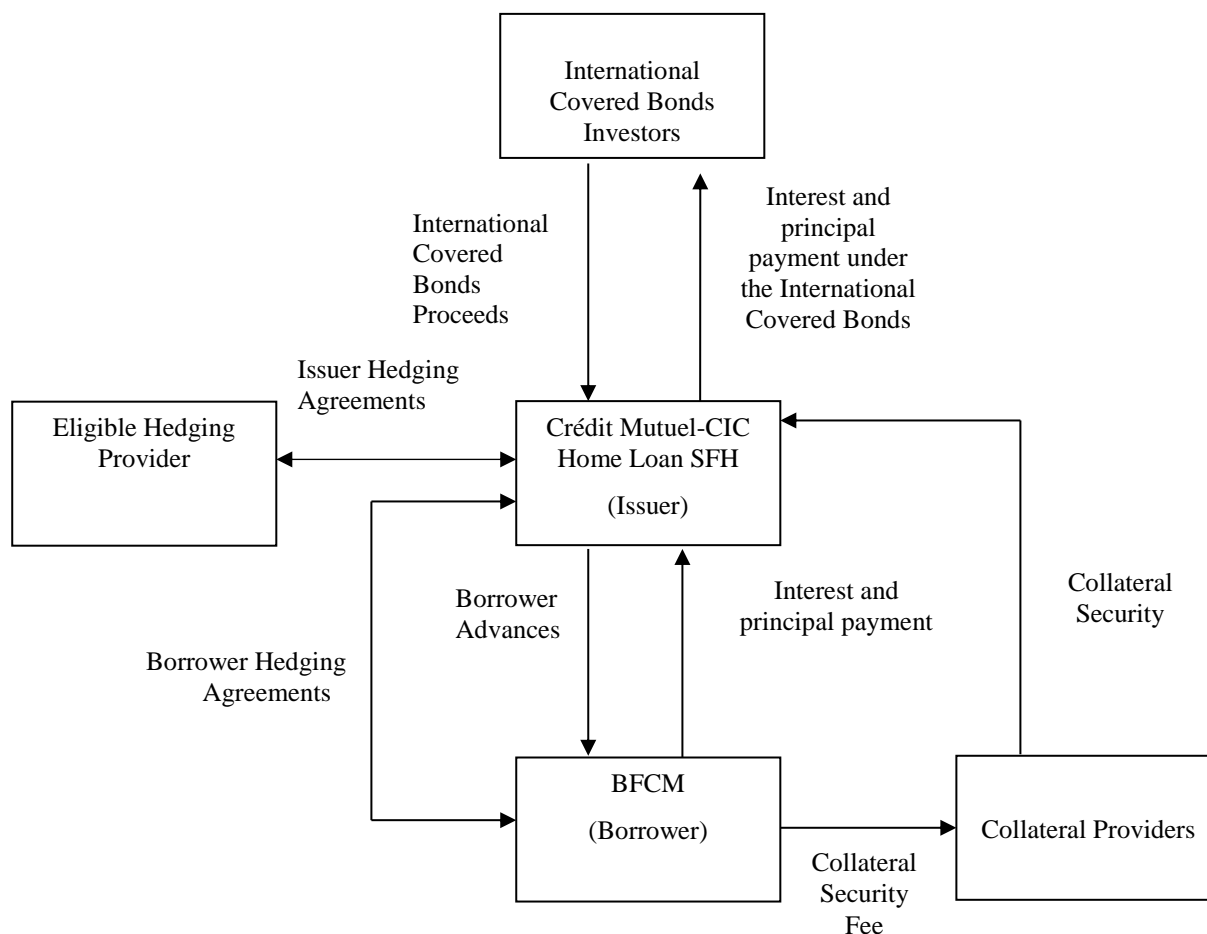
Changes in market interest rates have a substantially stronger impact on the prices of Zero Coupon Covered Bonds than on the prices of ordinary International Covered Bonds because the discounted issue prices are substantially below par. If market interest rates increase, Zero Coupon Covered Bonds can suffer higher price losses than other International Covered Bonds having the same maturity and credit rating. Due to their leverage effect, Zero Coupon Covered Bonds are a type of investment associated with a particularly high price risk.

International Covered Bonds issued at a substantial discount or premium

The market values of International Covered Bonds 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 International Covered Bonds, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

STRUCTURE DIAGRAM – PRINCIPAL INTERNATIONAL PROGRAMME PARTIES

1. Structure Diagram



2. Principal International Programme Parties

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

Issuer:	Crédit Mutuel-CIC Home Loan SFH
Administrator:	Banque Fédérative du Crédit Mutuel
Borrower:	Banque Fédérative du Crédit Mutuel
Collateral Providers:	CM-CIC Entities
Collateral Security Agent and Cash Collateral Provider:	Banque Fédérative du Crédit Mutuel
Arranger:	BNP Paribas
Permanent Dealers:	Banque Fédérative du Crédit Mutuel and BNP Paribas
French Law Bondholders' Representative:	BNP Paribas Securities Services
Fiscal Agent, Principal Paying Agent and Calculation Agent:	BNP Paribas Securities Services
Australian Registrar:	Citigroup Pty Limited
German Fiscal Agent, German Paying Agent German Calculation Agent and German Registrar:	Citibank, N.A., London Branch

Rating Agencies:	Moody's Investors Service Ltd., Standard & Poor's Credit Market Services France SAS and Fitch France SAS
Issuer Calculation Agent and Issuer Account Bank:	Banque Fédérative du Crédit Mutuel
Specific controller:	Fides Audit
Statutory Auditors and Asset Monitors:	Ernst & Young et Autres 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 or simultaneously filed with the *Autorité des marchés financiers* (the "**AMF**") and which are incorporated in, and shall be deemed to form part of, this Base Prospectus:

- the free English language translation of the Issuer's 2012 financial statements of the Issuer comprised of the auditors' report for the year ended 31 December 2012 and the audited financial statements of the Issuer with respect thereto (the "**2012 Financial Statements**");
- the free English language translation of the Issuer's 2011 financial statements of the Issuer comprised of the auditors' report for the year ended 31 December 2011 and the audited financial statements of the Issuer with respect thereto (the "**2011 Financial Statements**");
- the information document relating to the Borrower and the Group dated 27 May 2013, and available on the Borrower's website (<http://www.bfcm.creditmutuel.fr/en/bfcm/rapports-financiers/index.html>) (the "**Information Document**");
- the section "*terms and conditions of the covered bonds*" set out on pages 36 to 63 of the base prospectus of the Issuer dated 21 December 2010 (which was approved by the *Commission de Surveillance du Secteur Financier* in Luxembourg) (the "**2010 Terms and Conditions**");
- the section "*terms and conditions of the covered bonds*" set out on pages 36 to 68 of the base prospectus of the Issuer dated 10 June 2011 (which received visa no. 11-215 from the AMF) (the "**2011 Terms and Conditions**"); and
- the section "*terms and conditions of the French law covered bonds*" set out on pages 36 to 63 of the base prospectus of the Issuer dated 15 June 2012 (which received visa no. 12-263 from the AMF), as amended by the first supplement dated 20 September 2012 (which received visa no. 12-457 from the AMF) (the "**2012 Terms and Conditions**" and, together with the 2011 Terms and Conditions and the 2010 Terms and Conditions, the "**EMTN Previous Terms and Conditions**"),

for the purpose only of further issues of French law covered bonds to be consolidated (*assimilées*) and form a single series with French Law Covered Bonds already issued under the relevant EMTN Previous Terms and Conditions.

All documents incorporated by reference in this Base Prospectus may be obtained upon request, free of charge, at the registered office of the Issuer and the specified offices of the Paying Agents set out at the end of this Base Prospectus during normal business hours so long as any of the International Covered Bonds are outstanding. Such documents will be published on the website of the Issuer (www.creditmutuelcic-sfh.com).

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
8. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES	
<u>8.2 Historical financial information</u>	
2012 Financial Statements	
- Balance sheet	Pages 5 to 6
- Profit and loss Account	Page 7
- Notes	Pages 8 to 13
- Auditor's report relating to the above	Pages 2 to 3
2011 Financial Statements	
- 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 11 to 13

SUPPLEMENT TO THE BASE PROSPECTUS

In connection with French Law Covered Bonds admitted to trading on a Regulated Market, if at any time during the life of the International Programme there is a significant change affecting any matter contained or incorporated by reference 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 or incorporated by reference in this Base Prospectus which is capable of affecting the assessment of any French Law 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 French Law Covered Bonds, the Issuer shall prepare a supplement to the Base Prospectus in accordance with article 16 of the Prospectus Directive and article 212-25 of the AMF's *Règlement général* for use in connection with any subsequent offering of the French Law Covered Bonds, submit such supplement to the Base Prospectus to the AMF for approval and supply each Dealer, Euronext Paris and the AMF with such number of copies of such supplement to the Base Prospectus as may reasonably be requested.

TERMS AND CONDITIONS OF THE FRENCH LAW COVERED BONDS

*The following is the text of the terms and conditions (the "**Terms and Conditions**") that, as completed in accordance with the provisions of the relevant Final Terms (as defined below), shall be applicable to the French Law Covered Bonds. The terms and conditions applicable to the Australian Law Covered Bonds are contained in the Deed Poll. The terms and conditions applicable to the German Law Covered Bonds are contained in the Agency Agreement (as defined below).*

In the case of Dematerialised Covered Bonds (as defined below), 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 completed by the relevant Final Terms.

In the case of Materialised Covered Bonds (as defined below), 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 completed shall be endorsed on Definitive Materialised Covered Bonds.

All capitalised terms that are not defined in these Terms and Conditions will have the meanings given to them in the relevant Final Terms. References in the Terms and Conditions to "French Law Covered Bonds" are to the French Law Covered Bonds of one (1) Series (as defined below) only, not to all French Law Covered Bonds that may be issued under the International Programme (as defined below).

The French Law Covered Bonds will be issued outside France by Crédit Mutuel-CIC Home Loan SFH (the "**Issuer**") in series (each a "**Series**") on the same or different issue dates. The French Law Covered Bonds of each Series will be interchangeable with all other French Law Covered Bonds of that Series. Each Series may be issued in tranches (each a "**Tranche**") on one or more issue dates and on terms identical to the terms of other Tranches of the same Series, save in respect of the issue date, issue price, first payment of interest and aggregate nominal amount of the Tranche. French Law Covered Bonds will be issued under the Terms and Conditions of this Base Prospectus as completed by the relevant final terms relating to the specific terms of each Tranche (the "**Final Terms**").

For the purposes of this Base Prospectus, the terms "**Series**", "**Tranche**" and "**Final Terms**" shall, whenever the context so permits, be deemed to include, as the case may be, any series or tranche or the relevant final terms relating to issues of Australian Law Covered Bonds, German Law Covered Bonds and New York Law Covered Bonds (each as defined below).

For the purposes of these Conditions, "**French Law Covered Bonds**" means the Covered Bonds specified in the applicable Final Terms as being governed by French law, "**Australian Law Covered Bonds**" means the Covered Bonds specified in the applicable Final Terms as being governed by the law of New South Wales, Australia and "**German Law Covered Bonds**" means the Covered Bonds specified in the applicable Final Terms as being governed by German law (together the "**International Covered Bonds**").

The French Law Covered Bonds will be issued with the benefit of an amended and restated agency agreement dated 30 July 2013 entered into between the Issuer, BNP Paribas Securities Services as fiscal agent, principal paying agent and calculation agent and the other agents named therein (as amended and supplemented from time to time, 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 Agent(s)**" (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 French Law Covered Bonds, talons for further Coupons (the "**Talons**") and the holders of the receipts for the payment of instalments of principal relating to Materialised Covered Bonds of which the principal is redeemable in instalments (the "**Receipts**") are respectively referred to below as the "**Couponholders**" and the "**Receipholders**".

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

1. Definitions

"**Austraclear**" means Austraclear Ltd (ABN 94 002 060 773) as operator of the Austraclear System.

"**Austraclear System**" means the system operated by Austraclear for holding securities and the electronic recording and settling of transactions in those securities between participants of that system.

"**Australian Register**" means the register of Bondholders of Australian Law Covered Bonds established and maintained by or on behalf of the Issuer in which is entered the names and addresses of Australian Law Bondholders whose Australian Law Covered Bonds are carried on that register, the amount of Australian Law

Covered Bonds held by each such Bondholder and the date of transfer of those Covered Bonds and any other particulars which the Issuer and/or the Australian Registrar see fit.

"**BFCM**" means Banque Fédérative du Crédit Mutuel.

"**Bondholders**" mean the International Bondholders and New York Law Bondholders.

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

"**Business Day**" means:

- (i) in the case of payments to be made in Euro, a day on which the Trans European Automated Real Time Gross Settlement Express Transfer payment system (TARGET2) or any successor thereto (the "**TARGET System**") is operating (a "**TARGET Business Day**"), and/or
- (ii) in the case of payments to be made in Specified Currency other than Euro, a day (other than a Saturday or a 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 payments to be made in 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.

"**CFdeCM**" means *Caisse Fédérale de Crédit Mutuel*, 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.

"**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 article 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 article R.512-26 *et seq.* of the French Monetary and Financial Code (*Code monétaire et financier*)) which is affiliated to CFdeCM.

"**Covered Bonds**" means the International Covered Bonds and New York Law Covered Bonds.

"**EEA**" means the European Economic Area.

"**Final Maturity Date**" means the maturity date specified in the relevant Final Terms which term shall, whenever the context so permits, also refer to the final maturity date of the New York Law Covered Bonds.

"**French Law Bondholders**" or, as the case may be, "**holder of any French Law Covered Bonds**" 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 French Law 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.

"**Group**" means BFCM, CFdeCM and the CM-CIC Entities.

"**International Bondholders**" or, as the case may be, "**holders of any International Covered Bond**" means:

- (i) in the case of French Law Covered Bonds, the French Law Bondholders; and
- (ii) in the case of Australian Law Covered Bonds and German Law Covered Bonds, the persons registered as holders of the Australian Law Covered Bonds or the German Law Covered Bonds, as the case may be, in the relevant register.

"**International Programme**" means the Issuer's €30,000,000,000 International Covered Bond Programme for the issue of *obligations de financement de l'habitat* and other covered bonds described in this Base Prospectus.

"**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 10) 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:
 - (i) in the case of any French Law Covered Bonds, the receipt by the Fiscal Agent (with a copy to the Issuer) of the written notice of such default by the Representative;
 - (ii) in the case of Australian Law Covered Bonds, German Law Covered Bonds and New York Law Covered Bonds, the process set out in the terms and conditions of such Covered Bonds,and in each case 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 (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 conciliation proceedings (*procédure de conciliation*) or into safeguard proceedings (*procédure de sauvegarde*) or into financial accelerated safeguard proceedings (*procédure de sauvegarde financière accélérée*) or a judgment 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 cessation 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" mean:

- (i) in relation to any Series of French Law Covered Bonds, a decision of the General Meeting (as defined in Condition 13(a)) of such Series taken in accordance with Condition 13(d);
- (ii) in relation to any Series of Australian Law Covered Bonds, the meaning given to it in the terms and conditions of such Australian Law Covered Bonds;
- (iii) in relation to any Series of German Law Covered Bonds, the meaning given to the term "Majority Bondholders Resolution" in the terms and conditions of such German Law Covered Bonds; and
- (iv) in relation to any Series of New York Law Covered Bonds, the meaning given to the term "Majority New York Law Covered Bondholders" in the terms and conditions of such New York Law Covered Bonds.

"New York Law Bondholder " means any holder of New York Law Covered Bonds within the meaning of the terms and conditions of such New York Law Covered Bonds.

"New York Law Covered Bonds " mean the covered bonds governed by New York law issued under the U.S. Programme.

"outstanding" means:

- (i) in relation to French Law Covered Bonds of any Series, all the French Law 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 French Law Covered Bonds to the date for such redemption and any interest payable after such date) have been duly paid as provided in Condition 9, (c) those which have become void or in respect of which claims have become prescribed, (d) those which have been purchased and cancelled and, for so long as they are held by the Issuer, those which have been held by the Issuer as provided in Conditions 8(h) and 8(i), (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; and
- (ii) in the case of Australian Law Covered Bonds, German Law Covered Bonds and New York Law Covered Bonds, such definition as specified in the terms and conditions of such Covered Bonds.

"Payment Date" means, with respect to a Series or Tranche of French Law 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 French Law Covered Bonds.

"Programme Date" means 9 July 2007.

"Programme Documents" means:

- (a) the Shareholder Letter of Undertaking (see section "*The Issuer – Issuer Share Capital, Covered Bonds, Subordinated Loans and Issuer Majority Shareholder's undertakings*");
- (b) the Subordinated Loan agreements (see section "*The Issuer – Issuer Share Capital, Covered Bonds, Subordinated Loans and Issuer Majority Shareholder's undertakings*");
- (c) the Administrative Agreement (see section "*The Issuer – The Administrative Agreement*") as amended from time to time;
- (d) the *Convention d'externalisation et de mise à disposition de moyens* (see section "*The Issuer – Issuer Risk Management*") as amended from time to time;
- (e) the Issuer Accounts Agreement (see section "*The Issuer – The Issuer Accounts Agreement*") as amended from time to time;
- (f) the Terms and Conditions;
- (g) the Agency Agreement (including the Terms and Conditions of the German Law Covered Bonds) and the Australian Agency Agreement;
- (h) the Deed Poll;
- (i) the Dealer Agreement (see section "*Subscription and Sale*");
- (j) the Borrower Facility Agreement (see section "*The Borrower and the Borrower Facility Agreement – The Borrower Facility Agreement*") as amended from time to time;
- (k) the Collateral Security Agreement (see section "*The Collateral Security – The Collateral Security Agreement*") as amended from time to time;
- (l) the Cash Collateral Agreement (see section "*The Collateral Security – The Cash Collateral Agreement*") as amended from time to time;
- (m) the Calculation Services Agreement (see section "*Asset Monitoring – The Calculation Services Agreement*") as amended from time to time;
- (n) the Asset Monitor Agreement and the engagement letter of the Asset Monitors (see section "*Asset*

Monitoring – The Asset Monitor Agreement") as amended from time to time;

- (o) the master definitions and construction agreement, as amended from time to time, providing for the definitions of defined terms used under some other Programme Documents;
- (p) the Hedging Approved Form Letter (see section "*The Hedging Strategy*") as amended from time to time;
- (q) the Hedging Agreement(s) (if any) (see section "*The Hedging Strategy*") as amended from time to time; and
- (r) any additional document entered into by the Issuer with respect to the U.S. Programme, as applicable, including notably the terms and conditions of the New York Law Covered Bonds and, as amended from time to time, the dealer agreement and agency agreement relating to the New York Law Covered Bonds.

"Rating Affirmation" means, with respect to any specified action, determination or appointment, and except as otherwise specified herein and/or in any Programme Documents, (i) notification by the Issuer (or the relevant Representative) to Moody's and S&P, for as long as any Covered Bonds are rated by them, of such specified action, determination or appointment which does not result in the downgrading, or withdrawal, of the ratings then assigned to the Covered Bonds and (ii) notification by the Issuer (or the relevant Representative) to Fitch, for as long as any Covered Bonds are rated by it, of such specified action, determination or appointment and the absence of downgrading, 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 Credit Market Service France SAS ("**S&P**") and Fitch France SAS ("**Fitch**").

