CM-CIC Covered Bonds

Covered Bonds / France

This pre-sale report addresses the structure and characteristics of the proposed transaction based on the information provided to Moody's as of 11 June 2007. Investors should be aware that certain issues concerning this transaction have yet to be finalised. Upon conclusive review of all documents and legal information as well as any subsequent changes in information, Moody's will endeavour to assign definitive ratings to this transaction. The ***definitive*** *ratings may differ from the* ***provisional*** *ratings set forth in this report. Moody's will disseminate the assignment of definitive ratings through its Client Service Desk. This report does not constitute an offer to sell or a solicitation of an offer to buy any securities, and it may not be used or circulated in connection with any such offer or solicitation.*

Estimated Closing Date

July 2007

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PROVISIONAL (P) RATINGS

The ratings address the expected loss posed to investors by the legal final maturity. Moody's ratings address only the credit risks associated with the transaction. Other non-credit risks have not been addressed, but may have a significant effect on yield to investors.

SUMMARY

Moody's has assigned a provisional long-term rating of (P)**Aaa** to the covered bonds (the **"Covered Bonds**") to be issued by CM-CIC Covered Bonds (the "**Issuer**") on or about the date hereof under the terms of a €15 billion covered bonds programme (the "**Programme**") established by Crédit Mutuel Centre Est Europe Group.

The covered bond investors will benefit from:

1. The credit strength of the Banque Federative du Credit Mutuel (the "**Sponsor Bank"** or "**BFCM**" rated **Aa3; P-1**). Moody's believe that the structure of the Programme enables the Issuer to benefit from the credit strength of the Sponsor Bank whose involvement in and commitment to the Programme is evidenced by the several roles and functions carried out by it in the context of such Programme;
2. A pool of assets (the "**Cover Pool**") indirectly backing the outstanding "**Covered Bonds**". As of the date of this report, the Cover Pool comprised of loans granted to borrowers located in France. The repayment obligations of the borrowers under the terms of the loans will be either secured by a mortgage or guaranteed; and
3. The [7.5]% minimum contractual nominal over-collateralisation.

As is the case with other covered bonds, Moody's considers the credit strength of the transaction to be linked to that of certain parties - in particular the Sponsor Bank. Should such credit strength deteriorate, all other things being equal, the rating of the Covered Bonds is expected to be negatively affected.

Strengths

– The credit strength of the Sponsor Bank. The following structural features enable the Programme to benefit from the credit strength of the Sponsor Bank:
  - The obligation of the Sponsor Bank to request and the obligation of the Collateral Providers to inject additional assets to the Cover Pool. In the event that the asset cover ratio is breached in respect of any asset cover test calculation period, prior to the immediately following asset cover test date, additional collateral in an amount sufficient to remedy the breach shall be granted.
  - The hedging strategy. The benefit of the hedging strategy is twofold:
    - Protection against market risk. Any market risk in respect of the Cover Pool is hedged by the Sponsor Bank or another suitably-rated entity.
    - Liquidity support. Under the terms of the swap arrangements to be entered into upon the loss of **A1** by the Sponsor Bank, the failure of the Issuer to make a payment in full or in part under the swap shall not allow - during the grace period - the swap counterparty to i) terminate the swap or ii) withhold in full or in part, any payment to be made to the Issuer.
  - The several functions carried out by the Sponsor Bank in the context of the Programme. The Sponsor Bank will act as i) account bank, ii) administrator, iii) calculation agent. The Sponsor Bank will also be responsible for ensuring that the Programme's hedging strategy is complied with at all times.
  - The support provided by the Cover Pool. The holders of the Covered Bonds will have the benefit of the support provided by the Cover Pool. As of the date of this report, the Cover Pool – although characterized by some degree of geographical concentration - is well seasoned and with an average indexed loan-to-value of approximately 63%.

– The mechanism contemplated by the Asset Cover Test. Prior to the occurrence of a borrower event default, such asset cover test will allow i) the determination of whether the required minimum level of over-collateralisation in the Cover Pool is maintained; and ii) the mitigation of the risk associated with negative carry risk.

– The liquidity risk management. Liquidity risk is mitigated by the hedging strategy and the cash collateral payments to be made in the event that the Pre-Maturity Test is breached.

Weaknesses with Mitigants

– As with most covered bonds, the probability of default of the Covered Bonds is expected to be linked to that of the Sponsor Bank. Reasons for this include:
  - Refinancing Risk. Following Sponsor Bank Default,[1] In the event that the principal receipts from the collections of the Cover Pool are not sufficient to meet the principal payment on a Covered Bond, funds may need to be raised at a discount against the Cover Pool. **Mitigants:** i) Moody's has considered various stressed scenarios including the sale of the Cover Pool at stressed refinancing margins; and ii) the Pre-Maturity Test.
  - Substitution risk. As with most covered bonds in Europe, there are few restrictions on the future composition of the Cover Pool. **Mitigants:** the I) the Programme contains some eligibility criteria (please see the *Appendix)*; ii) any deterioration in the market value of the Cover Pool is expected to be detected by the Asset Cover Test and remedied by the Borrower; and ii) Moody's will monitor the quality of the Cover Pool.

