



CRÉDIT LOGEMENT

€500,000,000

1.350 per cent. ordinary subordinated fixed rate resettable notes due 2029

Issue Price: 100 per cent.

This prospectus (the "**Prospectus**") does not constitute a prospectus for the purposes of the Directive 2003/71/EC of the European Parliament and of the Council dated 4 November 2003, as amended (the "**Prospectus Directive**"). Accordingly, this Prospectus has not been and will not be submitted for approval to any competent authority within the meaning of the Prospectus Directive and in particular the Luxembourg *Commission de Surveillance du Secteur Financier* or the French *Autorité des marchés financiers*.

Application has been made to the Luxembourg Stock Exchange, in its capacity as market operator of the Euro MTF Market (the "**Euro MTF Market**") under the rules and regulations of the Luxembourg Stock Exchange, to approve the final Prospectus pursuant to part IV of the Luxembourg law on prospectuses for securities dated 10 July 2005, as amended. Application has been made for the Notes to be listed on the official list of the Luxembourg Stock Exchange and to be admitted to trading on the Euro MTF Market. The Euro MTF Market is not a regulated market for the purposes of Directive 2004/39/EC on markets in financial instruments, as amended.

The €500,000,000 1.350 per cent. ordinary subordinated fixed rate resettable notes due 2029 (the "**Notes**") of Crédit Logement (the "**Issuer**") will be issued on 28 November 2017 (the "**Issue Date**").

The principal and interest of the Notes will constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and will rank (i) junior to all present and future unsubordinated obligations of the Issuer, (ii) junior to all other present and future subordinated obligations of the Issuer expressed by their terms to rank senior to the Notes, (iii) *pari passu* without any preference among themselves, (iv) *pari passu* with any other present or future direct, unconditional, unsecured and subordinated obligations of the Issuer (including the €500,000,000 ordinary subordinated notes issued by the Issuer on 16 February 2011 – ISIN FR0011000231) other than those referred to in (ii) above and (v) below and (v) senior to any present and future *prêts participatifs* granted to the Issuer, *titres participatifs* issued by the Issuer, any deeply subordinated obligations of the Issuer (*i.e.* lowest ranking) (including the €800,000,000 undated deeply subordinated non cumulative fixed to floating rate notes issued by the Issuer on 16 March 2006 – ISIN FR0010301713) and Equity Securities, as further described in "Terms and Conditions of the Notes - Status".

The Notes will bear interest on their principal amount (i) from, and including, 28 November 2017 (the "**Issue Date**") to, but excluding, 28 November 2024 (the "**First Call Date**") at the rate of 1.350 per cent. *per annum* payable annually in arrear on 28 November in each year, commencing on 28 November 2018, up to and including the First Call Date; and (ii) from and including the First Call Date to but excluding 28 November 2029 (the "**Maturity Date**"), at a rate which shall be equal to the Reset Rate plus the Margin (all as defined hereof), payable annually in arrear on 28 November in each year, commencing on 28 November 2025, all as set out in "Terms and Conditions of the Notes - Interest".

Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount on the Maturity Date. In addition, the Issuer may, at its option but subject to the satisfaction of some conditions including the prior written approval of the Relevant Regulator (as defined in "Terms and Conditions of the Notes"), redeem all, but not some only, of the Notes at their principal amount (together with accrued interest) on the First Call Date, upon the occurrence of a Capital Event or for taxation reasons (see "Terms and Conditions of the Notes - Redemption and Purchase").

The Notes will, upon issue, be inscribed in the books (*inscrites en compte*) of Euroclear France ("**Euroclear France**") which shall credit the accounts of the Account Holders (as defined in "Terms and Conditions of the Notes – Form, Denomination and Title") including Clearstream Banking S.A. ("**Clearstream**") and Euroclear Bank SA/N.V. ("**Euroclear**"). The Notes have been accepted for clearance through Euroclear France, Clearstream and Euroclear.

The Notes are issued in dematerialised bearer form (*au porteur*) in the denomination of €100,000 each. Title to the Notes will at all times be represented in book entry form (*dématérialisé*) in compliance with articles L.211-3 *et seq.* and R.211-1 *et seq.* of the French *Code monétaire et financier*. No physical document of title (including *certificats représentatifs* pursuant to Article R.211-7 of the French *Code monétaire et financier*) will be issued in respect of the Notes.

The Notes have been assigned a rating of A1 by Moody's Investors Service Ltd ("**Moody's**") and of A by DBRS Ratings Limited ("**DBRS**"). Each of Moody's and DBRS is established in the European Union and is registered under Regulation (EC) No. 1060/2009 on credit ratings agencies, as amended (the "**CRA Regulation**"). Each of Moody's and DBRS is included in the list of credit rating agencies registered in accordance with the CRA Regulation published on the European Securities and Markets Authority's website (www.esma.europa.eu/supervision/credit-rating-agencies/risk) as of the date of this Prospectus. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency. A revision, suspension, reduction or withdrawal of a rating may adversely affect the market price of the Notes.

See the "**Risk Factors**" section for a description of certain factors which should be considered by potential investors in connection with any investment in the Notes.

GLOBAL COORDINATOR AND STRUCTURING ADVISER

SOCIETE GENERALE CORPORATE & INVESTMENT BANKING

JOINT BOOKRUNNERS AND

JOINT LEAD MANAGERS

BNP PARIBAS

CRÉDIT AGRICOLE CIB

**SOCIETE GENERALE
CORPORATE & INVESTMENT
BANKING**

This Prospectus does not constitute a prospectus for the purpose of the Prospectus Directive and has been prepared for the purposes of giving information with regard to the Issuer and the Notes which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer.

This Prospectus may only be used for the purposes for which it has been issued.

This Prospectus does not constitute an offer of, or an invitation or solicitation by or on behalf of the Issuer or the Managers (as defined in "Subscription and Sale" below) to subscribe or purchase, any of the Notes. The distribution of this Prospectus and the offering of the Notes in certain jurisdictions, including the United States, the United Kingdom and the Republic of France, may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers and sales of Notes and distribution of this Prospectus, see "Subscription and Sale" below.

*The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**) and, subject to certain exceptions, may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (**Regulation S**)). By accessing the Prospectus, you represent that you are a non-U.S. person that is outside of the United States. This Prospectus is not for publication, release or distribution in the United States.*

No person is authorised to give any information or to make any representation not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer or the Managers. The delivery of this Prospectus at any time does not imply that the information contained in it is correct as at any time subsequent to its date.

In making an investment decision regarding the Notes, prospective investors should rely on their own independent investigation and appraisal of the Issuer, its business and the terms of the offering, including the merits and risks involved. The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should consult its own advisers as to legal, tax, financial, credit and related aspects of an investment in the Notes.

See the "Risk Factors" section for a description of certain factors which should be considered by potential investors in connection with any investment in the Notes.

In this Prospectus, unless otherwise specified or the context requires, references to "euro," "EUR" and "€" are to the single currency of the participating member states of the European Economic and Monetary Union.

*In connection with this issue, Société Générale (the **Stabilisation Manager**) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the Issue Date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment shall be conducted in accordance with applicable laws and rules.*

FORWARD-LOOKING STATEMENTS

Certain statements contained herein are forward-looking statements including, but not limited to, statements that are predictions of or indicate future events, trends, business strategies, expansion and growth of operations plans or objectives, competitive advantage and regulatory changes, based on certain assumptions and include any statement that does not directly relate to a historical fact or current fact. The Issuer may also make forward-looking statements in its audited annual financial statements, in its prospectuses, in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. Forward-looking statements are typically identified by words or phrases such as, without limitation, "anticipate", "assume", "believe", "continue", "estimate", "expect", "foresee", "intend", "may increase" and "may fluctuate" and similar expressions or by future or conditional verbs such as, without limitation, "will", "should", "would" and "could." Undue reliance should not be placed on such statements, because, by their nature, they are subject to known and unknown risks, uncertainties, and other factors and actual results may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Please refer to the section entitled "*Risk Factors*" below.

The Issuer operates in a continually changing environment and new risks emerge continually. Forward-looking statements speak only as of the date they are made and the Issuer does not undertake any obligation to update or revise any of these forward-looking statements, to reflect new information, future events or circumstances or otherwise.

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PERSONS RESPONSIBLE FOR THE INFORMATION GIVEN IN THE PROSPECTUS

The Issuer accepts responsibility for the information contained (or incorporated by reference) in this Prospectus. The Issuer, having taken all reasonable care to ensure that such is the case, confirms that the information contained (or incorporated by reference) in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Crédit Logement
50, boulevard de Sébastopol
75003 Paris
France

Duly represented by Eric Veyrent
(*Directeur Général Délégué* of the Issuer)

INCORPORATION BY REFERENCE

This Prospectus shall be read and construed in conjunction with the following documents which have been previously published and that have been filed with the Luxembourg Stock Exchange and shall be incorporated by reference in, and form part of, this Prospectus (together, the "**Documents Incorporated by Reference**"):

- (a) the Issuer's 2015 annual report in the French language relating to its financial year ended on 31 December 2015 (the "**2015 Annual Report**"), and
- (b) the Issuer's 2016 annual report in the French language relating to its financial year ended on 31 December 2016 (the "**2016 Annual Report**"),

save that any statement contained in a document which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

Copies of the documents incorporated by reference are available without charge (i) on the website of the Luxembourg Stock Exchange (www.bourse.lu) (ii) on the website of the Issuer (www.creditlogement.fr) and (iii) on request at the principal office of the Issuer or of the Fiscal Agent (32, rue du Champ de Tir CS 30812, 44308 Nantes Cedex 3, France) during normal business hours so long as any of the Notes is outstanding.

