3.15 FRANCE

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Three main covered bond issuing structures exist in France today:

> *Sociétés de Crédit Foncier (SCF);*
> *Sociétés de Financement de l'Habitat (SFH);*
> *Caisse de Refinancement de l'Habitat (CRH).*

While several countries allow ordinary credit institutions to issue covered bonds subject to the segregation of the cover pool in their balance sheet, France requires the set-up of an ad hoc company which is a duly licensed specialised credit institution (licensed by the *Autorité de Contrôle Prudentiel et de Résolution (ACPR)*, the French Banking Authority). The ad-hoc companies are known as société de financement de l'habitat (SFH) and *société de crédit foncier (SCF)*; these are totally distinct from the other entities of the group to which they belong and are exclusively dedicated to the issuance of covered bonds named respectively *obligations de financement de l'habitat (OHs)* and obligations foncières (OFs) and the management of the assets backing those issues (the "cover pool").

Caisse de Refinancement de l'Habitat (CRH) is the sole entity in its category. It is also a duly licensed specialised credit institution which acts independently and is distinct from the banking groups which are being financed.

Regulation of *Société de Crédit Foncier and Sociétés de Financement de l'Habitat* was substantially strengthened in 2014 by Decree n° 2014-526 dated 23 May 2014 and Arrêté dated 26 May 2014. Law n° 2016-1691 dated 9 December 2016 relating to "transparency, fight against corruption and modernisation of economy" (known as the "Sapin II Law") has amended the legal eligibility criteria of SCF's assets to allow SCF to grant secured loans benefiting from a financial guarantee constituted of real estate's loans receivables as it is already the case for the SFH. It constitutes a new step towards the legal convergence of the various French regimes.

The French covered bond legislation was amended to be in line with the EU Covered Bond Directive. France's previous covered bond law was already in line with most of the minimum standards prescribed by the new EU rules, so did not require major changes to comply with EU requirements. Ordonnance n° 2021-858 of 30 June 2021 on the transposition of the EU CB Directive 2019/2162 was published on 1 July 2021 in the Journal Officiel n 0151 (see link). The ordonnance proposes the adoption of a number of legal measures necessary for the transposition of EU CB Directive into French law. The legal decree n° 2021-898 on the transposition was published on 7 July 2021 in the Journal Officiel n 0156 (see link). In addition, ACPR instructions were published on 9 March 2022 (see link). The new French law entered into force on 8 July 2022.

I. FRAMEWORK

SFH and SCF

The *SCF/SFH* are governed by Articles L.513-2 et seq. and R.515-2 et seq. of the French Monetary and Financial Code (the "Code"). This stringent legal framework is specifically designed to protect the holders of the *OFs and OHs*. As a credit institution, the *SCF/SFH* are also governed by French general banking regulations.

In accordance with the EU Covered Bond Directive, the segregation of the cover assets may be achieved via a true sale mechanism (SCF) or parallel mechanisms (SCF/SFH) described in the EU Collateral Directive 2002/47/EC.

The SCF/SFH structure can indeed make use of the implementation of the EU Collateral Directive, as amended, under French law (implemented into the Code under articles L. 211-36 and seq.), which allows for a segregation through either a remittance (*remise*), a pledge (*nantissement*) or the transfer by way of security of the full title (*cession en pleine propriété à titre de garantie*) of the home loans' receivables without an actual transfer (true sale) of these receivables to the issuer. Pursuant to article L.211-38 of the Code, the transfer by pledge or by way of security shall be enforceable even when the relevant collateral provider is subject to an insolvency proceeding.

The sponsor bank remits, pledges or transfers collateral to a dedicated subsidiary, which is a regulated French specialised credit institution with limited purpose licensed as a SFH/SCF (e.g. issuing covered bonds for the purpose of providing financing to the sponsor bank). The covered bond proceeds are used to fund advances to the respective sponsor bank(s). The covered bonds are secured by the legal privilege over the assets of the issuer (advances to the sponsor bank(s)), which are in turn secured by a pledge over cover assets (i.e. residential home loans for SCF/SFH or public and commercial assets for SCF), which remain on the sponsor bank's balance sheet (and/or on the balance sheets of the respective subsidiaries, affiliates or group member banks). Upon a borrower enforcement notice (for example in case of default of the sponsor bank), the respective cover assets, including underlying securities, will be transferred without any formalities to the covered bond issuer.