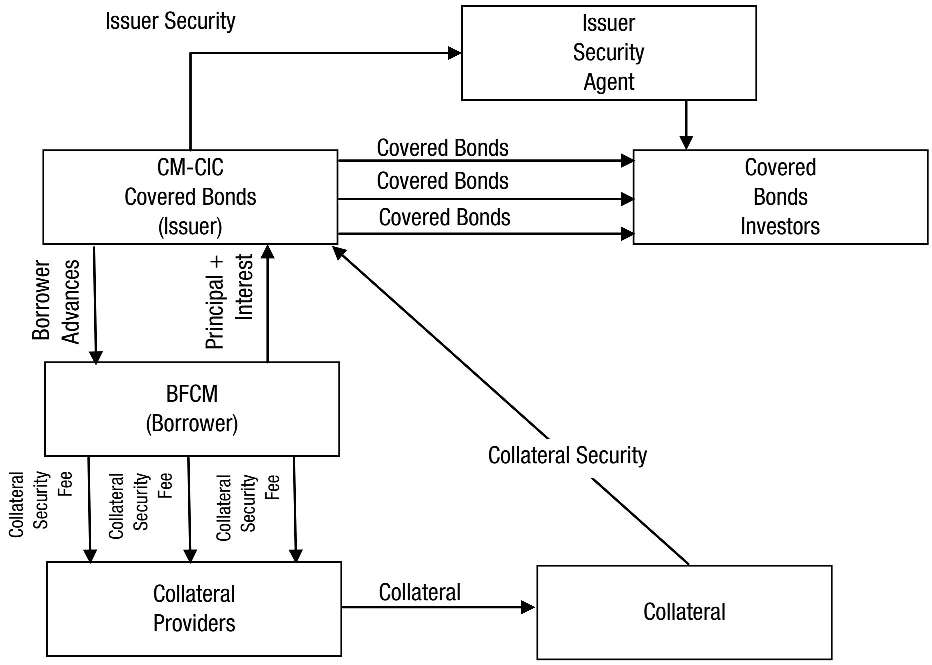
[1] Sponsor Bank Default is defined in Moody's rating methodology for European Covered Bonds as the removal from the Cover Pool of (i) the support provided by entities within the Issuer/Parent group, (ii) ancillary activities of the Issuer/Parent group (i.e. those not related to the Cover Pool) and (iii) usually, management functions of the Issuer.

- Market Risk. As the Asset Cover Test is carried out on a par value basis, the only protection against market risk will be the hedging strategy. In particular:
- For as long as the Sponsor Bank is rated **A1** or above, the Covered Pool will be hedged through the Sponsor Bank's internal hedging policies - which have not been reviewed by Moody's for the purpose of this transaction. **Mitigant:** i) The high rating of the Sponsor Bank is not only a reflection of its credit strength, but also of its competence in managing risk;
- Upon the loss of **A1** by the Sponsor Bank, hedging in respect of the Cover Pool must be provided through bespoke hedging arrangements. There is no reassurance that such hedging arrangements will be entered into in a timely manner. **Mitigants:** i) the failure by the Sponsor Bank to enter into a compliant swap would trigger a Borrower Event of Default and an Issuer Event of Default; and ii) the trigger for entering into a compliant swap has been set relatively conservatively.
- Credit Risk. The loans included in the Cover Pool may be secured through either i) a first ranking mortgage, or a second ranking mortgage, but only in the event that the Sponsor Bank is also the beneficiary of the first ranking mortgage, or ii) a guarantee which may be provided, among others, by a suitably rated guarantor, Credit Logement or Cautionnement Mutuel de l'Habitat ("**CMH**"). CMH is part of the Sponsor Bank's group. Accordingly, there is a high degree of correlation between the credit strength of the Sponsor Bank and the credit strength of CMH. Accordingly, the quality of the guarantee securing the borrowers' payment obligations may be gradually adversely affected as the credit quality of the Sponsor Bank is reduced. **Mitigants:** the Loan Security Triggers (as such term is defined below).

STRUCTURAL AND LEGAL ASPECTS

The structure at a glance

Chart 1:
Structure diagram



The Covered Bonds

The Covered Bonds will be issued by CM-CIC Covered Bonds, a regulated special purpose entity

The issuer is a regulated special purpose entity. In particular, the issuer is governed by the French Commercial Code (*Code de commerce*) and the French Monetary and Financial Code (*Code monétaire et financier*).

The permitted activities of the Issuer are restricted to the issuance of Covered Bonds and to the holding of the relevant collateral.

The proceeds deriving from the issuance of the Covered Bonds will be lent to the Borrower

The proceeds deriving from the issuance of the Covered Bonds will be lent by the Issuer to the Borrower pursuant to the terms of the "**Borrower Facility**".