Free English translations of the 2015 Annual Report and of the 2016 Annual Report are available on the website of the Issuer (www.creditlogement.fr). These documents are available for information purposes only and are not incorporated by reference in this Prospectus. The only binding versions are French language versions.

The information incorporated by reference in this Prospectus shall be read in connection with the cross reference list below. Any information not listed in the following cross-reference lists but included in the documents incorporated by reference in this Prospectus is given for information purposes only.

Cross-reference list

INFORMATION INCORPORATED BY REFERENCE (Annex IX of the European Regulation 809/2004/EC, as amended)	REFERENCE
11. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES	
<u>Issuer's audited annual financial statements for the year ended 31 December 2015</u>	
- Balance sheet	2015 Annual Report pages 47 to 48.
- Profit and loss Account	2015 Annual Report page 49.
- Notes	2015 Annual Report pages 55 to 81.
- Auditor's report relating to the above	2015 Annual Report pages 53 to 54.
<u>Issuer's audited annual financial statements for the year ended 31 December 2016</u>	
- Balance sheet	2016 Annual Report page 42 to 43.

- Profit and loss Account	2016 Annual Report page 44.
- Notes	2016 Annual Report pages 47 to 75.
- Auditor's report relating to the above	2016 Annual Report pages 45 to 46.

RISK FACTORS

Prior to making an investment decision, prospective investors should consider carefully, among other things and in light of their financial circumstances and investment objectives, all of the information set out and incorporated by reference in this Prospectus, including in particular the following risk factors. Each of the risks highlighted below could have a material adverse effect on the business, operations, financial conditions or prospects of the Issuer, which in turn could have a material adverse effect on the amount of principal and interest which investors will receive in respect of the Notes. In addition, each of the risks highlighted below could adversely affect the trading price of the Notes or the rights of investors under the Notes and, as a result, investors could lose some or all of their investment.

Prospective investors should be aware that this section is not intended to be exhaustive and that the risks described therein may combine and thus modify one another. They should make their own independent evaluations of all risk factors and should also read the detailed information set out elsewhere in this Prospectus. Terms defined in "Terms and Conditions of the Notes" below shall have the same meaning in the following section.

The order in which the following risks factors are presented is not an indication of the likelihood of their occurrence.

RISK FACTORS RELATING TO THE ISSUER

Risks relating to the general economic situation

Due to the fact that the Issuer offers services to the general public, it is exposed to the general risk of a deterioration in its situation as a result of economic recessions, large-scale natural disasters, armed conflict, slowdown of the French, European or world economy, fluctuations in unemployment rates and the consumer credit trend and price competition in the market segments where the Issuer is active. Actual or potential such adverse changes have resulted and could result in particular from a deterioration in credit market conditions, regional or global recessions, fluctuations in commodity prices, increases or decreases in interest rates and inflation or deflation.

Adverse changes in market or economic conditions could create a challenging operating environment for financial institutions in the future. Such adverse changes could result, in particular, from high volatility in commodities prices (including oil), increases in interest rates, adverse geopolitical events (such as natural disasters, acts of terrorism and military conflicts), or a deterioration in credit market conditions. The Issuer faces a number of specific risks, with respect to adverse future market or economic conditions. Financial markets in France, in Europe and elsewhere may decline or experience increased volatility, which could lead to a decline in capital markets transactions, cash inflows and commissions. Adverse economic conditions could reduce demand for loans by borrowers or increase the rate of defaults by borrowers. These developments would adversely affect the Issuer's net banking income. Revenues and profitability could also be depressed by market losses in the Issuer's securities portfolio or proprietary positions, all resulting from adverse market and/or economic developments.

In response to the financial crisis, governments and regulators have enacted legislation and taken measures to help stabilise the financial system and increase the flow of credit to the economy. These measures have included the purchase or guarantee of distressed or illiquid assets; government guarantees of debt issued by financial institutions; recapitalisation through the purchase of securities issues by financial institutions. There can be no assurance as to the actual impact that these measures and related actions will have on the financial markets generally and on the Issuer specifically.

Certain countries in Europe currently have large sovereign debts and/or fiscal deficits and this has led to uncertainties in the markets as to whether or not the governments of those countries will be able to pay in full and on time the amounts due in respect of those debts. These concerns have led to significant spikes in secondary market yields for sovereign debt of the affected countries and also to significant exchange rate volatility, especially with respect to the Euro. Further, the continued concern about the fiscal positions of the governments of the affected countries has also raised concerns regarding the exposures of banks to such countries, especially banks domiciled within Europe. These

concerns may lead to such banks being unable to obtain funding in the interbank market or inter bank funding may become available only at elevated interest rates, which may cause such banks to suffer liquidity stress and potentially insolvency. If this were to happen, investors may suffer market value losses in respect of the Notes.

Regulatory, legal and tax risk

The Issuer is also exposed to the risk of regulatory changes. Regulatory risk is the risk of non-compliance or inability to comply fully with applicable regulations. Any general changes to regulatory requirements in particular with respect to prudential rules in relation to capital adequacy or financial reporting, could entail costs which may have a negative impact on profitability.

The Issuer's activity may be affected, even to a major extent, by measures or decisions in particular disciplinary, tax, administrative or judicial measures or decisions taken by the regulatory authorities, governments or courts. Such measures or decisions may also affect the reputation and impair the competitiveness of the Issuer.

The failure to manage the risks associated with changes in taxation rates or law, or misinterpretation of the law, could materially and adversely affect the Issuer's results of operations, financial condition and prospects.

The nature and impact on the Issuer and subordinated notes issued by it of futures changes in regulatory, legal and tax rules and regulatory action are unpredictable and are beyond the Issuer's control. Such changes could include but are not limited to, the following:

- (i) general changes in regulatory requirements such as prudential rules relating to capital adequacy;
- (ii) changes in government or regulatory policy that may significantly influence investor decisions in particular in France;
- (iii) changes in rules and procedures relating to internal control;
- (iv) changes in pricing practices and in the competitive environment;
- (v) any adverse change in the political environment creating instability or an uncertain legal situation capable of affecting the demand for the products and services offered by the Issuer; and
- (vi) exchange controls or nationalisation.

Changes in governmental policy and regulations, including:

- the monetary, interest rate and other policies of central banks and bank and other regulatory authorities, including the Luxembourg CSSF (*Commission de Surveillance du Secteur Financier*), the French financial markets authority (*Autorité des Marchés Financiers - AMF*), the French *Autorité de Contrôle Prudentiel*, the Banque de France, the European Central Bank and the central banks of other leading economies and markets where the Issuer operates;
- initiatives by national regulatory agencies or legislative bodies to revise practices, pricing or responsibilities of financial institutions serving their consumer markets;
- other unfavourable political or diplomatic developments producing social instability or legal uncertainty which in turn may affect demand for the Issuer's products and services;
- the costs, effects and outcomes of regulatory reviews, actions or litigation, including any additional compliance requirements;

- changes in legislation in the principal markets in which the Issuer operates, in particular the French property market, and the consequences thereof; the activity of the Issuer depends on the evolution of the French property market and the developments of the mortgage market in France; and
- a decrease of the mortgage cost.

Operational risk

Due to its size, its single-product business, the very small number of transactions deriving from its cash management activity and its governance choices, Crédit Logement has opted for the "standard" method to cover operational risks.

Among those identified from the outset, the greatest risks remain those related to IT, hosting and the security of information systems, as well as the unavailability of premises or personnel.

Two specific committees regularly monitor these risks, and Executive Management receives reports on the monitoring of security indicators.

Crédit Logement has implemented a system for collecting and measuring operational risk events, mainly on a reporting basis, with quarterly monitoring. 33 risk events were reported in 2016 (compared with 36 in 2015), which were mainly related to the information system. These were classified as minor incidents, below the criticality threshold applied by the company.

Beyond a strictly financial and regulatory approach, Crédit Logement is taking advantage of this procedure to improve its processes and increase their reliability. In 2016, work continued to adapt security measures to changing threats, namely by improving local network access security and protecting information assets.

The host of the recovery site used in the Contingency and Business Continuity Plan (*PUPA – Plan d’Urgence et de Poursuite d’Activité*) uses mirroring to address the unavailability of premises or of the entire local network.

In the event of a major incident, the objective is to ensure, within 24 hours of unavailability, the continued processing of guarantee applications and, in the following days, the continued processing of debt collection and account keeping.

