

## Asset Quality Report As of 31<sup>st</sup> December 2016

*This translation into English is for information purposes only. Only the French version published in the Bulletin des annonces légales obligatoires (BALO) or on La Banque Postale Home Loan SFH website is authoritative.*

La Banque Postale Home Loan SFH, is a French *Société Anonyme* under the laws of France, licensed as credit institution with the status of *établissement de crédit spécialisé - société de financement de l'habitat*.

The assets of La Banque Postale Home Loan SFH consist of home loans and replacement assets that are eligible for *sociétés de financement de l'habitat*, in terms of the French legal framework.

The present asset quality report of La Banque Postale Home Loan SFH, based on the figures as of 31<sup>st</sup> December 2016, is in accordance with provisions of Article 13 of *Règlement n°99-10* of *Comité de réglementation bancaire et financière*, related to *sociétés de crédit foncier* and Instruction n°2011-I-07, related to publication, by *sociétés de crédit foncier* and *sociétés de financement de l'habitat*, of information concerning the quality of refinanced assets.

### I – Guaranteed Loans

#### 1) Breakdown of eligible outstanding balance of guaranteed loans by type of counterparties and guarantees:

Categories of receivables	Outstanding balance (in M€)
Commercial receivables	
Export credit	
Cash credit	
Investment loans	
Home loans	6 049
Loans to developers	
Other loans	
<b>Total</b>	<b>6 049</b>

Counterparty types	Outstanding balance (in M€)
Non-financial companies and individual entrepreneurs	
Individuals	6 049
Other	
<b>Total</b>	<b>6 049</b>

Guarantee types	Outstanding balance (in M€)
Residential mortgage	1 484
Business mortgage	
Guarantee ( <i>cautionnement</i> ) granted by a credit institution	4 565
Guarantee ( <i>cautionnement</i> ) granted by an insurance company	
Guarantee from <i>Fonds de garantie à l'accession sociale à la propriété</i>	
<b>Total</b>	<b>6 049</b>

The only credit institution that grants guarantees (*cautionnement*) for the home loans in the Cover Pool is Crédit Logement.

There are no non-performing loans in the Cover Pool.

**2) Breakdown of eligible outstanding balance of loans, guaranteed by a mortgage or credit institution (*cautionnement*), according to the eligible amount for financing by privileged debt:**

Guarantee types	Outstanding principal (in M€)	Product of financing portion, as defined under the article R. 515-2 (CMF), and value of financed property	Total
Residential mortgage	937	547	1 484
Guarantee ( <i>cautionnement</i> ) granted by credit institution	3 109	1 456	4 565
<b>Total</b>	<b>4 046</b>	<b>2 003</b>	<b>6 049</b>

**3) Breakdown of eligible outstanding balance of guaranteed loans by the year of conclusion of the loan contract:**

Year of conclusion of the loan contract	Loans secured by residential mortgage		Loans guaranteed ( <i>cautionnement</i> ) by guarantee granted by credit institution	
	Outstanding principal (in M€)	Number of loans	Outstanding principal (in M€)	Number of loans
2006	16	410	96	2 313
2007	30	930	234	5 966
2008	36	1 093	290	7 269
2009	36	970	402	8 766
2010	43	1 005	694	13 294
2011	62	1 822	716	15 375
2012	123	2 847	459	9 571
2013	323	5 531	663	11 049
2014	418	6 833	485	7 633
2015	362	4 456	483	6 671
2016	35	412	43	508
<b>Total</b>	<b>1 484</b>	<b>26 309</b>	<b>4 565</b>	<b>88 415</b>

**4) Breakdown of eligible outstanding balance of guaranteed loans by loans remaining terms:**

Remaining term (years)	Loans secured by residential mortgage		Loans guaranteed ( <i>cautionnement</i> ) by guarantee granted by credit institution	
	Outstanding principal (in M€)	Number of loans	Outstanding principal (in M€)	Number of loans
0	0	508	2	2 265
1	4	563	20	3 039
2	7	595	45	3 511
3	14	824	89	4 939
4	17	756	145	5 334
5	27	977	162	5 025
6	44	1 396	200	5 284
7	63	2 316	242	6 135
8	67	2 124	264	5 547
9	56	1 397	357	6 546
10	49	1 063	272	4 872
11	77	1 416	304	4 818
12	91	1 432	346	4 859
13	103	1 502	357	4 735
14	66	881	289	3 732
15	49	710	202	2 757
16	72	877	233	2 879
17	102	1 240	266	3 168
18	127	1 372	226	2 734
19	84	842	212	2 286
20	48	541	96	1 220
21	45	517	74	943
22	80	811	68	816
23	112	996	53	568
24	77	620	42	386
25	4	30	2	17
26	-	-	-	-
27	0.2	2	-	-
28	0.1	1	-	-
29	-	-	-	-
30	-	-	-	-
<b>Total</b>	<b>1 484</b>	<b>26 309</b>	<b>4 565</b>	<b>88 415</b>

**5) Breakdown of eligible outstanding balance of guaranteed loans by location of the financed property by country:**

All properties financed by home loans in the cover pool are located in France.