The Security Package

Collateral Security

The holders of the Covered Bonds will have the indirect benefit of the Collateral Security. The obligations of the Borrower under the Programme, including the obligation to cure any breach of the Asset Cover Test (as such term is defined below), will be secured pursuant to the terms of the "**Collateral Security**" created over the loans originated by each of the Collateral Providers from time to time participating to the Programme.

Issuer Security:

a) Receivables Pledge Agreement

The holders of the Covered Bonds will have the direct benefit of a Receivables Pledge Agreement (the "**Receivables Pledge Agreement**"). Under the terms of the Receivables Pledge Agreement, the Issuer will pledge to BNP Paribas Securities Services in its capacity as "**Issuer Security Agent**" any claims it may have against the Borrower pursuant to the terms of the Borrower Facility.

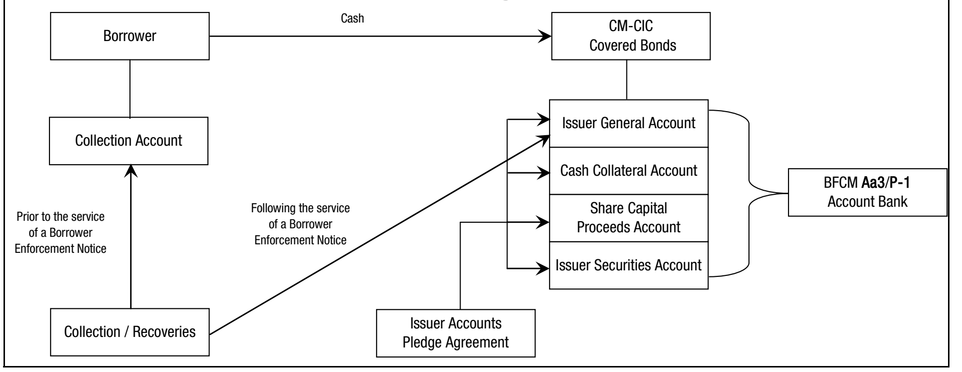
b) Issuer Accounts Pledge Agreement

In addition to the Receivables Pledge Agreement, the holders of the Covered Bonds will have the benefit of a issuer accounts pledge agreement (the "**Issuer Accounts Pledge Agreement**"). Under the terms of the Issuer Accounts Pledge Agreement, the Issuer will secure its payment obligations under the Covered Bonds by pledging the Issuer Cash Accounts and the Issuer Security Accounts to the Issuer Security Agent for the benefit of the holders of the Covered Bonds.

Cash Management

Cash management at a glance

Chart 2:
Cash Management



Prior to the service of a Borrower Enforcement Notice collections will be credited to the Collection Account

As long as the Borrower is rated **Prime-1**, each Collateral Provider will credit all collections and recoveries deriving from the Cover Pool and ii) certain cash flows not deriving from the Cover Pool to certain collection accounts (the "**Collection Accounts**"). Following the loss of **Prime-1,** but prior to the occurrence of a Borrower Event of Default, the Borrower shall transfer to the "**Collection Loss Reserve Account**" the amount of collections received during the two-month period preceding the date on which the loss of **Prime-1** has occurred. The failure by the Borrower to make the required payment into the Collection Loss Reserve Account will constitute a Borrower Event of Default.

Following the service of a Borrower Enforcement Notice, collections will be credited to the relevant issuer cash account

Following the service of a Borrower Enforcement Notice, the borrowers will be required to pay collections directly into the Issuer cash account. In the event that the short-term rating of the Issuer account bank falls below **Prime-1,** such issuer account bank shall be replaced by a bank whose short-term rating is **Prime-1**.

Commingling risk is mitigated by the hedging strategy and the Collection Loss Reserve Account

As a result of the cash management mechanisms, following the service of a Borrower Event of Default, the holders of the Covered Bonds will be exposed to the risk that: i) new payment instructions are not provided to the borrowers in a timely manner; ii) the collections standing to the credit of the Collection Accounts x) are not capable of being identified or y) are not transferred to the issuer in a timely manner; and iii) the borrowers delay the re-direction of payments. This may translate in a potential liquidity shortage or, in the event that the collections have not been properly earmarked, in a credit issue. Moody's believe that the above risks are mitigated by i) the grace period contemplated in the Issuer level swap and ii) the Collection Loss Reserve Account.

The Cover Pool

The Cover Pool will be serviced by the Collateral Providers

Each Collateral Provider will manage and service the portion of the Cover Pool provided by it (please see "*Quality of the Collateral*"). The risk associated with the possible deterioration of the credit strength of the Collateral Providers acting in their capacity as servicers is somewhat mitigated by the best endeavour obligation of the issuer and of the collateral security agent to find a substitute servicer for the relevant loans in the event that the rating of the Sponsor Bank or CIC falls below **Baa2**.

The Asset Cover Test

The Asset Cover Test will be carried out on each Asset Cover Test Date (as such term is defined in the Appendix. Please also see the *Appendix* for a description of the Asset Cover Test).

