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CREDIT OPINION
23 May 2023

Update

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RATINGS

Credit Logement

Domicile	PARIS, France
Long Term Rating	Aa3
Type	LT Issuer Rating
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Credit Logement

Update following rating action

Summary

Credit Logement's (CL) Aa3 long-term issuer rating reflects (1) the institution's dominant role and market position in France as leading provider of home-loan guarantees to the large banks; (2) its prudent underwriting and investment policy; (3) its solid loss-absorption capacity, which would enable the institution to withstand significant stress in its guaranteed loan portfolio; and (4) the relatively stable profitability expected despite rising inflation and lower level of production of home loans.

On 12 May 2023, all ratings of CL were affirmed with a stable outlook.

Credit strengths

» Dominant market position and long track record as a provider of guarantees for French residential home loans

» Housing market structure, which underpins its low risk profile, even in the context of rising inflation and higher interest rates

» A solid capital base resilient to potential stress in the loan portfolio

» Low but stable recurring profitability with the ability to transfer losses to borrowers through the mutual guarantee fund (MGF) during stress periods

» Shareholders' (large French banks) commitment to support the institution's solvency

» High correlation between CL's financial strength and the average strong credit quality of its investment portfolio

Credit challenges

» Off balance sheet commitments (i.e. guarantees) could be affected by the erosion of French households' creditworthiness given the current economic environment and rising inflation

» Rising interest rates will reduce the volume of home-loans' production translating into lower inflows to MGF and gradually affecting CL's revenues

Outlook

The outlook is stable and reflects (i) our view that there will not be a significant deterioration in the French home loan market over the outlook horizon and (ii) the entity's capacity to withstand a potential deterioration in this market. We also expect CL's profitability to be resilient despite a lower level of activity thanks to higher commission rates and a positive impact of rising interest rates on its investments in securities.

Factors that could lead to an upgrade

» Credit Logement's intrinsic financial strength could improve if there were lower risks in its guaranteed loan portfolio or a material improvement in its loss-absorption capacity

Factors that could lead to a downgrade

» A downgrade of CL's long-term issuer rating could occur in case of severe deterioration of the French housing market's performance and in CL's guaranteed home-loan portfolio beyond Moody's anticipation

» Pressure could also develop if its loss-absorption capacity were to reduce, notably if the institution's resilience to stress scenarios were to diminish. Its issuer rating may also come under pressure as a result of rising risk in its investment portfolio - mostly comprised of exposures to its bank/shareholders- .

Key indicators

Exhibit 1
Credit Logement

Data in € millions	2022[1]	2021[1]	2020[1]	2019[1]	2018[1]	2017[1]	2016[1]	2015[1]	2014[1]	2013[1]
Total assets	12,553	12,402	11,931	11,385	10,813	10,770	10,601	10,124	9,367	10,260
Off-balance sheet guaranteed portfolio	429,707	413,437	390,392	374,746	345,777	325,720	301,096	280,344	254,288	245,470
Tier 1 capital	6,871	6,797	6,532	6,134	5,856	5,670	5,654	5,557	4,935	5,387
Mutual Guarantee Fund	6,938	6,641	6,350	6,065	5,651	5,321	4,923	4,570	4,139	3,950
Net income, group share	120	120	99	103	102	121	108	236	70	74

Note: [1] As of December 31
Source: Moody's Financial Metrics

Profile

Credit Logement is a Paris-based financial institution, which, through its shareholders[1,2], is the leading provider of guarantees for non-mortgage-backed residential housing loans to individuals in France. As of 31 December 2022, Credit Logement guaranteed 27.4% of the domestic home loans (including traditional mortgage loans) originated during the year and 33.5% of the entire stock of residential housing loans in France (€1 281 billion).

Credit Logement opted for the license of “Société de Financement” (finance company) provided under L.511-11 II of the French Monetary and Financial Code, following the implementation of the Capital Requirement Directive IV starting 1 January 2014. The institution has to comply with banking regulations (solvency, liquidity, etc.), and is supervised by the French supervisory authority (Autorité de Contrôle prudentiel et de Régulation - ACPR).