CRH

The Caisse de Refinancement de l'Habitat ("CRH") (previously Caisse de Refinancement Hypothécaire) is a specialised credit institution whose sole function is to fund French domestic residential mortgage to individuals granted through the forces of the market by its shareholders (currently French banks, representing c. 80% of the French Residential Real Estate market).

CRH was created in 1985 by French Government as a central agency, in order to develop the housing market in France and comfort long term liquidity for banks.

CRH is the sole agency-type structure currently existing in France, and one of the earliest French covered bond issuer, which explains it is operating under its dedicated legal framework, although it is now very close to the SCF regime, thanks to the harmonisation effect of the CB Directive.

CRH is governed by Article 13 of Law 85-695 of 11 July 1985 as amended and supplemented by the Ordonnance 2021-858 of 30 June 2021, and received approval to issue covered bonds by letter of 17 September 1985 from the Minister for the Economy, Finance and Budget.

CRH secured loans to banks take the form of mortgage promissory notes (billets à ordre) issued by the borrowing banks and held by CRH, secured by a pledge of eligible housing loans to individuals. They are governed by Articles L. 313-42 to L. 313-49 of the French Monetary and Financial Code which grant CRH, inter alia, a very strong privilege upon the covered pool.

The sponsor banks – also shareholders – pledge collateral to CRH, which is a regulated French specialised credit institution with limited purpose (e.g. issuing covered bonds for the purpose of providing financing to its shareholders). The covered bond proceeds are used to fund loans to the respective sponsor banks.

The covered bonds are secured by the legal privilege over CRH loans to the banks, which are in turn secured by a pledge over cover assets (i.e. residential home loans), which remain on each borrowing bank's balance sheet (and/or on the balance sheets of the respective subsidiaries, affiliates or group member banks).

Upon a default of the sponsor bank, the respective cover assets, including underlying securities, will be transferred without any formalities to CRH.

II. STRUCTURE OF THE ISSUER

SCF/SFH

The *SCF/SFH* is a credit institution licensed by the *Autorité de Contrôle Prudentiel et de Résolution (ACPR)*, the French Banking Authority, with a single purpose: to grant or acquire eligible cover assets, as defined by Law, and to finance them by issuing respectively *OFs and OHs*, which benefit from a special legal privilege (the "Privilege"). It may also issue or contract other debts benefiting or not from the Privilege. The *SCF/SFH* oper ates under the close control of the ACPR, which requires it to comply with strict management rules in order to ensure the company's financial security.

CRH

Caisse de Refinancement de l'Habitat, a French corporation *(société anonyme)*, is a specialised credit institution licensed by virtue of the decision taken on 16 September 1985 by the French Credit Institutions Committee *(Comité des Établissements de Crédit)*, with limited purpose as per its Agreement by the Minister of Economy, Finance and Budget.

CRH is therefore governed by the provisions of Articles L. 210-1 to L. 228-4 of the French commercial Code and Articles L. 511-1 et seq. of the French Monetary and Financial Code.

Its equity belongs to French banks, which as of 30 September 2022 was as follows:

> Crédit Agricole SA – Crédit Lyonnais	36.9%
> Crédit Mutuel – CIC	26.7%
> Société Générale – CDN	15.7%
> BPCE	13.1%
> BNP Paribas	7.6%

Every borrower is committed to become a shareholder of CRH, whose equity stake in CRH is proportional to its weight in CRH's weighted loans amount.

Furthermore:

> every borrower is committed to supply back up lines to CRH

> CRH benefits from cross commitments of shareholders to supply cash advances and capital contributions.

CRH is not borrowing for itself but for the account of its shareholders; nevertheless, as any fully independent credit institution, it can decline funding a shareholder.

Each covered bond proceeds are used to fund loans to the banks, perfected through mortgage promissory notes (billets à ordre), whose terms and conditions (interest rate, maturity, currency) are identical to the related covered bond issue. CRH is therefore a complete pass-through and a non-for-profit institution.