Consequences of the Asset Cover Test failure

In the event that the Asset Cover Test is breached and the Borrower fails to cure such breach prior to the immediately succeeding Asset Cover Test Date, a Borrower Event of Default shall be deemed to have occurred.

Consequences of the occurrence of a Borrower Event of Default

The occurrence of a Borrower Event of Default will i) trigger the enforcement of the Collateral Security and ii) prevent the Issuer from issuing further Covered Bonds.

The Pre-Maturity Test

The Pre-Maturity Test will be carried out in respect of each Pre-Maturity Test Period (as such term is defined in the Appendix. Please also see the *Appendix* for a description of the Pre-Maturity Test).

Consequences of the Pre-Maturity Test failure

In the event that the Pre-Maturity Test is breached and the Borrower fails to cure such breach prior to the immediately succeeding Pre-Maturity Test Date, a Borrower Event of Default shall be deemed to have occurred.

The Amortisation Test

The Amortisation Test will be carried out on each Amortisation Test Date (as such term is defined in the Appendix. Please also see the *Appendix* for a description of the Amortisation Test).

Consequences of the Amortisation Test failure

In the event that the Amortisation Test is breached and the Issuer fails to remedy such breach prior to the immediately succeeding Amortisation Test Date, an Issuer Event of Default shall be deemed to have occurred.

Consequences of the occurrence of an Issuer Event of Default

The occurrence of the Issuer Event of Default i) will trigger the enforcement of the Issuer Collateral Security and ii) may trigger, provided that certain conditions are satisfied, the acceleration of the then outstanding Covered Bonds.

MOODY'S RATING METHODOLOGY

Moody's Special Report regarding the rating approach to covered bonds[2] details the methodology used for rating covered bond transactions. The impact of the credit strength of the Sponsor Bank, quality of the collateral, refinancing and market risks are considered below.

1) Credit Strength of the Sponsor Bank

Credit Strength of BFCM (Aa3)

The Issuer has full recourse - to the extent of its contractual obligations under the transaction documents - against BFCM (**Aa3**) in its capacity as Borrower.

Moody's believes that i) the obligations imposed on the Sponsor Bank to ensure that a minimum amount of over-collateralisation in the Cover Pool is maintained; and ii) the commitment of the Borrower to the Programme evidenced by the several functions carried out by it in the context of such Programme, enable the Issuer to benefit from the credit strength of the Sponsor Bank.

For more information on the fundamental credit quality of the Sponsor Bank, please see the latest Moody's bank credit report.

[2] Moody's Rating Approach to European Covered Bonds, dated 13 June 2005

2) Quality of the Collateral

The Collateral at a glance

Chart 3:
Employment type

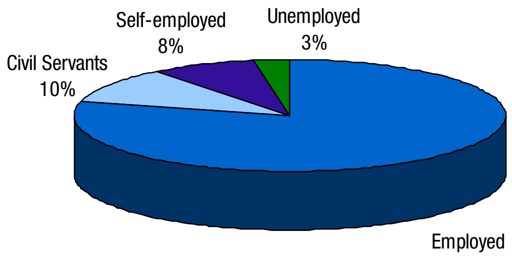


Chart 4:
Purpose of the Loan

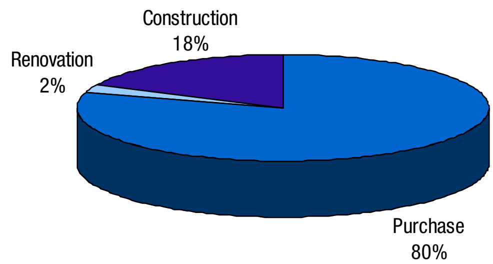
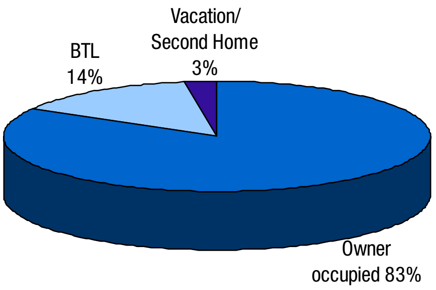


Chart 5:
Cover Pool: Occupancy Types



The Cover Pool comprises of residential loans only

The Cover Pool comprises residential loans only. Each loan in the Cover Pool has to satisfy the "**Eligibility Criteria**" listed in the Appendix.

The total loan balance as of the date of this report was approximately €10 billion. The Cover Pool is well seasoned, has an average indexed loan-to-value of approximately 63% and is characterised by some degree of geographical concentration (mainly in the *Ile de France,* Rhone-Alps and Alsace). 24.4% of the assets in the Cover Pool are floating rate and 75.6% are fixed rate. The properties are mainly owner-occupied 83.3%. The Cover Pool also comprises a small percentage of buy to let (approx 14%) and of second homes (approx 3%).