"Regulated Market" means a regulated market within the meaning of the Markets in Financial Instruments Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 within the EEA.

"Representative Consent" means, with respect to any specified action, determination or appointment, receipt by the Issuer of:

- (i) in relation to all Series of outstanding French Law Covered Bonds, a written confirmation of consent of the Representative (acting upon instructions of the Majority Bondholders of the relevant Series);
- (ii) in relation to all Series of outstanding Australian Law Covered Bonds, German Law Covered Bonds and New York Law Covered Bonds, a confirmation of consent in the form specified in the terms and conditions of such Covered Bonds,

in each case to such proposed action, determination or appointment.

"U.S. Programme" means the Issuer's separate €30,000,000,000 covered bond programme, as amended from time to time, for the issue of New York Law Covered Bonds.

2. Form, Denomination and Title

(a) Form

French Law 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.* and R.211-1 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 of French Law Covered Bonds in either administered registered form (*nominatif administré*) inscribed in the books of an Account Holder designated by the relevant holder of French Law 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 article L.211-3 *et seq.* and R.211-1 of the French Monetary and Financial Code (*Code monétaire et financier*), securities (such as French Law Covered Bonds constituting obligations under French law) in materialised form and governed by French law must be issued outside the French territory.

The French Law Covered Bonds may be "**Fixed Rate Covered Bonds**", "**Floating Rate Covered Bonds**", "**Zero Coupon 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.

(b) Denomination

French Law 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 French Law Covered Bond admitted to trading on a Regulated Market in circumstances which require the publication of a prospectus under the Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 (as amended, including by Directive 2010/73/EU of the European Parliament and of the Council of 24 November 2010, to the extent implemented in the relevant Member State of the European Economic Area (each a "**Relevant Member State**")), and includes any relevant implementing measure with respect thereto in each Relevant Member State (the "**Prospectus Directive**"), will be of €100,000 (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 French Law 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 French Law 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 French Law Covered Bond, 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 of French Law Covered Bond.

3. Conversions and Exchanges of French Law 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 French Law Covered Bonds, be converted into French Law Covered Bonds in administered registered form (*au nominatif administré*), and vice versa. The exercise of any such option by such holder of French Law Covered Bonds 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 of French Law Covered Bonds.

(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 French Law Covered Bonds (including, where applicable, any related Coupons and Receipts) will constitute direct, unconditional, unsubordinated and, in accordance with Condition 5, privileged obligations of the Issuer and will rank *pari passu* without any preference among themselves and equally and rateably with all other present or future bonds (including Covered Bonds of all other Series) and other resources raised by the Issuer benefiting from the *Privilège* (as defined below) created by article L.515-19 of the French Monetary and Financial Code (*Code monétaire et financier*) as described in Condition 5.

5. Privilège

- (i) The principal and interest of the French Law Covered Bonds benefit from the statutory priority right of payment (*privilège*) created by article L.515-19 of the French Monetary and Financial Code (*Code monétaire et financier*) (the "**Privilège**") and the French Law Bondholders shall benefit from all rights set out in article L.515-19 of the French Monetary and Financial Code (*Code monétaire et financier*).
- (ii) Accordingly, notwithstanding any legal provisions to the contrary (including Book VI (*Livre VI*) of the French Commercial Code (*Code de commerce*)), pursuant to articles L.515-19 and L.515-36 I of the French Monetary and Financial Code (*Code monétaire et financier*):

- all amounts payable to the Issuer in respect of loans or assimilated receivables, exposures and securities referred to in articles L.515-14, L.515-16 to L.515-17 and L.515-35 of the French Monetary and Financial Code (*Code monétaire et financier*) and forward financial instruments referred to in article L.515-18 of the French Monetary and Financial Code (*Code monétaire et financier*) (in each case after any applicable netting), together with the claims in respect of deposits made by the Issuer with credit institutions, are allocated in priority to the payment of any sums due in respect of the Covered Bonds, together with any other resources raised by the Issuer and benefiting from the *Privilège*;

it should be noted that not only French Law Covered Bonds benefit from the *Privilège*. Other resources (such as Covered Bonds of all other Series and loans) and forward financial instruments (*i.e.* derivative transactions such as the Hedging Agreements (as defined in section "*The Hedging Strategy*") for hedging Covered Bonds and/or eligible assets of the Issuer, as well as the sums, if any, due under the contract provided for in article L.515-22 of the French Monetary and Financial Code (*Code monétaire et financier*), may also benefit from the *Privilège*;

- in the event of conciliation proceedings (*procédure de conciliation*), safeguard proceedings (*procédure de sauvegarde*), judicial reorganisation proceedings (*procédure de redressement judiciaire*) or judicial liquidation proceedings (*procédure de liquidation judiciaire*) of the Issuer, all amounts due regularly under the Covered Bonds, together with any other resources benefiting from the *Privilège*, are paid on their contractual due date, and in priority to all other debts, whether or not preferred, including interest resulting from agreements whatever their duration;
- until all Bondholders and all other creditors benefiting from the *Privilège* have been fully paid, no other creditor of the Issuer may avail itself (*se prévaloir*) of any right over the assets and rights of the Issuer; and
- the judicial liquidation (*liquidation judiciaire*) of the Issuer will not result in the redemption of the French Law Covered Bonds.

6. Covenants

So long as any of the French Law Covered Bonds or, if applicable, any Receipts or Coupons relating to them, are outstanding:

(a) Negative Pledge

Except as described or authorised by any applicable provisions in the Programme Documents, the Issuer will not create or permit to subsist any mortgage, charge, pledge, privilege 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 French Law Covered Bonds, and, if applicable, Receipts or Coupons relating to them, are equally and rateably secured therewith.

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

(b) Limitation on Indebtedness

The Issuer undertakes not to incur any indebtedness other than as contemplated by the Programme Documents (as described in this Base Prospectus) unless:

- (i) such indebtedness is fully subordinated to the outstanding indebtedness under the Covered Bonds; or
- (ii) prior Rating Affirmation has been made in relation to such indebtedness.

(c) 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.

(d) 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.

(e) 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 as described under section "*Asset Monitoring*" of this Base Prospectus.

(f) 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.

(g) 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.

(h) Notification of Issuer Events of Default

In respect of any Series of Covered Bonds, 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.

(i) No further Issuance

The Issuer undertakes not to issue further Covered Bonds under the International Programme or U.S. 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 (except Covered Bonds issued and subscribed by the Issuer itself in accordance with article L.515-32-1 of the French Monetary and Financial Code (*Code monétaire et financier*));
- (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 and the Regulatory Liquidity 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 (except Covered Bonds issued and subscribed by the Issuer itself in accordance with article L.515-32-1 of the French Monetary and Financial Code (*Code monétaire et financier*)).

(j) Rating of further Issuance

Subject to Condition 6(i) above, the Issuer undertakes that any new further issuance of Covered Bonds will be rated by the Rating Agencies.

7. 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, which shall be either EURIBOR, EONIA, LIBOR or any other reference rate as specified in the relevant Final Terms.

"Day Count Fraction" means, in respect of the calculation of an amount of interest on any French Law 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 in 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 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), calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M₂" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"D₁" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30.

- (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 (31st) and the first day is neither the thirtieth (30th) nor the thirty-first (31st), 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 ≠ (30,31):

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

or otherwise:

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

- (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), calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D₁" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30.

- (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 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:

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

- (x) if "**RBA Bond Basis**" is specified in the relevant Final Terms, one divided by the number of Interest Payment Dates in a year (or where the Calculation Period does not constitute an Interest Period, the actual number of days in the Calculation Period divided by three hundred and sixty five (365) (or, if any portion of the 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 divided by three hundred and sixty five (365))).

"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.

"Euroclear France" means the central depository with respect to Dematerialised Covered Bonds located 66, rue de la Victoire, 75009 Paris.

"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.

"FBF" means the *Fédération Bancaire Française*.

"FBF Definitions" means the definitions set out in the 2007 FBF Master Agreement relating to transactions on forward financial instruments as supplemented by the Technical Schedules published by the FBF and 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.

"ISDA Definitions" means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., and as amended from time to time.

"Primary Source" means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the primary source specified as such in the relevant Final Terms.

"Rate of Interest" means the rate of interest payable from time to time in respect of the French Law Covered Bonds and that is either specified or calculated in accordance with the provisions of these Terms and Conditions as completed by 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 Date" means, in respect of any French Law Covered Bond, Receipt 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 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 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 French Law 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 7(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, as indicated 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

- (i) *Interest Payment Dates:* Each Floating 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. 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 any other period shown in the relevant Final Terms as the Interest 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 the relevant Final Terms and the provisions below relating to either FBF Determination, ISDA 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 Calculation 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 Calculation Agent under a Transaction under the terms of an agreement incorporating 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**", "**Calculation Agent**", "**Floating Rate Determination Date**" and "**Transaction**" have the meanings given to those terms in the FBF Definitions.

(B) ISDA Determination for Floating Rate Covered Bonds

Where ISDA 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 as a rate equal to the relevant ISDA Rate plus or minus (as indicated in the relevant Final Terms) the Margin (if any). For the purposes of this sub-paragraph (B), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (1) the Floating Rate Option is as specified in the relevant Final Terms;
- (2) the Designated Maturity is a period specified in the relevant Final Terms; and
- (3) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the relevant Final Terms.

For the purposes of this sub-paragraph (B), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(C) 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 the Margin (if any), as indicated in the relevant Final Terms; 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

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).

(d) **Zero Coupon Covered Bonds**

Where a French Law Covered Bond the Interest Basis of which is specified to be Zero Coupon and, if so specified in the relevant Final Terms, 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 8(e) or otherwise and is not paid when due, the amount due and payable prior to the Final Maturity Date shall be the Early Redemption Amount. As from the Final Maturity Date, the Rate of Interest for any overdue principal of such a French Law Covered Bond shall be a rate *per annum* (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 8(e)(i)(B)).

(e) **Accrual of Interest**

Interest shall cease to accrue on each French Law 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 judgment) at the Rate of Interest in the manner provided in this Condition 7 to the Relevant Date.

(f) Margin, Rate Multiplier, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding

- (i) If any Margin or Rate Multiplier 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 or by multiplying the Rate of Interest by the Rate Multiplier, 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, (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) decimals (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 the purpose of this Condition, "unit" means the lowest amount of such currency that is available as legal tender in the country of such currency.

(g) Calculations

The amount of interest payable in respect of any French Law Covered Bond for any period shall be calculated by multiplying the product of the Rate of Interest and the outstanding nominal amount of such French Law Covered Bond by the Day Count Fraction, unless an Interest Amount is specified in respect of such period, in which case the amount of interest payable in respect of such French Law Covered Bond for such period shall equal such Interest Amount. 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.

(h) 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 French Law 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 French Law Covered Bonds, any other Calculation Agent appointed in respect of the French Law Covered Bonds that is to make a further calculation upon receipt of such information and, if the French Law 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 (4th) Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 7(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.

(i) 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 French Law 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 French Law 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 office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign from its duties without a successor having been appointed as aforesaid.

8. Redemption, Purchase and Options

(a) Final Redemption

Unless previously redeemed or purchased and cancelled as provided below, each French Law 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) specified in the relevant Final Terms or, in the case of a French Law Covered Bond falling within Condition 8(b) below, its final Instalment Amount.

(b) Redemption by Instalments

Unless previously redeemed or purchased and cancelled as provided in this Condition 8, 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 French Law Bondholders' option in accordance with Conditions 8(c) or 8(d), each French Law 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 French Law 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 French Law 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 is specified in the relevant Final Terms, the Issuer may, subject to compliance by the Issuer with all relevant laws, regulations and directives and on giving not less than fifteen (15) nor more than thirty (30) days' irrevocable prior notice in accordance with Condition 18 to the holders of French Law Covered Bonds (or such other notice period as may be specified in the relevant Final Terms) redeem, all or, if so provided, some, of the French Law Covered Bonds on any Optional Redemption Date or Option Exercise Date, as the case may be, as indicated in the relevant Final Terms. Any such redemption of French Law 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 French Law Covered Bonds of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed if and as specified in the relevant Final Terms, and no greater than the Maximum Redemption Amount to be redeemed if and as specified in the relevant Final Terms.

All French Law 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 stock exchanges 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 the provisions of article R.213-16 of the French Monetary and Financial Code (*Code monétaire et financier*) as completed by the relevant Final Terms, subject to compliance with any other applicable laws and stock exchanges requirements.

So long as the French Law Covered Bonds are listed and admitted to trading on a Regulated Market and the rules of, or applicable to, such Regulated Market so require, the Issuer shall, each time there has been a partial redemption of the French Law Covered Bonds, cause to be published (i) as long as the French Law Covered Bonds are admitted to trading on a Regulated Market and the rules applicable thereto so permit, on its website (www.creditmutuelcic-sfh.com)) or (ii) in a leading financial newspaper of general circulation in the city where the Regulated Market on which such French Law Covered Bonds are admitted to trading is located, which in the case of Euronext Paris is expected to be *Les Echos*, a notice specifying the aggregate nominal amount of French Law 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 French Law Bondholders and Exercise of French Law Bondholders' Options

If a Put Option is specified in the relevant Final Terms, the Issuer shall, at the option of the French Law Bondholder, upon the French Law 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 French Law Covered Bond on the Optional Redemption Date(s), as indicated in the relevant Final Terms at its Optional Redemption Amount indicated in the relevant Final Terms, together with interest accrued to the date fixed for redemption.

To exercise such option (which must be exercised on an Option Exercise Date) the French Law 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 French Law Covered Bonds (together with all unmatured Receipts and Coupons and unexchanged Talons). In the case of Dematerialised Covered Bonds, the French Law 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 French Law 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, upon redemption of such French Law Covered Bond pursuant to Condition 8(f) or (g) or upon it becoming due and payable as provided in Condition 11 shall be the Amortised Nominal Amount (calculated as provided below) of such French Law Covered Bond.
- (B) Subject to the provisions of sub-paragraph (C) below, the amortised nominal amount of any such French Law Covered Bond (the "**Amortised Nominal Amount**") shall be the scheduled Final Redemption Amount of such French Law 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 French Law 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 French Law Covered Bond upon its redemption pursuant to Condition 8(f) or (g) or upon it becoming due and payable as provided in Condition 11 is not paid when due, the Early Redemption Amount due and payable in respect of such French Law Covered Bond shall be the Amortised Nominal Amount of such French Law Covered Bond as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the French Law 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 judgment) 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 French Law Covered Bond on the Final Maturity Date together with any interest that may accrue in accordance with Condition 7(e).

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 French Law Covered Bonds*

The Early Redemption Amount payable in respect of any French Law Covered Bond (other than French Law Covered Bonds described in (i) above), upon redemption of such French Law Covered Bond pursuant to Condition 8(f) or (g) or upon it becoming due and payable as provided in Condition 11 shall be the Final Redemption Amount together with interest accrued to the date fixed for redemption.

(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 French Law Covered Bonds, not be able to make such payment without having to pay additional amounts as specified under Condition 10(b) below, the Issuer may, at its option, on any Interest Payment Date (if the French Law Covered Bond is a Floating Rate Covered Bond) or at any time (if the French Law Covered Bond is a Fixed Rate Covered Bond) subject to having given not more than forty-five (45) nor less than thirty (30) days' notice to the French Law Bondholders (which notice shall be irrevocable), in accordance with Condition 18, redeem all, but not some only, of the French Law Covered Bonds at their Early Redemption Amount together with 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 French Law Covered Bonds, be prevented by French law from making payment to the French Law Bondholders or, if applicable, Couponholders of the full amounts then due and payable, notwithstanding the undertaking to pay additional amounts contained in Condition 10(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 French Law Bondholders in accordance with Condition 18, redeem all, but not some only, of the French Law Covered Bonds then outstanding at their Early Redemption Amount together with any interest accrued to the date set for redemption (A) from 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 French Law Covered Bonds, provided that if such notice would expire after such Interest Payment Date the date for redemption pursuant to such notice of French Law 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 French Law 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 French Law 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 French Law 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 18 to the holders of French Law Covered Bonds, 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 French Law 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 French Law 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 French Law Bondholders, Receiptholders and Couponholders.

French Law Covered Bonds redeemed pursuant to this Condition 8(g) will be redeemed at their Early Redemption Amount referred to in paragraph 8(e) above together (if appropriate) with interest accrued to the date fixed for redemption, if any.

(h) Purchases

The Issuer shall have the right at all times to purchase French Law Covered Bonds (provided that, in the case of Materialised Covered Bonds, all unmatured 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. The relevant Final Terms will specify whether French Law Covered Bonds so purchased by the Issuer shall be held and resold in accordance with articles L.213-1 A and D.213-1 A of the French Monetary and Financial Code (*Code monétaire et financier*) for the purpose of enhancing the liquidity of the French Law Covered Bonds or cancelled in accordance with Condition 8(i) below.

(i) Cancellation

All French Law Covered Bonds purchased by or on behalf of the Issuer for cancellation shall 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 unmatured Receipts and Coupons and unexchanged Talons attached thereto), 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 unmatured Receipts and Coupons and all unexchanged Talons, if applicable, to the Fiscal Agent. Any French Law Covered Bond so cancelled may not be reissued or resold and the obligations of the Issuer in respect of any such French Law Covered Bond shall be discharged.

9. 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 French Law 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 French Law 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 French Law 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 of America (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 French Law 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 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 12) 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 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 French Law 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 of America

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 of America with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the French Law 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 in any jurisdiction (whether by operation of law or agreement of the Issuer or its agents) and the Issuer will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements, but without prejudice to the provisions of Condition 10.

No commission or expenses shall be charged to the holders of French Law 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 International Programme. 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 such case, do not assume any obligation or relationship of agency for any French Law 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) a Paying Agent having a specified office in at least one (1) major European city (including, so long as the French Law Covered Bonds are admitted to trading on the Regulated Market of the EEA and so long as the rules thereof so require, such city where the French Law 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 French Law 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 French Law Covered Bonds in accordance with Condition 18.

(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 12).

(g) Business Days for Payment

If any date for payment in respect of any French Law Covered Bond, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day 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 Specified Currency, on which foreign exchange transactions may be carried on in the Specified 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 9, "**Bank**" means a bank in the principal financial centre of the relevant currency or, in the case of payments in Euro, in a city in which banks have access to the TARGET System.

10. Taxation

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

All payments of principal, interest and other revenues by or on behalf of the Issuer in respect of the French Law Covered Bonds shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected,

withheld or assessed by or within France or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

(b) Additional Amounts

If French law should require that payments of principal or interest in respect of any French Law 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 French Law 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 French Law Covered Bond, Receipt or Coupon, as the case may be:

- (i) *Other connection:* to, or to a third party on behalf of, a French Law 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 French Law 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 French Law Bondholder, Receiptholder or Couponholder would have been entitled to such additional amounts on presenting it for payment on the thirtieth (30th) 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 French Law 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 French Law 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 8 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 7 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.

11. Events of Default

Subject to the legal framework applicable to a *société de financement de l'habitat*, if an Issuer Event of Default occurs in respect of any Series of French Law Covered Bonds, 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 Rating Agencies) given before all defaults shall have been cured, cause the principal amount of all French Law Covered Bonds of such Series to become due and payable (but subject to the then applicable relevant priority payment order), together with any accrued interest thereon, as of the date on which such notice for payment is received by the Fiscal Agent.