As of 31 December 2022, the institution reported an unconsolidated asset base of €12.5 billion and an off-balance-sheet guaranteed loan portfolio of €429.7 billion that is reflective of its core activity as a guarantor.

Detailed credit considerations

Unless noted otherwise, the data in this report is sourced from the company's reports and Moody's Banking Financial Metrics. Given the activities and the structure of the institution, in assigning the rating to Credit Logement we considered factors that are specific to mortgage insurers as set out in our Mortgage Insurers rating methodology, updated in August 2022. Nevertheless, we also consider bank metrics in our analysis because Credit Logement is chartered as a “Société de Financement”, which is required to comply with regulations that are very similar to those applicable to banks.

Dominant market position and long track record as a provider of guarantees for French residential home loans

Credit Logement's franchise is a primary credit strength, given (1) its established leadership position as a provider of home loan guarantees; and (2) its expertise in domestic home financing.

The French banking industry relies mostly on guarantees rather than on mortgage claims for securing its housing loans. While mutualist banks rely, to a large extent, on guarantees extended by in-house insurance entities and less so on Credit Logement, the other French banks rely extensively on it. Credit Logement is by far the dominant entity in the French market as it extends guarantees on €430 billion of housing loans as of December 2022 (a 3.9% increase compared to the level a year ago, slightly lower than the 5.9% growth recorded in 2021), or 33.5% of total domestic housing loans, including traditional mortgages. The guarantees extended by Credit Logement represent approximately 54% of the outstanding stock home loan guarantees as of year-end 2022 and 41.4% of guaranteed production in 2022. The scorecard captures the market share as the value of guarantees to retail customers arranged by Credit Logement relative to the value of total guaranteed production in France over the financial period[3].

Credit Logement relies on the distribution networks of the largest French banking groups to write guarantees on home loans, thus benefitting from several distribution channels. The share of the institution's portfolio in the Paris region and the southeast of France is above average if compared to the geographical distribution of housing loans, with 60% of the annual production of home loan guarantees. However, the high concentration of exposures in these affluent regions reflects (1) the importance of these regions in the French housing market and its structural concentration, where Paris and its surroundings accounted for 32.6% of the French home loan production in 2022; and (2) the institution's focus on the premium segments of the French home loan market.

Credit Logement also offers collection services to third parties, where it provides its expertise to other banks. This activity does not generate any credit risk for Credit Logement. These activities provide additional earnings diversification, although still limited.

Housing market structure underpins Credit Logement's low risk profile

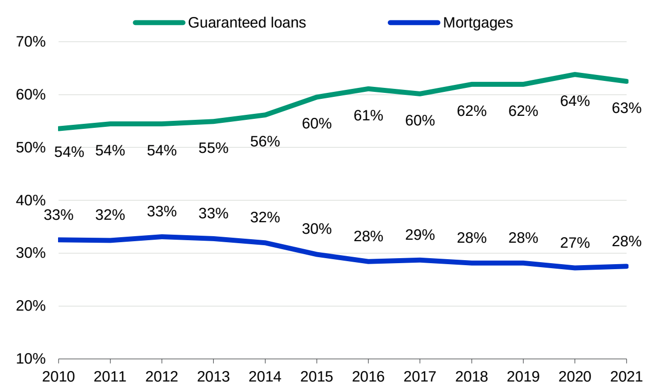
The structure of the French home loan guarantee market is a strong credit driver, supporting Credit Logement's financial strength. This reflects the attractiveness of home loan guarantees, in relation to traditional mortgage loans, and the generally sound underwriting criteria deployed by Credit Logement.