All the above factors were incorporated into Moody's analysis of the Programme. Moody's calculates a Collateral Score based on the characteristics of the loans registered in the Cover Pool, using a scoring model in order to assess the credit quality of the Cover Pool.

Substitution risk is mitigated by specific structural features.

As with most covered bonds in Europe, there are few restrictions or limitations on the future composition of the Cover Pool. This may have the effect of creating substitution risk. Mitigants to the substitution risk which should protect the quality of the Cover Pool over time include the following:

– The Eligibility Criteria;
– If the Asset Cover Test detects a deterioration of the assets, the Borrower shall add more collateral in order to satisfy the Asset Cover Test; and
– The Cover Pool composition will be monitored.

The Loan Security and the Loan Security Triggers:

The loans included in the Cover Pool may be secured through either i) a first ranking mortgage, or a second ranking mortgage, but only in the event that the Sponsor Bank is also the beneficiary of the first ranking mortgage, or ii) a guarantee which may be provided, among others, by a suitably rated guarantor, Credit Logement or Cautionnement Mutuel de l'Habitat ("**CMH**"). CMH is part of the Sponsor Bank's group. There is a high degree of correlation between the credit strength of the Sponsor Bank and the credit strength of CMH. Accordingly, the quality of the guarantee securing the borrowers' payment obligations may be gradually adversely affected as the credit quality of the Sponsor Bank is reduced. Moody's believe that the above risk is mitigated by the following loan security triggers ("the "**Loan Security Triggers**"):

Loss of A3: reserve account funding

i) Moody's has been advised that that the terms of the guarantee provided by CMH entitle CMH to request each borrower to register a mortgage. Upon the loss of **A3** the Sponsor Bank shall credit to a reserve account the amount necessary in order to register the mortgage in respect of each of the loans guaranteed by CMH;

Within 120 days from the loss of Baa2: mortgages registration or appointment of a suitably rated guarantor

ii) within 60 days from the loss of **Baa2** the Sponsor Bank shall either x) initiate the registration of mortgages in respect of the loans guaranteed by CMH or y) appoint a guarantor which would guarantee the payment obligations of CMH under the terms of the guarantees provided in respect of the loans. After an additional 60 days (unless such a guarantee has been obtained) the Asset Coverage Test will be carried out in accordance with the following rules. For the purpose of such Asset Cover Test a) the loans that are not secured by a first ranking mortgage (or a second ranking mortgage, but only to the extent that the Sponsor Bank is the beneficiary of the relevant first ranking mortgage) or b) do not have the benefit of a guarantee provided by a suitably rated entity will be ignored. In the event that the Asset Coverage Test is failed a Borrower Event of Default will occur (provided that such failure has not been remedied within the relevant grace period) and the Amortisation Test will be carried out. For the purpose of such Amortisation Test a) loans that are not secured by a first ranking mortgage (or a second ranking mortgage, but only to the extent that the Sponsor Bank is the beneficiary of the relevant first ranking mortgage) or b) do not have the benefit of a guarantee provided by a suitably rated entity will be ignored. The failure to pass the Amortisation Test may result in an Issuer Event of Default in accordance with the relevant provisions of the terms and conditions of the Covered Bonds.

3) Refinancing the Cover Pool

Covered Bonds will benefit from liquidity support.

Where the "natural" amortisation of the Cover Pool assets alone cannot be relied on to repay principal, Moody's assumes that funds will be raised against the Cover Pool at a discount.

The Covered Bonds do not benefit from an extendable maturity which could have been regarded as a source of alternative liquidity. However, such Covered Bonds will benefit from the liquidity support provided by the grace period contained in the swap and by the liquidity support provided through the Pre-Maturity Test. Moody's has taken these characteristics into consideration in its analysis of the bonds.

Issuer level swap as a source of liquidity

The payment obligations of the Issuer under the swap will be subject to a nine-month grace period. Moody's view such structural feature as a form of liquidity support.

4) Market Risk

Cover Pool and Covered Bonds are denominated in the same currency

The Cover Pool and Covered Bonds are denominated in the same currency. Accordingly as of the date of this report, investors are not exposed to any currency risk.

Hedging Strategy: while the Sponsor Bank is rated A1 or above, any market risk will be hedged in accordance with the Sponsor Bank's existing internal hedging policies

For so long as the Sponsor Bank is rated **A1** or above, any market risk in respect of the Cover Pool will be hedged pursuant to the terms of the Sponsor Bank ' internal hedging policies. As of the date of this report, the Borrower Facility, the assets in the Cover Pool and the Covered Bonds are expected to be denominated in Euro. Any interest risk will be mitigated in accordance with the Sponsor Bank's internal hedging policies.