The covered bonds are secured by the legal privilege over CRH loans to the banks, which are in turn secured by a pledge over cover assets (i.e. residential home loans), which remain on each borrowing bank's balance sheet

Upon a default of the borrowing bank, the respective cover assets of the borrower, including underlying securities, will be transferred without any formalities to CRH, notwithstanding any provisions to the contrary.

III. COVER ASSETS

There are some differences between the SCF, SFH and CRH cover assets. SCF may refinance residential home loans, "public exposures" and commercial real estate loans, whereas SFH and CRH are dedicated to residential home loans. The new legislation removes the 35% balance sheet outstanding limit on guaranteed home loans from the SCF and the CRH frameworks, but also specifies that the guarantor must be rated at least 'A-' (previously loans with a guarantor in the 'BBB" category were eligible). In this way, the SCF, SFH and CRH regimes are further aligned.

SCF/SFH

The eligible assets of a SFH and SCF comprise, inter-alia:

> Secured loans which, in accordance with Article L.513-3 of the Code include loans which are secured by a first-ranking mortgage over an eligible real estate, or by other real estate security interests that are equivalent to a first-ranking mortgage, or loans that are guaranteed by a credit institution, financing company (*société de financement*) or an insurance company with a shareholder's equity of at least EUR 12 million and which does not belong to the same group as the relevant *SCF* according to Article L.233-16 of the French Commercial Code. The property must be located in France or in any other Member State of the EU, EE or in a State benefiting from the highest level of credit assessment given by an external rating agency recognized by the ACPR;

> Mortgage promissory notes (billets à ordre) issued by credit institutions guaranteed by the pledge (nantissement) of receivables pursuant to and in accordance with the provisions of Articles L.313-42 to L.313-49 of the Code, compliant with the eligibility criteria set out in Article L.513-3 of the Code;

> Grant to any credit institution loans guaranteed by the remittance (*remise*), the transfer (*cession*) or the pledge (*nantissement*) of receivables pursuant to and in accordance with the provisions of Articles L.211-36 to L.211-40 or Articles L.313-23 to L.313-35 of the Code, regardless of the nature of such receivables, professional or otherwise, provided that they satisfy the eligibility criteria set out in Article L.513-3 of the Code;

> Loans guaranteed by the *Fonds de Garantie à l'Accession Sociale à la Propriété* (Guarantee Fund for Social Access to Home Ownership);

> ***Only SCFs:*** exposures to public entities which, in accordance with Article L.513-4 of the Code include,

> inter alia, exposures to public entities located within the EEA, in a member State of the EU or if not located in EU / EEA, such public entities must comply with specific limits and level of credit assessment given by an external rating agency recognized by the ACPR (minimum credit quality step 2);

> Substitution assets, under certain liquidity and maturity conditions and provided that their aggregate value is up to a maximum amount of 15% of the outstanding covered bonds. The new law introduces sub-limits – in line with the amended limits on corporate exposures in CRR Art 129 – of:

- Maximum 15% for credit quality step 1 exposures;
- Maximum 10% for credit quality step 2 exposures;
- Maximum 8% for credit quality step 3.

> Within the limit of the liquidity buffer, in addition to substitution assets, debt securities (titres de créances) issued or guaranteed by a central administration of a Member state of the European Union and cash invested on accounts opened within the books of a central bank of a Member State of the European Union which comply with the criteria listed in 1(a) of Article 416 of the Capital Requirements Regulation n°575/2013 dated 26 June 2013.

CRH

The eligible assets of CRH comprise, inter-alia:

> Secured loans which, in accordance with Article L.313-42 and seq. of the Code include loans which are secured by a first-ranking mortgage over an eligible real estate, or by other real estate security interests that are equivalent to a first-ranking mortgage, or loans that are guaranteed by a credit institution, financing company (société de financement) or an insurance company with a shareholder's equity of at

least EUR 12 million and which does not belong to the same group as CRH according to Article L.233- 16 of the French Commercial Code.