The high penetration rate (over 60% of total outstanding housing loans) of home loan guarantees comes from the lack of competitiveness of mortgages which are costly and involve slow process for the registration of mortgage deeds and foreclosures. Consequently, the proportion of guaranteed loans in the stock of housing loans has been increasing mostly at the expense of traditional mortgage loans. In addition, Credit Logement is a well-established provider of credit protections, founded in 1975.

Exhibit 2

Guaranteed loans' share has been increasing at the expense of traditional mortgages in France

Proportions of total outstanding housing loans by type of guarantees

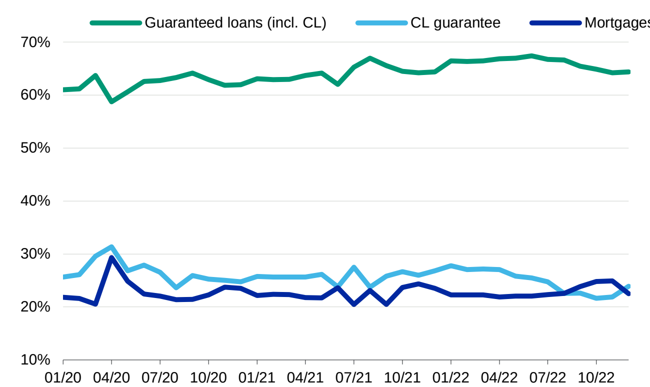


Source: ACPR data and Moody's Investors Service calculations

Exhibit 3

CL's share of guarantees represents a high proportion of new housing loans in France

Proportions of monthly new housing loans by type of guarantees



Source: ACPR data and Moody's Investors Service calculations

French home loans are underpinned by generally sound underwriting standards. Nevertheless on 1 January 2022, more stringent home loan credit standards that had been recommended by France's High Council for Financial Stability (HCSF), the macroprudential authority entrusted with oversight of the country's financial system, became legally binding. They include a debt service to income limit on housing loans that cannot exceed 35%. Loan maturities cannot exceed 25 years, though lenders are authorized to grant an additional two-year grace period for housing loans intended for the purchase or construction of a new dwelling for example. Furthermore, lenders retain some flexibility in the implementation of the 35% and 25-year limits for a maximum of up to 20% of the new production, of which 80% must be dedicated to acquisitions of a household's main residence and of which 30% is specifically earmarked to first-time buyers. These rules were implemented in response to deteriorating underwriting standards observed previously against a backdrop of rather intense competition between banks in the housing loan segment. Those legally binding limits, in a context of rising interest rates, while limiting the deterioration of underwriting practices, exert downward pressure on loan production, which has actually occurred in 2022.

In addition, the structure of the market supports home loan performance, reflecting the very high proportion of fixed-rate home loans (100% at CL) that are immune to interest rate changes, and the social welfare system in France. The average loan-to-value ratio (LTV) of the stock of French residential loans was 69% at year-end 2021 (the weighted average LTV of 2022 production excluding renegotiations was around 84%, broadly in line with 2021). In addition, 97.3% of the outstanding loans were fixed-rate ones and only 1.09% of the outstanding loans were classified as problem loans at year-end 2021, according to ACPR data. Most French home loans are amortising, and lenders have full recourse on all the assets of the borrowers, should the proceeds of a property's sale not fully cover the bank's claim.

Based on French market data[4] in 2022, the growth rate in nominal house prices was around 10-12% and the deviation of house-price-to-income ratio from its 15 years average was around 8-10%. The combination of these two indicators of nominal price growth and distance to housing market fundamentals are reflected in an A score, indicative of relatively stable housing conditions in France. Although high inflation and rising interest rates have been negatively impacting the volume of loan production since 2022, the affordability of housing and the average value of transactions, we do not expect a material and abrupt correction in asset valuations in France in the next 18 months. Declining unemployment rate in France to 7.2% at year-end 2022 from 9% in Q3 2020[5] also supports low delinquency or default rate on housing loans.