Hedging Strategy: upon the loss of A1, the Sponsor Bank shall ensure that the Cover Pool is hedged through a swap agreement

Under the terms of the hedging strategy contemplated by the Programme upon the loss of A1 by the Sponsor Bank, a swap agreement at the issuer level and a swap agreement at the borrower level will be entered into. Each of such swaps will be entered into not later than 30 days from the date on which such a downgrade has occurred. Failure to do so will constitute a Borrower Event of Default and an Issuer Event of Default. Such swaps will satisfy Moody's criteria (including, but not limited to: i) standard substitution rating-based triggers, ii) exclusion of bankruptcy as a termination event and iii) transferability of the swap in full or in part). The swap counterparty in respect of the swap agreement at the Issuer level will be i) the Sponsor Bank, provided that at the time the swap is entered into it is rated at least **A1** or ii) any other suitably rated swap counterparty.

DE-LINKAGE AND RATING SENSITIVITY

All Covered Bonds have an element of rating linkage to a) the transaction counterparties and b) the supporting collateral

All Covered Bonds have an element of rating linkage to a) the transaction counterparties and b) the supporting collateral. Accordingly, the creditworthiness of the Covered Bonds will be affected by the credit strength of the transaction counterparties and the value of the Cover Pool.

One area of linkage impacting the majority of the Covered Bonds transactions relates to refinancing risk. This particular risk is more limited in the Programme than in many other covered bond programmes, due to the mechanics of the Pre-Maturity Test. However, there are a number of other areas of linkage that affect most covered bond programmes and these include:

- The dynamic nature of the transaction. For example, up to the default of the Sponsor Bank, new assets may be added to the Cover Pool, new bonds issued and new hedging arrangements entered into.
- More generally, the incorporation of the credit strength of the Sponsor Bank in Moody's rating method.

The probability of default on the Covered Bonds may diverge from what is expected for a Aaa senior unsecured debt instrument; however, Moody's primary rating target is expected loss

The correlation between the Sponsor Bank and CMH gives rise to an additional transaction specific element of linkage.

The probability of default on the Covered Bonds may be higher than expected for **Aaa**-rated senior unsecured debt. However, Moody's primary rating target is the expected loss which also takes severity into account, which in this case is consistent with a **Aaa** rating. Furthermore, the Covered Bonds will come under increasingly greater rating stress as the Sponsor Bank's credit strength deteriorates. This is a consequence of the linkage of the transaction to the probability of default of the Sponsor Bank.

The following are selected features that reduce the linkage of the Covered Bonds to the credit strength of the various transaction parties and the collateral:

- The Asset Cover Test, which intends to ensure that the Cover Pool has substantial value at the time of the occurrence of the Borrower Event of Default.
- Liquidity provisions aimed at reducing the likelihood of any payment failure under the Covered Bonds following the occurrence of a Borrower Event of Default. This risk is mitigated by the cash collateral payments to be made by the Borrower in the event that the Pre-Maturity Test is breached.
- Swap provisions aimed at reducing the impact on the Covered Bonds of a swap counterparty downgrade below certain pre-determined levels. These include the requirement that the swap counterparty posts collateral or finds a replacement following a downgrade below certain pre-agreed levels.
- The limited termination events under the swaps that would lead to a payment being made by the Issuer to the swap counterparty.
- Permitted Investments are restricted to assets with certain maturity profiles and minimum ratings.
- The Loan Security Triggers.
- The Collection Loss Reserve Account mitigates the commingling risk in the event of the insolvency of the Borrower.
- Upon the occurrence of a Borrower Event of Default, i) the Cover Pool will be transferred to the Issuer and ii) the borrowers will be instructed to pay into an account in the name of the Issuer.

MONITORING

Moody's will monitor the Programme on an ongoing basis to ensure that its transaction continues to perform in the manner expected, including checking all supporting ratings and reviewing the assets on an ongoing basis. Any subsequent changes in the rating will be publicly announced and disseminated through Moody's Client Service Desk.

RELATED RESEARCH

For a more detailed explanation of Moody's approach to this type of transaction as well as similar transactions please refer to the following reports:

Rating Methodology

– Moody's Rating Approach to European Covered Bond, June 2005 (SF57011)

Special Report

– European Covered Bond Legal Frameworks: Moody's Legal Checklist, December 2005 (SF66418)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Asset Cover Test

"**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 [•] 2007.

"**Asset Cover Test Calculation Period**" means, in relation to any Asset Cover Test Date, each period starting on, and including, the immediately preceding Asset Cover Test Date, and ending on, and excluding such Asset Cover Test Date.

Compliance with the Asset Cover Test requires compliance with the asset cover ratio R specified below (the "**Asset Cover Ratio**"). Such compliance is tested by the Issuer Calculation Agent from time to time subject to, and in accordance with, the relevant terms of the Collateral Security Agreement and the Calculation Services Agreement.

The Asset Cover Ratio (R)

"**R**" means the following ratio which shall be at least equal to one (1) at each Asset Cover Test Date:

$$R = \left[\frac{\text{Adjusted Aggregate Asset Amount (AAAA)}}{\text{Aggregate Covered Bond Outstanding Principal Amount}} \right]$$

whereby:

"**Aggregate Covered Bond Outstanding Principal Amount**" means, at any Asset Cover Test Date, the aggregate amount of principal (in euro or euro equivalent with respect to Covered Bonds denominated in a Specified Currency) outstanding at such date under all Covered Bonds.