12. Prescription

Claims against the Issuer for payment in respect of any amount due under the French Law 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.

13. Representation of French Law Bondholders

Holders of French Law 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, R.228-63, R.228-67, R.228-69 and R.228-83 and 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 French Law Covered Bonds (the "**General Meeting**").

The Masse alone, to the exclusion of all individual holders of French Law Covered Bonds, shall exercise the common rights, actions and benefits which now or in the future may accrue respectively with respect to the French Law 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 spouses; 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 spouses; 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 French Law Covered Bonds was BNP Paribas Securities Services:

BNP Paribas Securities Services
Les Grands Moulins de Pantin
9, rue du Débarcadère
93500 Pantin
France

represented by:

Mr. Sylvain Thomazo

Head of Corporate Trust Services France of BNP Paribas Securities Services

The Representative appointed in respect of the first Tranche of any Series of French Law 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 French Law Covered Bonds will be the Representative in respect of the first Tranche of the first Series of French Law Covered Bonds.

The alternative representative shall be:

Sandrine D'Haussey
69, avenue Gambetta
94100 Saint-Maur-des-Fossés
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 French Law 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 and except as provided by paragraph 1 of article L.515-31 of the French Monetary and Financial Code (*Code monétaire et financier*)) have the power to take all acts of management necessary in order to defend the common interests of the holders of French Law Covered Bonds.

All legal proceedings against the French Law Bondholders or initiated by them, must be brought by or against the Representative, except that, should safeguard proceedings (*procédure de sauvegarde*), judicial reorganisation proceedings (*procédure de redressement judiciaire*) or judicial liquidation proceedings (*procédure de liquidation judiciaire*) proceedings be commenced against the Issuer, the specific controller (*contrôleur spécifique*) would file the evidence of debt of all creditors (including the holders of the French Law Covered Bonds) of the Issuer benefiting from the *Privilège*, pursuant to paragraph 1 of article L.515-31 of the French Monetary and Financial Code (*Code monétaire et financier*).

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 French Law Bondholders, holding together at least one-thirtieth (1/30) of the principal amount of the French Law 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 French Law 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 18.

Each French Law Bondholder has the right to participate in a General Meeting in person or by proxy. Each French Law Covered Bond carries the right to one (1) vote or, in the case of French Law 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 French Law Covered Bond.

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

In accordance with article R.228-71 of the French Commercial Code (*Code de commerce*), the rights of each French Law Bondholder to participate in a General Meeting must be evidenced by entries in the books of the relevant Account Holder of the name of such French Law Bondholder on the third (3rd) business day in Paris preceding the date set for the relevant General Meeting at midnight, Paris time.

(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 French Law 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 French Law Bondholders, nor establish any unequal treatment between the French Law Bondholders, nor decide to convert the French Law Covered Bonds into shares.

Decisions of General Meetings must be published in accordance with the provisions set forth in Condition 18.

(f) Information to French Law Bondholders

Each French Law 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 French Law 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 French Law Covered Bonds.

(h) Single Masse

The holders of French Law Covered Bonds of the same Series, and the holders of French Law Covered Bonds of any other Series which have been consolidated (*assimilées* for the purpose of French law) with the French Law Covered Bonds of such first mentioned Series in accordance with Condition 17, 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 French Law Covered Bonds will be the Representative of the single *Masse* of all such Series.

14. 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 stock exchanges 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 French Law 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.

15. Limited recourse, Non petition

Limited Recourse

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

- (a) not to seek recourse under any obligation, covenant or agreement of the Issuer under the French Law 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 French Law 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 French Law 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 French Law Covered Bonds and these Conditions;
- (b) to limit its recourse against the Issuer under the French Law 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 French Law 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 French Law Covered Bonds and these Conditions) and in accordance with the priority payment order then applicable in accordance with section "Cash Flow" of this Base Prospectus; and

- (c) that, in accordance with, but subject to, the then applicable provisions of section "Cash Flow" of this Base Prospectus, amounts payable or expressed to be payable by the Issuer on, under or in respect of its obligations and liabilities under the French Law Covered Bonds and/or these Conditions shall be recoverable only from and to the extent of the amount of the Available Funds (as defined in section "Cash Flow" of this Base Prospectus), 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 share of such Available Funds (as determined in accordance with the priority payment order then applicable in accordance with section "Cash Flow" of this Base Prospectus) 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 French Law Covered Bond, each French Law 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 International Programme or the U.S. 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 French Law 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 French Law Bondholder shall survive the payment of all sums owing under any Covered Bond.

16. 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 International Programme (including principal and interest under the French Law 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 then applicable 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. French Law Bondholders are deemed to have notice of the provisions of the section "Cash Flow" of this Base Prospectus.

17. Further Issues

The Issuer may from time to time without the consent of the French Law Bondholders, Receiptholders or Couponholders create and issue further French Law Covered Bonds to be consolidated (*assimilables* for the purpose of French law) with the French Law Covered Bonds provided such French Law Covered Bonds and the further French Law 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 as specified in the relevant Final Terms) and that the terms of such French Law Covered Bonds provide for such consolidation, and references in these Conditions to "French Law Covered Bonds" shall be construed accordingly.

18. 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 (4th) weekday (being a day other than a Saturday or a Sunday) after the date of mailing, or (ii) at the option of the Issuer, they are published (A) in a

leading daily financial newspaper of general circulation in Europe (which is expected to be the *Financial Times*) or, (B) so long as such French Law Covered Bonds are admitted to trading on any Regulated Market(s), in a leading daily financial newspaper with general circulation in the city/ies where the Regulated Market(s) on which such French Law Covered Bonds is/are admitted to trading, which in the case of Euronext Paris is expected to be *Les Echos*, or (C) as otherwise required by the rules applicable to that Regulated Market, as the case may be.

- (b) Notices to the holders of Materialised Covered Bonds and Dematerialised Covered Bonds in bearer form (*au porteur*) shall be valid if published (i) in a leading daily financial newspaper of general circulation in Europe (which is expected to be the *Financial Times*) or, (ii) so long as such French Law Covered Bonds are admitted to trading on any Regulated Market(s), in a leading daily financial newspaper with general circulation in the city/ies where the Regulated Market(s) on which such French Law Covered Bonds is/are admitted to trading, which in the case of Euronext Paris is expected to be *Les Echos*, or (iii) as otherwise required by the rules applicable to that Regulated Market, as the case may be.
- (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 French Law Covered Bonds are for the time being cleared in substitution for the mailing and publication as required by Conditions 18(a) and (b), above; provided that (i) so long as such French Law 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 financial newspaper with general circulation in the city/ies where the Regulated Market(s) on which such French Law Covered Bonds is/are admitted to trading, which in the case of Euronext Paris is expected to be *Les Echos*, or as otherwise required by the rules applicable to that Regulated Market, as the case may be.
- (d) If any such publication as outlined above is not practicable, notice shall be validly given if published in another leading daily English language financial newspaper with general circulation in Europe.

Any notice given by publication in a financial newspaper 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 (1st) 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.

19. Governing Law and Jurisdiction

(a) Governing Law

The French Law 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 French Law 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 International 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 the provisions of article L.515-35-I-1° of the French Monetary and Financial Code (*Code monétaire et financier*)).

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 International Covered Bonds shall mirror the equivalent terms and conditions of the corresponding Final Terms of International 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 International Covered Bonds, as long as no Borrower Event of Default has occurred.

TEMPORARY GLOBAL CERTIFICATES IN RESPECT OF FRENCH LAW COVERED BONDS WHICH ARE MATERIALISED COVERED BONDS

The following description is only applicable to French Law 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 depository (the "**Common Depository**") 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 Depository, Euroclear and Clearstream, Luxembourg will credit each subscriber with a nominal amount of French Law Covered Bonds equal to the nominal amount thereof for which it has subscribed and paid.

The Common Depository may also credit with a nominal amount of French Law Covered Bonds the accounts of subscribers (if indicated in the relevant Final Terms) in other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, a nominal amount of French Law 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 International 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 U.S. Treasury Regulation section 1.163-5 (c)(2)(i)(D)(3) and any successor regulation issued under the Hire Act 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 it 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 consolidated (*assimilées* for the purpose of French Law) with such first mentioned Materialised Covered Bonds are issued prior to such day pursuant to Condition 17, 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 (AS DEFINED IN THE INTERNAL REVENUE CODE OF THE UNITED STATES) 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.

MAIN FEATURES OF THE LEGISLATION AND REGULATIONS RELATING TO *SOCIETES DE FINANCEMENT DE L'HABITAT*

Entities entitled to issue *obligations de financement à l'habitat*

The legal and regulatory regime applicable to *sociétés de financement de l'habitat* mainly results from the following provisions:

- articles L.515-34 to L.515-39 of the French Monetary and Financial Code (*Code monétaire et financier*) creating the status of *sociétés de financement de l'habitat*, as resulting from the enactment of law N°2010-1249 dated 22 October 2010 on the banking and financial regulation;
- as provided for in article L.515-34 of the French Monetary and Financial Code (*Code monétaire et financier*) and subject to articles L.515-34 to L.515-39 of the French Monetary and Financial Code (*Code monétaire et financier*), articles L.515-14, L.515-16 and L.515-17 to L.515-32-1 of the French Monetary and Financial Code (*Code monétaire et financier*) (as amended from time to time and lately by law N°2010-1249 dated 22 October 2010);
- articles R.515-15 to R.515-17 of the French Monetary and Financial Code (*Code monétaire et financier*), which apply specifically to *sociétés de financement de l'habitat*;
- subject to articles R.515-15 to R.515-17 of the French Monetary and Financial Code (*Code monétaire et financier*), articles R.515-2, R.515-4, R.515-5, R.515-7 to R.515-11 and R.515-12 to R.515-14 of the French Monetary and Financial Code (*Code monétaire et financier*);
- Regulation (*instruction*) no.99-10 dated 9 July 1999, as amended, issued by the Banking and Financial Regulatory Committee (*Comité de la Réglementation Bancaire et Financière*); and
- Regulations (*instructions*) no. 2011-I-06 and 2011-I-07 dated 15 June 2011 issued by the French banking authority (*Autorité de contrôle prudentiel*).

Pursuant to article L.515-34 of the French Monetary and Financial Code (*Code monétaire et financier*), the exclusive purpose of *sociétés de financement de l'habitat* is to grant or finance home loans (*prêts à l'habitat*) and to hold securities (*titres et valeurs*) in accordance with the regulatory provisions described above. In particular, in order to carry out such purpose, a *société de financement de l'habitat* (such as the Issuer) may grant to credit institutions advances secured by home loans (*prêt à l'habitat*) granted as collateral security in accordance with article L.211-36 *et seq.* of the French Monetary and Financial Code (*Code monétaire et financier*). Such advances may be financed by a *société de financement de l'habitat* by issuing covered bonds (*obligations de financement de l'habitat*) or by raising resources benefiting from the *Privilège* (legal priority right of payment) created by article L.515-19 of the French Monetary and Financial Code (*Code monétaire et financier*). In accordance with article L.515-22 *et seq.* of the French Monetary and Financial Code (*Code monétaire et financier*), the management (*gestion et recouvrement*) of the assets eligible to a *société de financement de l'habitat* shall only be ensured by a credit institution (*établissement de crédit*) appointed by such *société de financement de l'habitat* under an agreement (*contrat*).

As a *société de financement de l'habitat*, the Issuer has entered into a €30,000,000,000 multicurrency term facility agreement pursuant to which the Issuer (as lender) will use the proceeds of the Covered Bonds to fund advances made available to BFCM (as borrower). Such advances will be secured by home loans granted as collateral security (*garantie financière*) (see section "*The Borrower and the Borrower Facility Agreement – The Borrower Facility Agreement*" and section "*The Collateral Security – The Collateral Security Agreement*").

Pursuant to articles L.515-32-1 and R.515-13-1 of the French Monetary and Financial Code (*Code monétaire et financier*) (as created by the law n°2010-1249 of 22 October 2010), the Issuer, as a *société de financement de l'habitat*, may subscribe for Covered Bonds issued by the Issuer itself, for the sole purpose of securing credit operations made with the *Banque de France* under its monetary policy and intraday credit operations, in case the Issuer is not in a position to face its liquidity needs by using any other available means. Covered Bonds issued pursuant to article L.515-32-1 of the French Monetary and Financial Code (*Code monétaire et financier*) shall not represent more than ten per cent. (10%) of the resources benefiting from the *Privilège*, as calculated at the time such Covered Bonds are acquired by the Issuer.

Eligible assets

The eligible assets of *sociétés de financement de l'habitat* comprise, *inter alia*:

- (i) home loans (*prêts à l'habitat*) secured by a first-ranking mortgage or other real estate security interests that are equivalent to a first-ranking mortgage or loans that are guaranteed by a credit institution or an insurance company. The property financed in whole or part by such a loan must be located in France or in

any other Member State of the European Union or the European Economic Area ("EEA") or in a State benefiting from the highest level of credit quality (*meilleur échelon de qualité de crédit*) assigned by an external rating agency recognised by the *Autorité de contrôle prudentiel* as provided in article L.511-44 of the French Monetary and Financial Code (*Code monétaire et financier*); article R.515-2 of the French Monetary and Financial Code (*Code monétaire et financier*) provide that the amount of each mortgage-backed home loan refinanced by resources benefiting from the *Privilège* cannot exceed a percentage of the property's value (from sixty per cent. (60%) to one hundred per cent. (100%), under certain conditions);

- (ii) loans to credit institutions secured by the remittance, the transfer or the pledge of receivables arising from home loans (*prêts à l'habitat*) referred to in (i) above, pursuant to articles L.211-36 *et seq.* and/or L.313-23 *et seq.* of the French Monetary and Financial Code (*Code monétaire et financier*);
- (iii) promissory notes (*billets à ordre*) governed by article L.313-42 *et seq.* of the French Monetary and Financial Code (*Code monétaire et financier*) transferring receivables arising from home loans (*prêts à l'habitat*) referred to in (i) above.

Within the limits of article R.515-4 of the French Monetary and Financial Code (*Code monétaire et financier*), the *sociétés de financement de l'habitat* may also hold, or grant loans to credit institutions secured by the remittance, the transfer or the pledge of, units or notes (other than subordinated units or subordinated notes) issued by *Organismes de Titrisation*, which are French securitisation vehicles, or other similar vehicles governed by the laws of a member state of the European Community or EEA, the United States of America, Switzerland, Japan, Canada, Australia or New Zealand, the assets of which shall comprise at least ninety per cent. (90%) of secured loans complying with the criteria defined in article L.515-14 of the French Monetary and Financial Code (*Code monétaire et financier*) or other receivables benefiting from equivalent security interests; such units or notes must benefit from the highest level of credit assessment (*meilleur échelon de qualité de crédit*) assigned by an external rating agency recognised by the *Autorité de contrôle prudentiel* pursuant to article L.511-44 of the French Monetary and Financial Code (*Code monétaire et financier*); the similar vehicles shall be governed by the laws of a Member State of the European Community or EEA if the assets are composed of loans or exposures referred to in article L.515-14 of the French Monetary and Financial Code (*Code monétaire et financier*).

Under the conditions set out in articles L.515-17, R.515-7 and R.515-16 of the French Monetary and Financial Code (*Code monétaire et financier*), a *société de financement de l'habitat* may also hold investments in assets which are sufficiently secure and liquid to be held as so-called substitution assets (*valeurs de remplacement*). The amount of such assets shall not exceed, at any time, fifteen per cent. (15%) of the total amount of the liabilities of the *société de financement de l'habitat* which benefit from the *Privilège*.

In accordance with, but subject to the terms and conditions of the Administrative Agreement, the Issuer may acquire assets which are eligible for an investment by a *société de financement à l'habitat* under articles L.515-16 and L.515-17 of the French Monetary and Financial Code (*Code monétaire et financier*), in order to comply with the Asset Cover Test, the Amortisation Test and/or the regulatory cover ratio referred to in article L.515-20 of the French Monetary and Financial Code (*Code monétaire et financier*), as applicable. For such purpose, "**Substitution Assets**" shall refer to assets eligible for an investment by a *société de financement à l'habitat* under either article L.515-16 or article L.515-17 of the French Monetary and Financial Code (*Code monétaire et financier*).

In accordance with the provisions of article L.515-35-IV of the French Monetary and Financial Code (*Code monétaire et financier*), the *sociétés de financement de l'habitat* are not allowed to hold shares in other companies (*participations*).

Cover ratio

A *société de financement de l'habitat* must at all times maintain a cover ratio between its assets and its liabilities benefiting from the *Privilège*. In particular, pursuant to articles L.515-20 and R.515-7-2 of the French Monetary and Financial Code (*Code monétaire et financier*), the Issuer must at all times maintain a ratio of at least one hundred and two per cent. (102%) between its assets and the total amount of its liabilities benefiting from the *Privilège*.

With respect to the assets of a *société de financement de l'habitat* which are mainly advances to credit institutions secured by home loans (*prêts à l'habitat*), in particular granted as collateral security pursuant to article L.211-36 *et seq.* of the French Monetary and Financial Code (*Code monétaire et financier*), the cover ratio shall be calculated on the basis of such home loans (*prêts à l'habitat*) granted as security (and not only on the basis of the said advances to credit institutions).

A *société de financement de l'habitat* must appoint a specific controller (*contrôleur spécifique*) with the prior approval of the *Autorité de contrôle prudentiel*, whose task is to ensure that the required cover ratio is at all times complied with. In particular, the specific controller must certify that the cover ratio is satisfied in connection with (i) the *société de financement de l'habitat* quarterly programme of issues benefiting from the *Privilège* and (ii) any specific issue also benefiting from the *Privilège* which amount is greater than €500 million. The specific controller must verify the quality of the assets, the process of yearly revaluation and the quality of the asset liability management.

In addition, 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, as further described in section "*Asset Monitoring – The Asset Cover Test*").

Regulatory Liquidity Test

Pursuant to article R.515-7 of the French Monetary and Financial Code (*Code monétaire et financier*), a *société de financement de l'habitat* must, at all time, cover its treasury needs over a period of 180 days, taking into account the forecasted flows of principal and interest on its assets and net flows related to derivative financial instruments referred to in article L.515-18 of the French Monetary and Financial Code (*Code monétaire et financier*).

Under the Programme Documents, the final terms of loans granted to the Borrower shall mirror the final term of the Covered Bonds so that the treasury needs of the Issuer shall be covered by the Borrower under each relevant Borrower Advance. Such mechanism shall be secured by a cash collateral to be funded from time to time by BFCM (as cash collateral provider) upon the downgrading of the Borrower below certain ratings required level. (see section "*The Collateral Security – The Cash Collateral Agreement*" and section "*Asset Monitoring – The Regulatory Liquidity Test*").