Credit Logement is well positioned to withstand a deterioration in the performance of its home loans

Credit Logement has a prudent underwriting policy and sound risk management

The ratio of doubtful loans to total guaranteed loans of around 0.4% as of year-end 2022, broadly stable from 2021, is materially lower than the doubtful loan ratio for the whole French residential market of 1.09% at year-end 2021[6],reflecting the strong quality of Credit Logement's portfolio. The performance of the assets guaranteed by Credit Logement is better than the market average because of its strict solvency-based standards, which are typically stricter than those of its partner banks and reflected in its own scoring system.

As a result of stricter rules set by HCSF, underwriting standards have slightly improved in the past three years. Average LTV of home loans produced between 2020 and 2022 has been around 84% compared with 88% between 2018 and 2019. Exceptions to HCSF credit standards have also reduced from around 29% of monthly loan production in January 2021 to around 14.6% in December 2022. However inflationary pressures and rising interest rates experienced since H2 2022, combined with the regulatory constrains set in France on banks' capacity to increase their rates on loans, known as "taux d'usure", have resulted since in a slight increase in non compliant- loans with HCSF credit standards (14.6% in December 2022 up from 13.6% in June 2022) both on loan maturity and on debt affordability standards. We expect that exceptions to HCSF standards will moderately increase in coming quarters, but interest rates will mainly impact the volume of loan production rather than their underwriting quality. Average interest rates on housing loan production have increased from 1.29% in April 2022 to 3.15% in April 2023, resulting in a 32% decline in the number of home loans produced year-on-year in April 2023[7]. Loan duration at origination has also been increasing to around 250 months in April 2023 from 238 months a year before.

Credit Logement's strong asset performance also reflects its efficient collection of arrears

At origination, loans are booked onto the partner banks' balance sheets, which also collect interest and principal repayment. If arrears occur on the guaranteed home loan, partner banks can call upon Credit Logement's guarantee. If a borrower defaults on its installment, Credit Logement would pay the customer's arrears to the partner bank. If the bank were to declare close-out of the loan, the partner bank would be repaid in full whereas the loan is transferred onto the balance sheet of Credit Logement for collection.

Credit Logement benefits from a negative pledge on the loans it guarantees, but would only register a mortgage on the property in case of foreclosure. CL is exposed to the risk of a debtor illegally contracting a mortgage just after defaulting on its loan. However, this risk is mitigated by the prudent management of nonperforming loans and the institution's ability to file a mortgage lien by way of court, which is more rapid.

Credit Logement has put in place efficient collection procedures with a dedicated team focusing on early amicable recovery process in order to avoid litigations.

The institution has sufficient shock absorbers to withstand a period of stress, if any, on its guaranteed loan portfolio

The Mutual Guarantee Fund (MGF) is the first line of defence against credit losses at Credit Logement. The MGF, which is accounted for as Common Equity Tier 1 (CET1) capital, comprises premiums paid by households when they take out a loan guaranteed by CL. As of year-end 2022, Credit Logement's MGF was worth €6.9 billion. Under severe stress, the institution would have the ability to use the entire MGF to absorb losses. Although MGF contributions are, in principle, partially repaid to the households once the corresponding loans are repaid in full, the terms and conditions of CL's guarantee allows it to keep the entirety of the MGF in case of a a material increased in expected losses on the portfolio. This feature makes the MGF eligible as CET1 capital. After regulatory deductions of €1.5 billion, primarily composed of expected losses on doubtful loans[8] and expected losses on performing loans, the MGF is equivalent to 1.3% of outstanding guarantees.

Credit Logement also benefits from a commitment from its shareholders to replenish its MGF based on the rules applied to the contributions made to the MGF before 1 January 2014. As of year-end 2022, this commitment amounted to €1.5 billion. However, the shareholders' ability to provide support would be challenged if Credit Logement faced very high losses on its guaranteed loan portfolio because they would also likely be faced with the same stress.

