

**PROPERTY VALUATION AND PERIODICALLY REVIEWING
PROPERTY VALUES PROCEDURE**

As of 31st December 2022



LA BANQUE POSTALE HOME LOAN SFH

**This translation into English is for information purpose only and has been performed by
LA BANQUE POSTALE HOME LOAN SFH.**

Only the French version published on La Banque Postale Home Loan SFH website is authoritative.

**TRANSLATION INTO ENGLISH BY LBP HOME LOAN SFH OF THE SPECIFIC CONTROLLER'S
CERTIFICATION ON THE VALUATION AND PERIODIC REVIEW METHODS AND RESULTS FOR REAL
ESTATE AS OF 31ST DECEMBER 2022**

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To the Board of Directors of La Banque Postale Home Loan SFH,

In our capacity as Specific Controller of La Banque Postale Home Loan SFH, and pursuant to the Article 5 of regulation No. 99-10 of the Comité de la Réglementation Bancaire et Financière (hereafter CRBF), we assessed the validity, in accordance with regulations in force, of the methods used to value the real estate assets underlying the loans and their results, and of the methods for periodically reviewing their value, as published together with the financial statements for the year ended 31st December 2022 and appended hereto.

The valuation methods and their results for real estate assets and the methods for periodically reviewing their value have been defined and implemented under the responsibility of your company's management.

Our responsibility is to assess the compliance of this procedure with respect to regulations in force as of 31st December 2022.

We implemented the diligences that we considered necessary in view of the professional standards of the Compagnie Nationale des Commissaires aux Comptes applicable to this assignment. Our work consisted in checking the compliance of:

- the procedures, the valuation and periodic review methods and their results, in their design and application, with regulations in force as of 31st December 2022;*
- the information published together with the annual financial statements with, on the one hand, the system for the valuation and periodic review implemented, and on the other hand, with the results arising from the implementation of the valuation system.*

Based on our reviews, no observation is to be related on compliance with the Articles 2 to 4 of regulation N°99-10 of the CRBF of the methods used to value the real estate and their results, and of the methods used for periodically reviewing their value. These methods are published together with the financial statement for the year ended 31st December 2022.

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1 Context

La Banque Postale Home Loan SFH, refinancing vehicle set up in 2013, is a French *Société Anonyme* under the laws of France, licensed as credit institution (*établissement de crédit*) – *société de financement de l’habitat*. This entity is 100% owned by La Banque Postale.

The purpose of this document is to describe the methodology used by La Banque Postale Home Loan SFH to appraise and review the appraisal value of the pledged properties (collateral), in accordance with provisions of *Article 5 of Règlement n°99-10 of Comité de la Réglementation Bancaire et Financière* relative to *sociétés de crédit foncier* and *sociétés de financement de l’habitat*.

2 Regulatory Framework

The appraisal of the properties financed or provided as a collateral pursuant to *Articles L. 513-3 and L. 513-29* of the French Monetary and Finance Code (*Code monétaire et financier*) is governed by *Articles 1 to 5 of Chapitre 1^{er} “De l’évaluation des immeubles”* (“properties appraisal”) of *Règlement n°99-10* of 9 July 1999 relative to *sociétés de crédit foncier* and *sociétés de financement de l’habitat*, amended by *Règlements n°2001-02* of 26 June 2001 and *n°2002-02* of 15 July 2002 and by *Arrêtés* of 7 May 2007 and of 23 February 2011, of 26 May 2014, of 3 November 2014 of 7 July 2021 and 1st December 2022.

Appraisal of properties

Article 1 – The financed properties “financed or provided as a collateral within the meaning of *Articles L. 513-3 and L. 513-29* of the French Monetary and Finance Code” (*Code Monétaire et Financier*) are appraised in a prudent manner that excludes any speculation.

Article 2 – “The appraisal value is based on the sustainable long term characteristics of the property, normal and local market conditions, actual use of the property and other uses that may be made thereof. Said value is determined in writing in a clear and transparent manner and cannot exceed the market value.