These arrangements are tested twice a year and are operational. Technical tests on the back-up platform are supplemented by tests carried out directly by users to ensure the correct functioning of “business line” applications, alongside remote staff log-in tests, validating a two-fold increase in available staffing capacities in the event of a large-scale event.

The continuity of services provided by contractors (particularly facilities management for the main site, extranet application hosting, etc.) is covered by a contractual warranty in the form of Disaster Recovery Plans.

These Disaster Recovery Plans rely on back-up sites that are geographically separate from the contractors' main sites and undergo annual technical tests verified by Crédit Logement.

The capital requirement for operational risk stood at €43 million as at 31 December 2016.

Liquidity risk management and the liquidity ratio

Crédit Logement's liquidity risk is very specific, since the residential loan guarantee business generates liquidity. A liquidity risk could therefore arise only from a mismatch between its cash investment policy and the requirements resulting from its business as a guarantor.

For the management of this liquidity risk, a stress test was developed regarding the loss experience of the guarantee portfolio. This is applied as long as it remains sufficiently conservative relative to the latest known risk parameters. At the end of 2016, this extreme stress scenario included a deterioration of the risk parameters that would lead to a more than fivefold increase in expected losses on sound debt at the peak of the stress, and delays in recovering certain liquid assets.

Crédit Logement makes liquid investments but must ensure that its gap under extreme stress is still positive. However, since 2015, plots above three years may be negative up to a maximum of €100 million.

Crédit Logement's internal model for managing liquidity risk, which is based mainly on this extreme crisis scenario and on several liquidity indicators in various timeframes (day, month, quarter), was validated in May 2011 by the *Autorité de contrôle prudentiel et de résolution* and, as required, showed a still-positive gap over the first three years as at 31 December 2016.

The emergency response plan in place to handle a liquidity crisis was tested in 2016 and the outcome of the test was satisfactory.

Overall interest rate risk management

Crédit Logement's objective is first to manage its liquidity risk and then to minimise its overall interest rate risk, made up in particular of a long-term resource, the mutual guarantee fund, and investments made under liquidity stress scenarios. Its net interest margin, consisting exclusively of the margin on the management and investment of its regulatory capital, which includes the mutual guarantee fund in particular, is therefore sensitive above all to interest rate variations, earning a higher margin when rates are high, although low rates are more favourable to the business of guaranteeing property loans.

Crédit Logement measures and manages its interest rate risk with an overall rate gap, so that it can gauge the impact of an interest-rate stress scenario, both on its net interest margin and on the Net Present Value (NPV) of its balance sheet, assuming the write-down on a straight-line basis of book equity over a period of 10 years. In particular, the regulatory stress test of a 200bp change in the whole yield curve is applied, on the basis – since the beginning of 2015 – of a floor rate equivalent to the ECB overnight deposit rate, and a limit has been set for the sensitivity of NPV to this stress.

As at 31 December 2016, the sensitivity of NPV over 10 years in the event of a 200bp drop in interest rates was 9.08% of the share capital after taking into account the macro-hedging swap portfolio.

Market risk, counterparty risk and other risks

At the end of 2016, Crédit Logement did not hold any instruments classified as isolated open positions or in a trading book. Crédit Logement is therefore not subjected to market risk.

Crédit Logement does not manage any means of payment for third parties and therefore has no counterparty risk in this respect.

There is only a counterparty risk in relation to financial futures (interest rate swaps all categorised under micro or macro hedging) for which Crédit Logement applies the regulatory initial maturity approach.

Under the tax benefit scheme for investment in French overseas collectivities, in 2009 Crédit Logement invested €8.9 million in shares in an SCI (real estate partnership) in New Caledonia to build and lease a social housing programme. This investment is covered by cash collateral of an equivalent

amount, provided by the other partner in the SCI, guaranteeing said partner's promise to ultimately redeem shares in the SCI. The value of the shares on the balance sheet as at 31 December 2016 has been adjusted to the amount of the cash collateral guaranteeing this redemption, namely €6.8 million.

Other than this investment and the two subsidiaries described hereafter, Crédit Logement does not have any other shareholdings. Therefore, Crédit Logement has no "equities" risk.

Real estate market risk

The Issuer is also exposed notably to:

- illiquidity and downward price pressure in France and Euro zone real estate markets, particularly consumer-owned real estate markets;
- recessions and employment fluctuations; and
- consumer perception as to the continuing availability of credit, and price competition in the market segments served by the Issuer.

EU Resolution and Recovery Directive

On 2 July 2014, Directive 2014/59/EU providing for the establishment of an EU wide framework for the recovery and resolution of credit institutions and investment firms (the **Bank Recovery and Resolution Directive** or **BRRD**) entered into force. The BRRD is designed to provide authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system.

The BRRD contains four resolution tools and powers which may be used alone or in combination where the relevant resolution authority considers that (a) an institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe and (c) a resolution action is necessary in the public interest:

- **sale of business** – which enables resolution authorities to direct the sale of the firm or the whole or part of its business on commercial terms;
- **bridge institution** – which enables resolution authorities to transfer all or part of the business of the firm to a "bridge institution" (an entity created for this purpose that is wholly or partially in public control);
- **asset separation** – which enables resolution authorities to transfer impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and
- **bail-in** – which gives resolution authorities the power to write down certain claims of unsecured creditors of a failing institution and to convert certain unsecured debt claims to equity, which equity could also be subject to any future cancellation, transfer or dilution by application of the bail-in tool (the "**bail-in tool**").

The BRRD also provides the right for a Member State as a last resort, after having assessed and exploited the above resolution tools to the maximum extent possible whilst maintaining financial stability, to provide extraordinary public financial support through additional financial stabilisation tools. These consist of the public equity support and temporary public ownership tools. Any such extraordinary financial support must be provided in accordance with the EU state aid framework.

An institution will be considered as failing or likely to fail when it is, or is likely in the near future to be, in breach of its requirements for continuing authorisation; its assets are, or are likely in the near future to be, less than its liabilities; it is, or is likely in the near future to be, unable to pay its debts as they fall due; or it requires extraordinary public financial support (except in limited circumstances).

The powers set out in the BRRD will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors.

Bail-in enables the resolution authority to write down subordinated or non-subordinated debt of a failing institution and/or convert them to equity, which equity could also be subject to any reduction or written down. When applying bail-in the resolution authority must first reduce or cancel common equity tier one, thereafter reduce, cancel, convert additional tier one instruments, then tier two instruments and other subordinated debts to the extent required and up to their capacity. If only this total reduction is less than the amount needed, the resolution authority will reduce or convert to the extent required the principal amount or outstanding amount payable in respect of unsecured creditors in accordance with the hierarchy of claims in normal insolvency proceedings.

The implementation of the BRRD into French law has been made by three texts of legislative nature. Firstly, the banking law dated 26 July 2013 regarding the separation and the regulation of banking activities (*loi de séparation et de régulation des activités bancaires*) (as modified by the *ordonnance* dated 20 February 2014 (*Ordonnance portant diverses dispositions d'adaptation de la législation au droit de l'Union européenne en matière financière*)) (the **Banking Law**) implementing partially the BRRD in anticipation. Secondly, *Ordonnance* No. 2015-1024 dated 20 August 2015 (*Ordonnance n°2015-1024 du 20 août 2015 portant diverses dispositions d'adaptation de la législation au droit de l'Union européenne en matière financière*) (the **Ordonnance**), published in the Official Journal of the French Republic dated 21 August 2015, which has introduced various provisions amending (among others, crisis prevention and management measures applicable to credit institutions provided for in Articles L.613-48 *et seq.* of the French *Code monétaire et financier*) and supplementing the Banking Law to adapt French law to the BRRD. Thirdly, the *Ordonnance* has been ratified by law no. 2016-1691 dated 9 December 2016 (*Loi n° 2016-1691 du 9 décembre 2016 relative à la transparence, à la lutte contre la corruption et à la modernisation de la vie économique*) which also incorporates provisions which clarify the implementation of the BRRD.

Regulation (EU) no. 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund has established a centralised power of resolution entrusted to a Single Resolution Board and to the national resolution authorities. Starting on 1 January 2015, the Single Resolution Board works in close co-operation with the *Autorité de contrôle prudentiel et de résolution* (the **ACPR**), in particular in relation to the elaboration of resolution planning, and assumes full resolution powers since 1 January 2016.

As far as the *sociétés de financement* are concerned, they are not subject as such to the resolution measures and proceedings referred to above. However, Article L.613-34 II of the French *Code monétaire et financier* specifies that some *sociétés de financement* that represent a threat to the financial stability may be required, by the *collège de supervision* of the ACPR, after approval of the *collège de résolution*, to draw up and maintain a recovery plan (*plan préventif de rétablissement*), that will allow the *collège de résolution* of the ACPR to draw up a resolution plan (*plan préventif de résolution*) pursuant to, and in accordance with, Article L.613-38 of the French *Code monétaire et financier*. Both of these plans may provide for the implementation of one or several resolution tools referred to above. The Issuer, as a *société de financement* representing a specific risk for the financial stability according to the French supervisory authority, has been asked by the *collège de supervision* of the ACPR to draw up a recovery plan (*plan préventif de rétablissement*). The Issuer has filed such recovery plan with the ACPR in September 2017. As of the date of this Prospectus, the *collège de résolution* of the ACPR is establishing an individual resolution plan for the Issuer that will apply to the

Issuer and its creditors once finalised. Consequently the Issuer is supervised by the ACPR for supervision regulation and for resolution powers.