The other components of Credit Logement's regulatory capital under the French Societe de Financement regime[9] — comprising capital and subordinated debt, after deductions of grandfathered subordinated instruments — amounted to €3.5 billion as of year-end 2022 or 0.8% of outstanding guarantees. This component provides significant additional loss-absorption capacity.

Credit Logement's Tier 1 capital ratio was 11.88% as of year-end 2022, down from 19.26% as of year-end 2021, and its total capital ratio was 15.37% versus 24.72% a year ago. The material reduction in its capital ratios stemmed from the adoption of a revised internal risk-based model (IRB). This resulted in 64% increase in risk-weighted assets. Although the buffer above the 8.5% minimum Tier 1 capital requirement has materially reduced, this does not reflect an actual increase in risks in the asset portfolio and we expect CL's capital ratio, to be less affected by stress scenarios going forward given the conservatism embedded into the IRB model.

Risk-weighted assets represent 13% of Credit Logement's total guarantee portfolio (exposures at default or EAD). The Tier 1 capital was €6.9 billion at year-end 2022, which compares favourably to a pillar 1 capital requirement of €4.9 billion. However, Credit Logement is also subject, since 30 June 2017, to a total capital requirement of 2% of its outstanding guarantees. This requirement was set up by the ACPR in 2017 and must be complied with by all providers of home loan guarantees in France. As of year-end 2022, the institution's total capital (€8.9 billion) exceeded the total requirement of 2% of outstanding loans (i.e. €8.6 billion) by only €0.3 billion. Nonetheless we view this modest margin as easily manageable considering that loan production is going to be limited in the current economic conditions, each new guarantee extended also contributes to the MGF (1% of the guarantee) and this 2% pillar 2 requirement can be filled with the issuance of subordinated debt to shareholders. For more details on the new requirement, please refer to our Issuer In-Depth titled Harmonised capital rules for French guaranteed home loans are credit positive for Credit Logement, published in December 2017.

Our capital adequacy score incorporates a geography-specific adjustment[10] to the risks stemming from the guaranteed housing loans, to reflect the differences in guaranteed coverage between the French (typically 100% of the loan) and US-based mortgage insurers which cover only a portion of the loan. For the sake of comparability with its French peers, we consider total regulatory capital of Credit Logement (including the Tier 2 and subordinated debt) in the denominator of the ratio.

Credit Logement's low recurring profitability level is offset by its ability to transfer losses to borrowers through the MGF during periods of stress

Payments to the partner banks on defaulted loans - i.e. credit costs - are not accounted for as provisions but rather deducted directly from its regulatory capital. Credit Logement's accounting profit, therefore, only reflects the institution's capacity to cover its general expenses with (1) the commissions[11] on the *prêts cautionnés* paid by individual borrowers, released through its income statement throughout the life of the guarantee; and (2) the proceeds from the investment of its own funds.

Credit Logement has been consistently generating around €100 million net profit per annum on a recurring basis over the past few years. Net profits of €120 million in 2022 were broadly stable with 2021, when profits had rebounded 21% from 2020 impacted by the Covid pandemic. As a service provider to its shareholders, Credit Logement is not a profit maximiser. Although not high, the institution's profit still represents a potential additional source of capital in case of need. We expect the earnings of CL to remain relatively stable despite the rising interest environment, because while this is positive for CL's investment revenues, we also expect the housing loan production to decline.

In addition, Credit Logement's low recurring earnings generation capacity does not constrain its financial strength because the institution's (1) MGF is its first line of defence and CL may reduce the refund of the borrowers' initial contribution to the MGF at time of stress ; and (2) earnings are rather predictable when interest rates rise, as lower volumes of guarantees are expected to be offset by rising margin on its portfolio of liquid assets.

Our assessment of combined ratio[12] is based on the banking definition of the cost of risk (expected loss). The denominator takes into account the amount of restitutions of MGF funds to borrowers, to reflect the peculiarities of the Credit Logement's business model, as well as our estimate of the gross commissions attributable to the period[13]

Our calculation of the Return on Capital ratio excludes the amount of MGF from the denominator to improve comparability with peers.

