

CREDIT MUTUEL-CIC HOME LOAN SFH

**French joint stock company (*société anonyme*) with a Board of Directors
and capital of €220,000,000**

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

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

SPECIAL AUDITOR'S ATTESTATION

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

AS OF DECEMBER 31, 2016

Pursuant to Article 5 of CRBF Regulation 99-10

To the Directors,

In our capacity as special auditor of Crédit Mutuel CIC Home Loan SFH and pursuant to the provisions of Article 5 of Regulation 99-10 of the French Banking and Financial Regulatory Committee (*Comité de la Réglementation Bancaire et Financière* - CRBF), we have verified, in light of the regulations in force, the validity of the methods and results of the valuation of the properties underlying the Company's loans and the methods for periodically reviewing their value, as published along with the statutory financial statements for the year ended December 31, 2016 and appended to this attestation.

The property valuation methods and results and the periodic property value review methods have been defined and implemented under the responsibility of the Chairman of your Company's Board of Directors.

Our responsibility is to assess their validity in light of the rules in force as of December 31, 2016.

We have carried out the procedures we considered necessary in light of the professional standards of the French National Association of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*). Our work consisted of verifying the compliance of:

- the valuation procedures, methods and results, as well as the methods for periodic review, as regards their design and determination, with the regulations in force as of December 31, 2016,
- the information published along with the statutory financial statements with, on the one hand, the valuation and review system actually applied and, on the other hand, with the results of the application of the valuation system.

On the basis of our work, we have no comments as to the compliance with the provisions of Articles 2 to 4 of CRBF Regulation 99-10 of the property valuation methods and results and the methods for periodically reviewing their value published along with the statutory financial statements for the year ended December 31, 2016.

This attestation is governed by French law. The French courts have exclusive jurisdiction over any dispute, claim or disagreement arising out of our engagement letter or this attestation or any matter relating thereto.

Paris, April 12, 2017

The special auditor
Fides Audit
represented by Stéphane Massa

REPORT ON THE VALUATION OF REAL ESTATE ASSETS at December 31, 2016

Crédit Mutuel – CIC Home Loan SFH is a home loan financing company (société de financement de l'habitat) governed by Articles L. 513-28 et seq. of the French Monetary and Financial Code (Code monétaire et financier) whose main purpose is to contribute to the medium- and long-term refinancing of home loans issued by the **Crédit Mutuel - CM11** Group.

This report on the valuation of real estate assets is prepared in accordance with Article 5 of Regulation No. 99-10 of the French Banking and Financial Regulations Committee related to mortgage companies and home loan financing companies.

It is based on data available at December 31, 2016.

I. Review of the regulation: valuation method and revaluation method

The valuation of real estate assets financed or offered as collateral within the meaning of Articles L. 513-3 and L. 513-29 of the French Monetary and Financial Code is governed by Articles 1 to 5 of Section 1 of Regulation No. 99-10 of July 9, 1999 related to mortgage companies and home loan financing companies.

A. Valuation of real estate assets

Article 1. – Real estate assets “financed or offered as collateral within the meaning of Articles L. 513-3 and L. 513-29 of the French Monetary and Financial Code” (*order of February 23, 2011*) are valued conservatively and exclude any speculative factors.

Article 2. – “The valuation is based on the asset’s long-term and permanent characteristics, usual and local market conditions, the current use of the asset and other uses that it may have.

This value is determined in writing, in a clear and transparent way, and may not exceed the market value.

As an exception, the valuation may be based on the total cost of the initial transaction when this cost is less than €600,000 or when all the real estate loans financed by the mortgage company or home loan financing company and secured by the valued asset have a unit principal balance of less than €480,000 determined at the time of the acquisition or pledge of such loans.” (*order of February 23, 2011*)

Article 4. – “The valuation of real estate assets is performed by an independent expert within the meaning of Article 168 of the order of February 20, 2007 on the capital adequacy requirements of credit institutions and investment firms.” (*order of May 2007*)