It is not yet possible to assess the full impact of BRRD and the French law implementation provisions on the Issuer and there can be no assurance that its implementation or the taking of any actions currently contemplated in it will not adversely affect the rights of holders of Notes, the price or value of their investment in the Notes and/or the ability of the Issuer to satisfy its obligation under the Notes.

The holders of Notes have very limited rights to contest and/or ask for the suspension of the exercise of the relevant competent authorities' resolution powers.

RISK FACTORS RELATING TO THE NOTES

1. General Risks relating to the Notes

Independent review and advice

Each prospective investor in the Notes must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the Notes is fully consistent with its financial needs, objectives and condition, complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it and is a fit, proper and suitable investment for it, notwithstanding the clear and substantial risks inherent in investing in or holding the Notes.

Each prospective investor should consult its own advisers as to legal, tax and related aspects of an investment in the Notes. A prospective investor may not rely on the Issuer or the Managers or any of their respective affiliates in connection with its determination as to the legality of its acquisition of the Notes or as to the other matters referred to above.

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of such investor's own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets;
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks; and
- (vi) consult their advisers in relation to possible legal, regulatory, financial and fiscal risks that may be associated with any investment in the Notes.

The Notes are complex financial instruments. Sophisticated institutional investors generally purchase complex financial instruments as part of a wider financial structure rather than as standalone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Legality of purchase

Neither the Issuer nor the Managers nor any of their respective affiliates has or assumes responsibility for the lawfulness of the acquisition of the Notes by a prospective investor, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different), or for compliance by that prospective investor with any law, regulation or regulatory policy applicable to it.

Modification and waiver

Noteholders will be grouped automatically for the defence of their common interests in a Masse, as defined in Condition 10 (*The Masse*) of the Terms and Conditions of the Notes, and a general meeting of Noteholders can be held. The Terms and Conditions of the Notes permit in certain cases defined majorities of Noteholders to bind all Noteholders including Noteholders who did not attend and vote at the relevant general meeting and Noteholders who voted in a manner contrary to the majority.

The general meeting of Noteholders may, subject to Condition 10(f) (*General Assemblies*) of the Terms and Conditions of the Notes, deliberate on any proposal relating to the modification of the Terms and Conditions of the Notes, notably on any proposal, whether for arbitration or settlement, relating to rights in controversy or which were subject of judicial decisions.

Regulatory and legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

The actual yield of the Notes may be reduced by transaction costs

When the Notes are purchased or sold, several types of incidental costs are incurred in addition to the current price of the Notes (including transaction fees, commissions and any additional or follow-up costs in connection with the purchase, custody or sale of the Notes) which may significantly reduce or even exclude the potential profit of the Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in Euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than Euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of Euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Euro would decrease (a) the Investor's Currency-equivalent yield on the Notes, (b) the Investor's

Currency equivalent value of the principal payable on the Notes and (c) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Liquidity risks and market value of the Notes

The development or continued liquidity of any secondary market for the Notes will be affected by a number of factors such as general economic conditions, political events in France or elsewhere, including factors affecting capital markets generally and the stock exchanges on which the Notes or the reference rate are traded, the financial condition and the creditworthiness of the Issuer, and the value of any applicable reference rate, as well as other factors such as the complexity and volatility of the reference rate, the method of calculating the return to be paid in respect of such Notes, the outstanding amount of the Notes, any redemption features of the Notes and the level, direction and volatility of interest rates generally. Such factors also will affect the market value of the Notes. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and in certain circumstances such investors could suffer loss of their entire investment.

No active secondary market

The Notes may be designed for specific investment objectives or strategies and therefore may have a more limited secondary market and experience more price volatility than conventional debt securities.

In addition, investors may not be able to sell Notes readily or at prices that will enable investors to realise their anticipated yield. No investor should purchase Notes unless the investor understands and is able to bear the risk that the Notes will not be readily sellable, that the value of Notes will fluctuate over time and that such fluctuations will be significant.

The price at which a Noteholder will be able to sell the Notes prior to redemption by the Issuer may be at a discount, which could be substantial, from the issue price or the purchase price paid by such purchaser. The Issuer is entitled to buy the Notes, which shall then be cancelled or caused to be cancelled, and to issue further Notes which may or may not be assimilated to the Notes. Such transactions may favorably or adversely affect the price development of the Notes. If additional and competing products are introduced in the markets, this may adversely affect the value of the Notes.

Potential Conflicts of Interest

Certain of the Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and their affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Managers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of Notes. The Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial

instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

In addition, one or more of the Managers are shareholders of the Issuer and the entry into the Subscription Agreement (as defined in section "Subscription and Sale" below) by such Managers has been authorised by a special resolution of the Board of Directors (*conseil d'administration*) of the Issuer in accordance with the provisions of the French commercial code (*Code de commerce*).

Taxation

Potential purchasers and sellers of the Notes should be aware that they may be required to pay taxes or documentary charges or duties in accordance with the laws and practices of the jurisdiction where the Notes are transferred or other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions may be available for financial instruments such as the Notes. Potential investors are advised not to rely upon such tax summary contained in this Prospectus but should ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, holding, disposal and redemption of the Notes. Only this adviser is in a position to duly consider the specific situation of the potential investor. This investment consideration has to be read in connection with the taxation sections of this Prospectus.

The proposed financial transaction tax (FTT)

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). In March 2016, Estonia indicated its withdrawal from the enhanced cooperation.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution established in a participating Member State, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

French Insolvency Law

Under French insolvency law, holders of debt securities are automatically grouped into a single assembly of holders (the "**Assembly**") in order to defend their common interests if a safeguard procedure (*procédure de sauvegarde*), an accelerated safeguard procedure (*procédure de sauvegarde accélérée*), an accelerated financial safeguard procedure (*procédure de sauvegarde financière accélérée*) or a judicial reorganisation procedure (*procédure de redressement judiciaire*) is opened in France with respect to the Issuer.

The Assembly comprises holders of all debt securities issued by the Issuer (including the Notes) and regardless of their governing law.

The Assembly deliberates on the draft safeguard plan (*projet de plan de sauvegarde*), draft accelerated safeguard plan (*projet de plan de sauvegarde accélérée*), draft accelerated financial safeguard plan (*projet de plan de sauvegarde financière accélérée*) or judicial reorganisation plan (*projet de plan de redressement*) applicable to the Issuer and may further agree to:

- increase the liabilities (*charges*) of holders of debt securities (including the Noteholders) by rescheduling and/or writing-off debts;
- establish an unequal treatment between holders of debt securities (including the Noteholders) as appropriate under the circumstances; and/or
- decide to convert debt securities (including the Notes) into shares or securities that give or may give access to share capital.

Decisions of the Assembly will be taken by a two-thirds majority (calculated as a proportion of the debt securities held by the holders expressing a vote). No quorum is required on convocation of the Assembly.

For the avoidance of doubt, the provisions relating to the representation of the Noteholders described in the Terms and Conditions of the Notes set out in this Prospectus will not be applicable in these circumstances.

Change of law

The Terms and Conditions of the Notes are based on French law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in French law or the official application or interpretation of French law after the date of this Prospectus.

2. Risks relating to the structure of the Notes

The Notes are subordinated obligations

The principal and interest of the Notes will constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and will rank:

- (i) junior to all present and future unsubordinated obligations of the Issuer;
- (ii) junior to all other present and future subordinated obligations of the Issuer expressed by their terms to rank senior to the Notes;
- (iii) *pari passu* without any preference among themselves;
- (iv) *pari passu* with any other present or future unconditional, unsecured and subordinated obligations of the Issuer (including the €500,000,000 ordinary subordinated notes issued by the Issuer on 16 February 2011 – ISIN FR0011000231) other than those referred to in (ii) above and (v) below; and
- (v) senior to any present and future *prêts participatifs* granted to the Issuer, *titres participatifs* issued by the Issuer, any deeply subordinated obligations of the Issuer (*i.e.* lowest ranking) (including the €800,000,000 undated deeply subordinated non cumulative fixed to floating rate notes issued by the Issuer on 16 March 2006 – ISIN FR0010301713) and Equity Securities.