Shareholders' commitment to support Credit Logement's solvency mitigates significant financial leverage

Credit Logement's use of subordinated debt instruments is high. Credit Logement's financial leverage was around 55% as of year-end 2022 (leverage is defined as the ratio of debt to the sum of debt and own capital). The institution issues subordinated capital instruments as a means to beefing up its solvency so as to keep up with the growth in its guarantee commitments.

However, restricted access to wholesale funding in the event of a market disruption would not pose a material risk for Credit Logement in our view because (1) the firm only needs to issue subordinated debt instruments to support its capital base, but does not need to tap the wholesale markets for funding purposes; and (2) Credit Logement's shareholders are committed to maintaining its solvency and to replenishing the MGF, which would help the institution grow its regulatory capital base in sync with the growth of its guarantee portfolio. This commitment is illustrated by the €0.9 billion deeply subordinated loans (emprunts participatifs) held by the institution's shareholders as of year-end 2022, out of the total €1.9 billion subordinated debt outstanding as of the same date.

Our assessment of financial flexibility estimates total capital (the denominator) as total debt plus shareholder's equity, i.e. excluding the amount of MGF, as we consider it as a proxy for technical provisions as reported by entities reporting under insurers' standards.

High correlation between Credit Logement's financial strength and the average credit quality of its investment portfolio

Credit Logement's liabilities are made of shareholders' equity, the MGF and subordinated instruments while its assets are comprised of the investment of highly rated securities and bank deposits. As a result, Credit Logement's intrinsic financial strength is correlated with the credit quality of its investment portfolio, reflecting (1) the portfolio's size (€9.6 billion of interbank exposures and highly rated securities as of year-end 2022, 140% of Credit Logement's Tier 1 capital); and (2) the high counterparty and industry concentration in the portfolio because the institution's interbank exposures are in the form of deposits at the main French banks, i.e. its shareholders.

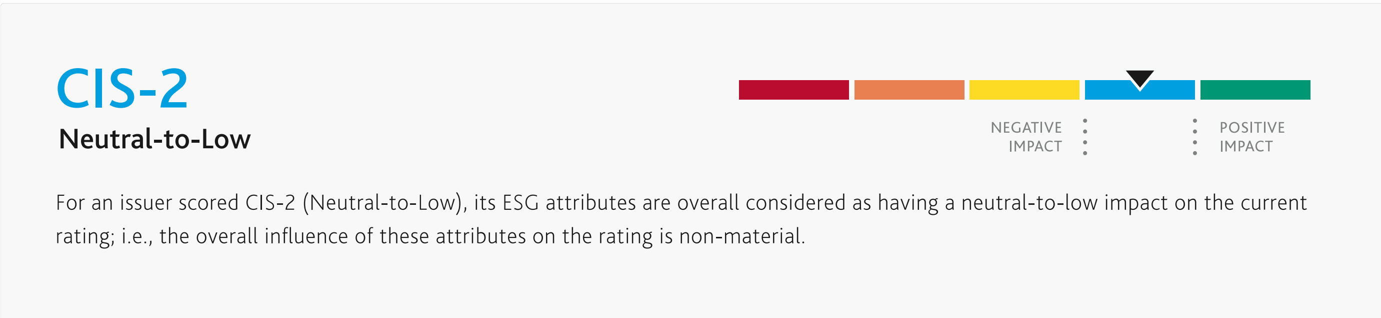
To mitigate these risks, Credit Logement introduced a mechanism of collateralisation of some of its deposits in 2013 and reduced limits on unsecured deposit exposures. At year-end 2022, €4.7 billion exposures were subject to collateralisation. The level of collateral posted against these exposures is a function of the current levels of exposure, the type of collateral and the credit risk of each of its counterparties. CL minimizes its portfolio interest rate risk through interest rate swaps in line with the European Banking Authority's guidance the management of interest rate risk in the banking book.