B. Revaluation of real estate assets

Article 3. – “After their acquisition or pledge, the valuation of real estate assets is reviewed as part of the risk measurement system to which mortgage companies and home loan financing companies are subject pursuant to “the order of November 3, 2014 on internal control of companies in the banking, payment services and investment services sector subject to control by the Autorité de contrôle prudentiel et de résolution (French prudential supervision and resolution authority - ACPR)” (*order of November 3, 2014*):

- a) For residential properties, this review is conducted annually using a statistical method;
- b) For commercial properties for which all the real estate loans belonging to the mortgage company and secured by the valued asset have a unit principal balance of less than 30% of the total amount initially lent or less than €480,000, the review may be conducted annually using a statistical method;
- c) For commercial properties whose purchase price or whose last estimated value is less than €600,000 and when all the loans belonging to the mortgage company and secured by the valued asset have a unit principal balance of more than €480,000, this review is conducted individually every three years. Between two individual reviews, the value of these properties is reviewed annually using a statistical method;
- d) For commercial properties whose purchase price or whose last estimated value is more than €600,000 and when all the loans belonging to the mortgage company and secured by the valued asset have a unit principal balance of more than €480,000, this review is conducted annually and individually.” (*order of February 23, 2011*)

II. Method and procedure used by Crédit Mutuel – CIC Home Loan SFH

A. Valuation of real estate assets

Financed real estate assets are subject to a conservative initial valuation based on concrete, substantiated information. The valuation excludes any speculative factors and is based on usual and local market conditions and the current use of the asset.

Pursuant to the applicable regulations and as an exception, for financing of transactions whose total cost is less than €600,000 or for loans whose outstanding amount is less than €480,000, the valuation is based on the total cost of the initial transaction. This cost is defined as the value of the asset shown on the deed of sale, excluding fees and charges, or the value of the asset increased by the value of the construction or renovation work in case of financing of improvements.

In all other cases (and for some financing that does not exceed the above thresholds), the asset is valued by an expert who is not involved in the loan origination process and carries out the appraisal independently. This valuation is performed by CMH (*Cautionnement Mutuel de l'Habitat*), which has created a specialized service called CMH Évaluation. This expert carries out the appraisal independently and has many years of experience in property valuation.

For loan repurchases, the procedures for determining the initial value of the asset are the same as those for other types of loans.

However, if the information is not available at the time of the repurchase, the initial value of the asset is estimated based on the amount of the repurchased loan.

For repurchases of loans granted prior to May 30, 2016, the initial value of the asset is estimated on the loan repurchase date.

For repurchases of loans granted after May 30, 2016, the applications have been modified to allow the initial value to be estimated on the grant date of the repurchased loan.

B. Revaluation of real estate assets

The value of real estate assets offered as collateral has been reviewed monthly since October 31, 2016 (quarterly prior to that) using the most recent quarterly indices available and based on a statistical method in accordance with Article 3 of Regulation No. 99-10 of the French Banking and Financial Regulations Committee related to mortgage companies and home loan financing companies.

The value of the assets is updated based on price indices for existing homes in and outside the Paris region.

Sources of existing home price indices:

- The price indices for existing homes in the Paris region are calculated by Paris Notaires Services (PNS) and the INSEE based on the real estate transaction data found in the BIEN (Base d'Informations Économiques Notariales - notarial economic database). This database is owned and managed by PNS and contains information provided by notaries in the Paris region.
- The price indices for existing homes outside the Paris region are calculated by Perval and the INSEE based on the real estate transaction data found in the Perval database, which contains information provided by notaries outside the Paris region.
- The price indices for existing homes throughout mainland France are calculated by Perval and the INSEE based on the real estate transaction data found in the databases managed by Perval and PNS.

Definition and calculation of existing home price indices:

The Notaires-INSEE price indices for existing homes provide a measurement of price changes for existing homes of consistent quality. The price used is the net selling price, excluding transfer fees, notary fees and agency commissions.

The indices apply only to homes and apartments considered existing for tax purposes, i.e. which are more than five years old or are being transferred for a second time. To avoid atypical transactions, non-standard properties such as rooms, lofts, studios or mansions and purchases made by real estate professionals are excluded from the calculations. Moreover, assets are included only if they are:

- unoccupied at the time of the sale (or occupied by the seller);
- purchased in full ownership through a private sale;
- intended for residential use only.