Subject to applicable law, in the event of any judgement rendered by any competent court declaring the judicial liquidation (*liquidation judiciaire or liquidation amiable*) of the Issuer, the sale of the whole of the business (*cession totale de l'entreprise*) of the Issuer subsequent to the opening of a judicial recovery procedure (*redressement judiciaire*) in respect of the Issuer or if the Issuer is liquidated for any other reason, the rights of the Noteholders to payment in respect of principal and

interest thereon will be subordinated to the full payment of all unsubordinated creditors of the Issuer or other creditors whose claim ranks senior to the Notes and, subject to such payment in full, the Noteholders will be paid in priority to all *prêts participatifs* granted to the Issuer, all *titres participatifs* issued by the Issuer and any deeply subordinated obligations of the Issuer (*i.e.* lowest ranking). In the event of incomplete payment of any unsubordinated creditors, or other creditors whose claim ranks senior to the Notes (in the context of voluntary or judicial liquidation of the Issuer, bankruptcy proceedings or any other similar proceedings affecting the Issuer) the obligations in connection with the Notes will be terminated.

Write-Down and Conversion of the Notes

The Notes may be written down or converted into shares or other instruments of ownership either in connection with a resolution proceeding (see "*EU Resolution and Recovery Directive*"), or in certain other cases described below without or prior to a resolution proceeding.

The relevant resolution authority must write down the Notes, or convert them into shares or other instruments of ownership in any of the following circumstances (the so called "point of non-viability"):

- (i) where the determination has been made that conditions for resolution have been met, before any resolution action is taken;
- (ii) the appropriate authority determines that unless that power is exercised in relation to the Notes, the institution or the group will no longer be viable; or
- (iii) extraordinary public financial support is required by the institution.

The principal amount of the Notes may also be written down or converted to shares or other instruments of ownership in connection with a resolution proceeding if certain conditions are met (see "*EU Resolution and Recovery Directive*").

If one or more of the conditions set out in above in (i) to (iii) are met, common equity tier 1 instruments are first written down, transferred to creditors or, if the institution enters resolution and its net assets are positive, significantly diluted by the conversion of other capital instruments and eligible liabilities. Once this has occurred, other capital instruments (firstly additional tier 1 instruments, then tier 2 instruments) are either written down or converted to common equity tier 1 instruments or other instruments (which are also subject to possible write-down).

It is the Issuer's intention that the Notes shall, for supervisory purposes, be treated as tier 2 instruments.

The exercise of write-down/conversion powers by the relevant resolution authority independently of a resolution proceeding or combined with a resolution measure with respect to capital instruments (including subordinated debt instruments such as the Notes) could result in the full (*i.e.*, to zero) or partial write-down or conversion of the Notes into ordinary shares or other instruments of ownership.

In addition, where the Issuer's financial condition deteriorates, the existence or the actual exercise of write-down/conversion powers by the relevant resolution authority (together with the existence or the actual exercise of the general bail-in tool and the other resolution measures) could cause the market price or value of the Notes to decline more rapidly than would be the case in the absence of such powers.

There are no events of default under the Notes

The Terms and Conditions of the Notes do not provide for events of default allowing acceleration of the Notes if certain events occur. Accordingly, if the Issuer fails to meet any obligations under the Notes, including the payment of any interest, investors will not have the right of acceleration of

principal. Upon a payment default, the sole remedy available to Noteholders for recovery of amounts owing in respect of any payment of principal or interest on the Notes will be the institution of judicial proceedings to enforce such payment. Notwithstanding the foregoing, the Issuer will not, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

No limitation on issuing or guaranteeing debt ranking senior or "pari passu" with the Notes and no negative pledge

There is no restriction on the amount of debt which the Issuer may issue or guarantee. The Issuer may incur additional indebtedness or grant guarantees in respect of indebtedness of third parties, including indebtedness or guarantees that rank *pari passu* or senior to the obligations under and in connection with the Notes. If the Issuer's financial condition were to deteriorate, the Noteholders could suffer direct and materially adverse consequences, including deferral of interest and, if the Issuer were liquidated (whether voluntarily or not), the Noteholders could suffer loss of their entire investment.

In addition, the Notes do not contain any "negative pledge" or similar clause, meaning that the Issuer may pledge its or their assets to secure other obligations without granting similar security in respect of the Notes.

Restrictions on redemption may delay the effective redemption date

The Notes may not be redeemed or purchased by the Issuer pursuant to any of the redemption and purchase provisions referred to in Condition 5 (b) to (e) of the Terms and Conditions of the Notes unless the Conditions to redemption and purchase of the Notes set out in Condition 5(g) are not satisfied. The satisfaction of the Conditions to redemption and purchase of the Notes may delay the date on which the Notes are effectively redeemed or purchased and such delay may have a material adverse effect on the value of the Notes.

Early redemption risk

Subject to the satisfaction of the Conditions to Redemption and Purchase set out in Condition 5(g), the Issuer may, at its option, redeem the Notes in whole, but not in part.

The Issuer may also, at its option but subject to the satisfaction of some conditions including the prior written approval of the Relevant Regulator and the Conditions to redemption and purchase, redeem the Notes upon the occurrence of certain events, including a Special Tax Event, a Withholding Tax Event, a Tax Deductibility Event or a Capital Event, all as further described in "Terms and Conditions of the Notes - Redemption and Purchase".

Such redemption options will be exercised at the principal amount of the Notes together with interest accrued to the date of redemption.

The redemption of the Notes at the option of the Issuer may affect the market value of the Notes. During any period when the Issuer may elect to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to the First Call Date.

The Issuer may also be expected to redeem the Notes when its cost of borrowing is lower than the interest rate on the Notes. There can be no assurance that, at the relevant time, Noteholders will be able to reinvest the amounts received upon redemption at a rate that will provide the same return as their investment in the Notes. Potential investors should consider reinvestment risk in light of other investments available at that time.

The Issuer is not required to redeem the Notes in the case of a Special Tax Event

There is uncertainty as to whether gross-up obligations in general, including those under the Terms and Conditions of the Notes, are enforceable under French law. If any payment obligations under the Notes, including the obligations to pay additional amounts under Condition 7, are held illegal or unenforceable under French law, the Issuer will have the right, but not the obligation, to redeem the Notes. Accordingly, if the Issuer does not redeem the Notes upon the occurrence of a Special Tax Event as defined in the Terms and Condition of the Notes, such Noteholders may receive less than the full amount due, and the market value of such Notes will be adversely affected.

Credit ratings may not reflect all risks

The Notes have been rated A1 by Moody's Investors Service Ltd ("**Moody's**") and A by DBRS Ratings Limited ("**DBRS**"). The rating may not reflect the potential impact of all risks related to structure, market, additional factors discussed in this section, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. In addition, rating agencies other than Moody's and DBRS could seek to rate the Notes and if such unsolicited ratings are lower than the comparable ratings assigned to the Notes by Moody's and DBRS, those unsolicited ratings could have an adverse effect on the value and the marketability of the Notes.

Any decline in the credit ratings of the Issuer may affect the market value of the Notes

Moody's and DBRS have respectively assigned a Aa3 Stable and a AA Low Stable long-term senior, unsecured debt rating to the Issuer. Moody's and DBRS or any other rating agency may change its methodologies for rating securities with features similar to the Notes in the future. This may include the relationship between ratings assigned to an issuer's senior securities and ratings assigned to securities with features similar to the Notes, sometimes called "notching". If the rating agencies were to change their practices for rating such securities in the future and the ratings of the Notes were to be subsequently lowered or withdrawn, this may have a negative impact on the trading price of the Notes.

Interest rate risk

The Notes bear interest at a fixed rate from (and including) the Issue Date, to (but excluding) the First Call Date, therefore investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

Following the First Call Date, interest on the Notes shall be calculated (as defined in the Terms and Conditions of the Notes) on the basis of the mid-swap rate for Euro swap transactions with a maturity of five (5) years. The Reset Rate will be determined two (2) Business Days before the First Call Date and as such is not pre-defined at the date of issue of the Notes. The Reset Rate may be different from the initial Rate of Interest and may adversely affect the yield of the Notes to maturity.

TERMS AND CONDITIONS OF THE NOTES

The issue of the €500,000,000 1.350 per cent. ordinary subordinated fixed rate resettable notes due 2029 (the "**Notes**") by Crédit Logement (the "**Issuer**") was decided by Jean-Marc Vilon, *Directeur Général* of the Issuer on 22 November 2017, acting pursuant to a resolution of the *Conseil d'Administration* (Board of Directors) of the Issuer dated 28 September 2017.

The Issuer has entered into a fiscal agency agreement (the "**Agency Agreement**") dated 24 November 2017 with Société Générale as fiscal agent, principal paying agent and calculation agent. The fiscal agent and principal paying agent, the calculation agent and the paying agent for the time being are respectively referred to in these Conditions as the "**Fiscal Agent**", the "**Principal Paying Agent**", the "**Calculation Agent**" and the "**Paying Agent**" (which expression shall include the Principal Paying Agent and any future paying agent duly appointed by the Issuer in accordance with the Agency Agreement), each of which expression shall include the successors from time to time of the relevant persons, in such capacities, under the Agency Agreement, and are collectively referred to as the "**Agents**". Copies of the Agency Agreement are available for inspection at the specified offices of the Paying Agent. References to "**Conditions**" are, unless the context otherwise requires, to the numbered paragraphs below.

The provisions of Article 1195 of the French *code civil* shall not apply to the below Conditions.