***Privilège* relating to the Covered Bonds and certain other obligations of the Issuer**

Pursuant to article L.515-19 of the French Monetary and Financial Code (*Code monétaire et financier*), notwithstanding any legal provisions to the contrary (including book VI (*Livre VI*) of the French Commercial Code (*Code de commerce*)), pursuant to article L.515-19 of the French Monetary and Financial Code (*Code monétaire et financier*):

- all amounts payable to the Issuer in respect of loans or assimilated receivables, exposures and securities referred to in articles L.515-14, L.515-16 to L.515-17 and L.515-35 of the French Monetary and Financial Code (*Code monétaire et financier*) and forward financial instruments referred to in article L.515-18 of the French Monetary and Financial Code (*Code monétaire et financier*) (in each case after any applicable netting), together with the claims in respect of deposits made by the Issuer with credit institutions, are allocated in priority to the payment of any sums due in respect of the Covered Bonds, together with any other resources raised by the Issuer and benefiting from the *Privilège*; it should be noted that not only Covered Bonds benefit from the *Privilège*; other resources (such as certain loans) and forward financial instruments (i.e. derivative transactions) for hedging Covered Bonds, such other resources and eligible assets of the Issuer, as well as the sums, if any, due under the contract provided for in article L.515-22 of the French Monetary and Financial Code (*Code monétaire et financier*) may also benefit from the *Privilège*, provided that such benefit is duly mentioned pursuant to article L.515-36-I of the French Monetary and Financial Code (*Code monétaire et financier*); and
- in the event of conciliation proceedings (*procédure de conciliation*), safeguard proceedings (*procédure de sauvegarde*), judicial reorganisation proceedings (*procédure de redressement judiciaire*) or judicial liquidation proceedings (*procédure de liquidation judiciaire*) of the Issuer, all amounts due regularly under the Covered Bonds, together with any other resources benefiting from the *Privilège*, are paid on their contractual due date, and in priority to all other debts, whether or not preferred, including interest resulting from agreements whatever their duration;
- until all Bondholders and all other creditors benefiting from the *Privilège* have been fully paid, no other creditor of the Issuer may avail itself of any right over the assets and rights of the Issuer; and
- the judicial liquidation (*liquidation judiciaire*) of the Issuer will not result in the redemption of the Covered Bonds.

Insolvency remoteness

Article L.515-27 of the French Monetary and Financial Code (*Code monétaire et financier*) precludes the extension of insolvency proceedings in respect of the *société de financement de l'habitat*'s parent company to the *société de financement de l'habitat*.

The French Monetary and Financial Code (*Code monétaire et financier*) provides a regime of *société de financement de l'habitat*, which derogates in many ways from the French legal provisions relating to insolvency proceedings. In particular, in the event of safeguard proceedings (*procédure de sauvegarde*), judicial reorganisation proceedings (*procédure de redressement judiciaire*) or judicial liquidation proceedings (*procédure de liquidation judiciaire*) of a *société de financement de l'habitat*, all claims benefiting from the *Privilège*, including interest thereon, must be paid on their due dates and in preference to all other claims, whether or not secured or statutorily preferred and, until payment in full of all such preferred claims, no other creditors may avail itself of any right over the assets and rights of the *société de financement de l'habitat*.

The provisions allowing an administrative receiver to render certain transactions entered into during the hardening period (*période suspecte*) null and void are not applicable for transactions entered into by a *société de financement de l'habitat* or acts made by, or to the benefit of, a *société de financement de l'habitat*, provided that such transactions are made in accordance with their exclusive legal purpose and without fraud. Pursuant to article L.515-28 of the French Monetary and Financial Code (*Code monétaire et financier*), in case of the opening of any safeguard proceedings (*procédure de sauvegarde*), judicial reorganisation proceedings (*procédure de redressement judiciaire*) or judicial liquidation proceedings (*procédure de liquidation judiciaire*) against the credit institution which is acting as manager and servicer of the assets and liabilities of the *société de financement de l'habitat*, the recovery, management and servicing contract may be immediately terminated by the *société de financement de l'habitat* notwithstanding any legal provisions to the contrary.

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 "Crédit Mutuel-CIC Home Loan SFH". The Issuer is registered with the French *Registre du Commerce et des Sociétés de Paris* under number 480 618 800. The Issuer adopted the legal form of a French "*Société anonyme à conseil d'administration*" on 16 April 2007. Formerly named "Devest 8" and, as from 16 April 2007, "CM-CIC Covered Bonds", the Issuer adopted the name "Crédit Mutuel-CIC Home Loan SFH" on 6 June 2011. 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*); and
- (b) the French Monetary and Financial Code (*Code monétaire et financier*).

The Issuer's registered office and principal place of business is located at 6, avenue de Provence, 75452 Paris Cedex 9, France. Its phone number is +33 (0)1 45 96 79 02.

The Issuer's authorised and issued share capital is €220,000,000 (two hundred and twenty million euros) consisting of 22,000,000 (twenty two 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 *Autorité de contrôle prudentiel*.

Following the entry into force of law No. 2010-1249 dated 22 October 2010 on the banking and financial regulation and decree No. 2011-205 dated 23 February 2011 with respect to the status of *société de financement de l'habitat*, the Issuer decided to adopt for the legal regime of *société de financement de l'habitat*. In accordance with article 74 of law No. 2010-1249 dated 22 October 2010 on the banking and financial regulation, the French *Autorité de contrôle prudentiel*, pursuant to its decision dated 28 March 2011, has authorised the Issuer to adopt the status of *société de financement de l'habitat*. Following its adoption of such status, the Issuer is now also governed by the laws and regulations applicable to *sociétés de financement de l'habitat* (for further description, see section "*Main features of the legislation and regulations relating to sociétés de financement de l'habitat*").

On the date of this Base Prospectus, 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 an entity with separate legal capacity and existence, licensed by the French banking regulator (*Autorité de contrôle prudentiel*) notably for the purpose of making Borrower Advances (in accordance with article L.515-35-I-1° of French Monetary and Financial Code (*Code monétaire et financier*)) and issuing Covered Bonds which benefit from the *Privilège*.

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.

In accordance with the provisions of article L.515-35-IV of the French Monetary and Financial Code (*Code monétaire et financier*), the Issuer, as a *société de financement de l'habitat*, is not allowed to hold shares in other companies (*participations*).

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 under the Covered Bonds; or
- (b) prior Rating Affirmation has been made 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 priority payment order then applicable in accordance with section "Cash Flow" of this Base Prospectus; and
- (c) that, in accordance with, but subject to, the then applicable provisions of section "Cash Flow" of this Base Prospectus, 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 share 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 International Programme or the U.S. 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 BFCM

The Issuer is a ring-fenced entity that will be unaffected by the insolvency of BFCM. By way of exception to the provisions of book VI (*Livre VI*) of the French Commercial Code (*Code de commerce*) relating to the difficulties of companies (*difficultés des entreprises*), article L.515-27 of the French Monetary and Financial Code (*Code monétaire et financier*) precludes the extension of safeguard proceedings (*procédure de sauvegarde*), judicial reorganisation proceedings (*procédure de redressement judiciaire*) or judicial liquidation proceedings (*procédure de liquidation judiciaire*) in respect of the Issuer's parent company (BFCM) to the Issuer itself.

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.

Issuer Risk Management

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

Internal control system

The Issuer has set up internal 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. Internal 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 the managing director (*directeur général*) of the Issuer, within the framework of the Group's ongoing internal control system (which 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 deals 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*).

In accordance with the article 7-1 of the *Règlement*, the units in charge of the engagement of the operations are 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 the managing director (*directeur général*) of the Issuer, within the framework of the Group's periodic internal control system (which is under the responsibility of Mr. Michel GUILLEMIN, 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 (*Comité de Contrôle et de Conformité*).

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 the managing director (*directeur général*) of the Issuer, within the framework of the Group's compliance control system (which is 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 BALC transactions which supply the consolidation tool Business Object Financial Conso from SAP. This tool is used for the setting up of the consolidated accounts of BFCM, CFdeCM 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 Borrower 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 statutory auditors of the Issuer and the *Autorité de contrôle prudentiel*.

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.

On the basis of the information collected by the persons in charge of the Group's compensation policies and practices in the exercise of their mission, and of further information provided by the Issuer, a report on the compensation policies and practices, in accordance with article 43-1 of the *Règlement*, shall be prepared once a year.

Duty of care on money laundering transactions and fight against the financing of terrorist activities

The entities of the Group have a duty of care with respect to risks relating to money laundering and to fight against the financing of terrorist activities and have to inform the Issuer in the event they identify any such risk. However, the Issuer is primarily responsible of anti-money laundering, fight against the financing of terrorist activities and "know your 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 and fight against the financing of terrorist activities procedures of the Group.

The TRACFIN representatives in charge of performing the above mentioned tasks for the Issuer are those in charge at the level of BFCM.

Issuer Financial Elements

The financial year of the Issuer runs from 1 January to 31 December. The annual results of the Issuer shown in the documents incorporated by reference are the non-consolidated accounts. The Issuer prepares non-consolidated accounts and does not produce consolidated financial statements.

The Issuer produces investor reports which are available on its website (www.creditmutuelcic-sfh.com).

Prudential ratios

The Issuer's prudential ratios are assessed at the Issuer level.

Issuer Share capital, Covered Bonds, Subordinated Loans and Issuer Majority Shareholder's undertakings

Share capital

The Issuer's issued share capital is €220,000,000 (two hundred and twenty million euros) consisting of 22,000,000 (twenty two 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 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.

Covered Bonds

Since January 1, 2013, Crédit Mutuel-CIC Home Loan SFH has issued 2 (two) Series of International Covered Bonds under its International Programme, which are described in Final Terms that are publicly available on the website of the Issuer.

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 then applicable relevant priority payment order, as described in Condition 16 of the Terms and Conditions.

Each Subordinated Loan agreement includes Limited Recourse and Non petition provisions, as described in section "*Issuer's Activities – Limited Recourse*" and section "*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 (as amended from time to time) (the "**Shareholder Letter of Undertaking**"), BFCM undertakes in favour of the holders of Covered Bonds of all Series to be issued, represented, for the French Law Covered Bonds, 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 Autorité de contrôle prudentiel;
- (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 article 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)

The board of directors (*conseil d'administration*) consists of six (6) 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</i>	28 June 2008
Mr. François MIGRAINE, <i>administrateur indépendant</i>	15 May 2011
BFCM (represented by Mr. Marc BAUER), <i>administrateur</i>	16 April 2007

The term of office of Mr. Christian KLEIN, Mr. Christian ANDER, Mr. Philippe VIDAL, Mr. Luc CHAMBAUD and BFCM (represented by Mr. Marc BAUER) was renewed by a decision of the Board of Directors (*conseil d'administration*) of the Issuer dated 7 May 2013.

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).

Mr. Luc CHAMBAUD, *administrateur*, is also member of the supervisory board (*membre du conseil de surveillance*) of Credit Industriel et Commercial (CIC) and managing director (*directeur général*) of *Fédération du Crédit Mutuel de Normandie*.

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 judgment by such member, as further described and detailed in the by-laws of the Issuer. On the date of this Base Prospectus, Mr. François MIGRAINE is the Issuer Independent Representative.

The written confirmation consent of the Issuer Independent Representative 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, which term of office was renewed on 7 May 2013 for a period of six (6) years, expiring at the close of the ordinary general meeting to be called in 2019 to approve the financial statements for the year ending 31 December 2018, are:

- (a) PricewaterhouseCoopers Audit, 63 rue de Villiers, 92208 Neuilly-sur-Seine Cedex, France; and
- (b) Ernst & Young et Autres, 1 place des Saisons, 92037 Paris La Défense Cedex, France.

Specific controller (*Contrôleur spécifique*)

The Issuer has appointed, in accordance with articles L.515-30 to L.515-31 of the French Monetary and Financial Code (*Code monétaire et financier*) a specific controller (*Contrôleur spécifique*) and a substitute specific controller (*Contrôleur spécifique suppléant*), who have been selected from the official list of auditors and have been appointed by the board of directors of the Issuer with the prior approval of the *Autorité de contrôle prudentiel*.

The specific controller (*Contrôleur spécifique*) ensures that the Issuer complies with the French Monetary and Financial Code (*Code monétaire et financier*) (notably by verifying the quality and the eligibility of the assets and the cover ratios). In particular, the specific controller (*Contrôleur spécifique*) must certify that the cover ratio is satisfied in connection with (i) the *société de financement de l'habitat* quarterly programme of issuances benefiting from the *Privilège* and (ii) any specific issue also benefiting from the *Privilège* which amount is greater than €500 million.

He also monitors the balance between the Issuer's assets and liabilities in terms of rates and maturity (cash flow adequacy) and notifies the board of directors of the Issuer and the *Autorité de contrôle prudentiel* if he considers such balance to be unsatisfactory. The specific controller (*Contrôleur spécifique*) attends all shareholders' meetings and, on his request, may be heard by the board of directors (article L.515-30 of the French Monetary and Financial Code (*Code monétaire et financier*)).

In addition, in accordance with article L.515-38 of the French Monetary and Financial Code (*Code monétaire et financier*), the specific controller (*Contrôleur spécifique*) ensures that the Eligible Assets granted as collateral (*garantie financière*) in order to secure Borrower Advances, comply with the provisions of articles L.515-34 and L.515-35 of the French Monetary and Financial Code (*Code monétaire et financier*).

The specific controller (*Contrôleur spécifique titulaire*) of the Issuer is FIDES AUDIT, 37, avenue de Friedland, 75008 Paris, France, represented by Mr. Stéphane MASSA.

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 (as amended from time to time) and entered into between Crédit Mutuel-CIC Home Loan SFH, as Issuer and BFCM, as Administrator (the "**Administrator**").

Purpose

Under the Administrative Agreement, Crédit Mutuel-CIC Home Loan SFH, as Issuer, appoints BFCM as its agent 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 Crédit Mutuel-CIC Home Loan SFH.

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) in accordance with article L.515-22 of the French Monetary and Financial Code (*Code monétaire et financier*), manage and service (*gérer et recouvrer*) any Borrower Advances made under the Borrower Facility and, in particular, within this context:
 - 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;
 - 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;
- (h) without prejudice to the provisions of the *convention d'externalisation et de mise à disposition de moyens* and of the Calculation Services Agreement, advise and assist the Issuer with respect to any laws and regulations relating to the *sociétés de financement de l'habitat*;
- (i) in accordance with article L.515-22 of French Monetary and Financial Code (*Code monétaire et financier*), manage any payment to be made on behalf the Issuer under the Covered Bonds, on each date on which any payment in respect of the Covered Bonds becomes due, in accordance with the terms and conditions of the Agency Agreement; and
- (j) notify the Rating Agencies of the cancellation by the Issuer of any Covered Bonds previously issued and subscribed by the Issuer itself in accordance with article L.515-32-1 of the French Monetary and Financial Code (*Code monétaire et financier*).

Administrator's duties regarding the acquisition of Substitution Assets

The Administrator, acting in the name and on behalf of the Issuer, may acquire Substitution Assets in order for the Issuer to comply with the Asset Cover Test, the Amortisation Test and/or the regulatory cover ratio referred to in article L.515-20 of the French Monetary and Financial Code (*Code monétaire et financier*).

The transfer of Substitution Assets shall be made by the Administrator, acting in the name and on behalf of the Issuer, subject to the following cumulative conditions:

- each purchase of a Substitution Asset shall be made with the purpose of complying with the Asset Cover Test, the Amortisation Test and/or the regulatory cover ratio referred to in article L.515-20 of the French Monetary and Financial Code (*Code monétaire et financier*), as applicable;
- each Substitution Asset to be purchased by the Issuer shall be selected by the Administrator, so that to comply with any and all criteria defining Substitution Assets;
- the transfer of each Substitution Asset shall be valid and comply with any laws and regulations applicable to such transfer or to the Issuer;
- the transfer of each Substitution Asset shall not create any material adverse tax or legal effect for the Issuer;
- any consideration and costs to be paid by the Issuer for such transfer shall be determined on an arm's length basis; and
- any consideration and costs to be paid by the Issuer for such transfer shall be financed by the Issuer out of financial resources which shall not benefit from the *Privilège* mentioned in article L.515-19 of the French Monetary and Financial Code (*Code monétaire et financier*).

For the purpose of the Administrative Agreement, "**Substitution Assets**" means any assets which are eligible for an investment by a *société de financement à l'habitat* under articles L.515-16 and L.515-17 of the French Monetary and Financial Code (*Code monétaire et financier*).

Administrator's duties regarding the refinancing of the Transferred Assets

After title to Home Loans and related Home Loan Security 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 and related Home Loan Security 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 priority payment order then applicable in accordance with section "*Cash Flow*" of this Base Prospectus 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 and related Home Loan Security 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 priority payment order then applicable in accordance with section "*Cash Flow*" of this Base Prospectus 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 and related Home Loan Security (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 the purpose of the Administrative Agreement, "**Permitted Investments**" means any of the following investment products, subject to the terms and conditions of the Administrative Agreement and provided that such investment product complies with article L.515-17 of the French Monetary and Financial Code (*Code monétaire et financier*):

- (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) and A (long-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) and AA- (long-term) by Fitch and P-1 (short-term) 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 article 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 judgment is issued for the judicial liquidation (*liquidation judiciaire*), the safeguard (or financial accelerated safeguard) of the relevant entity (*procédure de sauvegarde (ou sauvegarde financière accélérée)*), 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, or after the date hereof, any other rating levels (i) as may be required by applicable laws and regulations or as per the most recently public available rating criteria methodology reports published by the Rating Agencies and (ii) commensurate with the then current ratings of the Covered Bonds.

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 section "*Issuer's Activities – Limited Recourse*" and section "*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 (as amended from time to time) and entered into between Crédit Mutuel-CIC Home Loan SFH, as Issuer and BFCM, as Issuer Accounts Bank (the "**Issuer Accounts Bank**") (the "**Issuer Accounts Agreement**").

Purpose

Under the Issuer Accounts Agreement, Crédit Mutuel-CIC Home Loan SFH, 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 Crédit Mutuel-CIC Home Loan SFH.

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'instruments 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 Accounts shall be exclusively allocated to the operation of the Issuer.

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 section "*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 sections "*The Borrower Security Documents – The Cash Collateral Agreement*", in "*Asset Monitoring – The Pre-Maturity Test*" and in "*Asset Monitoring – The Regulatory Liquidity 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 priority payment order then applicable in accordance with section "*Cash Flow*" of this Base Prospectus.

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 priority payment order then applicable in accordance with section "*Cash Flow*" of this Base Prospectus.

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 (an "**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 article 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 judgment is issued for the judicial liquidation (*liquidation judiciaire*), the safeguard (or financial accelerated safeguard) of the relevant entity (*procédure de sauvegarde* (ou *sauvegarde financière accélérée*)), 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) calendar days of such occurrence either:

- the then existing Issuer 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 unsecured, unsubordinated and unguaranteed debt obligations are rated at least A-1 (short-term) and A (long-term) by S&P, P- 1 by Moody's and F1 (short-term) and A (long-term) by Fitch (or, after the date hereof, any other rating levels (i) as may be required by applicable law and regulations or as per the most recently public available rating criteria methodology reports published by the Rating Agencies and (ii) commensurate with the then current ratings of the Covered Bonds); 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 unsecured, unsubordinated and unguaranteed debt obligations are rated at least A-1 (short-term) and A (long-term) by S&P, P- 1 by Moody's and F1

(short-term) and A (long-term) by Fitch (or, after the date hereof, any other rating levels (i) as may be required by applicable law and regulations or as per the most recently public available rating criteria methodology reports published by the Rating Agencies and (ii) commensurate with the then current ratings of the Covered Bonds).