> Grant to any credit institution mortgage promissory notes (billets à ordre) guaranteed by the pledge (nantissement) of receivables pursuant to and in accordance with the provisions of Articles L.313-42 to L.313-49 of the Code, compliant with the eligibility criteria set out in Article L.513-3 of the Code;

> Loans guaranteed by the Fonds de Garantie à l'Accession Sociale à la Propriété (Guarantee Fund for Social Access to Home Ownership);

> Substitution assets, under certain liquidity and maturity conditions and provided that their aggregate value is up to a maximum amount of 15% of the outstanding covered bonds. The new law introduces sub-limits – in line with the amended limits on corporate exposures in CRR Art 129 – of:

- Maximum 15% for credit quality step 1 exposures;
- Maximum 10% for credit quality step 2 exposures;
- Maximum 8% for credit quality step 3.

> Within the limit of the liquidity buffer, in addition to substitution assets, debt securities (titres de créances) issued or guaranteed by a central administration of a Member state of the European Union and cash invested on accounts opened within the books of a central bank of a Member State of the European Union which comply with the criteria listed in 1(a) of Article 416 of the Capital Requirements Regulation n°575/2013 dated 26 June 2013.

> CRH has more stringent eligibility criteria regarding the property (whose nature is entirely of residential nature, and located in France, and the secured loans themselves (max. size = EUR 1,000,000 and max. remaining maturity 25 years).

IV. VALUATION AND LTV CRITERIA

The rules for property valuations are the same for SCF, SFH and CRH. Real estate loans in the cover pool may be financed by *OFs*, *OHs*, *CRH's* debts or other privileged debt up to the lesser of: i/ the remaining principal balance of the loan; and ii/a limited regulatory percentage of the value of the pledged properties for real estate exposures.

This limited regulatory percentage is equal to:

> 80% of the value of the residential pledged properties.

> 60% of the value of the commercial pledged properties.

> In the case of loans guaranteed by the *Fonds de garantie à l'accession sociale* (FGAS – Guarantee Fund for Social Home Accession) 80% of the value of the residential property plus the portion guaranteed by the FGAS over this 80% limit.

The real estate financed by the loans is valued according to the French mortgage market accepted practice and defined by law (regulation n°99-10). **Real estate valuations must be based on their long-term characteristics. Under banking regulation (Arrêté of the 3rd of November 2014), real estate values are considered as part of the risks of *covered bonds*. The valuations are made by independent experts in compliance with banking regulation.**

Regarding valuation methods, different options are available (full valuation, use of statistic methods) that depend on the property use (residential or professional (commercial)), the loan size and the property value. For statistical methods, the real estate values are based on the index provided by INSEE (*Institut National de la Statistique et des Études Économiques*) or on the index provided by Notaries (PERVAL). The real estates are revaluated on an annual basis.

Among his duties, the Specific Controller controls the eligibility, composition and valuation of the assets. The valuation and revaluation methods as well as their results are annually validated by the Specific Controller and published in the annual reports.

V. ASSET/LIABILITIY AND RISK MANAGEMENT

The *SCF*, *SFH and CRH* must comply with asset/liability management rules as required by banking regulations and, in particular, must monitor the interest rate and liquidity gaps between their assets and liabilities.

Market risks

The *SCF*, *SFH* and *CRH* must manage and hedge market risks on their assets, liabilities and off-balance sheet items: interest rate risks, currency risks, liquidity and maturity mismatches between liabilities and assets. The surveillance of these points is part of the duties of the Specific Controller.

Coverage ratio

Anytime, the outstanding of the weighted eligible assets of the *SCF*, *SFH and CRH* must be at least equal to 105% of the outstanding liabilities benefiting from the Privilege.

From a regulatory standpoint, the coverage ratio is calculated on the basis of the *SCF*, *SFH and CRH* accounting data by applying a specific weight to each class of assets:

> Loans secured by a first-ranking mortgage or by an equivalent guarantee are weighted 100% of their eligible portion to collateralize the privileged liabilities;

> Residential home loans guaranteed by a credit institution or an insurance company are weighted according to the following table:

Rating of the guarantor (M/S/F)	Home loan guarantor not part of the same consolidation group as the SFH / SCF /CRH	Home loan guarantor is part of the same consolidation scope as the SFH
≥A3/A-/A-	100%	80%
<A3/A-/A-	0%	0%

> Public exposures and liquid assets are weighted 100%.