1. Form, Denomination and Title

The Notes are issued in dematerialised bearer form (*au porteur*) in the denomination of €100,000 each. Title to the Notes will be evidenced in accordance with Articles L.211-3 *et seq.* and R.211-1 *et seq.* of the French *Code monétaire et financier* by book-entries (*inscriptions en compte*). No physical document of title (including *certificats représentatifs* pursuant to Article R.211-7 of the French *Code monétaire et financier*) will be issued in respect of the Notes.

The Notes will, upon issue, be inscribed in the books of Euroclear France ("**Euroclear France**") which shall credit the accounts of the Account Holders. For the purpose of these Conditions, "**Account Holders**" shall mean any authorised intermediary institution entitled to hold, directly or indirectly, accounts on behalf of its customers with Euroclear France, and includes Clearstream Banking, S.A. ("**Clearstream**") and Euroclear Bank S.A./N.V. ("**Euroclear**").

Title to the Notes shall be evidenced by entries in the books of Account Holders and will pass upon, and transfer of Notes may only be effected through, registration of the transfer in such books, and only in the denomination of €100,000.

2. Status

The principal and interest of the Notes will constitute direct, unconditional, unsecured and subordinated Obligations of the Issuer and will rank:

- (i) junior to all present and future unsubordinated obligations of the Issuer;
- (ii) junior to all other present and future subordinated obligations expressed by their terms to rank senior to the Notes;
- (iii) *pari passu* without any preference among themselves;
- (iv) *pari passu* with any other present or future direct, unconditional, unsecured and subordinated obligations of the Issuer (including the €500,000,000 ordinary subordinated notes issued by

the Issuer on 16 February 2011 – ISIN FR0011000231) other than those referred to in (ii) above and (v) below; and

- (v) senior to any present and future *prêts participatifs* granted to the Issuer, *titres participatifs* issued by the Issuer, any deeply subordinated obligations of the Issuer (*i.e.* lowest ranking) (including the €800,000,000 undated deeply subordinated non cumulative fixed to floating rate notes issued by the Issuer on 16 March 2006 – ISIN FR0010301713) and Equity Securities.

Subject to applicable law, in the event of any judgement rendered by any competent court declaring the judicial liquidation (*liquidation judiciaire or liquidation amiable*) of the Issuer, the sale of the whole of the business (*cession totale de l'entreprise*) of the Issuer subsequent to the opening of a judicial recovery procedure (*redressement judiciaire*) in respect of the Issuer or if the Issuer is liquidated for any other reason, the rights of the Noteholders to payment in respect of principal and interest thereon will be subordinated to the full payment of all unsubordinated creditors of the Issuer or other creditors whose claim ranks senior to the Notes and, subject to such payment in full, the Noteholders will be paid in priority to all *prêts participatifs* granted to the Issuer, all *titres participatifs* issued by the Issuer and any deeply subordinated obligations of the Issuer (*i.e.* lowest ranking). In the event of incomplete payment of any unsubordinated creditors, or other creditors whose claim ranks senior to the Notes (in the context of voluntary or judicial liquidation of the Issuer, bankruptcy proceedings or any other similar proceedings affecting the Issuer) the obligations in connection with the Notes will be terminated.

For the purposes of these Conditions:

"Equity Securities" means any classes of share capital or other securities issued by the Issuer (including but not limited to preference shares (*actions de préférence*)) ranking junior to the deeply subordinated obligations of the Issuer.

"Noteholder" means any person from time to time whose name appears in the account of the relevant Account Holder as being entitled to any Note(s).

3. Negative Pledge

There is no negative pledge in respect of the Notes.

4. Interest

(a) Interest Payment Dates

The Notes will bear interest on their principal amount (such rate of interest, the **"Interest Rate"**):

- (i) from, and including, 28 November 2017 (the **"Issue Date"**) to, but excluding, 28 November 2024 (the **"First Call Date"**) at the rate of 1.350 per cent. *per annum* payable annually in arrear on each Interest Payment Date (as defined below) up to and including the First Call Date; and
- (ii) from and including the First Call Date to but excluding 28 November 2029 (the **"Maturity Date"**), at a rate which shall be equal to the Reset Rate plus the Margin (all as defined below), payable annually in arrear on each Interest Payment Date from and including 28 November 2025;

provided, however, that if any Interest Payment Date would otherwise fall on a date which is not a Business Day, the relevant payment will be postponed to the next Business Day and no interest shall accrue nor be payable as a result of such postponement.

Promptly after the determination of the Reset Rate, the Calculation Agent shall determine the Interest Rate and calculate the relevant Interest Amount (as defined below).

The Calculation Agent will cause the relevant Interest Rate and the relevant Interest Amount (as defined below) payable per Note to be notified to the Issuer, the Fiscal Agent and the Principal Paying Agent and, if required by the rules of any stock exchange on which the Notes are listed and/or admitted to trading from time to time, to such stock exchange, and to the Noteholders in accordance with Condition 11 without undue delay, but, in any case, not later than on the fifth (5th) Business Day after its determination.

For the purposes of these Conditions:

"5-year Mid-Swap Rate Quotations" means the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360 day count basis) of a fixed-for-floating euro interest rate swap transaction which:

- (i) has a term of five (5) years commencing on the First Call Date;
- (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market; and
- (iii) has a floating leg based on 6-month EURIBOR (calculated on an Actual/360 day count basis);

"Business Day" means a day (other than a Saturday or a Sunday) which is both (i) a day on which commercial banks and foreign exchanges settle payments and are open for business (including dealings in foreign exchanges and foreign currency deposits) in Paris and (ii) a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer System (known as TARGET 2) System or any successor thereto is operating;

"Interest Payment Date" means 28 November in each year from and including 28 November 2018;

"Interest Period" means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

"Margin" means 0.9 per cent.;

"Reset Rate" means (i) the five (5) year mid swap rate for Euro swap transactions displayed on Reuters screen ICESWAP2 (or such other screen as may replace that screen on Reuters, or such other service as may be nominated by the person providing or sponsoring the information appearing there for the purposes of displaying comparable rates) at or around 11.00 a.m. (London time) on the Reset Rate Determination Date or (ii) if the correct five (5) year mid swap rate does not appear on that screen, the five (5) year Euro mid swap rate shall instead be determined by the Calculation Agent as the arithmetic mean expressed as a percentage and rounded, if necessary, to the nearest 0.0001 per cent. (0.00005 per cent. being rounded upwards) of the 5-year Mid-Swap Rate Quotations provided by the principal office of each of four (4) major leading swap dealers in the Euro swap market at approximately 11.00 a.m. (London time) on the Reset Rate Determination Date.; and

"Reset Rate Determination Date" means the second (2^d) Business Day prior to the First Call Date.

(b) Calculation of the Interest Amount

The amount of interest (the "**Interest Amount**") payable on each Note on each Interest Payment Date shall be the product of the principal amount of such Note and the applicable Interest Rate, multiplied by the Actual/Actual (ICMA) day count fraction and rounding the resulting figure, if necessary, to the nearest cent (half a cent being rounded upwards).

For the purposes of this Condition:

"**Actual/Actual (ICMA)**" means:

- if interest is required to be calculated for a period that is equal to or shorter than the Interest Rate Accrual Period to which it applies, the number of calendar days in the relevant period divided by the number of calendar days in the Interest Rate Accrual Period in which the relevant period falls;
- if interest is required to be calculated for a period of more than one (1) year, the sum of (a) the number of calendar days of the relevant period falling in the Interest Rate Accrual Period in which it begins divided by the total number of calendar days in such Interest Rate Accrual Period and (b) the number of calendar days of the relevant period falling in the next Interest Rate Accrual Period divided by the total number of calendar days in such next Interest Rate Accrual Period (including the first such day but excluding the last); and

"**Interest Rate Accrual Period**" means the period from and including an Interest Payment Date (or the Issue Date as the case may be) to but excluding the next Interest Payment Date.

(c) Notifications, etc. to be binding

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4 will (in the absence of willful default, bad faith or manifest error) be binding on the Issuer, the Calculation Agent, the Fiscal Agent and all Noteholders.

(d) Calculation Agent

The Agency Agreement provides that the Issuer may at any time terminate the appointment of the Calculation Agent and appoint a substitute Calculation Agent provided that so long as any of the Notes remain outstanding, there shall at all times be a Calculation Agent for the purposes of the Notes having a specified office in a major European city. In the event of the appointed office of any bank being unable or unwilling to continue to act as the Calculation Agent or failing duly to determine any rate of interest or Interest Amount for any Interest Period, the Issuer shall appoint the European office of another leading bank engaged in the Euro-zone or London interbank market to act in its place. The Calculation Agent may not resign its duties or be removed without a successor having been appointed. The Calculation Agent shall act as an independent expert and not as agent for the Issuer or the Noteholders.

Notice of any change of Calculation Agent or any change of specified office shall promptly be given as soon as reasonably practicable to the Noteholders in accordance with Condition 11 and so long as the Notes are listed on a stock exchange and if the rules applicable to such stock exchange so require, to such stock exchange,

5. Redemption and Purchase

(a) *Redemption at Maturity*

Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount on the Maturity Date. The Issuer shall not be able to redeem the Notes except in accordance with the following provisions of this Condition.