Since 2016, Credit Logement's investment policy allows the purchase of high-quality sovereign and quasi-sovereign bonds eligible to the European Central Bank's refinancing, further reducing the portfolio's concentration risk. These securities accounted for 15% of the investment portfolio as of December 2022.

ESG considerations

Credit Logement's ESG Credit Impact Score is Neutral-to-Low CIS-2

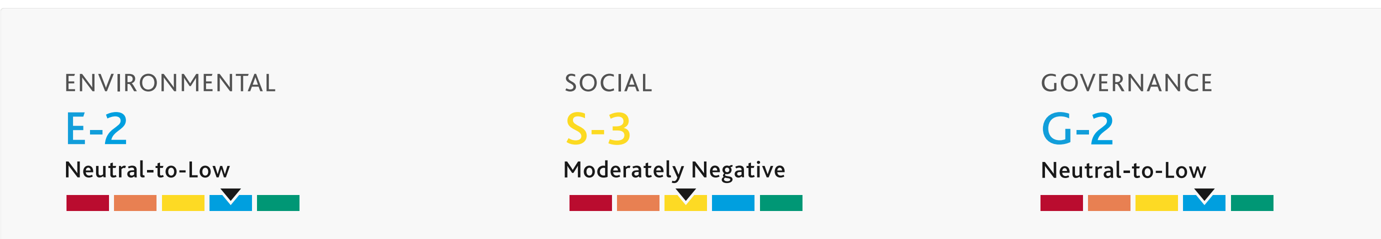
Exhibit 4
ESG Credit Impact Score



Source: Moody's Investors Service

Credit Logement's ESG Credit Impact Score is neutral-to-low (**CIS-2**) reflecting the limited impact of environment and social risks on the ratings to date, and neutral-to-low governance risks.

Exhibit 5
ESG Issuer Profile Scores



Source: Moody's Investors Service

Environmental

Credit Logement faces low environmental risks. The company's business model, focused on the provision of guarantees for non-mortgage-backed residential housing loans to individuals in France, entails low exposure to carbon transition risk. The firm's exposure to physical climate risks is low as well because those guarantees do not cover any physical damage to properties arising from catastrophic events. Credit Logement's exposure to environmental risks from its investment portfolio is limited.

Social

Credit Logement has moderate exposure to social risks, primarily arising from the security of personal data and cyber risk. Risks of mis-selling and mis-representation are mitigated by because Credit Logement's relationship with retail customers is limited to those having defaulted on their home loans. The mortgage exposure is exclusively incurred in France and could be affected by demographic and societal trends, including the demand for housing and housing affordability.

Governance

Credit Logement faces low governance risks. Credit Logement has a clear and stable corporate and financial strategy, leading to stable and predictable levels of profit historically. In addition, Credit Logement's Mutual Guarantee Fund mechanism provides a strong loss absorption buffer and the ability to transfer losses to borrowers during adverse economic environments. Credit Logement's monoline business model involves a straightforward organizational structure and governance. Credit Logement serves its banking shareholders, which limits its ability to increase profits and could also create some ineffective decision making. However Credit Logement's independent underwriting policies and the absence of dominant shareholder are key mitigants.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Support and structural considerations

The dated subordinated instruments are rated one notch below Credit Logement's long-term issuer rating, to reflect their subordination in case of liquidation.