Specifities to SFH

The SFH programmes also include a dynamic Asset Coverage Test (ACT) that requires the balance of the mortgages in the collateral pool to significantly exceed the balance of the outstanding covered bonds. The minimum level of OC will depend on the credit quality of the mortgages in the cover pool as assessed by the rating agencies. For all the existing programmes the maximum asset percentage applied in the ACT is 92.5%, which translates into a minimum overcollateralisation of at least 8%. However, that being said, all SFH programmes currently exceed the minimum amount due to adjustments to the most recent rating agency methodologies.

When calculating the appropriate loan balance within the Asset Coverage Test (ACT), higher LTV loans are included in the pool, but loan amounts exceeding the respective cap do not get any value in the ACT. For all programmes, the LTV ratio of the mortgage loans cannot be more than 100%. In addition, the ACT gives no value to the loans in arrears or defaults.

Maturity mismatch

The remaining weighted average life of the eligible assets used to reach the minimum legal overcollateralisation requirement of 105% should not exceed that of the privileged liabilities by more than 18 months. In addition, new issuers and structures in run off might be exempted of this requirement.

Liquidity risk

The French issuers are required to ensure that the net outflows over the coming 180 days are covered by cash and liquid assets. The scope of this obligation will extend to forecasted principal and interest flows involving the *SCF/SFH/CRH's* assets, as well as to flows related to its derivative instruments. Net outflows may be covered, if necessary, by replacement securities, liquid assets eligible to the eurosystem liquidity facilities, and repurchase agreements with credit institutions verifying the highest short-term credit ratings or whose creditworthiness is guaranteed by other credit institutions that have the highest short-term credit ratings.

Liquidity needs may be covered by liquid assets (level 1, 2A or 2B as defined in Article 10, 11, 12 of EU Regulation 2015/61). These liquid assets cannot be issued by the SCF/SFH/CRH nor the sponsor bank.

As per the French Decree no. 2021-898 of 6 July, the new French law defines two objective triggers for covered bond maturity extensions, that should avoid the risk of premature extensions:

> If an issuer or sponsor bank falls into insolvency or resolution according to L. 613-49; or

> On decision of France's prudential regulation authority (Autorité de Controle Prudentiel et de Resolution, ACPR) if the issuer breaches the 180-day liquidity coverage requirement for covered bonds.

The *French CB* issuers are authorized to subscribe to their own *covered bonds issues* up to 10% of the outstanding of the existing privileged liabilities. These issues provided may only be used then as collateral with the central bank or canceled within 8 days.

Exposure on the group to which the SCF/SFH belongs

Decree N° 2014-526 and Arrêté dated 26 May 2014 limits the ability of the *SCF/SFH* to hold assets in the form of exposures on entities of the group to which it belongs. When these assets exceed 25% of the non-privileged assets of the *SCF/SFH*, the difference between the exposure on these entities and the sum of 25% of the non-privileged assets together with the assets received in guarantee, pledged or full property, is deducted from the numerator of the coverage ratio. CRH does not belong to any group.

VI. TRANSPARENCY

As credit institution and listed company, the French CB issuers must publish periodic financial information. The issuer must send a detailed annual report on risk management to the ACPR. Moreover, they are also required to publish:

> A quarterly report relating to the nature and the quality of their assets.

> An annual report describing:

(i) the nature and the quality of their assets, the characteristics and breakdown of loans and guarantees, the amount of defaults, the breakdown of receivables by amount and by type of debtors, the proportion of early redemptions, the list and characteristics of senior securitisation securities and RMBSs they hold (if any), the volume and breakdown of replacement securities they hold, and

(ii) the extent and sensitivity of their interest-rate exposure.

> A quarterly report, on 31 March, 30 June, 30 September and 31 December of each year relating to:

(i) the amount of its coverage ratio and the compliance with the limits they are requested to respect i.e. the 10% limit of mortgage promissory notes etc.;

(ii) the data of the calculation of the coverage of its liquidity needs;

(iii) the gap of the average duration between those of its eligible assets and its privileged liabilities;

(iv) the valuation of the coverage of the privileged debts until their maturity by the available eligible assets and the estimation of the future new production of these eligible assets on the basis of prudent assumptions.