(b) *Redemption on the First Call Date at the option of the Issuer*

The Issuer may, subject to compliance with all relevant laws, regulations and directives and the provisions set out in Condition 5(g) and having given not more than sixty (60) nor less than thirty (30) calendar days' notice to the Fiscal Agent and Noteholders in accordance with Condition 11 (which notice shall be irrevocable), elect to redeem the Notes, in whole but not in part, on the First Call Date at their principal amount, together with all interest accrued to (but excluding) the First Call Date.

(c) *Redemption upon the occurrence of a Capital Event*

The Issuer may, subject to compliance with all relevant laws, regulations and directives and the provisions set out in Condition 5(g) and having given not more than sixty (60) nor less than thirty (30) calendar days' prior notice to the Fiscal Agent and Noteholders in accordance with Condition 11 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem the Notes at any time, in whole but not in part, at their principal amount, together with all interest accrued to the date fixed for redemption upon the occurrence of a Capital Event (as defined below).

For the purposes of these Conditions:

"**Arrêté 2015**" means the French decree of 11 September 2015 amending the decree of 23 December 2013 regarding the prudential regime of *sociétés de financement* (*Arrêté du 11 septembre 2015 modifiant l'arrêté du 23 décembre 2013 relatif au régime prudentiel des sociétés de financement*), which has extended to *sociétés de financement* the application of certain CRD IV and CRR implementing measures applicable to credit institutions (the CRD IV and CRR implementing measures applicable to *sociétés de financement* are listed in Annex II of the *Arrêté 2015*).

"**BRRD**" means Directive 2014/59/EU of the European Parliament and of the Council of the European Union establishing a framework for the recovery and resolution of credit institutions and investment firms, as published in the Official Journal of the European Union on 12 June 2014, as amended or replaced from time to time;

"**Capital Event**" means, that by reason of a change (or a prospective change which the Relevant Regulator considers to be sufficiently certain) in the criteria for Tier 2 Capital which was not reasonably foreseeable by the Issuer at the Issue Date of the Notes, the Notes cease to comply with such criteria and are fully or partially excluded from the Tier 2 Capital of the Issuer, provided that such exclusion is not as a result of any applicable limits on the amount of Tier 2 Capital of the Issuer;

"**CRD IV**" means Directive 2013/36/EU of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, as published in the Official Journal of the European Union on 27 June 2013, as amended or replaced from time to time;

"**CRR**" means Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, as published in the Official Journal of the European Union on 27 June 2013, as amended or replaced from time to time;

"**Relevant Regulator**" means the *Autorité de contrôle prudentiel et de résolution* (ACPR) and any successor or replacement thereto, or other authority having primary responsibility for the prudential oversight and supervision of the Issuer from time to time;

"Relevant Rules" means at any time the laws, regulations, requirements, guidelines and policies relating to capital adequacy, including the rules contained in or implementing the CRD IV, the CRR and/or the BRRD, in each case then in effect in France and applicable to the Issuer including but not limited to, as at the date hereof, the *Arrêté* 2015, in each case as amended from time to time and as applied by the Relevant Regulator; and

"Tier 2 Capital" means capital which is treated, for the purposes of the Issuer, as a constituent of Tier 2 capital under the Relevant Rules by the Relevant Regulator, in either case whatever the terminology employed by future applicable banking laws, directives or regulations and/or by the Relevant Regulator.

(d) Redemption for taxation reasons

- (i) If, by reason of a change or prospective change in any French law or regulation, or any change or prospective change in the official application or interpretation of such law or regulation, becoming effective or being announced after the Issue Date, the Issuer would, on the occasion of the next payment of interest due in respect of the Notes, not be able to make such payment without having to pay additional amounts as specified in Condition 7 (a **"Withholding Tax Event"**) and such obligation cannot be avoided by the Issuer taking reasonable measures available to it, the Issuer may at its option and at any time, subject to Condition 5(g) below, subject to having given not more than sixty (60) nor less than thirty (30) calendar days' prior notice to the Fiscal Agent and the Noteholders in accordance with Condition 11 (which notice shall be irrevocable), redeem all, but not some only, of the Notes at their principal amount, together with all interest accrued to the date fixed for redemption, provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the latest practicable date on which the Issuer could make payment of interest without withholding or deduction for French taxes.
- (ii) If the Issuer would on the next due date for payment of any interest amount in respect of the Notes be prevented by French law from making payment to the Noteholders of the full amount then due and payable, notwithstanding the undertaking to pay additional amounts contained in Condition 7 (a **"Special Tax Event"**), then the Issuer may forthwith give notice of such fact to the Fiscal Agent and the Issuer may, at its option and at any time, subject to Condition 5(g) below, and upon giving not more than sixty (60) nor less than thirty (30) calendar days' prior notice to the Noteholders in accordance with Condition 11 (which notice shall be irrevocable), redeem all, but not some only, of the Notes at their principal amount, together with all interest accrued to the date fixed for redemption of which notice hereunder may be given, provided that the due date for redemption shall be no earlier than the latest practicable date on which the Issuer could make payment of the full amount of interest payable in respect of the Notes or, if such date has passed, as soon as practicable thereafter.
- (iii) If, at any time, by reason of any change or prospective change in, or amendment to, the laws or regulations of France or any change or prospective change in the application or official interpretation of such laws or regulations, or any other change or prospective change in the tax treatment of the Notes, which change or prospective change or amendment becomes effective or is announced on or after the Issue Date of the Notes, any interest payment under the Notes was but is no longer (whether in whole or in part) tax deductible by the Issuer for French corporate income tax (*impôts sur les bénéfices des sociétés*) purposes or the amount which was deductible by the Issuer on any interest payment under the Notes for French corporate income tax purposes, is reduced (a **"Tax Deductibility Event"**), the Issuer may, subject to Condition 5(g) below, at its option and, at any time, subject to having given not more than sixty (60) nor less than thirty (30) calendar days' prior notice to the Fiscal Agent and the Noteholders in accordance with Condition 11 (which notice shall be irrevocable), redeem all, but not some only, of the Notes then outstanding at their principal amount, together with all interest accrued to the date fixed for redemption, provided that the due date for redemption of the Notes of

which notice hereunder may be given in respect of a Tax Deductibility Event shall be no earlier than the latest practicable date on which the Issuer could make such payment with interest payable being so tax deductible to the same extent as it was on the Issue Date.

(e) Purchase

The Issuer shall have the right to purchase Notes in the open market or otherwise at any price, subject at any time, to compliance with the provisions set out in Condition 5(g) and the applicable laws and regulations.

In addition, if the Issuer purchases Notes for market making purposes, the total principal amount of the Notes so purchased shall not exceed the lower of:

- (i) ten (10) per cent. (or any other threshold as may be requested or required by the Relevant Regulator in accordance with the Relevant Rules from time to time) of the initial aggregate principal amount of the Notes (including any further notes issued pursuant to Condition 13, if any); or
- (ii) three (3) per cent. of the Tier 2 Capital of the Issuer from time to time outstanding (or any other threshold as may be requested or required by the Relevant Regulator in accordance with the Relevant Rules).

The Notes so purchased by the Issuer may be held and resold in accordance with applicable laws and regulations.

(f) Cancellation

All Notes which are redeemed or purchased for cancellation by the Issuer must be cancelled by the Issuer in accordance with applicable laws and regulations. Any Notes so cancelled may not be re-issued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

(g) Conditions to redemption and purchase prior to the Maturity Date

According to Articles 77 and 78 of CRR (as may be amended, completed or replaced from time to time), the Notes may only be redeemed or purchased pursuant to Conditions 5(b), 5(c), 5(d) or 5(e), as the case may be, if all the following conditions are met:

- (i) the Relevant Regulator has given its prior written approval to such redemption or purchase (as applicable); and
- (ii) on or before such redemption or purchase of the Notes, the Issuer replaces such Notes with own funds instruments of an equal or higher quality on terms that are sustainable for the Issuer's income capacity, or the Issuer has demonstrated to the satisfaction of the Relevant Regulator that its own funds would, following such redemption or purchase, exceed the capital ratios required under the Relevant Rules by a margin that the Relevant Regulator may consider necessary on the basis set out in the Relevant Rules for it to determine the appropriate level of capital of an institution; and

- (iii) in the event any redemption in respect of the Notes is intended to take place prior to the fifth anniversary of the Issue Date:
 - (x) in the case of redemption due to the occurrence of a Capital Event, (i) the Relevant Regulator considers such change to be sufficiently certain and (ii) the Issuer demonstrates to the satisfaction of the Relevant Regulator that the Capital Event was not reasonably foreseeable at the Issue Date; or
 - (y) in the case of redemption due to the occurrence of a Withholding Tax Event, a Tax Deductibility Event or a Special Tax Event, the Issuer demonstrates to the satisfaction of the Relevant Regulator that such Withholding Tax Event, Tax Deductibility Event or Special Tax Event is material and was not reasonably foreseeable at the Issue Date; and
- (iv) the Issuer has delivered a certificate signed by one of its senior officers to the Fiscal Agent (with copies thereof being made available to the Noteholders at the Fiscal Agent's specified office during its normal business hours) not less than five (5) calendar days prior to the date set for redemption that the relevant Capital Event, Withholding Tax Event, Tax Deductibility Event or, as the case may be, Special Tax Event has occurred or will occur no more than ninety (90) calendar days following the date fixed for redemption, as the case may be.