Receipt and use of the indices:

We receive updated housing price indices quarterly by department and, for Paris, by arrondissement (district). There is no index for the departments of Corsica or for the overseas departments and territories, for which we use the "Outside Paris" index.

For the departments outside the Paris region, the Perval indices used are average smoothed indices, calculated based on the last four gross indices and a weighted average of the homes and apartments indices which reflects the existing housing stock. The weightings are specific to each department and are updated every two years. The notions of base stock and weighting are described in section 3 of INSEE Method No. 128, available on the INSEE website.

For the departments in the Paris region, we use the apartments indices and not the average apartments and homes indices.

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

The valuation of real estate assets at December 31, 2016 was performed on November 30 using the final indices for the first quarter of 2016, which correspond to sales completed during that same quarter and are the last known indices (see appendix).

Assets financed after the first quarter of 2016 are not revalued, and the reviewed value is then the initial value of the asset.

Moreover, as a precaution a reduction is applied in case of an increase in the index and, since February 2012, an increase is applied in case of a decrease in the index.

It should also be noted that in 2009 a management rule was defined for recalculating the estimated value of the asset to take into account the progress status of construction and/or renovations. A valuation proportional to the advance granted and a reduction to take into account a safety margin are applied.

III. Results

Information regarding the pool used at end-December 2016:

Valuation of financed real estate assets offered as collateral (€ billions)		
	Initial value	⁽¹⁾ Reviewed value (statistics)
MORTGAGE LOANS	43.159	44.869
SECURED LOANS	19.503	19.780

⁽¹⁾ value declared to the ACPR in the report entitled “Basis of calculation of the coverage ratio and limit controls” referred to in ACPR Instruction No. 2016-I-09.

Paris, March 31, 2017

Christian Klein

Chairman of the Board of Directors

APPENDIX

Values from the most recent average final indices for the first quarter of 2016 used at the time of the revaluation on 11/30/2016:

Department	Indices	Department	Indices	Department	Indices
001	99.7189	034	97.8922	066	91.7107
002	91.2323	035	103.2143	067	100.8382
003	92.4430	036	92.7637	068	96.4983
004	94.7263	037	102.7369	069	111.1049
005	95.9919	038	97.7720	070	97.6958
006	95.9805	039	98.3368	071	94.6264
007	98.5144	040	95.8336	072	99.5001
008	91.6521	041	91.8858	073	107.5066
009	100.7507	042	94.9581	074	112.7797
010	93.7772	043	92.9078	075	123.9410
011	93.5909	044	104.3347	076	95.4675
012	95.7537	045	94.7751	077	99.6042
013	98.6697	046	93.7672	078	105.8849
014	96.0940	047	95.3195	079	97.4435
015	94.3829	048	94.5927	080	92.8416
016	100.3839	049	97.9448	081	94.7886
017	99.0126	050	95.5338	082	94.6300
018	89.0411	051	93.9294	083	94.2091
019	94.2529	052	93.6839	084	96.7384
021	95.9852	053	98.5733	085	99.3106
022	95.6665	054	96.0154	086	97.3214
023	91.8847	055	91.9235	087	94.5586
024	95.5959	056	95.3379	088	92.1632
025	97.8779	057	95.0019	089	91.4844
026	98.9621	058	90.1496	090	95.8870
027	92.4481	059	102.0230	091	100.1064
028	95.5624	060	97.0134	092	115.8118
029	97.4389	061	94.2433	093	109.5901
030	93.9437	062	98.8933	094	111.6798
031	108.1060	063	99.4503	095	100.7424
032	101.7708	064	97.1755	-	-
033	115.9501	065	100.4936	Outside Paris	99.1299

Arrondissement for department 75	Indices	Arrondissement for department 75	Indices	Arrondissement for department 75	Indices
001	125.3537	008	118.2440	015	124.1858
002	125.3537	009	125.3537	016	118.2440
003	125.3537	010	126.0492	017	124.3171
004	125.3537	011	128.4325	018	128.4325
005	126.0742	012	124.4619	019	122.7266
006	125.3537	013	123.2584	020	125.6285
007	121.1314	014	125.3899	-	-