Furthermore, on a quarterly basis, as the French CB issuers must provide the ACPR with detailed information on covered bonds issued and the cover pool, as well a report on the procedures undertaken by the Specific controller which would allow the labelling of French covered bonds as European covered bonds (premium) or European covered bonds.

In addition, the French CB issuers generally publish the European Covered Bond Label Reports on a quarterly basis (under the Harmonised Transparency Template format), recently enriched by the additional regulatory requirements in connection with the eligibility of the collateral to ECB open market operations.

Covered bond label

Covered bonds that comply with both the EU Directive and Article 129 of CRR may use the 'European Covered Bond (Premium)' label ("*Obligation garantie européenne de qualité supérieure*"). Covered bonds that comply with the EU Directive, but not all the requirements of article 129 CRR, may use the 'European Covered Bond' label ("*Obligation garantie européenne*"). In France, the label is granted by the ACPR, the French national regulator. The ACPR publishes on its website (https://acpr.banque-france.fr/en/covered-bonds) the list of French covered bonds benefiting from the label "European Covered Bond (Premium) or "European Covered Bond".

VII. COVER POOL MONITOR AND BANKING SUPERVISION

The "Specific Controller" is appointed by the *SCF, SFH and CRH* with the agreement of the ACPR. To ensure his independence, the Specific Controller cannot be an employee of either of the *SCF, SFH and CRH's* statutory auditors, of any company that controls the *SCF, SFH and CRH*, or of any company directly or indirectly controlled by a company that controls the *SCF, SFH and CRH*.

The mission of the Specific Controller includes the following verifications:

> that all assets granted or acquired by the *SCF, SFH, and CRH* are eligible to the cover pool, and in the case of mortgage assets, that they are properly valued;

> that the coverage ratio is, at any moment, at least, at 105%;

> that the *SCF/SFH/CRH* comply with all the limits required by the regulation (i.e. the limit of the loans guaranteed by a credit institution or an insurance company, the limit of the mortgage promissory notes and the limit of the replacement assets);

> that the "congruence", i.e. the adequacy of maturities and interest rates of assets and liabilities, is at a satisfactory level. The Specific Controller checks the different quarterly indicators before sending them to the ACPR, and

> that issuers fulfill criteria to obtain Covered Bond labels;

> that, in general, the *SCF/SFH/CRH* complies with the law and regulations.

The Specific Controller certifies that the *SCF/SFH/CRH* complies with the coverage ratio rules on the basis of a quarterly issuance program, and for any issue of privileged debt of an amount equal or above EUR 500 m. These coverage ratio affidavits are required to be stipulated in issuance contracts where the debt benefits from the Privilege.

The Specific Controller reports to the ACPR, attends shareholders' meetings, and may attend Board meetings. The *SCF/SFH & CRH* operate under the constant supervision of the ACPR. Its management, its Specific Controller and its Statutory Auditors should be agreed by the ACPR.All the above-mentioned reports should be sent to the ACPR together with the annual report of the Specific Controller and the annual reports of the Statutory Auditors.

The Specific Controller issues to the ACPR an audit report on any French CB issuer CB label request.

VIII. SEGREGATION OF COVER ASSETS AND BANKRUPTCY REMOTENESS OF COVERED BONDS

Cover assets are segregated in the issuing specialised credit institution, or in the case of CRH, within CRH.

SCF/SFH

Pursuant to Article L.513-11 of the Code, holders of *OFs/OHs* and other privileged debts have preferred creditor status and the right to be paid prior to all other creditors who have no rights to the assets of the *SCF/SFH* up until the claims of the preferred credi tors have been fully satisfied.

CRH

Pursuant to paragraph IV and V of Article 13 of Law 85-695, holders of CRH covered bonds and other privileged debts have preferred creditor status and the right to be paid prior to all other creditors who have no rights to the assets of CRH until the claims of preferred credi tors have been fully satisfied.

Under the French legislation, the holders of covered bonds issued by the *SCF, SFH and CRH*, benefit from the legal privilege over the *SCF/SFH/CRH's* eligible assets. If the issuer becomes insolvent, the covered bonds and other privileged debts holders are paid in accordance with their payment schedule, and have priority over any of the programme's other non-privileged debts or creditors in relation to the programme's assets. All privileged debts rank *pari passu*. Until fully repayment of such privileged liabilities, no other creditors may take any action against the French CB issuers nor their cover assets.