**6) Breakdown of eligible outstanding balance of guaranteed loans by weighting assigned under the cover ratio between assets and privileged debt:**

Home loans that are guaranteed by a credit institution (*cautionnement*) are guaranteed by Crédit Logement, the institution that does not take part in the scope of consolidation of La Banque Postale group.

The long-term ratings of Crédit Logement are Aa3 (Moody's) and AAL (DBRS), therefore it benefits from the highest level of credit assessment, according to the French Regulation, hence the weighting assigned to home loans guaranteed by Crédit Logement is 100%.

Home loans guaranteed by a first-ranking mortgage are weighted by 100%.

**7) Breakdown of outstanding balance of loans mobilized by promissory notes, under the articles L. 313-42 to L. 313-49 of French Monetary and Financial Code:**

No loans mobilized by promissory notes under the home loans granted as collateral security.

## II - Exposure to public entities

La Banque Postale Home Loan SFH has no exposure on public entities except for those described in §IV relative to "Replacement Assets" and cash on the current account opened in the books of Banque de France, with an outstanding credit balance of EUR 14 091.37 as of 31<sup>st</sup> December 2016.

## III - Securitization vehicles and similar entities

La Banque Postale Home Loan SFH has no exposure on securitization vehicles and similar entities.

## IV - Replacement Assets (*valeurs de remplacement*)

As of 31<sup>st</sup> December 2016, La Banque Postale Home Loan SFH holds following replacement assets (*valeurs de remplacement*):

### 1) Bonds

La Banque Postale Home Loan SFH holds a bond portfolio classified as "Held-to-Maturity" or "Available-for-Sale", with the exposure on French state only and corresponding to the reinvestment of a part of its capital.

ISIN Code	Name of series	Nominal Amount (Euros)	Classification
FR0010415331	OAT 3.75 25/04/2017	10 900 000	HTM
FR0010604983	OAT 4.00 25/04/2018	10 900 000	HTM
FR0000189151	OAT 4.25 25/04/2019	10 900 000	HTM
FR0010854182	OAT 3.50 25/04/2020	10 900 000	HTM
FR0010192997	OAT 3.75 25/04/2021	10 900 000	HTM
FR0011196856	OAT 3.00 25/04/2022	10 900 000	HTM
FR0011486067	OAT 1.75 25/05/2023	10 900 000	HTM
FR0013200813	OAT 0.25 25/11/2026	12 000 000	AFS
	<b>Total</b>	<b>88 300 000</b>	

This portfolio is ECB eligible.

As of 31<sup>st</sup> December 2016, the market value of the portfolio is EUR 98 213 994.33. After ECB haircut, the value as replacement assets is EUR 96 676 458.22.

As of today, this portfolio has not been posted in collateral to the Central Bank.

### 2) Cash

La Banque Postale Home Loan SFH disposes of two current accounts opened in the books of La Banque Postale, with an outstanding credit balance of EUR 26 163 450.29 as of 31<sup>st</sup> December 2016.

## V - Prepayments

The annualized prepayment rate calculated on the basis of home loan portfolio for the fourth quarter 2016 is 14.32 %.

## VI - Interest rate risk

Each covered bond issue is lent to La Banque Postale, by a guaranteed loan with the same principal amount and with a fixed nominal interest rate higher or equal to the fixed nominal rate of the issue, and of the same maturity. The only interest rate risk borne by La Banque Postale Home Loan SFH is the risk generated by the capital re-investment.

Since the first of January 2016, the EBA guidelines on the management of interest rate risk arising from non-trading activities (Guideline EBA/GL/2015/08 from 22<sup>nd</sup> May 2015) have been applied by La Banque Postale Home Loan SFH and henceforth the capital are excluded from the interest rate risk measurement without modification in the capital re-investment policy of the company (capital investment portfolio replicating a 10 years linear amortization).

In case of a La Banque Postale default, La Banque Postale Home Loan SFH would receive the home loans transferred as a guarantee in the Cover Pool: in such case, La Banque Postale Home Loan SFH would be exposed to interest rate risk, because of the mismatch between its bond issues and the home loan portfolio.