"**Adjusted Aggregate Asset Amount (AAAA)** " means, at any Asset Cover Test Date:

$$(AAAA) = A + B + C + D - (Y + Z)$$

whereby:

"**A**" means the lower of "A1" and "A2".

"**A1**" is equal to the sum of all Adjusted Home Loan Outstanding Principal Amounts of all Home Loans granted as Collateral Security and excluding the Home Loans which have become Ineligible Home Loans (see "**The Collateral Security**" for a description of the Home Loans Eligibility Criteria) during the applicable Asset Cover Test Calculation Period (the "**Relevant Home Loans**"), as such Adjusted Home Loan Outstanding Principal Amounts under Borrower Facility will be calculated on the relevant Asset Cover Test Date, whereby:

"**Adjusted Home Loan Outstanding Principal Amount**" means, with respect to each Relevant Home Loan granted as Collateral Security, the lower of:

(i) the Home Loan Outstanding Principal Amount of such Relevant Home Loan minus the Applicable Deemed Reductions; and

(ii) the LTV Cut-Off Percentage of the Indexed Valuation relating to such Relevant Home Loan minus the Applicable Deemed Reductions;

"**Applicable Deemed Reductions**" means the aggregate sum of the financial losses incurred by the Collateral Providers with respect to the Relevant Home Loans to the extent that such financial losses have been incurred as a direct result of a material breach of the Servicing Procedures by the relevant Collateral Providers during the applicable Asset Cover Test Calculation Period (see "**The Collateral Security Agreement – Asset Servicing**" for a description of the Servicing Procedures).

"**Home Loan Outstanding Principal Amount**" means, with respect to each Relevant Home Loan, the amount of principal outstanding at the relevant Asset Cover Test Date under such Relevant Home Loan.

"**LTV Cut-Off Percentage**" means:

(i) [eighty per cent. (80%)] for each Relevant Home Loan secured by a Mortgage;

(ii) [eighty per cent. (80%)] for each Relevant Home Loan secured by a Home Loan Guarantee issued by [*Crédit Logement* or by *Cautionnement Mutuel de l'Habitat (CMH)]*;

(iii) a percentage which will be agreed with the Rating Agencies from time to time for each Relevant Home Loan that has the benefit of an insurance policy with an acceptable insurer or guarantee with an acceptable financial institution, insuring the credit risk under such Relevant Home Loan; and

(iv) a percentage which will be agreed with the Rating Agencies from time to time for each Relevant Home Loan not mentioned under (i) to (iii) above.

"**Index**" means the index of increases of house prices issued by [PERVAL] in relation to residential properties in France.

"**Indexed Valuation**" means at any date in relation to any Relevant Home Loan secured over any Property:

(i) where the Original Market Value of that Property is equal to or greater than the Price Indexed Valuation as at that date, the Price Indexed Valuation; or

(ii) where the Original Market Value of that Property is less than the Price Indexed Valuation as at that date, the Original Market Value plus eighty per cent. (80%) of the difference between the Price Indexed Valuation and the Original Market Value.

"**Original Foreclosure Value**" in relation to any Property means the purchase price of such Property or (as applicable) the most recent valuation of such Property, as disclosed to the relevant Collateral Provider by the relevant debtor under the related Relevant Home Loan.

"**Original Market Value**" in relation to any Property means the Original Foreclosure Value divided by 1.

"**Price Indexed Valuation**" in relation to any Property at any date means the Original Market Value of that Property increased or decreased as appropriate by the increase or decrease in the Index since the date of the Original Market Value.

"**A2**" is equal to the sum of all unadjusted Home Loan Outstanding Principal Amounts of all Relevant Home Loans minus the Applicable Deemed Reductions (as defined above) multiplied by the applicable Asset Percentage, whereby:

"**Asset Percentage**" means (i) [•] per cent. ([•]%) 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.

"**B**" is equal to the aggregate amount of cash standing to the credit of the Cash Collateral Account, as reported by the Collateral Security Agent in the relevant Asset Report.

"**C**" is equal to the aggregate value outstanding under all Substitution Assets (the "**Aggregate Substitution Asset Amount (ASAA)** ") granted as Collateral Security provided that, the amount of the Aggregate Substitution Asset Amount (ASAA) (whatever such amount is at any Asset Cover Test date) shall in any event account only for up to [twenty per cent. (20%)] of the Adjusted Aggregate Asset Amount (AAAA) for the purposes hereof. The Aggregate Substitution Asset Amount (ASAA) shall be reported by the Collateral Security Agent in the relevant Asset Report. Substitution Assets will be valued on the last Business Day of the calendar month immediately preceding each Asset Cover Test Date and be taken into account for their mark-to-market value at a discount based on a methodology agreed with the Rating Agencies.