Rating methodology and scorecard factors

Exhibit 6

Credit Logement

Financial Strength Rating Scorecard [1][2]	Aaa	Aa	A	Baa	Ba	B	Caa	Score	Adj Score
Business Profile								A	Aa
Market Position (20%)								Baa	Aa
- Avg. NIW as a % of Total Industry NIW		43.0%							
- Prime Loans (% of RIF)			94.0%						
- Client Concentration						67.8%			
- Geographic Concentration						60.6%			
Housing Market Attributes (25%)								A	A
- Demand for mortgage insurance		X							
- Generic loan attributes			X						
- Housing conditions			X						
Financial Profile								A	A
Capital Adequacy (30%)								Aa	Aa
- Adjusted Risk-to-Capital Ratio		7.1x							
Profitability (15%)								A	A
- Return on Capital – 5 yr. avg.				2.9%					
- Combined Ratio – 5 yr. avg.		19.2%							
Financial Flexibility (10%)								B	A
- Cash Flow Coverage – 5 yr. avg.									
- Adjusted Financial Leverage						55.0%			
- Total Leverage						55.0%			
Operating Environment								Aaa - A	Aaa - A
Preliminary Standalone Outcome								A2	Aa3

[1] Information based on LOCAL GAAP financial statements as of Fiscal YE 12/31/2022. [2] The Scorecard rating is an important component of the company's published rating, reflecting the stand-alone financial strength before other considerations (discussed above) are incorporated into the analysis.

Source: Moody's Investors Service

Ratings

Exhibit 7

Category	Moody's Rating
CREDIT LOGEMENT	
Rating Outlook	STA
LT Issuer Rating	Aa3
Subordinate	A1

Source: Moody's Investors Service

Moody's related publications

Issuer In-Depth

» Credit Logement: Harmonised capital rules for French guaranteed home loans are credit positive for Credit Logement, December 2017

Sector Comment

» Monthly calculation of French usury rate is positive for banks, RMBS and covered bonds, February 2023

» France's macro-prudential authority revises guidance to reduce housing loan risk, a credit positive, February 2021

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.

Endnotes

1 Banks' ratings shown in this report are the banks' deposit rating, senior unsecured debt rating (where available) and Adjusted Baseline Credit Assessment.

2 Credit Logement's shareholders are French financial institutions that extend home loans together with a guarantee from Credit Logement ("prêts cautionnés"). They comprise the largest banks in the French banking sector, including BNP Paribas (Aa3/Aa3 stable, baa1), Crédit Agricole S.A. (Aa3/Aa3 stable, a3), LCL – Le Crédit Lyonnais, Société Générale (A1/A1 stable, baa2), Banque Federative du Crédit Mutuel(Aa3/Aa3 stable, a3), CIC- Credit Industriel et Commercial (Aa3/Aa3 stable, a3), BPCE S.A. (A1/A1 stable, baa1), Credit Foncier de France (A1 stable, baa1), La Banque Postale (A2/A2 stable, baa2), and HSBC Continental Europe (A1/A1 stable, a3 BCA). As of year-end 2021, three of the institution's four largest shareholders (BNP Paribas, LCL – Le Crédit Lyonnais and Société Générale - including Credit du Nord) held a 16.5% stake in the institution while Credit Agricole held a 16% stake.

3 Based on ACPR (Autorité de Contrôle Prudentiel et de Résolution) data.

4 Publications of L'Observatoire Crédit Logement and The French National Institute of Statistics and Economic Studies (INSEE).

5 Source: INSEE

6 Source: ACPR

7 Source: Observatoire Credit Logement, April 2023

8 As loan-loss provisions are not recorded in Credit Logement's income statements but are deducted from the MGF, doubtful loans are deducted from regulatory capital.

9 Since 1 January 2014, Credit Logement has adopted the French regulatory framework referred to as "Societe de Financement". Under this prudential regime, the institution's solvency requirements are broadly in line with those under the European Capital Requirement Directive IV (now CRD 5). However, in contrast to the European framework, the French Societe de Financement regime includes Credit Logement's MGF in the definition of CET1 capital (except for the MGF collected before 2014, which is subject to a grandfathering clause, whereby its amount is progressively deducted from the CET1 capital over 10 years).

10 Total risk in force is divided by 8 to reflect the differences in coverage.

11 The commission paid is the same for all borrowers, independently of their creditworthiness.

12 Defined as the sum of the loss ratio and the expense ratio.

13 Together these items are proxy for net premiums earned, which is required for calculation of the loss ratio, according to the methodology.

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CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454