The issuer may be subject to insolvency, but the *French legal framework* provides for a regime which derogates in many ways from the French insolvency provisions:

> **Legal Privilege / No acceleration of covered bonds as a result of insolvency of SCF, SFH and CRH**: in the event of an insolvency proceeding of the *SCF, SFH and CRH* (safeguard procedure, judicial reorganization, liquidation, or resolution), all claims benefiting from the Privilège (including interest) must be paid on their due dates and in preference to all other claims. Until fully repayment of all such preferred claims, no other creditors may take any action against the privileged assets of the *SCF, SFH and CRH*;

> **No nullity during the hardening period**: the provisions allowing an administrator to render certain transactions entered into during the hardening period (*période suspecte*) null and void are not applicable for the transfer of assets entered into by a *SCF, SFH and CRH* (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 *SCF/SFH/CRH*, any contract may be immediately terminated by the *SCF/SFH/CRH* notwithstanding any legal provisions to the contrary;

> **No impact of the hardening period**: the common provisions of French bankruptcy law affecting certain transactions, which entered into force during the months prior the insolvency proceedings during the hardening period, are not applicable to *SCF/SFH/CRH*.

> **No extension of bankruptcy proceedings**: as an exception to the general French bankruptcy Law, bankruptcy proceedings or liquidation of a company holding share capital in a *SCF/SFH/CRH* cannot be extended to the *SCF* or the *SFH* or *CRH*. As a result, the *SCF/SFH/CRH* enjoys full protection from the risks of default by their parent company or the group to which it belongs.

IX. RISK-WEIGHTING AND COMPLIANCE WITH EUROPEAN LEGISLATION

The French covered bonds' legislation and regulation comply with the requirements of the EU Covered Bond Directive. All covered bonds are CRR compliant (fulfilling criteria provided in article 129(1)). *French Covered Bonds issued by SCF/SFH/CRH* which are Article 129- CRR compliant ("European Covered Bond Premium") have a 10% risk-weighting according to the Standardised Approach in the CRR if benefiting from a rating clas- sified as Step 1.

Other Covered bonds that comply with the EU Covered Bond Directive, but not with Article 129 of CRR, can use the 'European Covered Bond' label ("Obligation garantie européenne") and would qualify for a 20% risk-weighting according to the Standardised Approach in the CRR if benefiting from a rating classified as Step 1.

Grand fathering clause: covered bonds issued before the entry into force of the Directive on 8 July 2022 would keep their initial risk-weight.

OFs/OHs and CRH covered bonds can be eligible as Level 1 assets under LCR regulation provided they respect specific criteria.

Issuers: AXA Bank Europe (SCF); BNP Paribas Public Sector (SCF); BNP Paribas Home Loan (SFH); BPCE (SFH); Banques Populaires Covered Bonds (BP CB); Caisse Française de Financement Local (CAFFIL); CIF Euromortgage; Compagnie de Financement Foncier (CFF); Crédit Agricole Public Sector (SCF); Crédit Agricole Home Loan (SFH); Crédit Mutuel – CIC Home Loan (SFH); Crédit Mutuel Arkéa Public Sector (SCF); Crédit Mutuel Arkéa Home Loans (SFH); Caisse de Refinancement de l'Habitat (CRH); HSBC (SFH); La Banque Postale Home Loan (SFH); Société Générale (SCF); Société Générale (SFH).

COVERED BOND · LABEL · : AXA Bank Europe SCF (2 pools), BNP Paribas (1 pool), BPCE SFH (1 pool), Compagnie de Financement Foncier (1 pool), Crédit Mutuel – CIC Home Loan SFH (1 pool), HSBC SFH (1 pool), Société Générale (2 pool), Credit Agricole (2 pools), Caisse de Refinancement de l'Habitat (1 pool), Caisse Française de Financement Local (1 pool), Arkéa (2 pools), La Banque Postale Home Loan SFH (1 pool), CIF Euromortgage (1 pool), MMB SCF (1 pool).

For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website www.coveredbondlabel.com or via the following QR code: