

PRE-SALE REPORT

BPCE SFH

Covered Bonds / France

First Rating Assignment

April 2011

Table of Contents

PROVISIONAL (P) RATINGS	1
TRANSACTION SUMMARY	1
OPINION	2
STRUCTURE SUMMARY	5
COVERED BONDS SUMMARY	5
COLLATERAL SUMMARY	5
STRUCTURE AND LEGAL ASPECTS	6
MOODY'S RATING METHODOLOGY	8
LINKAGE	10
MONITORING	11
RELATED RESEARCH	12
APPENDIX 1: COVER POOL INFORMATION	13
APPENDIX 2: INCOME UNDERWRITING AND VALUATION	15
APPENDIX 3: ASSET COVER TEST	16
APPENDIX 4: HOME LOAN AND SUBSTITUTION ASSETS ELIGIBILITY CRITERIA	19

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Provisional (P) Ratings

Series	Amount	Coupon	Final Maturity Date	Rating
[*]	€ [*]	[*]	[2016]	(P)Aaa

The ratings address the expected loss posed to investors. 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.

Transaction Summary

Moody's has assigned a provisional long-term rating of (P)Aaa to the above mentioned covered bonds class of notes (the "Covered Bonds") to be issued by BPCE SFH (the "Issuer") under the terms of a Covered Bonds programme (the "Programme") on or about the date hereof.

The rating takes into account the following factors:

1. The credit strength of BPCE S.A (the "Borrower" or the "Sponsor Bank", currently rated Aa3; Prime 1). Moody's believes that the structure of the transaction 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 transaction;
2. A pool of Home Loans indirectly backing the outstanding Covered Bonds (the "Cover Pool"). As of the date of this report, the Cover Pool only comprises residential loans denominated in Euro and granted to debtors located in France, and fully secured by a guarantee or a first ranking mortgage.
3. Based on the current state of the portfolio, the 8.1% minimum contractual nominal over-collateralisation. This contractual over-collateralisation comes in addition to the Statutory Over-Collateralisation calculated on the basis of the adjusted value of the Cover Pool, as per SFH Law.
4. As is the case with other covered bonds, Moody's considers the credit strength of the transaction to be linked to that of the Sponsor Bank, particularly from a timeliness of payment perspective. Should such credit strength deteriorate, all other things being equal, the rating of the Covered Bonds may be expected to come under pressure.

This pre-sale report addresses the structure and characteristics of the proposed transaction based on the information provided to Moody's as of April 12, 2011. 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.

Opinion

Strengths of the Transaction

- » **The Sponsor Bank.** The following structural features enable the Programme to benefit from the credit strength of the Sponsor Bank:
 - The terms of each tranche of the Credit Facility (as such term is defined on page 5) granted by the Issuer will mirror the terms of each Class of Covered Bonds, provided that Covered Bonds and Credit Facility may be denominated in different currencies (see section “Weaknesses and Mitigants – Market Risk”). Accordingly, the likelihood of an Issuer default prior to the default of the Borrower appears remote.
 - The obligation of the Guarantors (as defined in section “Structure Summary” below) to inject additional assets to the Cover Pool. In the event that the Asset Cover Test (as defined in Appendix 3) is breached in respect of any calculation period, additional collateral shall be granted in an amount sufficient to remedy such breach prior to the immediately following Asset Cover Test date.
- » **Credit Quality of the Cover Pool.** The holders of the Covered Bonds will have the benefit of the support provided by the Cover Pool which will only include exposures to Home Loans as permitted by the agreements and SFH Law. As of the date of this report, the repayment obligations of the debtors under the Home Loans will be secured by a guarantee or a first ranking mortgage. The initial cover pool is well seasoned (51 months) and has an average unindexed loan-to-value (LTV) of approximately 69.9%. The quality of the cover pool is reflected in its collateral score of around 7.7%.
- » **Income Underwriting standards.** In respect of each eligible Home Loan, the debtor’s income has been checked to confirm that he or she can, based on income at the time of origination, afford to repay the loan over its life. Income is in all cases verified and this verification does not rely on debtors’ self-certification (see Appendix 2 for further details).
- » **Over Collateralisation.** Based on the current state of the portfolio, the 8.1% minimum contractual nominal over-collateralisation. However, such committed over-collateralisation only applies to the Home Loans, and does not apply to the Substitution Assets (as defined in Appendix 4). As a consequence, the committed over-collateralisation may be reduced to around 6.9% if the Issuer were to invest in Substitution Assets up to the maximum limit authorized (which is set at 15% of the liabilities benefiting from the *Privilege*).
- » **Market Risk.** Interest rate risk will be hedged pursuant to the hedging strategy of the Issuer under the terms of which, upon downgrade of BPCE SA below A1 or Prime 1, the Issuer shall enter into hedging arrangements with a suitably rated institution.
- » **Legal Framework:** A number of provisions set out in SFH Law (as defined in section below entitled “Structural and Legal Aspects”) are regarded favourably by Moody’s. These include, but are not limited to, the following:
 - The new status of *Société de Financement de l’Habitat* (or SFH) that applies to the Issuer.
 - *Assets Eligibility Criteria.* Only assets that satisfy certain eligibility criteria can be included in the Cover Pool.
 - *Segregation, non consolidation in case of insolvency of the parent company.* French legislation precludes the extension of insolvency proceedings in respect of the parent company of a SFH to the SFH itself.
 - *Statutory Privilege:* principal and interest of the Covered Bonds will benefit from the so called “Privilege” (priority right of payment). As a consequence, and notwithstanding any legal provisions to the contrary, all amounts payable to the Issuer in respect of the Cover Pool and forward financial instruments are allocated in priority to the payment of any sums due in respect of the Covered Bonds.
 - *Statutory Over-collateralisation.* SFH law now requires a minimum over-collateralisation of 2%. As per SFH Law requirements, this ratio is calculated on the basis of an adjusted value of the Cover Pool, where Home Loans guaranteed by intragroup guarantors (like CEGC) are subject to an additional haircut (between 20% to 100%) which depends on the rating of such guarantor (see section entitled “Weaknesses and Mitigants – Quality of the Underlying Security”).
 - *Liquidity buffer.* Legal framework requires the SFH to provide a liquidity buffer which covers potential cash flows mismatches within the following 180 days.
 - *Issuance of auto-held covered bonds: Sociétés de Financement de l’Habitat* are now authorized to withhold their own covered bonds (up to 10% of

the issuance size) and use them as collateral for liquidity operations with the central banks.

- SFH is not allowed to hold shares in other companies.
- » **Supervision:** The Issuer is a licensed financial institution regulated by the *Autorité de Contrôle Prudentiel* (ACP). Pursuant to SFH Law, the Issuer must appoint a Specific Controller (*Contrôleur Spécifique*) with the approval of the ACP, whose tasks are described in section “Structural and Legal Aspects – The Issuer”.

Weaknesses and Mitigants

- » **Sponsor Bank.** As with most covered bonds in Europe, until the default of the Sponsor Bank, the Sponsor Bank has the ability to change the nature of the Programme. For example, new types of assets may be added to the Cover Pool and other assets may be released from the Cover Pool (referred to as substitution risk), new Covered Bonds Issued with varying promises and new hedging arrangements entered into. These changes could impact the credit quality of the Cover Pool, refinancing risk and market risk. **Mitigants:** i) the rating of the Sponsor Bank (currently Aa3); ii) the Issuer will only acquire Home Loans or Substitution Assets which comply with the contractual eligibility criteria and SFH Law; iii) the portion of Substitution Assets (as defined by SFH law) is contractually limited to 15% of the liabilities benefiting from the *Privilège*.
- » **Market Risk.** While the hedging arrangements contain a number of provisions designed to reduce the likelihood of the swaps terminating upon Borrower Event of Default, such termination remains a possibility. **Mitigants:** i) the contractual provisions included in the swap agreements designed to reduce the termination events under the swap; ii) the strength of BPCE SA; iii) Moody's model assumes that the swap arrangements may terminate upon the default of the Borrower.

In addition, Covered Bonds and Credit Facility may not be denominated in the same currency, hence bringing currency risk to the structure. **Mitigants:** entering into a currency hedge is a condition precedent to any advance under the Credit Facility denominated in a currency other than the currency of the Covered Bonds.

- » **Set-off risk.** Set-off may be possible between the claim of a Guarantor (in its capacity as lender under the Home Loan) and a claim of its debtor vis-à-vis the relevant Collateral Provider. In addition to any contractual set-off that may be agreed between the parties, set-off may be imposed (i) if the conditions for legal set-off are met or if (ii) the claims of the relevant parties are reciprocal and

inter-related (*connexes*). With respect to inter-related debts, 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. **Mitigants:** i) contractual set-off is excluded by an eligibility criteria that provides that no borrower benefits from a contractual right of set off, ii) set-off risk between inter-related claims (*dettes connexes*) is partly mitigated by eligibility criteria stating that, in order to be eligible, the opening of a bank account dedicated to the payment due under the Home Loan must not be a condition precedent to the granting of a loan.

- » **Quality of the Underlying Security.** The initial Cover Pool comprises 49.6% of Home Loans guaranteed by Compagnie Européenne de Garanties et Cautions (CEGC). Since CEGC is part of the BPCE group, a high level of correlation between the Sponsor Bank and the guarantees is assumed. It is therefore expected that the credit quality of the guarantees provided by CEGC (or any other intra-group guarantors) will be gradually adversely affected as the credit quality of the Sponsor Bank deteriorates. **Mitigants:** i) CEGC is a regulated insurance company, ii) guaranteed loans have to comply with the guarantors' eligibility criteria, which are often stricter than the originators' criteria, hence default probability can be lower than for mortgage loans, iii) Moody's stressed the expected recovery for the portion of the Cover Pool made of intra-group guaranteed loans, iv) the Specific Controller confirmed that, in his opinion, CEGC satisfies the requirements of article R515-17 of the *French code monétaire et financier* (Financial code) relating to risk valuation, and v) Home Loans guaranteed by CEGC benefit from an additional haircut (currently set at 20%) for the purpose of calculating the Statutory Over-collateralisation.
- » **Commingling Risk.** There is no rating based trigger in respect of the redirection of collections. **Mitigants:** i) upon the occurrence of a Group Event of Default and subsequent enforcement of the Collateral Security, the debtors under the loans will be instructed to make any further payments to an account in the name of the Issuer held with a suitably rated account bank; ii) the funding of the Collection Loss Reserve Account – see section entitled “Cash Management – Collection Loss Reserve Account” below.
- » **Time Subordination:** After Sponsor Bank Default, later maturing Covered Bonds are subject to time subordination. Principal cash collections may be used on a first-come-first-served basis, paying earlier-maturing Covered Bonds prior to later-maturing Covered Bonds. This could lead to over-collateralisation being eroded

away before any payments are made to later paying Covered Bonds. **Mitigants:** i) the amount of committed over-collateralisation which the Issuer is committed to maintain over time; ii) due to the nature of the corporate object of the Issuer, the provisions of the SFH Law and other structural features of the Programme, the likelihood of such bankruptcy proceedings being commenced against the Issuer appears relatively remote, iii) the liquidity and solvency system set up by BPCE group in accordance with Article L.512-107 the Financial Code.

- » **Liquidity:** There is no trigger following which the Sponsor Bank must ensure the funding of a cash collateral account with amounts corresponding to the payment obligations of the Issuer with respect to Covered Bonds maturing within the next 180 Business Days. **Mitigants:** i) the intervention of the Specific Controller, whose role is, amongst other, to monitor the balance between the Issuer's assets and liabilities and notify the Issuer and the ACP if he considers such balance to be unsatisfactory (see section "Structural and Legal Aspects – The Issuer"), ii) the liquidity and solvency system set up by BPCE group in accordance with Article L.512-107 the Financial Code.

Structure Summary

(see section "Structure and Legal Aspects" for more details)

Issuer:	BPCE SFH (not rated)
Sponsor Bank:	BPCE S.A (Aa3/Prime 1)
Structure Type:	Covered bonds
Issued under Covered Bonds Law:	Yes
Applicable Covered Bonds Law:	Yes
Guarantors	Banques Populaires and Caisses d'Epargne entities
Main Servicer:	BPCE SA and other Guarantors
Swap Provider	Swap agreements to be entered into upon loss of A2 by BPCE SA
Monitoring of Cover Pool:	BPCE SA / Controleur Spécifique / KPMG Audit / Pricewaterhousecoope Audit
Controleur Spécifique	Cailliau Dedouit et Associés
Trustee:	n/a
Timely Payment Indicator	Probable

Covered Bonds Summary

(see section "Moody's rating methodology" for more details)

Total Covered bonds Outstanding	[•]
Currency of Covered Bonds:	€ [100%]
Principal Payment Type	[Bullet]
Interest Rate Type:	[100% fixed rate]

Collateral Summary

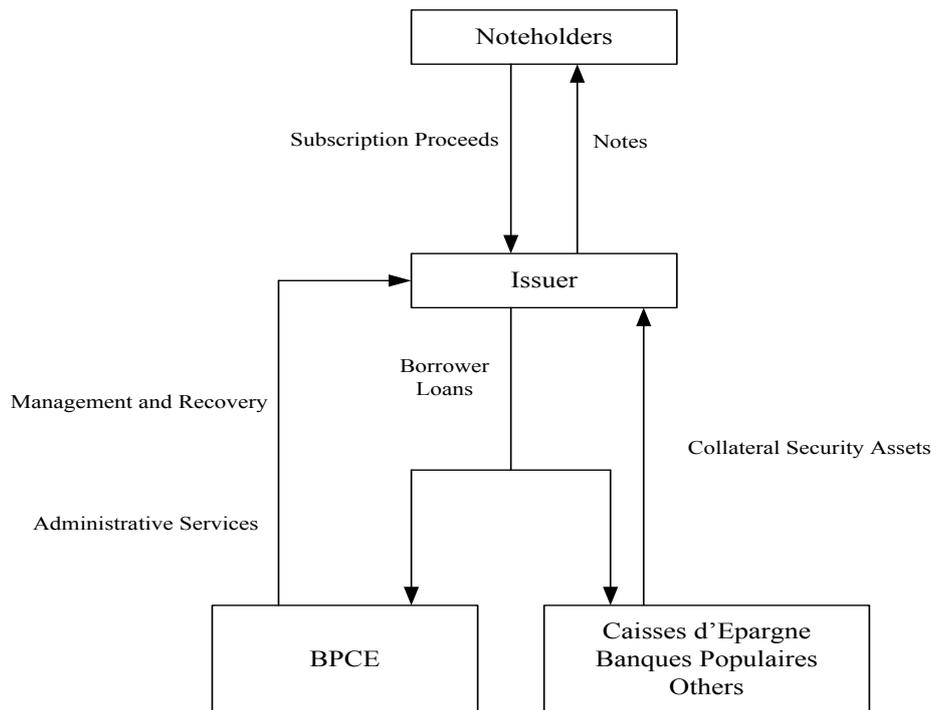
(see page 11 for more details)

Size of Cover Pool:	€ 5,004,613,846
Main collateral type in Cover Pool:	100% residential loans
Main Asset Location:	100% in France
Loans Count:	89,791
Currency:	Euro (100%)
Concentration of 10 biggest borrowers:	Not relevant
WA Current LTV:	69.9%
WA Seasoning:	4.2 years
WA Remaining Term:	15.5 years
Interest Rate Type:	91% fixed rate / 9% floating rate (92% of which are capped)
"Committed" Over-Collateralisation:	8.1% based on initial portfolio, with a minimum of 6.9%
Collateral Score:	7.7%
Further details:	See Appendix 1
Pool Cut-off Date:	28 February 2011

Structure and Legal Aspects

CHART 1

Structure Chart



Principal Programme Parties

Issuer: BPCE SFH

Borrower: BPCE S.A and any Guarantor

Guarantors: Banques Populaires and Caisses d'Epargnes entities

Paying Agent: BNP Paribas Securities Services

Listing Agent: Euroclear / Clearstream

Issuer Accounts Bank: BPCE S.A initially

The proceeds of the Covered Bonds are used by the Issuer, (as Lender) to fund advances to be made available under a multicurrency revolving loan facility by the Lender to the Borrowers. (the "**Credit Facility**"). The repayment of these advances will be secured by the Collateral Security (as defined in section "The Security Package" below) to be made available by the Guarantors under the Programme documents. The terms and conditions regarding the calculation and the payment of interest under each advance made under the Credit Facility shall mirror the equivalent terms and conditions of the final terms of the corresponding Notes, provided however that such corresponding Notes and the Borrower Loan may be denominated in different currencies.

Upon the occurrence of a Group Event of Default, (i) no more advance can be made under the Credit Facility, (ii) commitment under the Credit facility shall be reduced to zero, (iii) Borrower advances shall become immediately due and payable, (iv) the Issuer's rights under the Collateral Security are immediately enforceable, (v) substitute servicer will be appointed, (vi) all amount collected by the guarantors are transferred at the latest on the following day on the Issuer account.

A Group Event of Default is defined as (i) any non Payment under the Credit Facility, (ii) a breach of material obligation under the Credit Facility or security documents, (iii) a breach of Asset Cover Test/ Collections Loss Reserve Funding requirement, (iv) the insolvency of any member of the BPCE group, (v) unlawfulness, (vi) any event having a material adverse effect, (vii) non-payment of collateral security fee, (viii) failure to hedge following Hedging Trigger Event or (ix) failure by the Issuer to comply with its obligations pursuant to Article R.515-7-1 of the Financial Code, and BPCE does not assist the Lender in finding the means necessary to cure such failure with 30 business days.

The Issuer

Following the enactment of Law n°2010-1249 dated 22 October 2010 on the banking and financial regulation and of the Decree n° 2011-205 dated 23 February 2011, setting up the new status of *Société de Financement de l'Habitat* " (the "**SFH Law**"), the Issuer has opted for the SFH regime. It is a subsidiary of BPCE, licensed as a credit institution (*établissement de crédit*) with limited and exclusive purpose by the French Autorité de Contrôle Prudentiel (ACP). The Issuer was initially incorporated on 26 December 2007, but BPCE S.A confirmed that it was a dormant entity until its conversion into SFH.

The Issuer has a separate legal capacity and existence, notably for the purpose of granting loans to the Sponsor Bank and the Guarantors (as Borrowers) and issuing Covered Bonds which benefit from the *Privilège*.

Pursuant to SFH Law, the eligible assets of a société de financement de l'habitat comprise, inter alia:

- » home loans (*prêts à l'habitat*) which include loans which are 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 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 best credit level rating.
- » loans secured by the remittance, the transfer or the pledge of the receivables arising from the home loans referred to above,
- » units or notes (other than subordinated units or subordinated notes) issued by French securitisation vehicles, or other similar vehicles governed by the laws of a Member State of the EU or the EEA if (i) their assets comprise at least 90% of secured loans or other receivables benefiting from the same level of guarantees; (ii) such units or notes benefit from the highest level of credit assessment ("*meilleur échelon de qualité de crédit*") and (iii) the similar vehicles are governed by the laws of a Member State of the European Union or EEA.
- » promissory note (*billets à ordre*), and
- » substitution assets, under certain conditions provided by SFH Law.

The Sociétés de Financement de l'Habitat are not allowed to make any other investments, except investments in securities which are sufficiently secure and liquid to be held as so-called substitution assets.

SFH law provides for a regime which derogates in many ways from the French legal provisions relating to insolvency proceedings

The Issuer may be subject to insolvency but SFH law provides for a regime which deviates in many ways from the French insolvency provisions:

- » *Privilège / No acceleration of covered bonds as a result of insolvency of SFH*: in the event of an insolvency proceeding of the SFH (safeguard procedure, judicial reorganization or liquidation), all claims benefiting from the *Privilège* (including interest) must be paid on their due dates and in preference to all other claims. Until payment in full of all such preferred claims, no other creditors may take any action against the assets of the SFH.
- » *No nullity during hardening period*: the provisions allowing an administration to render certain transactions entered into during the hardening period (*période suspecte*) null and void are not applicable for transactions entered into by a SFH (provided that such transactions are made in accordance with their exclusive legal purpose and without fraud).
- » *Option to terminate ongoing contracts with insolvent counterparties*: in case of the opening of any insolvency procedure against the credit institution which is acting as manager and servicer of the SFH, any contract may be immediately terminated by the SFH notwithstanding any legal provisions to the contrary.
- » *No Consolidation*: SFH law precludes the extension of any insolvency procedure in respect of the SFH's shareholders to the SFH itself.

The Specific Controller verifies key financial aspects of the activities of the Issuer, in particular the extent of the collateral for the Covered Bonds. He is independent from both the Issuer and the Sponsor Bank

The Issuer has appointed a Specific Controller (*Contrôleur Spécifique*), and a Substitute Specific Controller (*Contrôleur Spécifique Suppléant*), who are selected from an official list of auditors and are appointed subject to the approval of the ACP. Their role is (i) to ensure that the Issuer complies with the SFH Law (in particular, by verifying the quality and the eligibility of the assets and the cover ratios the Issuer has to comply with), (ii) monitor the balance between the Issuer's assets and liabilities in terms of rates and maturity (cash flow adequacy) and notifies the Issuer and the ACP if he considers such balance to be unsatisfactory. The Specific Controller remains liable, both as regards the Issuer and third parties, for any loss suffered by them which results from any misconduct or negligence arising in the performance of its duties.

Other Provisions of SFH Law

The Issuer, in its capacity as SFH, benefits from a number of provisions set out in the SFH Law that are regarded favourably by Moody's. Please refer to paragraph entitled "Strengths of the transaction – Legal Framework" above.

The Security Package

The holders of the Covered Bonds will have the indirect benefit of the Collateral Security (as defined below) constituted of Home Loans (please see eligibility criteria in Appendix 4). The obligations of the Obligors under the Credit Facility and Collateral Framework Agreement, 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**" (*remise à titre de garantie*) created in accordance with articles L.211.38 of the Financial Code over the Home Loans originated by the Guarantors and satisfying the Eligibility Criteria. The Collateral Security shall not entail any transfer of title with respect to the Home Loans until enforcement.

In addition, the holders of the Covered Bonds will have the benefit of the Collection Loss Reserve Account, as described below.

Cash Management – Collection Loss Reserve Account

A collection loss reserve account will be opened in the name of the Issuer with an account bank suitably rated (initially the Sponsor Bank) (the "**Collection Loss Reserve Account**").

Following the occurrence of a Group 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 Home Loans debtors in a timely manner; and ii) the amounts collected by the Guarantors (as servicers) are not capable of being identified or are not transferred to the Issuer in a timely manner.

These risks are mitigated as follows: upon downgrade of the Sponsor Bank below Prime 1, the Guarantors will constitute, to the benefit of the Issuer, a collection loss reserve. Such amounts will be equal to all collections received by the Guarantors during the preceding (2.5) calendar months, and will be paid on the Collection Loss Reserve Account within 10 business days.

Failure to fund the Collection Loss Reserve Account will constitute a Group Event of Default. Amounts standing to the credit of the Collection Loss Reserve Account shall be pledged by the Guarantors, in favour of the issuer in

accordance with article L.211.38 of the Financial Code and become part of the Collateral Security.

Furthermore, following the occurrence of a Group Event of Default and sending of a Group Enforcement Notice (as defined in the agreement), the debtors under the Home Loans will be instructed to pay all amounts directly into the Issuer general account opened in the name of the Issuer with a bank rated at least A2 and Prime-1. In the event that the rating of the Issuer account bank falls below A2 or Prime-1, such issuer account bank shall be replaced within 15 business days by a bank satisfying the required rating.

The Cover Pool

The Guarantors will contribute eligible assets to the cover pool

Each Guarantor will service the portion of the Cover Pool contributed by it (please see "*Credit Quality of the Cover Pool*"). The risk associated with the possible deterioration of the credit strength of a Guarantor acting in its capacity as servicer is somewhat mitigated by the reasonable endeavour obligation of the Issuer to find a substitute servicer for the relevant loans in the event that the rating of the Sponsor Bank falls below Baa2.

The Asset Cover Test (as defined in Appendix 3) will be carried out monthly. Accordingly, the level of over-collateralisation will be monitored at least on a monthly basis.

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, a Group Event of Default shall be deemed to have occurred.

Moody's Rating Methodology

Moody's Special Report regarding the rating approach to covered bonds¹ details the methodology used for rating covered bond transactions. The impact of the credit strength of the Issuer, quality of the collateral, refinancing and market risks are considered below.

Credit Strength of the Sponsor Bank

Borrower is currently rated Aa3 / Prime 1 and its credit strength benefits the programme

The Issuer has full recourse - to the extent of its contractual obligations under the Programme documents - against BPCE SA (Aa3 / Prime 1) or any other Borrower, provided that any such Borrower must be a member of (i) the BPCE Group (within the meaning of Article L.511-31 of the Financial Code) and (ii) of the Network Guarantee System

(system set up by BPCE between members of the Group in accordance with Article L.512-107 the FMFC, in order to guarantee the liquidity of the Group and of each network and guarantee the solvency of the Group and of each Network). Moody's believes that i) the obligations of the Borrowers under the Credit Facility, ii) the existence of the Network Guarantee System, iii) the obligations imposed on the Guarantors to ensure that a minimum amount of over-collateralisation in the Cover Pool is maintained; and iii) the commitment of the Sponsor Bank to the transaction evidenced by the several functions carried out by it in the context of such transaction, enable the Issuer to benefit from the credit strength of the Sponsor Bank.

The Credit Quality of the Cover Pool

The Cover Pool comprises home loans

The initial Cover Pool contains Home Loans only, that have to satisfy the eligibility criteria (see Appendix 4). In addition, any available funds standing to the credit of the Issuer accounts shall be invested in Substitution Assets satisfying SFH law requirements. As of the date of this report, only the regulatory equity capital of the SFH has been invested in Substitution Assets by the Issuer.

All Home Loans are denominated in euro and have been granted to debtors located in France. Please see Appendix 1 for a description of the initial Cover Pool.

The total loan balance as of the date of this report was approximately € 5 billion. The cover pool is well seasoned (51 months), has an average unindexed LTV of 69.9% and is characterised by some geographical concentration (with 16.2% of the Home Loans originated in the Region of Ile de France and 11.7% in Rhone Alpes). 91% of the Home Loans in the Cover Pool are fixed rate. 88.9% of the properties are owner-occupied, 8.9% are buy-to-let and 2.3% are second homes. The income of each debtor has been verified by the originator.

All Home Loans included in the Cover Pool were i) selected and will continue to be selected based on the eligibility criteria set out in Appendix 4 and ii) originated based on the underwriting criteria described in Appendix 2.

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 Home Loans registered in the Cover Pool.

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 restore the Asset Cover Test; and
- » The Cover Pool composition will be monitored by Moody's.

The Home Loans in the initial Cover Pool benefit from a security

Each Home Loan of the initial Cover Pool will benefit either from a Home Loan Guarantee (defined as a guarantee (*cautionnement*) securing the repayment of a given Home Loan and granted by a credit institution or an insurance company, within the meaning of article L.515-35-II-2°(b) of the Financial Code) or a Mortgage (first rank *hypothèque* or an *in rem* security interest providing an equivalent guarantee (*sûreté immobilière conférant une garantie équivalente*), within the meaning of article L.515-35-II-2°(a) and R.515-5 of the Financial Code. The initial Cover Pool will either benefit from a guarantee granted by CEGC, or Crédit Logement, or a first ranking mortgage.

Market Risk

As of the date of this report, 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. However, as per the Programme documents, Covered Bonds and Credit Facility may not be denominated in the same currency, introducing currency risk exposure. This risk is mitigated by a provision to the effect that the entering into a currency hedge is a condition precedent to any advance under the Credit Facility denominated in a currency different than the currency of the Covered Bonds.

With respect to interest rate risk, the hedging strategy can be described as follows:

- » As long as the Sponsor Bank is rated A2, any market risk in respect of the Cover Pool will be hedged pursuant to the terms of BPCE S.A.'s internal hedging policies, which have not been reviewed by Moody's for the purpose of this Programme.
- » Upon the loss of A2 by the Sponsor Bank, hedging arrangements will be entered into within 30 days of the downgrade, and failure to do so will constitute a Group Event of Default. The hedging arrangements will be structured by : i) the Issuer hedging agreements entered into with a swap counterparty rated at least A2 and Prime 1 (or A1), and ii) the Borrower hedging

agreement with BPCE S.A (or any other entity of the group), that will be a back to back of the Issuer hedging agreement. Upon the occurrence of a Group Event of Default, the Borrower hedging agreement will terminate, and no termination costs will be payable.. The swaps will satisfy Moody's criteria in respect of: 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.

Aspects specific to this transaction that are market risk positive include:

- » The swap arrangements contain a rating based swap counterparty replacement trigger.
- » The committed over-collateralisation mitigates market risks.

Aspects specific to this Programme that are market risk negative include:

- » It is possible that a replacement for the swap counterparty is not found. Should this be the case, investors may become exposed to market risk if the over-collateralisation proves to be insufficient to absorb the negative impact of any adverse rate movement (which may be material).

Refinancing Risk

Refinancing risk has been mitigated in the structure and is taken into account in Moody's analysis

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.

Aspects specific to this transaction that are refinancing risk positive include:

- » SFH Law requirement to maintain a 180 days liquidity buffer at all time.
- » Legal framework, as it guarantees that insolvency of the Issuer will not trigger an acceleration of the Covered Bonds.
- » Ability of the Issuer to sell or transfer part or all of the Cover Pool.

Aspects specific to this Programme that are refinancing risk negative include:

- » In the scenario of a combined default of the Sponsor Bank and CEGC, the refinancing costs of the Homes Loans that have lost their guarantee, and which, as a consequence, have become unsecured loans, cannot be

estimated on the basis of historic data since such type of insurance company (such as CEGC) has never been subject to bankruptcy.

- » There is no maturity extension of the Covered Bonds following the occurrence of a Group Event of Default.

Linkage

All covered bonds have an element of rating linkage to i) the transaction counterparties and ii) 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. These include:

- » The dynamic nature of the transaction. For example, up to the occurrence of a Group Event of Default under the Credit Facility, new assets may be added to the Cover Pool or new bonds issued.
- » 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 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 Borrower's credit strength deteriorates. This is a consequence of the linkage of the transaction to the probability of default of the Sponsor bank.

The TPI determines the maximum rating covered bond under a specific programme can achieve

Moody's Timely Payment Indicators ("TPIs") assess the likelihood that a timely payment will be made to covered bondholders following Borrower/Sponsor Bank Default. Accordingly, the TPI determines the maximum rating a covered bond can achieve with its current structure while allowing for the addition of a reasonable amount of over-collateralisation.

Aspects specific to this Programme that are TPI positive include:

- » The Asset Cover Test, designed to ensure that the Cover Pool has substantial value at the time of the occurrence of the Borrower Event of Default.
- » 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 Home Loans included in the Cover Pool and the Substitution Assets are restricted to assets with certain maturity profiles.
- » The Collection Loss Reserve Account mitigates commingling risk in the event of the insolvency of the Borrower.
- » Upon the occurrence of a Group Event of Default, i) the Cover Pool will be transferred to the Issuer and ii) the Home Loans debtors will be instructed to pay into an account in the name of the Issuer.

Aspects specific to this Programme that are TPI negative include:

- » The maturity of the Covered Bonds cannot be extended.

Moody's has assigned a TPI of Probable to this Programme.

Monitoring

The issuer is expected to deliver certain performance data to Moody's on an ongoing basis. If this data is not made available to Moody's, Moody's ability to monitor the ratings may be impaired. This could negatively impact the ratings or, in some cases, Moody's ability to continue to rate the notes.

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 Methodologies:

- » [Moody's Approach to Covered Bonds, March 2010 \(SF191950\)](#)
- » [Assessing Swaps as Hedges in the Covered Bond Market, September 2008 \(SF142765\)](#)
- » [Moody's Approach to Rating Financial Entities Specialised in Issuing Covered Bonds, August 2009 \(SF175831\)](#)

Special Reports:

- » [European Covered Bond Legal Frameworks: Moody's Legal Checklist, December 2005 \(SF66418\)](#)
- » [Moody's EMEA Covered Bond Monitoring Overview: Q2 2010, December 2010 \(SF229472\)](#)
- » [Rating Transition Rates for Covered Bond Programmes, 1996-2008, February 2008 \(114622\)](#)
- » [EMEA Covered Bonds 2011 Outlook & 2010 Review, January 2011 \(SF229366\)](#)

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.

Appendix 1: Cover Pool Information

Residential Assets

Overview		Specific Loan and Borrower characteristics	
Asset type :	Residential	Loans with an external guarantee in addition to a mortgage :	n/a
Asset balance :	5,004,613,846	Interest Only Loans :	0.0%
Average loan balance :	55,736	Loans for second homes / Vacation :	2.3%
Number of loans :	89,791	Buy to Let loans / Non owner occupied properties :	8.9%
Number of borrowers :	87,483	Limited income verified :	0.0%
Number of properties :	87,483	Adverse Credit Characteristics(**) :	0.0%
WA Remaining Term (in months) :	186		
WA Seasoning (in months) :	51	Performance	
		Loans in arrears (≥ 2months - < 6months) :	0.0%
		Loans in arrears (≥ 6months - < 12months) :	0.0%
		Loans in arrears (> 12months) :	0.0%
		Loans in a foreclosure procedure :	0.0%
Details on LTV		Multi-Family Properties	
WA Unindexed LTV (*) :	69.9%	Loans to tenants of tenant-owned Housing Cooperatives :	n/a
WA Indexed LTV :	n/d	Other type of Multi-Family loans (***) :	n/a
Valuation type :	Market Value		
LTV threshold :	100%		
Junior ranks :	n/d		
Prior ranks :	0.0%		

n/d : information not disclosed by Issuer

n/a : information not applicable

(*) Based on original property valuation

(**) Should include Borrowers with a previous personal bankruptcy or Borrowers with record of court claims against them at time of origination

(***) This "other" type refers to loans directly to Housing Cooperatives and to Landlords of Multi-Family properties (not included in Buy to Let)

CHART A

Balance per LTV-band

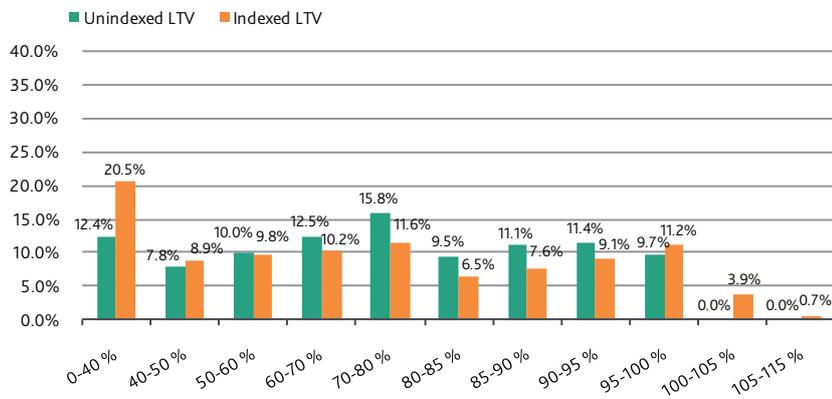


CHART B

Cover Pool Composition

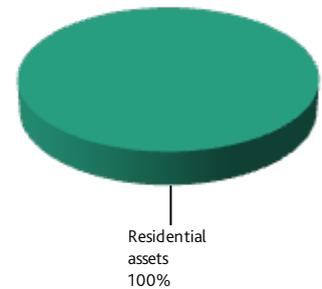


CHART C

Seasoning

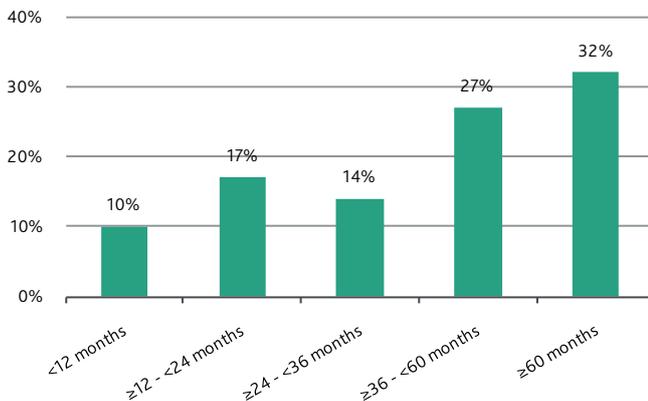


CHART D

Interest Rate Type

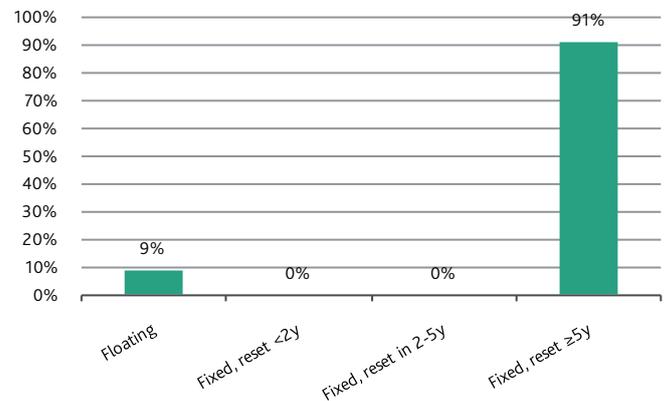
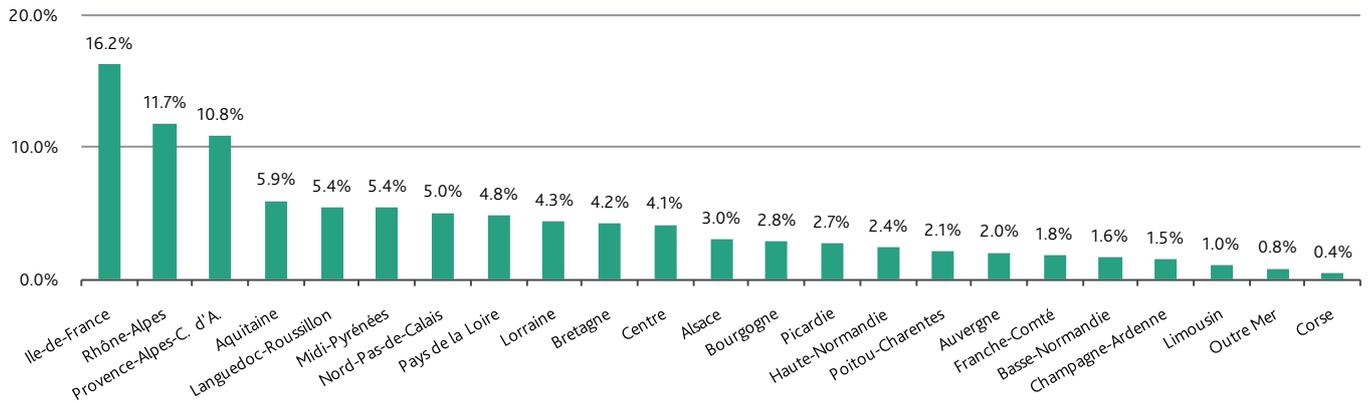


CHART E

Regional Distribution

Appendix 2: Income Underwriting and Valuation

1. Income Underwriting

1.1	Is income always checked?	Yes For employed borrowers, income is always checked on the basis of at least the 3 most recent monthly salary slips, the most recent tax statement and the 3 most recent monthly bank statements (the BP needs evidence of an employment history of at least 3 months). For self-employed borrowers, income is always checked on the basis of 3 balance sheet and 2 P&L accounts as certified by an external auditor (the BP needs an employment history of at least 3 years), the most recent tax statement and the 3 most recent monthly bank statements.
1.2	Does this check ever rely on income stated by borrower ("limited income verification")?	No
1.3	Percentage of loans in Cover Pool that have limited income verification	None
1.4	If limited income verification loans are in the Cover Pool, describe what requirements lender has in place for these loans.	Not applicable
1.5	Does income in all cases constrain the amount lent (for example through some form of Income Sufficiency Test ("IST"))?	Yes On their process to evaluate the capacity to repay the loan, both a Debt to Income Test and an Income Sufficiency Test are calculated, (exceptions to that are 2. <u>Income Sufficiency Test ("IST")</u> This test is carried out in order to ensure that the disposable income of the borrower exceeds a minimum amount. The disposable income (ou reste à vivre) is defined as the difference between income and expenses. Income is measured after tax: it includes alimonies (pensions alimentaires) and children allowances received. All revenues have to be documented and proof of permanency given. Expenses calculation includes alimonies and pension payments, all mortgage payments and other debts payments, rent paid. <u>Debt To Income ("DTI")</u> Depending on the regional bank policy and the underwriter commission (delegation) level, the DTI ratio limit is within the 33%-40% range.
1.6	If not, what percentage of cases are exceptions?	No exceptions.
	For the purposes of any IST:	
1.7	Is it confirmed that income after tax is sufficient to cover both interest and principal?	Yes, there are no interest-only loan in the Cover Pool (all the loans are amortising) and it is part of the underwriting procedure to verify that there is sufficient income (after tax) available either on the basis of the DTI test or, if the DTI ratio is exceeded, on the basis of a case-by-case analysis of the applicant's profile.
1.8	If so over what period is it assumed principal will be paid (typically on an annuity basis)? Any exceptions?	Payment of interest and principal on an annuity basis over the life of the loan.
1.9	Does the age of the borrower constrain the period over which principal can be amortised?	No
1.10	Are any stresses made to interest rates when carrying out the IST? If so, when and for what type of products?	When interest rate on loan is floating, IST may be based on stressed interest rate. In such case, the stressed interest rate is the highest applicable interest rate according to the contractual cap of such rate. Interest rate on fixed rate loans is fixed over the life of the loan and there is no need to stress these loans.
1.11	Are all other debts of the borrower taken into account at the point the loan is made?	Yes, whatever consumer loans, revolving loans, mortgages child maintenance paid, are taken into account.
1.12	How are living expenses of the borrower calculated? And what is the stated maximum percentage of income (or income multiple if relevant) that will be relied on to cover debt payments (specify if income is pre or post tax)?	Expenses are taken into account in the Debt-To-Income percentages. Besides the IST, the decision is taken by an underwriter on the basis of other criteria such as the specific profile of the applicant.
	Other comments	

Appendix 3: Asset Cover Test

Compliance with the Asset Cover Test requires that:

- (i) the statutory cover ratio provided for by Article L. 515-17-1 and R. 515-7-2 of the FMFC (the Statutory Cover Ratio) be complied with taking into account the relevant assets and liabilities of the Lender ; and
- (ii) the asset cover ratio R specified below (the Asset Cover Ratio (R)) be at least equal to one (1) on each Asset Cover Test Date. Such compliance is tested by the Calculation Agent from time to time subject to, and in accordance with, the relevant terms of the Facility and Security Agreement and the Calculation Agency Agreement.

The Asset Cover Ratio (R) means the following ratio:

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

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 Notes denominated in a Specified Currency other than Euro) outstanding at such date under all Notes.

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

$$(AAAA) = A + SA + PI - (HC + NC)$$

Whereby:

A means the lower of:

- (a) the Aggregate Adjusted Home Loan Outstanding Principal Amount; and
- (b) the Aggregate Unadjusted Home Loan Outstanding Principal Amount.

For such purpose:

Aggregate Adjusted Home Loan Outstanding Principal Amount means the sum for each Home Loan being part of the Collateral Security and excluding the Home Loans which have become Ineligible Assets of the lower of:

- (i) that Home Loan Outstanding Principal Amount minus the Applicable Deemed Reductions; and
- (ii) the LTV Programme Limit Percentage multiplied by the Indexed Valuation relating to that Home Loan minus the Applicable Deemed Reductions.

Aggregate Unadjusted Home Loan Outstanding Principal Amount means the sum of the outstanding principal amount of all Home Loans of the Collateral Security Assets minus the Applicable Deemed Reductions multiplied by the Asset Percentage.

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.

Any Home Loan within the Collateral Security that does not comply with Home Loan Eligibility Criteria shall be accounted for zero for the purpose of calculating the Asset Cover Test and consequently no credit will be given for the purpose of calculating the Asset Cover Test.

Applicable Deemed Reductions means the aggregate sum of the financial losses incurred by the Guarantors 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 Guarantors during the applicable Asset Cover Test Calculation Period.

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.

LTV Programme Limit Percentage means eighty per cent. (80%).

Indexed Valuation means at any date in relation to any relevant Home Loan secured over any property:

- (i) where the purchase price of the property is equal to or greater than the INSEE Indexed Valuation, the INSEE Indexed Valuation; or
- (ii) where the purchase price of the property is less than the INSEE Indexed Valuation, the Purchase Price of the property plus eighty per cent. (80%) of the difference between the INSEE Indexed Valuation and the Purchase Price of the property.

INSEE means the Institut National des Statistiques et Etudes Economiques.

INSEE Indexed Valuation means the purchase price of the relevant property increased or decreased as appropriate by the increase or decrease in the Notaires de France - INSEE index since the date of the purchase price.

Purchase Price means in relation to any property, the purchase price of that property.

Asset Percentage means (i) ninety-two point five per cent. (92.5%) or (ii) such percentage figure as is determined on quarterly basis by the Calculation Agent. For the purpose of the calculation of the Asset Percentage referred to in (ii) above, the Calculation Agent will calculate, on a quarterly basis, the weighted average frequency (Weighted Average Frequency of Foreclosure or WAFF), and the weighted average loss severity (Weighted Average Loss Severity or WALs) (and/or such figures calculated in accordance with such alternative methodologies subject to Rating Confirmation) for all relevant Home Loans or for a random sample of the same or as otherwise subject to Rating Confirmation. The WAFF and WALs (or other relevant figures) so calculated will be incorporated by the Calculation Agent into one (1) or more cash flow models reviewed by S&P. Such models, which test the credit enhancement required in various cash flow scenarios, will indicate, on the basis of the latest WAFF and WALs figures and latest other relevant assumptions such as the assumed margins on the swaps or the assumed costs of refinancing (or other agreed relevant figures), the Asset Percentage needed in order to provide credit enhancement to cover all such cash flow scenarios. Save where otherwise agreed with S&P, the Asset Percentage will be adjusted in accordance with the various methodologies prescribed by S&P provided that the Asset Percentage may not, at any time, exceed ninety-two point five per cent. (92.5%).

SA equals the aggregate value of Substitution Assets. The aggregate value of Substitution Assets will be determined by the Calculation Agent based on the information received from the Guarantors. 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.

Substitution Assets means any valeur de remplacement of the Lender, within the meaning, and complying with the provisions, of Articles L.515-17 and R.515-7 of the FMFC, and which is not a Permitted Investment.

PI is equal to the aggregate value outstanding under all Permitted Investments, as determined by and requested from the Management and Recovery Agent. 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.

Permitted Investments means any valeur de remplacement of the Lender, within the meaning, and complying with the provisions, of Articles L.515-17 and R.515-7 of the FMFC. Substitution Assets will be valued using the same methodology as the specific controller of the Lender, which

is denominated in Euro and falls into one of the following categories:

- (a) deposits denominated in Euro made with a credit institution whose registered office is located in a member state either of the European Economic Area or of the Organisation for Economic Co-operation and Development ("OECD"), with the exception of investment firms, having a rating no lower than A+ (long term) (or A (long term), but in that case, together with A-1 (short term)) by S&P and P-1 (short term) by Moody's, and which may be repaid or withdrawn at any moment at the request of the Issuer in order to make sums available within twenty-four (24) hours at the latest, having a remaining maturity date of thirty (30) days or less and mature at least one (1) Business Day prior to the next Payment Date;
- (b) French treasury bonds (bons du Trésor) having a remaining maturity date of thirty (30) days or less and mature at least one (1) Business Day prior to the next Payment Date and having a rating no lower than A+ (long term) (or A (long term), but in that case, together with A-1 (short term)) by S&P and P-1 (short term) by Moody's;
- (c) debt instruments referred to in paragraph 2 of Article D. 214-94 of the Financial Code and denominated in Euro, provided that:
 - (i) they are traded on a regulated market located in a country that is party to the agreement on the European Economic Area, with the exception of securities giving access directly or indirectly to the share capital of a company;
 - (ii) they have a fixed principal amount at maturity;
 - (iii) they are not interest-only strips;
 - (iv) they are not purchased at a premium over par;
 - (v) they are not issued by mutual funds or any securitisation special purpose vehicle; and
 - (vi) they have a remaining maturity date of thirty (30) days or less and mature at least one (1) Business Day prior to the next Payment Date and having a rating no lower than A+ (long term) (or A (long term), but in that case, together with A-1 (short term)) by S&P and P-1 (short term) by Moody's;
- (d) negotiable debt instruments (titres de créances négociables) being denominated in Euro and provided they have the characteristics specified in sub-paragraphs (ii) to (v) of paragraph (c) above, having a remaining maturity date of thirty (30) days or less and mature at least one (1) Business Day prior to the next Payment Date and having a rating no lower than A+ (long term)

(or A (long term), but in that case, together with A-1 (short term)) by S&P and P-1 (short term) by Moody's; or

- (e) units or shares of units in undertakings for collective investment in transferable securities (organismes de placement collectifs en valeurs mobilières) invested mainly in debt instruments referred to in paragraphs (b), (c) and (d) above, being denominated in Euro, having a remaining maturity date of thirty (30) days or less and mature at least one (1) Business Day prior to the next Payment Date and having a daily liquidity.

NC is equal to: WAM * Aggregate Covered Bond Outstanding Principal Amount * Carrying Cost Percentage, whereby WAM means the greater of (i) the weighted average maturity of series of Notes outstanding as at the relevant Asset Cover Test Date and (ii) one (1) year, where Carrying Cost Percentage means one per cent. (1.00%).

HC is equal to (i) zero before any Issuer Hedging Agreement is 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 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 plus two (2) months preceding the relevant Asset Cover Test Date.

On each Asset Cover Test Date, the Management and Recovery Agent shall calculate the Asset Cover Ratio (R)

according to the terms, definitions and calculation formula set forth above and the Statutory Cover Ratio using the same methodology as the specific controller of the Lender and perform the Asset Cover Test.

No later than three (3) Business Days following any Asset Cover Test Date, the Calculation Agent shall inform the Lender and the Obligor Agent (with a copy to the Rating Agencies) of its calculation of the Asset Cover Ratio (R).

Appendix 4: Home Loan and Substitution Assets Eligibility Criteria

Home Loans Eligibility Criteria shall include the following cumulative criteria:

- (a) the Home Loan has been granted for the purpose of financing, in whole or in part, a residential real estate property located in France, within the meaning of article L.515-35-II-1° of the FMFC;

- (i) the underlying property is located in France;
- (ii) the Home Loan is secured by a Mortgage or a Home Loan Guarantee, where:

Mortgage means a first rank *hypothèque* or an *in rem* security interest providing an equivalent guarantee (*sûreté immobilière conférant une garantie équivalente*), within the meaning of article L.515-35-II-2°(a) and R.515-5 of the FMFC;

Home Loan Guarantee means a guarantee (*cautionnement*) securing the repayment of a given Home Loan and granted by a credit institution or an insurance company, within the meaning of article L.515-35-II-2°(b) of the FMFC (each, a **Home Loan Guarantor**).

- (b) prior to the date upon which the Home Loan had 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;
- (c) the underlying property is residential, not commercial;
- (d) the Home Loan is governed by French law;
- (e) the Home Loan is denominated in Euro;
- (f) the borrower under the Home Loan is an individual or a “*SCI patrimoniale*” (provided that the shareholders of such SCI shall only be individuals);

- (g) as of the relevant the Selection Date, the current principal balance of such Home Loan is no more than Euro 1,000,000;
- (h) the loan-to-value (the LTV) of the Home Loan is no more than one hundred per cent. (100%);
- (i) as of the relevant Selection Date, the remaining term for the Home Loan is less than thirty (30) years;
- (j) as of the relevant Selection Date, the borrower under the Home Loan has paid at least one (1) instalment in respect of the Home Loan;
- (k) the borrower under the Home Loan is not an employee of the originator of such Home Loan;
- (l) the Home Loan is current (i.e. does not present any arrears) as of the relevant Selection Date;
- (m) the Home Loan is either monthly, quarterly or bi-yearly amortising as of the relevant Selection Date;
- (n) the borrower under the Home Loan is not in default on any other loan granted by the originator;
- (o) the borrower under the Home Loan does not benefit from a contractual right of set-off;
- (p) 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;
- (q) the Home Loan has been fully disbursed;
- (r) no amount drawn under the Home Loan is capable of being redrawn by the borrower thereof.

Substitution Assets

The Management and Recovery Agent shall invest the available cash of the Issuer in substitution assets which comply with the provisions of Articles L.515-17 and R.515-7 of the Financial Code.

¹ [Moody's Rating Approach to Covered Bonds](#), dated March 2010

» contacts continued from page 1

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