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 senior unsecured, unsubordinated and unguaranteed debt obligations of the then appointed Issuer Accounts Bank become rated below A-1 (short-term) and A (long-term) by S&P, or P-1 by Moody's or F1 (short-term) or A (long-term) by Fitch (or, after the date hereof, any other rating levels (i) as may be required by applicable law and regulations or as per the most recently public available rating criteria methodology reports published by the Rating Agencies and (ii) commensurate with the then current ratings of the Covered Bonds).

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 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 section "*Issuer's Activities – Limited Recourse*" and section "*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 BORROWER AND THE BORROWER FACILITY AGREEMENT

The Borrower

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

General information relating to BFCM

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 A+ (Fitch).

BFCM forms part of the group (the "**CM11 Group**") currently controlled by the eleven (11) federations of the *Crédit Mutuel* (Fédération du Crédit Mutuel Centre Est Europe, Fédération du Crédit Mutuel du Sud Est, Fédération du Crédit Mutuel Ile de France, Fédération du Crédit Mutuel Savoie Mont-Blanc, Fédération du Crédit Mutuel Midi Atlantique, Fédération du Crédit Mutuel Loire-Atlantique et Centre Ouest, Fédération du Crédit Mutuel Centre, Fédération du Crédit Mutuel Normandie, Fédération du Crédit Mutuel Dauphiné-Vivarais, Fédération du Crédit Mutuel Méditerranée and Fédération du Crédit Mutuel Anjou). The CM11 Group 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 CM11 Group and undertakes capital and money market activities on behalf of the CM11 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 €1,326,630,650.00 divided into 26,532,613 fully paid up shares of €50.00 each, all of the same category (ordinary shares).

Currently 92,94 per cent. of BFCM's share capital is held by the Caisse Fédérale de Crédit Mutuel. The Caisse Fédérale de Crédit Mutuel's share capital is currently held by ACM Vie Mutuelle and the Caisses of Crédit Mutuel of the Crédit Mutuel Centre Est Europe, Sud-Est, Île-de-France, Savoie-Mont Blanc, Midi-Atlantique, Centre, Dauphiné Vivarais, Loire Atlantique et Centre Ouest, Méditerranéen and Normandie. In accordance with a provision in BFCM's by-laws, 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 eighteen (18) 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. The chairman of the board of directors is also appointed as managing director (*directeur général*).

Control

As a regulated bank, BFCM is subject to various controls by the French financial regulators (*Autorité de contrôle prudentiel, 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 et Autres located at 1 place des Saisons, 92037, Paris La Défense Cedex, and KPMG, located at 1 cours Valmy, 92923 Paris - La - Défense, 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 2015 to approve the financial statements for the year ending 31 December 2014, as of 12 May 2010.

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 International Programme and the U.S. Programme will be used by Crédit Mutuel-CIC Home Loan SFH, 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 CM11 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 International Programme and the U.S. Programme, all the costs and expenses related to the issuance of Covered Bonds and taxes of the Issuer during the International Programme and the U.S. 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 the 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 Regulatory Liquidity Test occurs;
- (d) a Breach of Asset Cover Test occurs;
- (e) a Breach of Collection Loss Reserve Funding Requirement occurs;
- (f) 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;
- (g) 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;
- (h) 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;
- (i) 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;
- (j) as regards the Borrower, an Insolvency Event occurs;
- (k) 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;

- (l) 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
- (m) 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 Collateral Security Agreement and the Cash Collateral Agreement (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 *règlement amiable* pursuant to article 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 judgment is issued for the judicial liquidation (*liquidation judiciaire*), the safeguard (or financial accelerated safeguard) of the relevant entity (*procédure de sauvegarde (ou sauvegarde financière accélérée)*), 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.

Borrower's indemnities

Under the Borrower Facility Agreement, the Borrower undertakes to indemnify the Lender against:

- (a) any cost, claim, loss, expense (including legal fees) or liability (other than reasonable consequential losses including loss of profit), which it may (acting reasonably) sustain or incur as a consequence of the occurrence of any Borrower Event of Default or any default by the Borrower in the performance of any of the obligations expressed to be assumed by it in the Borrower Facility Agreement; and
- (b) (other than by reason of negligence or default by the Lender) any loss it may suffer or incur as a result of its funding or making arrangements to fund a Borrower Advance requested by the Borrower hereunder but not made by reason of the operation of any one or more of the provisions of the Borrower Facility Agreement.

In addition, under the Borrower Facility Agreement, the Borrower as guarantor irrevocably and unconditionally guarantees and undertakes to hold the Issuer harmless against any liabilities that the Issuer may incur in connection with its funding or making arrangements to fund, through the issuance of Covered Bonds or

otherwise, any Borrower Advance made available to the Borrower under the Borrower Facility Agreement (including but not limited to any indemnity payable by the Lender (in its capacity as Issuer) to any party under any Programme Documents and any termination costs due and payable by the Lender under any Hedging Agreement which would not be subordinated to the full and final redemption of the then outstanding Covered Bonds).

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 (3rd) 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 section "*Issuer's Activities – Limited Recourse*" and section "*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 the payments, as they become due and payable, of all and any amounts owed by the Borrower under the Borrower Facility Agreement, 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 one per cent. (1%) 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 either:
 - BFCM, CIC, CIC Nord Ouest (formerly Banque Scalbert Dupont – Crédit Industriel de Normandie), CIC Banque Crédit Industriel de l'Ouest, CIC Sud Ouest (formerly 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
 - a *Caisse de Crédit Mutuel* (within the meaning of article 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 article R.512-26 *et seq.* of the French Monetary and Financial Code (*Code monétaire et financier*) which forms part of the CM11 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:
 - conflict with its constitutive documents; or

- contravene or constitute a default under or otherwise conflict with any provision contained in any material law, judgment, order, licence, permit or consent by which such entity or any of the assets of such entity is bound or affected; or
 - 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 *réglement amiable* pursuant to article 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 judgment is issued for the judicial liquidation (*liquidation judiciaire*), the safeguard (or financial accelerated safeguard) of the relevant entity (*procédure de sauvegarde (ou sauvegarde financière accélérée)*), 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 any Home Loan Receivable that complies with the Home Loan Eligibility Criteria (each as further described below).

The "**Home Loan Eligibility Criteria**" include the following cumulative eligibility criteria, subject to the provisions of article L.515-35-II of the French Monetary and Financial Code (*Code monétaire et financier*):

- (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 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 arrear) 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 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 section "*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.

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 article L.211-36 *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;

or the Issuer may acquire Substitution Assets in accordance with but subject to the Administrative 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 Cr dit Mutuel* which form part of the CM11 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 (short-term) or A (long-term) (Fitch) or P-1 (Moody's) (or, after the date hereof, any other credit rating trigger which may be determined in accordance with the relevant methodologies of the Rating Agencies) or upon downgrading of the

credit rating of CIC below A-2 (short-term) (S&P) or F1 (short-term) or A (long-term) (Fitch) or P-1 (Moody's) (or, after the date hereof, any other credit rating trigger which may be determined in accordance with the relevant methodologies of the Rating Agencies) (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 the books of the Issuer Accounts Bank (the "**Collection Loss Reserve Account**"), the greater of the two following amounts: (i) an amount equal to collections received by the Collateral Providers under the Home Loans granted as Collateral Security during the three (3) calendar months preceding the occurrence date of the Collection Loss Trigger Event and (ii) an amount equal to interests due on the then outstanding Covered Bonds during the three (3) following calendar months, 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, after the date hereof, any other credit rating trigger which may be determined in accordance with the relevant methodologies of the Rating Agencies) (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, after the date hereof, any other credit rating trigger which may be determined in accordance with the relevant methodologies of the Rating Agencies) (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 section "*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 section "*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 under the relevant methodologies of the 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, after the date hereof, any other credit rating trigger which may be determined in accordance with the relevant methodologies of the Rating Agencies).

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, *it being provided* that such notice shall instruct the relevant debtors and all other relevant entities to pay sums due under Collateral Security Assets directly into a bank account opened in the name of the Issuer within the books of the Issuer Accounts Bank.

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 book VI 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:

- 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;
- deliver such Asset Records and related documents to the Enforcing Party to such place as the same may reasonably designate;
- allow to the Enforcing Party reasonable access to its facilities, premises, computer and/or software systems;
- 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 section "*Issuer's Activities – Limited Recourse*" and section "*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 the payments, as they become due and payable, of all and any amounts owed by the Borrower under the Borrower Facility Agreement, 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.

Regulatory Liquidity 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 liquidity ratings levels following the occurrence date of such non compliance (as further described in "**Asset Monitoring – The Regulatory Liquidity 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 liquidity ratings levels and on any relevant test date following such non compliance shall constitute a Breach of Regulatory Liquidity 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 section "*Issuer's Activities – Limited Recourse*" and section "*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

In accordance with articles L.515-30 and L.515-38 of the French Monetary and Financial Code (*Code monétaire et financier*), the specific controller (*Contrôleur spécifique*) ensures that the Issuer complies with the French Monetary and Financial Code (*Code monétaire et financier*) (in particular, verifying the quality and the eligibility of the assets and the cover ratios), monitors the balance between the Issuer's assets and liabilities in terms of rates and maturity (cash flow adequacy) and ensures that the Eligible Assets granted as collateral (*garantie financière*) in order to secure Borrower Advances, comply with the provisions of articles L.515-34 and L.515-35 of the French Monetary and Financial Code (*Code monétaire et financier*) (for further description, see section "*The Issuer - Specific Controller (Contrôleur spécifique)*" and section "*Main features of the legislation and regulations relating to sociétés de financement de l'habitat*").

Without prejudice to the articles L.515-30 and L.515-38 of the French Monetary and Financial Code (*Code monétaire et financier*), 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**") and with a regulatory liquidity test (the "**Regulatory Liquidity Test**").

Under Condition 6(e) 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 (20th) 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 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 section "*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 section "*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 determined in accordance with the relevant methodologies of 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 determined in accordance with the relevant methodologies of 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 determined in accordance with relevant methodologies of Fitch and S&P) for all Relevant Home Loans or for a random sample of the same or as otherwise determined in accordance with relevant methodologies of Fitch and S&P. The WARR and WALS (or

other relevant figures) so calculated will be incorporated by the Issuer Calculation Agent into one or more cash flow models determined in accordance with relevant methodologies of Fitch and S&P. 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 determined in accordance with relevant methodologies of Fitch and S&P, 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 Eligible Substitution Assets (the "**Aggregate Substitution Asset Amount (ASAA)**") held by the Issuer 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 determined in accordance with the relevant methodologies of the Rating Agencies.

For the purposes of the above calculation, an "**Eligible Substitution Asset**" is:

- (a) any Substitution Asset (other than a Permitted Investment) which is a Euro or another Specified Currency demand or time deposit, certificate of deposit, long-term debt obligation or short-term debt obligation (including commercial paper) provided that in all cases such investment has 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 deposit is made (being duly licensed for such purposes) are rated at least P-1 (short-term) and Aa3 (long-term) by Moody's, A1+ (short-term) and AA- (long-term) by S&P and AA- (long-term) and F1+ (short-term) by Fitch; or
- (b) any Substitution Asset (other than a Permitted Investment) which is a Euro or another Specified Currency denominated government and public securities, provided that such investment has a remaining maturity of one (1) year or less and is rated at least Aaa by Moody's, AAA by S&P and AAA by Fitch; or
- (c) any Substitution Asset which complies with the then applicable criteria determined in accordance with the methodologies published by 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 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 determined in accordance with the relevant methodologies of 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 α plus two (2) months preceding the relevant Asset Cover Test Date where α 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: $WAM * \text{Covered Bond Outstanding Principal Amount} * \text{one per cent. (1\%)}$, 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).

For the purposes of the calculation of any Asset Cover Ratio, euro equivalent with respect to Covered Bonds denominated in a Specified Currency shall be determined (i) before the entry into force of any Hedging Transaction(s) (as defined in section "*The Hedging Strategy*") relating to such Covered Bonds, on the basis of the spot exchange rate applicable as of the relevant Asset Cover Test Date (or such other rate communicated by the Issuer Calculation Agent to the Rating Agencies from time to time) or (ii) upon the entry into force of any Hedging Transaction(s) (as defined in section "*The Hedging Strategy*") relating to such Covered Bonds, on the basis of the exchange rate provided for under such Hedging Transaction(s).

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 Covered Bonds 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 Covered Bonds.

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 (180th) 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 and with respect to a Pre-Maturity Test, 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) calendar 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 Regulatory Liquidity Test

Compliance with the Regulatory Liquidity Test requires compliance with the ratings specified below with respect to the Borrower.

Liquidity Ratings Required Levels

The required ratings with respect to the Borrower (together, the "**Liquidity 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).

Regulatory Liquidity Test

The Issuer Calculation Agent shall test compliance or non compliance by the Borrower with the Liquidity Ratings Required Level subject to, and in accordance with, the relevant terms of the Calculation Services Agreement.

Non Compliance with Regulatory Liquidity Test

Upon downgrading of the Borrower below at least two (2) of the Liquidity Ratings Required Levels at any time, 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 at least two (2) of the Liquidity Ratings Required Levels will not constitute an Issuer Event of Default or a Borrower Event of Default.

Remedies

If a Non Compliance Notice is received by the Cash Collateral Provider at any time with respect to a Regulatory Liquidity Test, and as long as at least two (2) of the Liquidity Ratings Required Levels are not complied with, the Cash Collateral Provider shall fund the Cash Collateral Account up to an amount (the "**Liquidity Cash Collateral Required Funding Amount (LCCRFA)**") 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 so as to ensure that the total amount of cash funded by the Cash Collateral Provider into the Cash Collateral Account (the "**Liquidity Cash Collateral Required Total Amount (LCCRTA)**") is equal, on each day as long as at least two (2) of the Liquidity Ratings Required Levels are not complied with, to the amount of the Issuer's treasury needs within the next following one hundred and eightieth (180th) (excluded) days after such day (as calculated in accordance with article L.515-17-2 and R.515-7-1 of the French Monetary and Financial Code (*Code monétaire et financier*)).

The Cash Collateral Provider shall fund the LCCRFA in full within thirty (30) Business Days from the receipt of the Non Compliance Notice.

Breach of Regulatory Liquidity Test

The failure by the Cash Collateral Provider to fund into the Cash Collateral Account the relevant Liquidity Cash Collateral Required Funding Amount (LCCFRA) subject to, and in accordance with, the above described conditions shall constitute a Breach of Regulatory Liquidity Test within the meaning of the Cash Collateral Agreement.

A Breach of Regulatory Liquidity 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 Regulatory Liquidity Test will not constitute an Issuer Event of Default.

Alternative funding upon Pre-Maturity Test and Regulatory Liquidity Test

Any amount already funded by the Cash Collateral Provider following any non compliance with at least two (2) of the Liquidity Ratings Required Levels shall also be deemed to be funded for the purposes of funding following any non compliance with any Pre-Maturity Ratings Required Level, and any amount already funded by the Cash Collateral Provider following any non compliance with any Pre-Maturity Ratings Required Level shall also be deemed to be funded for the purposes of funding following any non compliance with at least two (2) of the Liquidity Ratings Required Levels. As a consequence, any amount to be funded by the Cash Collateral Provider following any non compliance with at least two (2) of the Liquidity Ratings Required Levels and/or following any non compliance with any Pre-Maturity Ratings Required Level, shall be calculated taking into account any amount already funded by the Cash Collateral Provider following any non compliance with any Pre-Maturity Ratings Required Level and/or following any non compliance with at least two (2) of the Liquidity Ratings Required Levels, and not yet released following variation of the amount of CCRFA or LCCRFA and/or the regain by BFCM of the Pre-Maturity Ratings Required Levels or at least two (2) of the Liquidity Ratings Required Levels.

The Amortisation Test

The following terms shall have the following definitions:

"**Amortisation Test Date**" means the twentieth (20th) 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 6(e) and the Calculation Services Agreement.

The Amortisation Ratio

"**RA**" means the following ratio which shall be at least equal to one 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 arrear, M = 1 and for all the Relevant Home Loans that are three (3) months or more in arrear, 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).

For the purposes of the calculation of any Amortisation Ratio, euro equivalent with respect to Covered Bonds denominated in a Specified Currency shall be determined (i) before the entry into force of any Hedging Transaction(s) (as defined in section "*The Hedging Strategy*") relating to such Covered Bonds, on the basis of the spot exchange rate applicable as of the relevant Amortisation Test Date (or such other rate communicated by the Issuer Calculation Agent to the Rating Agencies from time to time) or (ii) upon the entry into force of any Hedging Transaction(s) (as defined in section "*The Hedging Strategy*") relating to such Covered Bonds, on the basis of the exchange rate provided for under such Hedging Transaction(s).

Non Compliance with Amortisation Test

A "**Non Compliance with Amortisation Test**" will result from the Amortisation Ratio (RA) being less than one.

A Non Compliance with Amortisation Test will not constitute an Issuer Event of Default. However, it will prevent the Issuer from issuing any further Covered Bonds.

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, the holders of the Australian Law Covered Bonds, the Australian Registrar, the holders of German Law Covered Bonds, the German Fiscal Agent and the German Registrar (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) Crédit Mutuel-CIC Home Loan SFH, 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, Crédit Mutuel-CIC Home Loan SFH, 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 Crédit Mutuel-CIC Home Loan SFH.

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 section "*Asset Monitoring*");
- (c) all and any calculation in relation to the Cash Collateral Agreement, including, but not limited to, the Pre-Maturity Test and the Regulatory Liquidity Test (see section "*Asset Monitoring*");
- (d) all and any calculation in relation to the Amortisation Test (see section "*Asset Monitoring*");
- (e) all and any calculation necessary to comply with laws and regulations applicable to *sociétés de financement de l'habitat* (see section "*Main features of the legislation and regulations relating to sociétés de financement de l'habitat*").

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;
- (c) 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;
- (d) an Insolvency Event occurs in respect of the Issuer Calculation Agent; or
- (e) 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 *réglement amiable* pursuant to article 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 judgment is issued for the judicial liquidation (*liquidation judiciaire*), the safeguard (or financial accelerated safeguard) of the relevant entity (*procédure de sauvegarde (ou sauvegarde financière accélérée)*), 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 (or, after the date hereof, any other rating levels (i) as may be required by applicable law and regulations or as per the most recently public available rating criteria methodology reports published by the Rating Agencies and (ii) commensurate with the then current ratings of the Covered Bonds).

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 section "*Issuer's Activities – Limited Recourse*" and section "*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 and (ii) BFCM as the Issuer Calculation Agent or, as the applicable, the Administrator. The "**Engagement Letter**" refers to the letter dated on or prior to the Programme Date, issued by Ernst & Young et Autres and PricewaterhouseCoopers Audit as Asset Monitors (the "**Asset Monitors**") and duly accepted by the Issuer, pursuant to which Ernst & Young et Autres and PricewaterhouseCoopers Audit are appointed as Asset Monitors.

Under the Asset Monitor Agreement and the Engagement Letter, Ernst & Young et Autres 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 20th 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 section "*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 (or, after the date hereof, any other rating levels (i) as may be required by applicable law and regulations or as per the most recently public available rating criteria methodology reports published by the Rating Agencies and (ii) commensurate with the then current ratings of the Covered Bonds).