As of 31<sup>st</sup> December 2016, the sensitivity of the net present value of secured issuances and the share of Cover Pool necessary to respect the contractual rate of overcollateralization of 8.1% is EUR 7.11 million for a 200 bps move, that is to say 3.34% of the capital of La Banque Postale Home Loan SFH (taking into account a 12.43% per year prepayment rate in the Cover Pool).

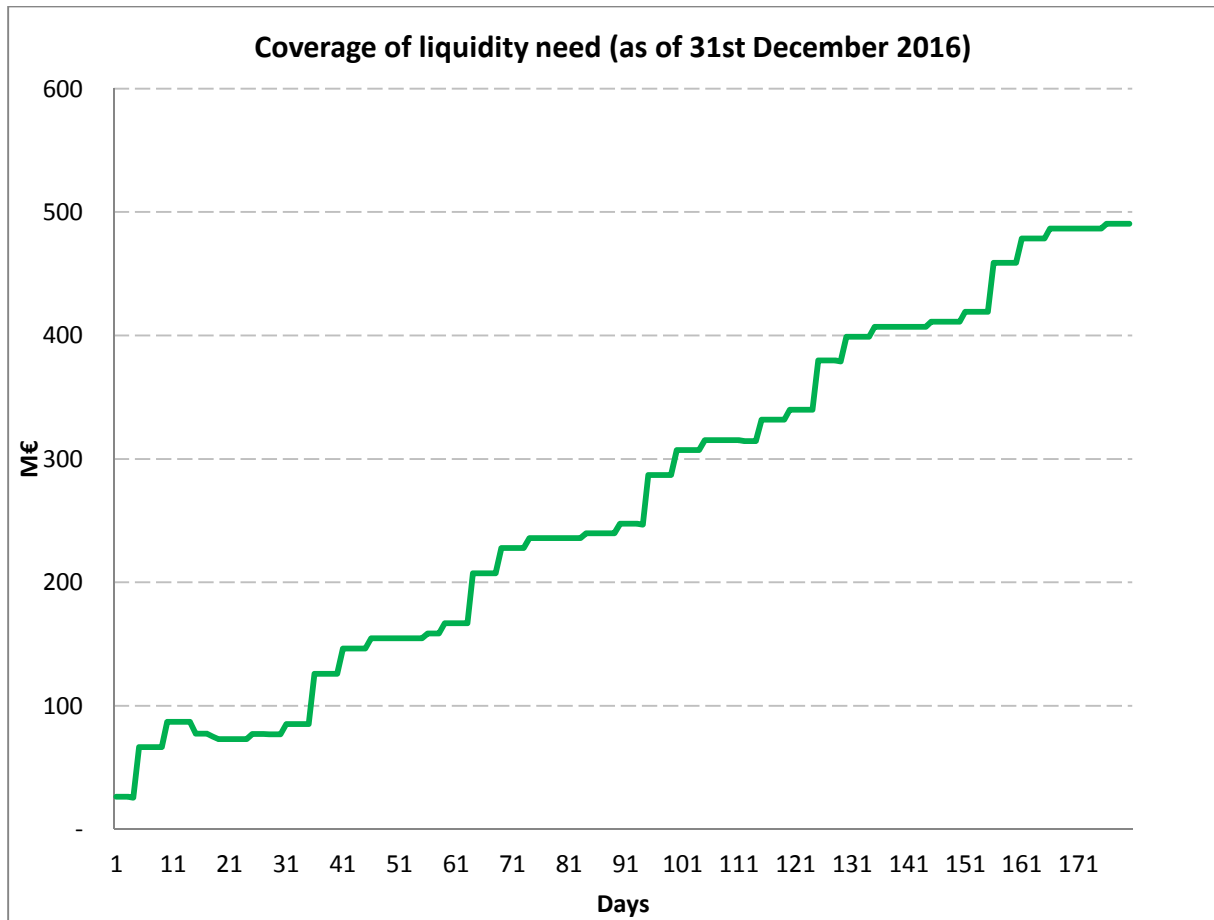
Sensitivity to interest rate variation	M€
-2%	-7.11
2%	-2.70

## VII – Coverage of liquidity need

Pursuant to article R. 515-7-1 of the *French Code Monétaire et Financier*, the liquidity need is computed over a 180 days period in “transparency” ; i.e.

The cash-flows of the home loans received in collateral are recorded as inflows rather than the cash-flows of the “Credit Facility” guaranteed by the Home loans.

As of 31<sup>st</sup> December 2016, the liquidity need over 180 days is null and thus covered.



Paris, 31<sup>st</sup> January 2017