"**D**" is equal to the aggregate value outstanding under all Permitted Investments, as determined by the Issuer Accounts Bank (or the Administrator on its behalf) and reported to the Issuer Calculation Agent pursuant to the Issuer Accounts Bank Agreement. Permitted Investments will be valued on the last Business Day of the calendar month immediately preceding each Asset Cover Test Date and be taken into account for their mark-to-market value at a discount based on a methodology agreed with the Rating Agencies.

"**Y**" is equal to (i) zero before any Issuer Hedging Agreement shall be entered into by the Issuer subject to, and in accordance with, the Hedging Strategy and (ii) otherwise, an amount equal to the payments due under the Issuer Hedging Agreements (plus interest thereon) within the period of plus two (2) months preceding the relevant Asset Cover Test Date where 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 * Covered Bond Outstanding Principal Amount * [0.50 per cent. (0.50%)], 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.

The Asset Cover Test is satisfied if the The Asset Cover Ratio ("**R**") is at least equal to 1 at each Asset Cover Test Date:

The Amortisation Test

"**Amortisation Test Date**" means the [twentieth (20^{th})] day of each calendar month following the enforcement of a Borrower Event of Default.

"**Amortisation Test Calculation Period**" means, in relation to any Amortisation Test Date, each period starting on, and including, the immediately preceding Amortisation Test Date, and ending on, and excluding such Amortisation Test Date.

Compliance with the Amortisation Test requires compliance with the amortisation ratio RA specified below (the "**Amortisation Ratio (RA)** "). Such compliance is tested by the Issuer Calculation Agent from time to time throughout the period following the enforcement of a Borrower Event of Default subject to, and in accordance with the Condition 5 (f) and the Calculation Services Agreement.

The Amortisation Ratio

"**RA**" means the following ratio which shall be at least equal to one (1) at each Amortisation Test Date:

$$RA = \left[\frac{TAAA'}{ACBOPA}\right]$$

whereby:

"**Aggregate Covered Bond Outstanding Principal Amount (ACBOPA)** " means, at any Amortisation Test Date, the aggregate amount of principal (in euro or euro equivalent with respect to Covered Bonds denominated in a Specified Currency) outstanding at such date under all Covered Bonds.

"**Transferred Aggregate Asset Amount (TAAA')** " means, at any Amortisation Test Date:

(TAAA') = A' + B + C + D + E – Z

whereby:

"**A'**" is equal to the sum of all Transferred Home Loan Outstanding Principal Amounts of all Home Loans title to which has been transferred to the Issuer upon enforcement of the Collateral Security following the enforcement of a Borrower Event of Default (each, a "**Relevant Home Loan**"), as such Adjusted Home Loan Outstanding Principal Amounts will be calculated on the relevant Amortisation Test Date,

whereby:

"**Transferred Home Loan Outstanding Principal Amount**" means, with respect to each Relevant Home Loan, the Home Loan Outstanding Principal Amount of such Relevant Home Loan multiplied by M, where for all the Relevant Home Loans that are less than three (3) months in arrears, M = 1 and for all the Relevant Home Loans that are three (3) months or more in arrears, M = 0.7.

"**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.

"**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.

The Pre-maturity Test

"**Pre-Maturity Test Date**" means, with respect to the Pre-Maturity Test Period related to each Series of Covered Bonds, the [•]th day of each calendar month, provided that, by exception to the foregoing, the last Pre-Maturity Test Date of each such Pre-Maturity Test Period shall be the 20th Business Day preceding the Final Maturity Date of such Series of Covered Bonds.

"**Pre-Maturity Test Period**" means the period starting from, and including, the 180th Business Day preceding the Final Maturity Date of each Series of Covered Bonds and ending on, and excluding, such Final Maturity Date.

In the event that the short-term rating of the Borrower falls below **P-1**, the Pre-Maturity Test shall be deemed to have been failed.

If a Non Compliance Notice is received by the Cash Collateral Provider within a Pre-Maturity Test Period, the Cash Collateral Provider shall fund the Cash Collateral Account up to an amount (the "**Cash Collateral Required Funding Amount (CCRFA)** ") calculated by the Issuer Calculation Agent as being the amount of cash to be funded by the Cash Collateral Provider into the Cash Collateral Account with respect to the relevant Series of Covered Bonds so as to ensure that the total amount of cash funded by the Cash Collateral Provider into the Cash Collateral Account with respect to such Series of Covered Bonds (the "**Cash Collateral Required Total Amount (CCRTA)** ") is equal to:

CCRTA = (Covered Bond Principal Amount + Costs)

whereby:

"**Costs**" means the aggregate amount of fees, costs, expenses, taxes and other ancillary sums (excluding interest and principal amounts) scheduled to be payable by the Issuer within the relevant Pre-Maturity Test Period under the relevant Series of Covered Bonds.

"**Covered Bond Principal Amount**" means the aggregate amount of principal (in euro or euro equivalent with respect to Covered Bonds denominated in a Specified Currency) scheduled to be redeemed at the Final Maturity Date of the relevant Series of Covered Bonds.

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

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