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 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 which agrees to perform the duties (or substantially similar duties) of the Asset Monitors set out in the Asset Monitor 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 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 section "Issuer's Activities – Limited Recourse" and section "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 order then applicable in accordance with section "*Cash Flow*" (see section "*Cash Flow – Priority Payment Orders*"), in instruments which qualify as Permitted Investments (as defined in section "*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 section "*The Issuer – The Issuer Accounts 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 or not):
 - (i) payment proceeds from the Borrower under the Borrower Facility;
 - (ii) cash from Permitted Investments and/or Substitution Assets (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 and, in each case, after any applicable set-off).
- (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 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 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, in each case, after any applicable set-off); 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 of a Borrower Enforcement Notice and in the absence of service 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 Australian Registrar, the German Registrar, the Dealers, the dealers appointed by the Issuer under the U.S. Programme, the Issuer's Auditors, the Representatives 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**"), *it being provided that*, in accordance with article L.515-19 of the French Monetary and Financial Code (*Code monétaire et financier*), notwithstanding any legal provisions to the contrary (and in particular the provisions of book VI (*Livre VI*) of the French Commercial Code (*Code de commerce*)) relating to the difficulties of companies (*difficultés des entreprises*) and any provisions of this paragraph "*Pre-Enforcement Priority Payment Order*", Hedging Termination Costs shall benefit from a priority to the payment *pari passu* and *pro rata* with any other sums benefiting from the *Privilège* referred to in article L.515-19 of the French Monetary and Financial Code (*Code monétaire et financier*); 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;

it being provided that, in accordance with article L.515-19 of the French Monetary and Financial Code (*Code monétaire et financier*), notwithstanding any legal provisions to the contrary (and in particular the provisions of book VI (*Livre VI*) of the French Commercial Code (*Code de commerce*)) relating to the difficulties of companies (*difficultés des entreprises*) and any provisions of this paragraph "*Pre-Enforcement Priority Payment Order*", any Available Sums (together with any cash amount standing to the credit of the Cash Collateral Account) shall be allocated by way of priority to the payment of any sums due in relation to the Covered Bonds (including sums referred to in points (iii) and (iv) above) (and any other resources benefiting from the *Privilège*), under derivatives transactions used for hedging as provided for in article L.515-18 of the French Monetary and

Financial Code (*Code monétaire et financier*) (including sums referred to in points (ii) and (v) above) and of ancillary expenses relating to transactions referred to in article L.515-19 of the French Monetary and Financial Code (*Code monétaire et financier*) (including certain sums referred to in point (i) above).

Controlled Post-Enforcement Priority Payment Order

In the event of service of a Borrower Enforcement Notice and thereafter unless and until no Issuer Enforcement Notice has been served, 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), *it being provided that*, in accordance with article L.515-19 of the French Monetary and Financial Code (*Code monétaire et financier*), notwithstanding any legal provisions to the contrary (and in particular the provisions of book VI (*Livre VI*) of the French Commercial Code (*Code de commerce*)) relating to the difficulties of companies (*difficultés des entreprises*) and any provisions of this paragraph "*Controlled Post-Enforcement Priority Payment Order*", Hedging Termination Costs shall benefit from a priority to the payment *pari passu* and *pro rata* with any other sums benefiting from the *Privilège* referred to in article L.515-19 of the French Monetary and Financial Code (*Code monétaire et financier*); 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),

it being provided that, in accordance with article L.515-19 of the French Monetary and Financial Code (*Code monétaire et financier*), notwithstanding any legal provisions to the contrary (and in particular the provisions of book VI (*Livre VI*) of the French Commercial Code (*Code de commerce*)) relating to the difficulties of companies (*difficultés des entreprises*) and any provisions of this paragraph "*Controlled Post-Enforcement Priority Payment Order*", any Available Sums shall be allocated by way of priority to the payment of any sums due in relation to the Covered Bonds (including sums referred to in points (iii) and (iv) above) (and any other resources benefiting from the *Privilège*), under derivatives transactions used for hedging as provided for in article L.515-18 of the French Monetary and Financial Code (*Code monétaire et financier*) (including sums referred to in points (ii) and (v) above) and of ancillary expenses relating to transactions referred to in article L.515-19 of the French Monetary and Financial Code (*Code monétaire et financier*) (including certain sums referred to in point (i) above).

Accelerated Post-Enforcement Priority Payment Order

In the event of service by the relevant Administrator 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, *it being provided that*, in accordance with article L.515-19 of the French Monetary and Financial Code (*Code monétaire et financier*), notwithstanding any legal provisions to the contrary (and in particular the provisions of book VI (*Livre VI*) of the French Commercial Code (*Code de commerce*)) relating to the difficulties of companies (*difficultés des entreprises*) and any provisions of this paragraph "*Post-Enforcement Priority Payment Order*", Hedging Termination Costs shall benefit from a priority to the payment *pari passu* and *pro rata* with any other sums benefiting from the *Privilège* referred to in article L.515-19 of the French Monetary and Financial Code (*Code monétaire et financier*); 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),

it being provided that, in accordance with article L.515-19 of the French Monetary and Financial Code (*Code monétaire et financier*), notwithstanding any legal provisions to the contrary (and in particular the provisions of book VI (*Livre VI*) of the French Commercial Code (*Code de commerce*)) relating to the difficulties of companies (*difficultés des entreprises*) and any provisions of this paragraph "*Accelerated Post-Enforcement Priority Payment Order*", any Available Sums shall be allocated by way of priority to the payment of any sums due in relation to the Covered Bonds (including sums referred to in points (iii) and (iv) above) (and any other resources benefiting from the *Privilège*), under derivatives transactions used for hedging as provided for in article L.515-18 of the French Monetary and Financial Code (*Code monétaire et financier*) (including sums referred to in points (ii) and (v) above) and of ancillary expenses relating to transactions referred to in article L.515-19 of the French Monetary and Financial Code (*Code monétaire et financier*) (including certain sums referred to in point (i) above).

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 mentioned under Condition 6(f) of the Terms and Conditions), as applicable. Pursuant to articles L.515-18 and L.515-19 of the French Monetary and Financial Code (*Code monétaire et financier*), any amounts payable by the Issuer under the derivative transactions described in the present section will benefit, after any applicable netting, from the *Privilège*.

Following the occurrence of a Hedging Rating Trigger Event, the Issuer has entered into the required Hedging Agreements on 13 January 2012 in accordance with the provisions of the present section "*The Hedging Strategy*".

Hedging strategy before the occurrence of a Hedging Rating Trigger Event and/or any Borrower Event of Default

The International Covered Bonds issued under the International Programme may be Fixed Rate Covered Bonds, Floating Rate Covered Bonds or Zero Coupon Covered Bonds. Each Series of French Law Covered Bonds will be denominated in any Specified Currency (see section "*Terms and Conditions of the French Law Covered Bonds*"). Other Covered Bonds issued under the International Programme or U.S. Programme may have similar features.

The proceeds from the issuance of the Covered Bonds under the International Programme or the U.S. 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 section "*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 section "*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 article L.512-55 et seq. of the French Monetary and Financial Code (*Code monétaire et financier*)) affiliated to CFdeCM are hedged by CFdeCM through the refinancing provided by CFdeCM to the said *Caisses de Crédit Mutuel*, and then, by BFCM through the refinancing provided by BFCM to CFdeCM.

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 Home 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 Covered Bonds, 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 floating 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 Covered Bonds 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 section "*Terms and Conditions of the French Law 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 then applicable relevant Priority Payment Order, as described in Condition 16 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 16 of the Terms and Conditions (see also section "*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 under the relevant methodologies of the Rating Agencies (as specified in the relevant Hedging Agreement); (iii) procuring another entity with the ratings required under the relevant methodologies of the Rating Agencies (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 require under the relevant methodologies of the Rating Agencies, as applicable.

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 or Zero Coupon Covered Bonds). Each Series of Covered Bonds may be denominated in any Specified Currency. 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 compliant with the relevant methodologies of 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 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 compliant with the relevant methodologies of 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 senior unsecured, unsubordinated and unguaranteed debt obligations of BFCM become rated below A (long-term) by S&P, or A1 (long-term) by Moody's or F1+ (short-term) or AA- (long-term) by Fitch (or, after the date hereof, any other rating levels (i) as may be required by applicable law and regulations or as per the most recently public available rating criteria methodology reports published by the Rating Agencies and (ii) commensurate with the then current ratings of the Covered Bonds).

"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 under the relevant methodologies of the 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 or interest risks, that:

1. its unsecured, unguaranteed and unsubordinated debt obligations are rated at least as high as P-1 (short-term) by Moody's;
2. its unsecured, unguaranteed and unsubordinated debt obligations are rated at least as high as F1 (short-term)/A (long-term) by Fitch; and
3. its long-term, unsecured, unguaranteed and unsubordinated debt obligations are rated no lower than the applicable S&P Subsequent Required Rating (as long as S&P Replacement Option 1 or S&P Replacement Option 2 applies) or the applicable S&P Initial Required Rating (as long as S&P Replacement Option 3 or S&P Replacement Option 4 applies);

it being provided that if an Eligible Hedging Provider does not have the S&P Initial Required Rating at the time it enters into the relevant hedging agreement, such Eligible Hedging Provider will immediately provide collateral under the provisions of the relevant credit support annex (if such Eligible Hedging Provider elects for the S&P Replacement Option 1 or the S&P Replacement Option 2 at the time such transfer or novation occurs);

Where:

- **"S&P Initial Required Rating"** means:
 - o "A" (long-term) by S&P if S&P Replacement Option 1, S&P Replacement Option 2 or S&P Replacement Option 3 applies;
 - o "A+" (long-term) by S&P if S&P Replacement Option 4 applies;
- **"S&P Subsequent Required Rating"** means:
 - o "BBB+" (long-term) by S&P if S&P Replacement Option 1 applies;
 - o "A-" (long-term) by S&P if S&P Replacement Option 2 applies;
- **"S&P Replacement Option 1"** means the counterparty replacement option 1, as described in the S&P rating criteria document entitled "Counterparty Risk Framework Methodology And Assumptions" dated 29 November 2012;

- **"S&P Replacement Option 2"** means the counterparty replacement option 2, as described in the S&P rating criteria document entitled "Counterparty Risk Framework Methodology And Assumptions" dated 29 November 2012;
- **"S&P Replacement Option 3"** means the counterparty replacement option 3, as described in the S&P rating criteria document entitled "Counterparty Risk Framework Methodology And Assumptions" dated 29 November 2012;
- **"S&P Replacement Option 4"** means the counterparty replacement option 4, as described in the S&P rating criteria document entitled "Counterparty Risk Framework Methodology And Assumptions" dated 29 November 2012,

(or, after the date hereof, any other rating levels (i) as may be required by applicable law and regulations or as per the most recently public available rating criteria methodology reports published by the Rating Agencies and (ii) commensurate with the then current ratings of the Covered Bonds),

it being provided that, as the date hereof, S&P Replacement Option 2 applies.

"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

(This form of Final Terms will only apply to the French Law Covered Bonds. The form of final terms applicable to the Australian Law Covered Bonds is included in the Deed Poll. The form of final terms applicable to the German Law Covered Bonds is included in the Agency Agreement.)

Final Terms dated [●]



Crédit Mutuel-CIC Home Loan SFH

**Issue of [Aggregate Nominal Amount of Tranche] [Title of French Law Covered Bonds]
(the "Covered Bonds")**

**under the €30,000,000,000 International Covered Bond Programme
for the issue of *obligations de financement de l'habitat* and other covered bonds**

**Series No.: [●]
Tranche No.: [●]**

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 terms and conditions (the "**Terms and Conditions**") set forth in the base prospectus dated 30 July 2013 which received visa no. 13-435 from the *Autorité des marchés financiers* (the "**AMF**") on 30 July 2013[, as supplemented by the supplement dated [●] which received visa no. [●] from the AMF on [●]] ([together,] the "**Base Prospectus**") which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (as defined below).

This document constitutes the final terms (the "**Final Terms**") relating to the French Law 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. Full information on the Issuer and the French Law Covered Bonds is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus and these Final Terms are available for viewing on the websites of the AMF (www.amf-france.org) and of the Issuer (www.creditmutuelcic-sfh.com) 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 addition¹, the Base Prospectus and these Final Terms are available for viewing [on/at] [●].]

"**Prospectus Directive**" means Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 (as amended, including by Directive 2010/73/EU of the European Parliament and of the Council of 24 November 2010, to the extent implemented in the relevant Member State of the European Economic Area (each a "**Relevant Member State**")), and includes any relevant implementing measure with respect thereto in each Relevant Member State.

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 terms and conditions (the "[●] **Terms and Conditions**") set forth in the base prospectus dated [original date] [which received visa no. [●] from the *Autorité des marchés financiers* (the "**AMF**") on [●]/which was approved by the *Commission de Surveillance du Secteur Financier* in Luxembourg (the "**CSSF**") on [●]][, as supplemented by the supplement(s) dated [●] [which received visa no. [●] from the AMF on [●]/which was approved by the CSSF on [●]] ([together,]the "**Original Base Prospectus**"). The [●] Terms and Conditions are incorporated by reference in the base prospectus dated 30 July 2013 which received visa no. 13-435 from the AMF on 30 July 2013[, as supplemented by the supplement(s) dated [●] which received visa no. [●] from the AMF on [●]] ([together,] the "**Current Base Prospectus**") which together constitute[s] a base prospectus for the purposes of the Prospectus Directive (as defined below).

This document constitutes the final terms (the "**Final Terms**") relating to the French Law Covered Bonds described herein for the purposes of article 5.4 of the Prospectus Directive and must be read in conjunction with the Current Base Prospectus, save in respect of section "*Terms and Conditions of the French Law Covered Bonds*" which is replaced by the [●] Terms and Conditions. Full information on the Issuer and the French Law Covered Bonds is only available on the basis of the combination of these Final Terms and the Current Base Prospectus, save in respect of section "*Terms and Conditions of the French Law Covered Bonds*" which is replaced by the [●] Terms and Conditions. The Current Base Prospectus and these Final Terms are available for viewing on the website of the AMF (www.amf-france.org) and together with the Original Base Prospectus, on the website of the Issuer (www.creditmutuelcic-sfh.com) 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 addition², the Current Base Prospectus and these Final Terms are available for viewing [on/at] [●].]

"**Prospectus Directive**" means Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 (as amended, including by Directive 2010/73/EU of the European Parliament and of the Council of 24 November 2010, to the extent implemented in the relevant Member State of the European Economic Area (each a "**Relevant Member State**")), and includes any relevant implementing measure with respect thereto in each Relevant Member State.

[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.]

¹ If the French Law Covered Bonds are listed on a Regulated Market other than Euronext Paris.

² If the French Law Covered Bonds are listed on a Regulated Market other than Euronext Paris.

1.
 - (i) **Series Number:** [●]
 - (ii) **Tranche Number:** [●]
 - (iii) **Date on which French Law Covered Bonds become fungible:** [Not Applicable/The French Law Covered Bonds will be consolidated (*assimilées*) and form a single series with the (*insert description of the relevant Series*) on [●] (the "**Exchange Date**") as from the date of assimilation which is expected to be on or about 40 calendar days after the Issue Date.]
2. **Specified Currency:** [●]
3. **Aggregate Nominal Amount of French Law Covered Bonds:**
 - (i) **Series:** [●]
 - (ii) **Tranche:** [●]
4. **Issue Price:** [●] per cent. of the Aggregate Nominal Amount of the Tranche [plus an amount corresponding to accrued interest of [●] per cent. of such Aggregate Nominal Amount for the period from, and including, the Interest Commencement Date to, but excluding, the Issue Date (*if applicable*)]
5. **Specified Denomination(s):** [●] (*one (1) denomination only for Dematerialised Covered Bonds*) (*Not less than €100,000 or its equivalent in other currency at the Issue Date when the French Law 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*)³
6.
 - (i) **Issue Date:** [●]
 - (ii) **Interest Commencement Date:** [[●] (*Specify*) / Issue Date/Not Applicable]
7. **Final Maturity Date:** [●] (*Specify date or (for Floating Rate Covered Bonds) Interest Payment Date falling in or nearest to the relevant month and year*)
8. **Interest Basis:** [[●] per cent. Fixed Rate]
[[*EURIBOR, EONIA, LIBOR or other*] +/- [●] per cent. Floating Rate]
[Zero Coupon Covered Bonds]
(*further particulars specified below*)
9. **Redemption/Payment Basis:** [Subject to any purchase and cancellation or early redemption, the French Law Covered Bonds will be redeemed at the Final Maturity Date at [100] per cent. of

³ French Law Covered Bonds denominated in Sterling in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitute a contravention of section 19 of the FSMA and having a maturity of less than one year must have a minimum denomination of Sterling 100,000 (or its equivalent in other currencies).

- the Aggregate Nominal Amount]
[Instalment]
(further particulars specified below)
- 10. Change of Interest Basis:** [Applicable/Not Applicable]

(If applicable, specify the date on which occurs a change from a fixed rate to a floating rate or refer to paragraphs 13 and 14 and provide the information in these sections)

[(further particulars specified below)]
- 11. Put/Call Options:** [French Law Bondholder Put]
[Issuer Call]
(further particulars specified below)
[Not Applicable]
- 12. Date of corporate authorisations:** Decision of the Board of Directors (*Conseil d'administration*) of the Issuer dated [●] authorising the issue of covered bonds and authorising, *inter alios*, its [●] to sign and execute all documents in relation to the issue of French Law Covered Bonds, and decision of the Board of Directors (*Conseil d'administration*) of the Issuer dated [●] authorising the quarterly programme of borrowings which benefit from the statutory priority right of payment (*privilège*) referred to in Article L.515-19 of the French Monetary and Financial Code (*Code monétaire et financier*) (the "**Privilège**") up to and including Euro [●] billion for the [●] quarter of 20[●].

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 13. 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 up to and including the Final Maturity Date

(This may need to be amended in the case of long or short coupon)
- (iii) Fixed Coupon Amount(s): [●] per [[●] in] Specified Denomination
- (iv) Broken Amount(s): [[Not Applicable]/ [●]] (*insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount(s)*)
- (v) Day Count Fraction: [Actual/365
Actual/365-FBF
Actual/Actual-ISDA
Actual/Actual-ICMA
Actual/Actual-FBF
Actual/365 (Fixed)
Actual/360
30/360
360/360
Bond Basis
30/360-FBF
Actual 30A/360 (American Bond Basis)
30E/360]

		Eurobond Basis 30E/360-FBF RBA Bond Basis]
(vi)	Determination Dates:	[●] in each year <i>(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))</i>
14.	Floating Rate Covered Bond Provisions:	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i)	Interest Period(s):	[●]
(ii)	Specified Interest Payment Dates:	[●]
(iii)	First Interest Payment Date:	[●]
(iv)	Interest Period Dates:	[[●] / [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] <i>(Insert "unadjusted" if the application of the relevant business day convention is not intended to affect the Interest Amount)</i>
(vi)	Business Centre(s):	[●]
(vii)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/FBF Determination/ISDA Determination]
(viii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Calculation Agent):	[[●] (specify)/Not Applicable]
(ix)	Screen Rate Determination:	[Applicable/Not Applicable]
	<ul style="list-style-type: none"> Benchmark: 	[●] <i>(specify Benchmark [EURIBOR , EONIA, LIBOR or other] and months [e.g. EURIBOR 3 months]) (additional information if necessary)</i>
	<ul style="list-style-type: none"> Relevant Time: 	[●]
	<ul style="list-style-type: none"> Interest Determination Date(s): 	[●]
	<ul style="list-style-type: none"> Primary Source: 	<i>(Specify relevant screen page or "Reference Banks")</i>
	<ul style="list-style-type: none"> Reference Banks (if Primary Source is "Reference Banks"): 	<i>(Specify four)</i>
	<ul style="list-style-type: none"> Relevant Financial Centre: 	<i>[Paris/London/Euro-zone[●] (specify the financial centre most closely connected to the Benchmark)]</i>

	<ul style="list-style-type: none"> Representative Amount: 	<i>(Specify if screen or Reference Bank quotations are to be given in respect of a transaction of a specified notional amount)</i>
	<ul style="list-style-type: none"> Effective Date: 	<i>(Specify if quotations are not to be obtained with effect from commencement of Interest Accrual Period)</i>
	<ul style="list-style-type: none"> Specified Duration: 	<i>(Specify period for quotation if not duration of Interest Accrual Period)</i>
(x)	FBF Determination:	[Applicable/Not Applicable]
	<ul style="list-style-type: none"> Floating Rate (<i>Taux Variable</i>): 	[●] <i>(specify Benchmark [EURIBOR, EONIA, LIBOR or other] and months [e.g. EURIBOR 3 months]) (additional information if necessary)</i>
	<ul style="list-style-type: none"> Floating Rate Determination Date (<i>Date de Détermination du Taux Variable</i>): 	[●]
(xi)	ISDA Determination:	[Applicable/Not Applicable]
	<ul style="list-style-type: none"> Floating Rate Option: 	[●] <i>(specify Benchmark [EURIBOR, EONIA, LIBOR or other] and months [e.g. EURIBOR 3 months]) (additional information if necessary)</i>
	<ul style="list-style-type: none"> Designated Maturity: 	[●]
	<ul style="list-style-type: none"> Reset Date: 	[●]
(xii)	Margin(s):	[+/-] [●] per cent. <i>per annum</i>
(xiii)	Rate Multiplier:	[Not Applicable/[●]]
(xiv)	Minimum Rate of Interest:	[Not Applicable/[●] per cent. <i>per annum</i>]
(xv)	Maximum Rate of Interest:	[Not Applicable/[●] per cent. <i>per annum</i>]
(xvi)	Day Count Fraction:	[Actual/365 Actual/365-FBF Actual/Actual-ISDA Actual/Actual-ICMA Actual/Actual-FBF Actual/365 (Fixed) Actual/360 30/360 360/360 Bond Basis 30/360-FBF Actual 30A/360 (American Bond Basis) 30E/360 Eurobond Basis 30E/360-FBF RBA Bond Basis]
15.	Zero Coupon Covered Bond Provisions	[Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Amortisation Yield: [●] per cent. *per annum*
- (ii) Day Count Fraction:
- [Actual/365
Actual/365-FBF
Actual/Actual-ISDA
Actual/Actual-ICMA
Actual/Actual-FBF
Actual/365 (Fixed)
Actual/360
30/360
360/360
Bond Basis
30/360-FBF
Actual 30A/360 (American Bond Basis)
30E/360
Eurobond Basis
30E/360-FBF
RBA Bond Basis]

PROVISIONS RELATING TO REDEMPTION

- 16. 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 French Law Covered Bond: [●] per [[●] in] Specified Denomination
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [[●] per [[●] in] Specified Denomination/Not Applicable]
- (b) Maximum Redemption Amount: [[●] per [[●] in] Specified Denomination/Not Applicable]
- (iv) Option Exercise Date(s): [●]
- (v) Notice period (if other than as set out in the Terms and Conditions): [Not Applicable/Other (*specify*)]
- (If setting notice periods which are different to those provided for in the Terms and Conditions, consider the practicalities of distribution of information throughout intermediaries, for instance clearing systems, as well as any other notice requirements which may apply, for example as between the Issuer and the Fiscal Agent.)*
- 17. 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 French Law Covered Bond: [●] per [[●] in] Specified Denomination

(iii) Option Exercise Date(s): [●]

(iv) Notice period (if other than as set out in the Terms and Conditions): [Not Applicable/Other (*specify*)]

(If setting notice periods which are different to those provided for in the Terms and Conditions, consider the practicalities of distribution of information throughout intermediaries, for instance clearing systems, as well as any other notice requirements which may apply, for example as between the Issuer and the Fiscal Agent.)

18. Final Redemption Amount of each French Law Covered Bond: [[●] per [[●] in] Specified Denomination

19. Redemption by Instalment: [Applicable/Not Applicable]

(If not applicable, delete the following sub-paragraphs)

(i) Instalment Date(s): [●]

(ii) Instalment Amount(s) in respect of each French Law Covered Bond and, if necessary, method of calculating such amount(s): [●] per French Law Covered Bond of [●] in Specified Denomination

20. Early Redemption Amount:

Early Redemption Amount(s) of each French Law Covered Bond payable on redemption for taxation reasons or on event of default or other early redemption as set out in the Terms and Conditions:

[●] per [[●] in] Specify Denomination

21. Purchases (Condition 8(h)): The French Law Covered Bonds purchased by the Issuer may be [held and resold / shall be cancelled] as set out in the Terms and Conditions

GENERAL PROVISIONS APPLICABLE TO THE FRENCH LAW COVERED BONDS

22. Governing law: French law

23. Form of French Law 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/bearer form (<i>au porteur</i>)/registered form (<i>au nominatif</i>)] |
| (ii) | Registration Agent: | [Not Applicable/Applicable (<i>if applicable give name and address</i>)] (<i>Note that a Registration Agent must be appointed in relation to fully registered Dematerialised Covered Bonds only</i>) |
| (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] |
-
- | | | |
|-----|---|---|
| 24. | Financial Centre(s) or other special provisions relating to payment dates for the purposes of Condition 9(g): | [Not Applicable/Give details. (<i>Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub-paragraph 14(v) relate</i>)] |
| 25. | 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. (<i>If yes, give details</i>)] (<i>Only applicable to Materialised Covered Bonds</i>) |

GENERAL

The aggregate principal amount of French Law Covered Bonds issued has been translated into Euro at the rate of [●] per cent. producing a sum of: [Not Applicable/[●]] (*only applicable for French Law Covered Bonds not denominated in euro*)

RESPONSIBILITY

I accept responsibility for the information contained in these Final Terms.

[*(Relevant third party information)*], has been extracted from (*specify source*). I confirm that such information has been accurately reproduced and that, so far as I am aware, and am able to ascertain from information published by (*specify source*), no facts have been omitted which would render the reproduced information inaccurate or misleading.]⁴

Signed on behalf of Crédit Mutuel-CIC Home Loan SFH:

By:

Duly authorised

⁴ Include if third party information is provided.

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Listing(s): [Euronext Paris/other (*specify*)/None]
- (ii) (a) Admission to trading: [Application has been made by the Issuer (or on its behalf) for the French Law Covered Bonds to be admitted to trading on [Euronext Paris/other (*specify*)] with effect from [●].]/[Application is expected to be made by the Issuer (or on its behalf) for the French Law Covered Bonds to be admitted to trading on [Euronext Paris/other (*specify*)] with effect from [●].]
[Not Applicable]
- (b) Regulated Markets or equivalent markets on which, to the knowledge of the Issuer, securities of the same class of the French Law Covered Bonds to be admitted to trading are already admitted to trading: [●]
(Where documenting a fungible issue need to indicate that original Covered Bonds are already admitted to trading.)
- (iii) Estimate of total expenses related to admission to trading: [●]

2. RATINGS

- Ratings: [Not Applicable/The French Law Covered Bonds to be issued have been rated:
S&P: [●]
Moody's: [●]
Fitch: [●]
[Other]: [●]]
- [[●] / [Each of the above rating agencies] is established in the European Union, registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended (the "**CRA Regulation**") and included in the list of registered credit rating agencies published on the website of the European Securities and Markets Authority (www.esma.europa.eu) in accordance with the CRA Regulation.

3. [NOTIFICATION]

The AMF, which is the competent authority in France 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 update of the International Programme and the second alternative for subsequent issues*] the [include names of competent authorities of host Member States] with [a] certificate[s] of approval attesting that the Base Prospectus [and the supplement(s) to the Base Prospectus] [has/have] been drawn up in accordance with the Prospectus Directive.]

4. [SPECIFIC CONTROLLER]

The specific controller (*contrôleur spécifique*) of the Issuer has certified that the value of the assets of the Issuer will be greater than the value of its liabilities benefiting from the *Privilege* after settlement of this issue and of the issues which have been the subject of previous attestations.⁵

5. [OTHER ADVISORS]

If advisors are mentioned in these Final Terms, include a declaration which specifies the capacity in which the advisors have acted.

6. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE]

Need to include a description of any interest, including conflicting ones, that is material to the issue of the French Law Covered Bonds, 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 French Law Covered Bonds has an interest material to the offer."

7. [FIXED RATE COVERED BONDS ONLY – YIELD]

Indication of yield: [●]

8. OPERATIONAL INFORMATION

ISIN Code: [●]

Common Code: [●]

Depositories:

(i) Euroclear France to act as Central Depository [Yes/No]

(ii) Common Depository 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 additional Paying Agent(s) (if any): [●]

9. DISTRIBUTION

Method of distribution: [Syndicated/Non-Syndicated]

⁵Only applicable if the amount of French Law Covered Bonds issued equals or exceeds €500,000,000 or its equivalent in any other currency.

(i) If syndicated, names of Managers:	[Not Applicable/ <i>give names</i>]
(ii) Stabilising Manager(s) (if any):	[Not Applicable/ <i>give names</i>]
(iii) If non-syndicated, name of Dealer:	[Not Applicable/ <i>give name</i>]
U.S. selling restrictions:	<p>Regulation S compliance Category 2 applies to the French Law Covered Bonds;</p> <p>[TEFRA C/ TEFRA D/ TEFRA Not Applicable]</p> <p><i>(TEFRA rules are not applicable to Dematerialised Covered Bonds)</i></p>
Additional selling restrictions:	[Not Applicable/ <i>give details</i>]

TAXATION

The following is an overview limited to certain tax considerations in France and Luxembourg relating to the payments made in respect of the French Law Covered Bonds that may be issued under the International Programme and specifically contains information on taxes on the income from the securities withheld at source. This overview 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 relevant tax authorities, and is subject to any changes in law or 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 French Law Covered Bonds. Each prospective holder or beneficial owner of French Law Covered Bonds should consult its tax advisor as to the tax consequences of any investment in or ownership and disposal of the French Law Covered Bonds in light of its particular circumstances.

1. 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 "**Savings 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 Savings 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. However, for a transitional period, Luxembourg and Austria instead impose a withholding tax on any payment of interest within the meaning of the Savings Directive, unless the beneficiary of interest payments elects for the exchange of information (the end of this transition period depending on the conclusion of some other agreements relating to the exchange of information with some other countries). Several countries and territories not members of the European Union, including Switzerland, have adopted similar measures (a withholding system in the case of Switzerland applies, unless the beneficiary of interest payments elects for the exchange of information). The current rate of this withholding tax is thirty-five per cent. (35%), and will remain so until the transitional period.

The Luxembourg Government has announced its intention to introduce, as of 1 January 2015, automatic exchange of information with respect to the Savings Directive.

The European Commission proposed some amendments to the Savings Directive which could, if they were adopted, amend or expand the scope of some requirements described above.

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 French Law Covered Bond as a result of the imposition of such withholding tax.

2. France

Implementation of the Savings Directive in France

The Savings 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.

French Withholding Tax

1. Payments of interest and other revenues made by the Issuer with respect to the French Law Covered Bonds (other than French Law Covered Bonds (described below) which are consolidated (*assimilables* for the purpose of French law) and form a single series with French Law Covered Bonds issued before 1 March 2010 having the benefit of article 131 *quater* of the French General Tax Code (*Code général des impôts*)) will not be subject to the withholding tax set out under article 125 A III of the French General Tax Code (*Code général des impôts*), unless such payments are made outside France in a non-cooperative State or territory (*Etat ou territoire non coopératif*) within the meaning of article 238-0 A of the French General Tax Code (*Code général des impôts*) (a "**Non-Cooperative State**"). If such payments under the French Law Covered Bonds are made in a Non-Cooperative State, a seventy-five per cent. (75%) withholding tax will be applicable (subject (where relevant) to certain exceptions summarised below and to the more favourable provisions of any applicable double tax treaty) by virtue of article 125 A III of the French General Tax Code (*Code général des impôts*).

Notwithstanding the foregoing, the seventy-five per cent. (75%) withholding tax will not apply in respect of a particular issue of French Law Covered Bonds if the Issuer can prove that the principal purpose and effect of such issue of French Law Covered Bonds was not that of allowing the payments of interest or other revenues to be made in a Non-Cooperative State (the "**Exception**"). Pursuant to the official regulation published by French tax authorities on 12 September 2012 (*Bulletin Officiel des Finances Publiques-Impôts* - BOI-INT-DG-20-50-20120912, Section no. 990), an issue of French Law Covered Bonds will be deemed to have a qualifying purpose and effect, and accordingly will be able to benefit from the Exception without the Issuer having to provide any proof of the purpose and effect of such issue of French Law Covered Bonds, if such French Law Covered Bonds are:

- (i) offered by means of a public offer within the meaning of article L.411-1 of the French Monetary and Financial Code (*Code monétaire et financier*) or pursuant to an equivalent offer in a State or territory other than a Non-Cooperative State. For this purpose, an "**equivalent offer**" means any offer requiring the registration or submission of an offer document by or with a foreign securities market authority; or
- (ii) admitted to trading on a regulated market or on a French or foreign multilateral securities trading system provided that such market or system is not located in a Non-Cooperative State, and the operation of such market is carried out by a market operator or an investment services provider, or by such other similar foreign entity, provided further that such market operator, investment services provider or entity is not located in a Non-Cooperative State; or
- (iii) admitted, at the time of their issue, to the clearing operations of a central depository or of a securities clearing and delivery and payments systems operator within the meaning of article L.561-2 of the French Monetary and Financial Code (*Code monétaire et financier*), or of one (1) or more similar foreign depositories or operators provided that such depository or operator is not located in a Non-Cooperative State.

Furthermore, by virtue of article 238 A of the French General Tax Code (*Code général des impôts*), interest and other revenues on such French Law Covered Bonds are not deductible from the Issuer's taxable income if they are paid or accrued to persons established or domiciled in a Non-Cooperative State or paid in such a Non-Cooperative State. Under certain conditions, any such non-deductible interest and other revenues may be recharacterised as constructive dividends pursuant to article 109 of the French General Tax Code (*Code général des impôts*), in which case such non-deductible interest and other revenues may be subject to the withholding tax set out under article 119 *bis* of the French General Tax Code (*Code général des impôts*), at a rate of thirty per cent. (30%) or seventy-five per cent. (75%).

However, neither the non-deductibility set out under article 238 A of the French General Tax Code (*Code général des impôts*) nor the withholding tax set out in article 119 *bis* 2 of the French General Tax Code (*Code général des impôts*) will apply in respect of the issue of French Law Covered Bonds if the Issuer can prove that it can benefit from the Exception and that the relevant interest or revenues relate to genuine transactions and are not in an abnormal or exaggerated amount. Pursuant to the official regulation published by French tax authorities on 12 September 2012 (*Bulletin Officiel des Finances Publiques-Impôts* - BOI-INT-DG-20-50-20120912, Section no.550), an issue of French Law Covered Bonds will benefit from the Exception without the Issuer having to provide any proof of the purpose and effect of the issue of the French Law Covered Bonds if such covered bonds qualify to one of the three above-mentioned classifications.

2. Payments of interest and other revenues with respect to French Law Covered Bonds which are consolidated (*assimilables* for the purpose of French law) and form a single series with French Law Covered Bonds issued (or deemed issued) outside France before 1 March 2010 will continue to be exempt from the withholding tax set out under article 125 A III of the French General Tax Code (*Code général des impôts*).

Such French Law Covered Bonds, whether denominated in Euro or in any other currency, and constituting obligations under French law, or *titres de créances négociables* within the meaning of the official regulation published by French tax authorities on 12 September 2012 (*Bulletin Officiel des Finances Publiques-Impôts* - BOI-RPPM-RCM-30-10-30-30-20120912), or other debt securities issued under French or foreign law and considered by the French tax authorities as falling into similar categories, are deemed to be issued outside the Republic of France for the purpose of article 131 *quater* of the French General Tax Code (*Code général des impôts*), in accordance with the aforementioned official regulation.

In addition, interest and other revenues paid by the Issuer on such French Law Covered Bonds will not be subject to the withholding tax set out in article 119 *bis* of the French General Tax Code (*Code général des impôts*) solely on account of their being paid in a Non-Cooperative State or accrued or paid to persons established or domiciled in a Non-Cooperative State.

Payments made to French resident individuals

Pursuant to Article 9 of the 2013 French finance law (*loi de finances pour 2013*, no. 2012-1509 of 29 December 2012) subject to certain limited exceptions, interest and other similar incomes received as from 1st January 2013 by individuals who are fiscally domiciled (*domiciliés fiscalement*) in France are subject to a twenty-four per cent. (24%) withholding tax, which is deductible from their personal income tax liability in respect of the year in which the payment has been made. Social contributions (CSG, CRDS and other related contributions) are also levied by way of withholding tax at an aggregate rate of fifteen and a half per cent. (15.5%) on interest and other similar incomes paid to individuals who are fiscally domiciled (*domiciliés fiscalement*) in France.

3. Luxembourg

Withholding tax

All payments of interest and principal by the Issuers in the context of the holding, disposal, redemption or repurchase of the French Law Covered Bonds can be made free and clear of any withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with the applicable Luxembourg law, subject however to:

- (i) the application of the Luxembourg laws of 21 June 2005 implementing the Savings Directive as well as several agreements concluded between Luxembourg and certain dependent or associated territories of the European Union and providing for the possible application of a withholding tax (of thirty-five per cent. (35%) as from 1 July 2011) on interest paid to certain Luxembourg non resident investors (individuals and Residual Entities) (see, paragraph "EU Savings Directive" above, which may be applicable in the event of the Issuer appointing a paying agent in Luxembourg within the meaning of the Savings Directive or Agreements).

In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Savings Directive;

- (ii) the application as regards Luxembourg resident individuals of the Luxembourg law of 23 December 2005 which has introduced a ten per cent. (10%) withholding tax on certain interest payments (*i.e.* with certain exemptions, interest payments within the meaning of the Luxembourg Laws of 21 June 2005 implementing the Savings Directive and the Agreements). This law applies to interest payments accrued as from 1 July 2005 and paid as from 1 January 2006. Further and pursuant to the Luxembourg law of 17 July 2008, Luxembourg resident individuals who are the beneficial owners of interest payments and other similar income made by a paying agent established outside Luxembourg in a Member State of the European Union or of the European Economic Area or in a jurisdiction having concluded an agreement with Luxembourg in connection with the Savings Directive, may also opt for a ten per cent. (10%) levy. In such case, the ten per cent. (10%) levy is calculated on the same amounts as for the payments made by Luxembourg resident paying agents. The option for the ten per cent. (10%) levy must cover all interest payments made by the paying agent to the Luxembourg resident beneficial owner during the entire civil year. For Luxembourg resident individuals acting in the course of the management of their private wealth, the ten per cent. (10%) levy is final whether such withholding tax is levied on a mandatory basis by a Luxembourg paying agent or levied at the option of such Luxembourg resident individual.

Responsibility for the withholding of tax in application of the above-mentioned Luxembourg laws of 21 June 2005 and the law of 23 December 2005 is assumed by the Luxembourg paying agent within the meaning of these laws.

4. United States Foreign Account Tax Compliance Act ("FATCA")

FATCA imposes a new withholding and information reporting regime on certain non-U.S. financial institutions ("**FFIs**") that are not deemed to be in compliance or otherwise exempt. The intent of FATCA is to prevent cross-border tax evasion by United States persons by forcing FFIs to disclose information on its United States account holders to the U.S. Internal Revenue Service ("**IRS**") or otherwise face a potential thirty (30) per cent. penalty withholding tax with respect to certain payments made to it, provided that those payments have a jurisdictional nexus to the United States.

Under final FATCA regulations, an FFI can become FATCA compliant and thus avoid the penalty withholding tax by entering into an agreement with the IRS to become a "participating FFI". If the FFI becomes a participating FFI it will agree to, among other things, undertake a due diligence operation to identify its United States account holders, provide information annually with respect to those account holders, and to withhold on "passthru payments" that it makes. The term "**passthru payments**" include both "withholdable payments" and "foreign passthru payments". Withholdable payments are, in general, limited to payments from sources within

the United States. Under a controversial notice, the term "**foreign passthru payments**" would have included an amount equal to the payment multiplied by a passthru payment percentage, which would be a percentage based on the payor's U.S. assets over its total assets. However, the final FATCA regulations did not adopt this approach and the definition of the term foreign passthru payments is currently reserved.

In general, under final FATCA regulations and as modified under Notice 2013-43, FATCA withholding will be phased in beginning 1 July 2014 for withholdable payments and may also apply to foreign passthru payments, but in no event earlier than 1 January 2017. FATCA withholding will be required unless the withholding agent can reliably associate the payment with applicable documentation requirements certifying that the payee is exempt from FATCA withholding (*e.g.*, Forms W-8 and W-9 or other suitable or successor forms) as specified under the final FATCA regulations. Additionally, no amount is required to be withheld on instruments that are "grandfathered obligations" even if payments are made on that instrument after 30 June 2014. Grandfathered obligations include (i) any obligation that is outstanding on 1 July 2014 and, (ii) solely for purposes of a foreign passthru payment, any obligation that is executed on or before the date that is six (6) months after the date on which final regulations defining the term foreign passthru payment are filed with the Federal Register. In this paragraph, the term "**obligation**" includes instruments treated as indebtedness for U.S. Federal income tax purposes, but does not include instruments treated as equity for U.S. Federal income tax purposes. If an obligation is materially modified on or after the grandfathering date and is deemed to be reissued, the previously discussed exemptions relating to grandfathered obligations would not apply.

The United States and a number of other jurisdictions (such as France) have announced their intention to negotiate intergovernmental agreements ("**IGAs**") to facilitate the implementation of FATCA. The terms of the IGA may override and relax the rules under the final FATCA regulations. Pursuant to certain model IGAs released by the United States, an FFI in an IGA signatory country may not be required to withhold under FATCA provided that the institution reports information on its United States account holders. The United States and France have announced an intention to enter into an IGA ("**U.S.-France IGA**").

FATCA is particularly complex and is being phased in over a period of time. Accordingly, its application to the Issuer or the financial institution through which French Law Bondholders may hold the French Law Covered Bonds is uncertain at this time. However, we expect that (i) the Issuer will be classified as an FFI under FATCA, (ii) as the Issuer is a foreign corporation for United States Federal income tax purposes, the payments made on the French Law Covered Bonds will be treated as from sources outside the United States, (iii) no withholding will likely be required (if at all) until the definition of foreign passthru payments is ultimately finalized, and (iv) the terms of the U.S.-France IGA, if ultimately adopted, may override the withholding requirements under final FATCA regulations.

Although it is not expected that there will be FATCA withholding on the French Law Covered Bonds, no assurances in this regard can be provided to French Law Bondholders. As a result, it is possible that a French Law Bondholder may receive less interest or principal than initially anticipated. If an amount were to be deducted or withheld from interest, principal or other payments made on the French Law Covered Bonds, neither the Issuer nor any paying agent nor any other person would, pursuant to the conditions of the French Law Covered Bonds, be required to pay additional amounts as a result of the deduction or withholding.

The above discussion is based in part on existing regulations and other forms of guidance, all of which are subject to change. Thus, French Law Bondholders should consult their own tax advisor to obtain a detailed explanation of FATCA and to learn how this legislation might affect their investment in their particular circumstances.

TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY TAX DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (B) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

SUBSCRIPTION AND SALE

Subject to the terms and on the conditions contained in an amended and restated dealer agreement dated 30 July 2013 between the Issuer, the Arranger and the Permanent Dealers (as supplemented and amended from time to time, the "**Dealer Agreement**"), the International Covered Bonds will be offered by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell International Covered Bonds directly on its own behalf to Dealers that are not Permanent Dealers. The International 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 International Covered Bonds may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for International 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 International Covered Bonds subscribed by it. The Issuer has agreed to reimburse the Arranger for its expenses incurred in connection with the International Programme and the Dealers for certain of their activities in connection with the International Programme.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the International Covered Bonds. The Dealers have agreed to indemnify the Issuer against certain liabilities in connection with the offer and sale of the International Covered Bonds. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe International Covered Bonds in certain circumstances prior to payment for such International 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 International 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 International Covered Bonds or has in its possession or distributes this 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 International Covered Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and subject to certain exceptions, may not be offered or sold within the United States of America or to, or for the account or benefit of, U.S. Persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Dealer has represented and agreed that it will not offer or sell the International Covered Bonds of any identifiable Tranche within the United States of America (i) as part of their distribution at any time or (ii) otherwise until forty (40) days after completion of the distribution of any identifiable Tranche, as determined and certified to the Issuer by the Fiscal Agent, or in the case of International Covered Bonds issued on a syndicated basis, the Lead Manager, within the United States or to, or for the account or benefit of, U.S. Persons, and it will have sent to each Dealer to which it sells International Covered Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the International Covered Bonds within the United States or to, or for the account of, U.S. Persons. Terms used in this paragraph have the meanings given to them by Regulation S.

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 of America 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, as amended and regulations thereunder.

In addition, until forty (40) days after the commencement of the offering of any identifiable Tranche, an offer or sale of International Covered Bonds within the United States of America by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

This Base Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the International Covered Bonds outside the United States of America. The Issuer and the Dealers reserve the right

to reject any offer to purchase the International 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 (as defined in Regulation S) outside the United States of America to any U.S. Person or to any other person within the United States of America 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 of America is prohibited.

United Kingdom

Each Dealer has represented and agreed that:

- (a) in relation to any International 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 International 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 International 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 International 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 International Covered Bonds in, from or otherwise involving the United Kingdom.

Japan

The International 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"). Accordingly, each of the Dealers has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any International Covered Bonds in Japan or to, or for the benefit of, a resident of Japan, or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEL and any other relevant laws, regulations and guidelines in force in Japan. As used in this paragraph, "resident of Japan" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

Switzerland

Each Dealer has agreed that it will comply with any laws, regulations or guidelines in Switzerland from time to time, including, but not limited to, any regulations made by the Swiss National Bank, in relation to the offer, sale, delivery or transfer of the International Covered Bonds or the distribution of any offering material in respect of such International Covered Bonds.

France

Each of the Dealers and the Issuer has represented and agreed that it has not offered, sold or otherwise transferred and will not offer, sell or otherwise transfer directly or indirectly, any International 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, this Base Prospectus, the relevant Final Terms or any other offering material relating to the International Covered Bonds and such offers, sales, transfers and distributions have been and will be made in France only to (i) 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 (ii) qualified investors (*investisseurs qualifiés*) acting for their own account, all as defined in, and in accordance with, articles L.411-1, L.411-2 and D.411-1 of the French Monetary and Financial Code (*Code monétaire et financier*).

The Netherlands

Each Dealer has represented and agreed that it has not made nor will it make any offers of International Covered Bonds to the public in The Netherlands in reliance on Article 3(2) of the Prospectus Directive unless:

- (a) such offer is made exclusively to legal entities which are qualified investors in The Netherlands as defined in the Dutch Financial Supervision Act (*Wet op het financieel toezicht*, the "**DFSA**"); or
 - (b) standard exemption wording is disclosed as required by article 5:20(5) of the DFSA; or
 - (c) such offer is otherwise made in circumstances in which article 5:20(5) of the DFSA is not applicable,
- provided that no such offer of International Covered Bonds 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.

Italy

This Base Prospectus has not been, nor will be, published in the Republic of Italy in connection with the offering of International Covered Bonds and such offering of International 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 International 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 International 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 International Covered Bonds or distribution of copies of this Base Prospectus or any other document relating to the International 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 International Covered Bonds in the offering is solely responsible for ensuring that any offer or resale of International 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.

Germany

No action has been or will be taken in any jurisdiction by the Issuer or any Dealer that would permit an offer of the German law Covered Bonds to the public, or possession or distribution of this Base Prospectus or any other offering material, in any country (including Germany) or jurisdiction where such further action for that purpose is required.

This Base Prospectus has not been, and will not be, filed with the German Financial Supervisory Authority.

In particular, the German law Covered Bonds may not be offered, sold or publicly promoted or advertised in Germany other than in compliance with the provisions of the German Capital Investment Act (*Vermögensanlagegesetz*) exempting such offering, sale or public promotion from the requirement to publish a prospectus or any laws replacing the *Vermögensanlagegesetz* or any other laws applicable in Germany governing the issue, offering and sale of registered bonds (*Namensschuldverschreibungen*).

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 Dealer has 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 International 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 International Covered Bonds to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined under the Prospectus Directive;
- (b) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive (as defined below), 150 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
- (c) at any time in any other circumstances falling within article 3(2) of the Prospectus Directive,

provided that no such offer of International Covered Bonds referred to in paragraphs (a) to (c) 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 International Covered Bonds to the public**" in relation to any International 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 International Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe the International 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 of the European Parliament and of the Council of 4 November 2003 (and the amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure with respect thereto in each Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU of the European Parliament and of the Council of 24 November 2010.

Australia

No prospectus or other disclosure document (as defined in the Corporations Act 2001 of Australia (the "**Australian Corporations Act**")) in relation to the International Programme or any International Covered Bonds has been, or will be, lodged with the Australian Securities and Investments Commission ("**ASIC**"). This Base Prospectus is neither a prospectus nor a disclosure document for the purposes of the Australian Corporations Act. Each Dealer has represented and agreed that unless the relevant Final Terms (or another supplement to any Base Prospectus) otherwise provides, it:

- (a) has not made or invited, and will not make or invite, an offer of the International Covered Bonds for issue or sale in Australia (including an offer or invitation which is received by a person in Australia); and
- (b) has not distributed or published, and will not distribute or publish, any Base Prospectus or any other offering material or advertisement relating to any International Covered Bonds in Australia,

unless:

- (i) the aggregate consideration payable by each offeree is at least A\$500,000 (or its equivalent in an alternative currency, in either case, disregarding moneys lent by the offeror or its associates) or the offer or invitation does not otherwise require disclosure to investors under Parts 6D.2 or 7.9 of the Australian Corporations Act;
- (ii) the offer or invitation does not constitute an offer to a "**retail client**" as defined for the purposes of section 761G of the Australian Corporations Act;
- (iii) such action complies with:
 - (A) Banking (Exemption) Order No. 82 dated 23 September 1996 promulgated by the Assistant Treasurer of Australia as if it applied to the Issuer *mutatis mutandis* (and which requires all offers and transfers to be for a minimum principal amount of at least A\$500,000); and
 - (B) any other applicable laws, regulations or directives in Australia; and
- (iv) such action does not require any document to be lodged with ASIC or any other regulatory authority in Australia.

GENERAL INFORMATION

- (1) Application has been made for the AMF to approve this document as a base prospectus and this Base Prospectus has received visa no. 13-435 on 30 July 2013. Application will be made in certain circumstances to list and admit the French Law Covered Bonds on Euronext Paris and application may be made for the listing and admission to trading of French Law Covered Bonds on any other Regulated Market or any other stock exchange in a Member State of the EEA.
- (2) The Issuer has obtained all necessary corporate and other consents, approvals and authorisations in France in connection with the update of the International Programme.

Any issuance of International Covered Bonds under the International Programme, to the extent that such International Covered Bonds constitute *obligations* or *instruments financiers équivalents de droit étranger* 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.

On 7 May 2013, the Board of Directors (*conseil d'administration*) of the Issuer has authorised the issue of Covered Bonds under the International Programme and the U.S. Programme for a maximum nominal amount of €10,000,000,000 (or its equivalent in other currencies) for the period running from 7 May 2013 and ending on 31 December 2013 (included) and delegated the power to issue such Covered Bonds notably to Christian Klein, chairman of the Board of Directors of the Issuer, and Christian Ander, managing director of the Issuer, each acting separately.
- (3) Save as disclosed in this Base Prospectus, there has been no significant change in the financial or trading position of the Issuer since 31 December 2012.
- (4) As of the date of this Base Prospectus, there has been no material adverse change in the prospects of the Issuer since 31 December 2012.
- (5) As of the date of this Base Prospectus, 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 the last twelve (12) months which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer.
- (6) 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 International Bondholders in respect of the International Covered Bonds being issued.
- (7) Application may be made for French Law Covered Bonds to be accepted for clearance through Euroclear France (66, rue de la Victoire, 75009 Paris, France) and/or Euroclear (boulevard du Roi Albert II, 1210 Bruxelles, Belgique) and Clearstream, Luxembourg (42 avenue JF Kennedy, L-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 French Law Covered Bonds will be set out in the relevant Final Terms.
- (8) PricewaterhouseCoopers Audit (63, rue de Villiers, 92208 Neuilly-sur-Seine Cedex, France) and Ernst & Young et Autres (1, place des Saisons, 92037 Paris La Défense Cedex, 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 2011 and 31 December 2012. PricewaterhouseCoopers Audit and Ernst & Young et Autres are registered with the *Compagnie Régionale des Commissaires aux Comptes de Versailles*.
- (9) The specific controller (*Contrôleur spécifique*) of the Issuer is Fides Audit (37, avenue de Friedland, 75008 Paris, France), represented by Mr. Stéphane Massa.
- (10) The Issuer does not intend to provide post-issuance transaction information regarding the International Covered Bonds to be admitted to trading and the performance of the underlying collateral, except if required by any applicable laws and regulations.
- (11) This Base Prospectus, any supplement(s) thereto and, so long as French Law Covered Bonds are admitted to trading on any Regulated Market of the EEA in accordance with the Prospectus Directive, the Final Terms relating to such French Law Covered Bonds will be published on the websites of the AMF (www.amf-france.org) and of the Issuer (www.creditmutuelcic-sfh.com).

In addition, should the French Law Covered Bonds be admitted to trading on a Regulated Market other than Euronext Paris in accordance with the Prospectus Directive, the Final Terms related to those French Law 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 French Law Covered Bonds have been admitted to trading or (y) the competent authority of the Member State of the EEA where the French Law Covered Bonds have been admitted to trading.

- (12) For so long as International Covered Bonds may be issued pursuant to this Base Prospectus, copies of the following documents will, when published, be available upon request and free of charge 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 by-laws (*statuts*) of the Issuer;
 - (b) the audited non-consolidated financial statements of the Issuer in respect of the financial years ended 31 December 2011 and 2012;
 - (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, the Talons and the Terms and Conditions of the German Law Covered Bonds);
 - (d) Final Terms for French Law Covered Bonds that are listed and admitted to trading on Euronext Paris or any other Regulated Market in the EEA;
 - (e) a copy of this Base Prospectus together with any supplement to this Base Prospectus or further Base Prospectus and any document incorporated by reference therein; and
 - (f) 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.
- (13) So long as Australian Law Covered Bonds are outstanding, documents referred to in paragraphs 12(a), (b), (c), (e) and (f) above, together with copies of the Deed Poll and the Australian Agency Agreement are available for inspection during normal business hours at the specified office of the Issuer and the Australian Registrar.
- (14) So long as German Law Covered Bonds are outstanding, documents referred to in paragraphs 12(a), (b), (c), (e) and (f) above are available for inspection during normal business hours at the specified office of the Issuer and the German Fiscal Agent.

VISA FROM THE *AUTORITE DES MARCHES FINANCIERS*



In accordance with articles L.412-1 and L.621-8 of the French Monetary and Financial Code (*Code monétaire et financier*) and with the *Règlement général* of the AMF, in particular articles 212-31 to 212-33, the AMF has granted to this Base Prospectus its visa no. 13-435 on 30 July 2013. This document may be used for the purposes of a financial transaction only if it is supplemented by final terms. It was prepared by the Issuer and its signatories assume responsibility for it. In accordance with article L.621-8-1-I of the French Monetary and Financial Code (*Code monétaire et financier*), the visa was granted following an examination by the AMF of "whether the document is complete and understandable, and whether the information it contains is consistent". It does not imply that the AMF has verified the accounting and financial data set out herein. This visa has been granted subject to the publication of final terms in accordance with article 212-32 of the AMF's *Règlement général*, setting out the terms and conditions of the securities to be issued.

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Issuer

Crédit Mutuel-CIC Home Loan SFH

6, avenue de Provence
75452 Paris Cedex 9
France

Arranger

BNP Paribas

10 Harewood Avenue
London NW1 6AA
United Kingdom

Permanent Dealers

Banque Fédérative du Crédit Mutuel

34, rue du Wacken
67000 Strasbourg
France

BNP Paribas

10 Harewood Avenue
London NW1 6AA
United Kingdom

**Fiscal Agent, Principal Paying Agent and
Calculation Agent**

BNP Paribas Securities Services

Les Grands Moulins de Pantin
9, rue du Débarcadère
93500 Pantin
France

**German Fiscal Agent, German Paying Agent,
German Calculation Agent and German Registrar**

Citibank, N.A., London Branch

Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

**Australian Registrar
Citigroup Pty Limited**

Level 23
2 Park Street
Sydney NSW 2000
Australia

Auditors to the Issuer

Ernst & Young et Autres

1, place des Saisons
92037 Paris La Défense Cedex
France

PricewaterhouseCoopers Audit

63, rue de Villiers
92208 Neuilly-sur-Seine Cedex
France

**Legal Advisers to the Arranger and to the
Permanent Dealers as to French law**

CMS Bureau Francis Lefebvre

1-3, villa Emile Bergerat
92522 Neuilly-sur-Seine Cedex
France

**Legal Advisers to the Issuer
as to Australian law**

King & Wood Mallesons

Level 61, Governor Phillip Tower, 1 Farrer Place
Sydney NSW 2000
Australia

Specific controller (*Contrôleur spécifique titulaire*)

Fides Audit

37, avenue de Friedland
75008 Paris
France

Asset Monitors

Ernst & Young et Autres

1, place des Saisons
92037 Paris La Défense Cedex
France

PricewaterhouseCoopers Audit

63, rue de Villiers
92208 Neuilly-sur-Seine Cedex
France