Notwithstanding, the appraisal may be based on the initial transaction total cost when said cost is less than EUR 600,000 or when all home loans financed by the *société de crédit foncier* or by the *société de financement de l’habitat* and collateralized by the appraised property present an outstanding amount per transaction, assessed at the time of the acquisition of said loans or of their pledge as collateral, less than EUR 480,000.

Article 3 – “Following their acquisition or pledge as collateral, the properties appraisal is re-assessed under the risk measurement framework applicable to *sociétés de crédit foncier* and *sociétés de financement de l’habitat* (Order of 3 November 2014) :

- a) For residential properties, said examination is carried out each year based on a statistical method;
- b) For business properties for which all the property loans held by the *société de crédit foncier* and collateralized by the appraised property present an outstanding amount per transaction less than 30% of the total amount originally lent or less than EUR 480,000, the appraisal may be carried out each year based on a statistical method;
- c) For business properties with a purchase cost or with a last appraised value of less than EUR 600,000 and when all loans held by the *société de crédit foncier* and collateralized by the appraised property present an outstanding capital per transaction in excess of EUR 480,000, said examination shall be carried out every three years on an individual basis. Between two individual appraisals, the value of said properties shall be re-appraised each year based on a statistical method.
- d) For business properties with a purchase cost or a last estimated cost in excess of EUR 600,000 and when all loans held by the *société de crédit foncier* and collateralized by the valued property present an outstanding capital per transaction in excess of EUR 480,000, this appraisal shall be carried out each year on an individual basis”.

Article 4 - “The appraisal is carried out by an independent expert within the meaning of *Article 168* of the order of 20 February 2007 relating to equity capital requirements applicable to financial institutions and investment companies” (Order of 7 May 2007).

Article 5 – The properties appraisal methods “and their results” as well as the methods of their from time to time re-appraisal are kept at the disposal of the specific controller mentioned in *Article L. 513-23* of the French Monetary and Finance Code (*Code Monétaire et Financier*) who decides on their validity. They are published simultaneously with the annual accounts together with the specific controller assessment. “The Prudential and Resolution Regulatory Authority” (*Autorité de Contrôle Prudentiel et de Résolution*) may require them to be modified.

3 Methodology used by La Banque Postale Home Loan SFH

3.1 Initial valuation

According to Article 2 of Règlement n°99-10 of Comité de la Réglementation Bancaire et Financière, the valuation, by exemption, may be based on the total cost of the initial operation when this cost is less than EUR 600 000, or when all home loans financed by the société de crédit foncier or the société de financement de l’habitat and collateralized by the valued property have a unitary current balance, assessed at the time of acquisition of these loans or at the time of their provision as collateral, less than EUR 480 000.

In order to implement this approach based on the initial cost of the operation, only the loans under the threshold and therefore which do not require a mandatory notice of value are selected in the cover pool. The transaction’s initial cost does not take into account the notary fees or the real estate broker fees as long as they are paid by the buyer of the property. In order to take into account the cases where those fees are paid by the seller of the property, a discount factor is applied on property values. This discount factor is reviewed every year. As for repurchased loans, the initial cost is the nominal amount of the repurchased loan.

Therefore, the Collateral initial appraisal methodology is exclusively based on the transaction initial cost as of 31st December 2022.

3.2 Periodic reviewing of property values

3.2.1 Methodology

French regulation requires that La Banque Postale Home Loan SFH periodically reviews property values financed or provided as a collateral. The methodology used since the setup of the société de financement de l’habitat is based on a statistical method pursuant to Article 3 of Règlement n°99-10 of Comité de la Réglementation Bancaire et Financière.

Use of local indexes

Since 31/12/2016, the property value appraisal methodology has been enhanced in order to take into account local real estate markets variations. These variations now refer to local indexes provided by the Ile-de-France Notaries (base BIEN) for transactions located in Ile-de-France, and by ADNOV company otherwise. These indexes refer to transactions on residential ancient flats or houses sold over the counter. They are provided by property type (flat, house, or flat and house together) for the three following levels of local authorities:

- District level : only applicable to Paris by the relevant district INSEE code ; (data not used by LBP);
- Borough level : only applicable to Paris by the Borough INSEE code;
- City level: by city INSEE¹ code, the most granular level;
- Department level: by Department INSEE code;
- National level².

¹ INSEE: Institut national de la statistique et des études économiques: French National Institute of Statistics and Economic Studies.

² Province level in the Perval database.

Type of property as identified in LBP Home Loan SFH IT systems	Type of corresponding asset in the index databases	Classification of the type of asset in the index bases
House	House	MA
Flat	Flat	AP
Non available information	Mixed	CONF

When local real estate market statistics are available, indexes are provided on a quarterly basis (on a non-final status first, then on a final status the following quarter). Subsequently, property reviewing process complies with French regulation. Moreover, as this review is now performed on a quarterly basis, property values reflect latest available information on local real estate markets.

Property present value

Every loan contract is attached to a real estate property (hereafter property) which value is reassessed every quarter with the latest information available. As of 31/12/2022, property value appraisal was performed with latest available indexes provided, i.e. indexes on 2nd quarter 2022 on non-final version and on indexes of the previous quarters on final version.

If the credit offer's first loan³ has been disbursed during the last quarter the indexes are available; the property value is not reassessed (property value equals to initial value), i.e., all properties attached to loans disbursed on Q2/2022 or later have not been reassessed at year end 2022.

Otherwise, current property value is equal to initial value increased by a factor reflecting local or national real estate market variation between the date the property was acquired and the reassessment date⁴; i.e.:

$$\text{Current property value} = \text{initial valuation} \times \frac{\text{Reassessment index}}{\text{Initial index}}$$

- Reassessment index: last available index for the relevant local authority level and property type,
- Initial index: index referring to relevant local authority level and property type at the first disbursement date on one of the credit lines of the credit offer.

The index used for the relevant quarter is determined upon the following criteria:

- If the property is located in Paris, a Borough level index is used; unless the relevant Borough index is not available then:
 - o The Department level index is used if the property type mentioned is an apartment
 - o The National level index is used if the property type mentioned is a House or Mixed.
- Since 2019, the cities of Corsica have had city level reassessment indexes with a history starting in Q4 2010. Therefore properties located in the department of Corsica can be reassessed with a city level index when the relevant index is known. Otherwise, the national index is used.

Except for the department of Corsica and Paris:

City level indexes

When the city level index is available, the reassessed property value will be more consistent with the relevant market prices ; IT developments have made it possible to list a larger city level INSEE codes and their reference indexes. Until November 2022, when several city level indexes were recorded, the property was reassessed with the Department level index. Since November 2022, in the same scenario, the property is reassessed with the index of the city with the highest number of inhabitants. This provides more accurate information of the real estate market. By the end of 2022, 85% of properties are reassessed at this level, compared with 40% in 2021.

³ First disbursement date among all the loans referring to the same credit offer.

⁴ Acquisition date refers to the 1st date when a disbursement was made on one of the loans of the credit offering.

- **Département**

When the property's zip code is missing or not available in the mapping reference table, properties are reassessed at the department Level. These are essentially (99.7%) loans that were appraised according to an old IT chain and originated before October 2013. As of the date of 31st December 2022, this situation only relates to 8.6% of the cover pool and refers to a total outstanding of 2.3 billion Euros.

- **National** index is used:

- o if zip code for the city where the property is located does not exist in the index databases or,
- o if the property is located in one the overseas departments (zip codes beginning by 97, 98).

Nota bene : properties located in Paris are mostly are reassessed with a Borough level indexes and to a lesser extend with Department level indexes. Except from the DOM-TOM areas, a city level index exists for any type of property located in France.

These rules are combined with the property type identification rule. When the property type is available (house; apartment) in the information systems operated by La Banque Postale Home Loan SFH, the city, departmental or national index for the relevant quarter and property type, is used. Otherwise, the city, departmental or national index used for the quarter for the "mixed" property type is used, except for the special cases of Paris and Corsica.

Nota:

- Group Risk Department is appraising value with the same indexes, allowing consistency of methodologies.
- A conservativeness factor is applied on the reassessed values of the property in order to correct any type of valuation bias related to agency fees when they are borne by the seller.

3.2.2 Statistics

As of 31st December 2022 :

- Both « initial property value » and « zip code » information are available for 100 % of properties attached to the cover pool loans.
- **85.1 %** of the loans have the property appraised at city level. Around **8.6 %** of the loans have the property appraised using the department indexes and **3.2%** are appraised with the national indexes. Very few properties are not appraised; because of disbursement in Q2/2022.

Assessment and reassessment indexes used in conjunction with the level of local authorities	Number of loans	% of the number of loans	Current balance of the loans (in M EUR)	% of the current balance of the loans
Boroughs indexes	6 143	1.9%	800.5	3.2%
City level indexes	237 928	74.8%	21 521.5	85.1%
Department level indexes	64 736	20.3%	2 179.6	8.6%
National level indexes	9 325	2.9%	747.3	3.0%
Properties not revalued	163	0.1%	27.7	0.1%
Total	318 295	100.0%	25 276.6	100.0%

Hence, the initial goal of adjusting property values to local real estate markets (city level) is achieved.

- The category “Houses” is the type of property mainly valued, this represents **59%** of the number of loans provided as collateral.

Property type	% of the number of loans
Mixed (CONF)*	0.2%
Houses (MA)	59.0%
Flats (AP)	40.8%
Total	100.0%

3.2.3 Results

Based on figures as of the 31st of December 2022, values of financed properties or provided as a collateral are allocated as follows:

	Initial value (in MEUR)	Reassessed ⁵ value (in MEUR)
Sureté réelle de premier rang	19 660.7	24 403.9
Caution	25 642.4	33 433.4
Total	45 303.1	57 837.3

Breakdown of property values by local authority levels and by property types

Local authority levels / property types	Present value MEUR	Indexes variation 2022/2021 ⁶
BOROUGH LEVEL	1 878.6	-0.6%
Borough level – flat	1 878.6	
CITY LEVEL	43 845.8	8.5%
City level - flat	16 734.2	8.9%
City level - house	27 111.7	8.4%
DEPARTMENT	10 414.5	8.5%
Department level - flat	3 836.0	8.5%
Department level - mixed	60.1	8.3%
Department level - house	6 518.4	8.6%
Not revalued	45.6	
Not revalued - Flat	24.8	
Not revalued – House	20.8	
NATIONAL	1 652.8	8.7%
National – flat	438.5	7.8%
National – mixed	6.8	8.9%
National - house	1 207.6	9.5%
Grand total	57 837.3	

⁵ Figures notified to the *Autorité de Contrôle Prudentiel et de Résolution* in the document « Eléments de calcul du ratio de couverture et de contrôle des limites » pursuant to instruction n°2016-I-09 on legal coverage ratio of *sociétés de crédit foncier et des sociétés de financement de l'habitat*.

⁶ Variation of the indexes average of each category between Q2/2021 and Q2/2022.

Breakdown of city level indexes average variation by department and by property types

Department number	Indexes average variation 2022/2021 ⁷			Department number	Indexes average variation 2022/2021		
	AP	CONF	MA		AP	CONF	MA
1	8.5%	11.1%	11.6%	48	7.9%	6.7%	6.6%
2	6.2%	2.4%	2.2%	49	16.1%	11.2%	10.8%
3	9.4%	8.1%	8.0%	50	10.0%	10.6%	10.5%
4	6.4%	8.6%	9.0%	51	7.4%	4.8%	4.7%
5	6.6%	8.5%	9.2%	52	8.3%	7.8%	7.8%
6	6.6%	7.9%	8.5%	53	16.2%	11.1%	10.9%
7	9.1%	7.4%	7.2%	54	9.4%	12.6%	13.0%
8	8.2%	4.4%	4.2%	55	10.3%	4.4%	4.1%
9	9.8%	9.8%	9.8%	56	13.1%	16.4%	16.7%
10	7.5%	8.5%	8.6%	57	9.7%	12.9%	13.5%
11	7.8%	6.8%	6.8%	58	8.9%	5.7%	5.5%
12	10.0%	6.3%	6.1%	59	7.7%	6.5%	6.4%
13	6.2%	9.1%	10.0%	60	6.3%	7.1%	7.2%
14	8.5%	10.8%	10.8%	61	7.9%	10.3%	10.3%
15	9.2%	8.6%	8.5%	62	8.2%	6.4%	6.3%
16	12.2%	9.7%	9.6%	63	9.5%	8.6%	8.5%
17	12.3%	10.3%	10.2%	64	12.2%	14.7%	14.9%
18	8.3%	6.6%	6.5%	65	9.6%	9.3%	9.2%
19	9.4%	6.7%	6.6%	66	7.7%	7.1%	7.1%
20	7.3%	11.6%	11.6%	67	5.9%	9.2%	9.8%
21	7.5%	6.4%	6.3%	68	6.3%	8.9%	9.6%
22	13.2%	14.6%	14.6%	69	8.1%	8.6%	9.1%
23	9.2%	6.2%	6.0%	70	4.4%	6.9%	7.1%
24	12.2%	9.1%	9.0%	71	7.7%	6.3%	6.2%
25	5.2%	7.2%	7.5%	72	16.1%	10.9%	10.8%
26	8.8%	7.7%	7.5%	73	8.9%	11.3%	12.4%
27	7.3%	8.2%	8.3%	74	8.5%	10.9%	12.2%
28	8.5%	6.9%	6.8%	76	8.3%	7.5%	7.4%
29	14.7%	16.1%	16.1%	77	4.2%	6.7%	7.0%
30	7.3%	7.3%	7.3%	78	4.1%	6.3%	6.8%
31	8.9%	8.5%	8.5%	79	12.1%	5.8%	5.7%
32	9.9%	9.5%	9.5%	80	6.4%	1.9%	1.8%
33	11.4%	10.5%	10.5%	81	9.5%	6.9%	6.8%
34	7.6%	7.0%	7.0%	82	10.0%	6.5%	6.3%
35	12.2%	14.0%	14.1%	83	7.2%	10.1%	11.0%
36	8.2%	6.9%	6.8%	84	7.8%	9.8%	10.1%
37	8.4%	7.1%	7.0%	85	16.1%	14.1%	14.0%
38	10.6%	11.2%	11.4%	86	12.1%	6.0%	5.8%
39	4.8%	6.9%	7.2%	87	9.4%	6.8%	6.7%
40	12.1%	15.0%	15.2%	88	10.4%	4.8%	4.1%
41	8.4%	8.4%	8.4%	89	7.2%	6.0%	5.9%
42	8.6%	7.9%	7.8%	90	6.1%	7.7%	8.0%
43	9.3%	8.6%	8.5%	91	4.2%	5.9%	6.4%
44	15.2%	12.9%	12.8%	92	2.4%	2.9%	5.9%
45	8.6%	6.6%	6.6%	93	3.9%	4.4%	5.6%
46	9.8%	6.8%	6.6%	94	3.6%	4.1%	5.3%
47	12.2%	9.1%	9.0%	95	4.2%	5.9%	6.2%

⁷ Variation of the indexes average of each category between Q2/2021 and Q2/2022.

* the above table doesn't include the average of Paris indexes (department number 75) which are mostly Borough level indexes; their average variation over the period of the 2nd quarter of 2021 to the 2nd quarter of 2022 is **- 0.6%**.

4 Backtesting results

In order to comply with the article 3.d of the Règlement n°99-10 du CRBF (which stipulates that the reassessed value thus obtained is less than or equal to the market value or the mortgage value on the revaluation date); a sample of LBP HL SFH refinanced properties was appraised by an independent company. This sample was selected to represent assets whose change in value would be most likely to affect the amount eligible for refinancing by privileged resources. The estimated market price made by this independent third party was systematically higher than the price retained by LBP HL SFH, confirming compliance with the regulatory requirements mentioned above.

Paris, 28 June 2023,

Patrick PEAUCELLE

Chief Executive Officer of La Banque Postale Home Loan SFH