6. Payments

(a) Method of Payment

Payments of principal, interest and other amounts in respect of the Notes will be made in euro, by credit or transfer to an account denominated in euro (or any other account to which euro may be credited or transferred). Such payments shall be made for the benefit of the Noteholders to the Account Holders (including Euroclear and Clearstream) and all payments made to such Account Holders in favour of Noteholders will be an effective discharge of the obligations of the Issuer and the Fiscal Agent, as the case may be, in respect of such payments.

Payments of principal, interest and other amounts in respect of the Notes will be made subject to any fiscal or other laws and regulations applicable thereto, but without prejudice to the provisions described in Condition 7. No commission or expenses shall be charged to the Noteholders in respect of such payments.

(b) Payments on Business Days

If any due date for payment of principal, interest or other amounts in respect of any Note is not a Business Day, then the holder of such Note shall not be entitled to payment of the amount due until the next following Business Day and will not be entitled to any additional interest or other sums by virtue of such postponed payment.

(c) Fiscal Agent, Paying Agent and Calculation Agent

The initial specified offices of the initial Agents are as follows:

Fiscal Agent, Paying Agent and Calculation Agent

Société Générale
32, rue du Champ de Tir
CS 30812
44308 Nantes Cedex 3
France

The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent or Paying Agent or Calculation Agent and/or appoint another Fiscal Agent or Paying Agent or Calculation Agent or additional Paying Agents or approve any change in the office through which any such Agent acts, subject to having given not more than forty-five (45) nor less than thirty (30) calendar days' prior notice to the Noteholders in accordance with Condition 11, provided that there will at all times be a Fiscal Agent, a Paying Agent, a Calculation Agent having a specified office in a European city.

7. Taxation

- (a)** All payments of principal, interest and other revenues by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or other governmental charges of whatever nature imposed, levied or collected by or on behalf of France or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.
- (b)** If French law should require that any payment of principal, interest or other revenues in respect of any Note be subject to withholding or deduction with respect to any present or future taxes, duties, assessments or other governmental charges of whatever nature, the Issuer will, to the fullest extent then permitted by law, pay such additional amounts on interest only (and not principal) as may be necessary in order that the Noteholders, after such withholding or deduction, receive the full amount they would have received had no such withholding or deduction been required; provided, however, that the Issuer shall not be liable to pay any such additional amounts in respect of any Note to a holder (or beneficial owner (*ayant droit*)) who is subject to such taxes, duties, assessments or other governmental charges, in respect of such Note by reason of his having some connection with France other than the mere holding of such Note.

Any reference in these Conditions to principal and/or interest shall be deemed to include any additional amounts which may be payable under this Condition 7.

8. Prescription

Claims in respect of principal and interest under the Notes will become prescribed ten (10) years (in the case of principal) and five (5) years (in the case of interest) from the due date for payment.

9. No Events of Default

There are no events of default in respect of Notes and Noteholders are not entitled in any event to require Notes to be redeemed prior to their Maturity Date.

In the event of any judgement rendered by any competent court declaring the judicial liquidation (*liquidation judiciaire or liquidation amiable*) of the Issuer, the sale of the whole of the business (*cession totale de l'entreprise*) of the Issuer subsequent to the opening of a judicial recovery procedure (*redressement judiciaire*) in respect of the Issuer or if the Issuer is liquidated for any other reason, the rights of the Noteholders to payment in respect of principal and interest thereon will be subordinated

to the full payment of all unsubordinated creditors of the Issuer or other creditors whose claim ranks senior to the Notes and, subject to such payment in full, the Noteholders will be paid in priority to all *prêts participatifs* granted to the Issuer, all *titres participatifs* issued by the Issuer and any deeply subordinated obligations of the Issuer (*i.e.* lowest ranking). In the event of incomplete payment of any unsubordinated creditors, or other creditors whose claim ranks senior to the Notes (in the context of voluntary or judicial liquidation of the Issuer, bankruptcy proceedings or any other similar proceedings affecting the Issuer) the obligations in connection with the Notes will be terminated.

10. Representation of the Noteholders

(a) The Masse

The Noteholders will be grouped automatically for the defence of their respective common interests in a *masse* (hereinafter referred to as the "**Masse**") which will be governed by the provisions of articles L.228-46 et seq. of the French *Code de commerce* with the exception of Articles L.228-48, L.228-59, L.228-65 II., R.228-61, R.228-63, R.228-67, and R.228-69, R.228-79 and R.236-11 of the French *Code de commerce* and as supplemented by this Condition 10.

(b) Legal Personality

The Masse will be a separate legal entity and will act in part through a representative (the "Representative") and in part through collective decisions of the Noteholders (the "**Collective Decisions**").

(c) Representative

The Representative shall be:

Association de représentation des masses de titulaires de valeurs mobilières

Centre Jacques Ferronnière

32, rue du Champ de Tir

CS 30812

44308 Nantes cedex 3

France

The Representative will be entitled to a remuneration of €500 (VAT excluded) per year, payable on each Interest Payment Date with the first payment at the Issue date. Such remuneration will accrue from the day on which they assume such duties. No additional remuneration is payable in relation to any subsequent Tranche of any given Series.

The Representative will exercise its duty until death, liquidation, retirement, resignation or revocation of its appointment by a general assembly of Noteholders. Its appointment shall automatically cease on the Maturity Date, or total redemption prior to the Maturity Date.

All interested parties will at all times have the right to obtain the names and the addresses of the Representative at the head office of the Issuer and at the offices of any of the Paying Agents.

(d) Powers of the Representative

The Representative shall (in the absence of any Collective Decision to the contrary) have the power to take all acts of management necessary in order to defend the common interests of the Noteholders, with the capacity to delegate its powers.

(e) Collective Decisions

Collective Decisions are adopted either in a general meeting (the "**General Meeting**") or by unanimous consent following a written consultation (the "**Written Unanimous Decision**").

In accordance with Article R.228-71 of the French *Code de commerce*, the rights of each Noteholder to participate in Collective Decisions will be evidenced by the entries in the books of the relevant Account Holder of the name of such Noteholder as of 0:00 Paris time, on the second (2nd) business day in Paris preceding the date set for the Collective Decision.

Collective Decisions must be published in accordance with Condition 10(j).

The Issuer shall hold a register of the Collective Decisions and shall make it available, upon request, to any subsequent holder of any of the Notes of such Series.

(f) General Meetings

A General Meeting may be called at any time, either by the Issuer or by the Representative. One or more Noteholders, holding together at least one-thirtieth (1/30) of the principal amount of Notes outstanding, may address to the Issuer and the Representative a demand for a General Meeting to be called. If such General Meeting has not been called within two (2) months after such demand, the Noteholders may commission one of them to petition the competent court to appoint an agent (mandataire) who will call the General Meeting.

General Meetings may deliberate validly on first convocation only if the Noteholders present or represented hold at least one-fifth (1/5) of the principal amount of the Notes then outstanding. On second convocation, no quorum shall be required. The decisions of the General Meeting shall be taken by a two-third (2/3) majority of votes held by the Noteholders attending such General Meeting or represented thereat in which case the decision will be taken by a simple majority of votes held by the Noteholders attending such General Meeting or represented thereat.

Notice of the date, time, place and agenda of any General Meeting will be published in accordance with Condition 10(j) not less than fifteen (15) calendar days prior to the date of the General Meeting on first convocation and not less than five (5) calendar days prior to the date of the General Meeting on second convocation.

Each Noteholder has the right to participate in a General Meeting in person, by proxy or by correspondence.

Each Noteholder or representative thereof will have the right to consult or make a copy of the text of the resolutions which will be proposed and of the reports, if any, which will be presented at the General Meeting, all of which will be available for inspection by the relevant Noteholders at the registered office of the Issuer and at any other place specified in the notice of the General Meeting, during the fifteen (15) calendar day period preceding the holding of the General Meeting on first convocation, or during the five (5) calendar day period preceding the holding of the General Meeting on second convocation.

(g) Written Unanimous Decision

At the initiative of the Issuer or the Representative, Collective Decisions may also be taken by a Written Unanimous Decision.

Such Written Unanimous Decision shall be signed by or on behalf of all the Noteholders without having to comply with formalities and time limits referred to in Condition 10(f). Any such decision shall, for all purposes, have the same effect as a resolution passed at a General Meeting of such Noteholders. Such Written Unanimous Decision may be contained in one document or in several documents in like form each signed by or on behalf of one or more of such Noteholders and shall be published in accordance with Condition 10(j).

(h) Expenses

The Issuer shall pay all expenses relating to the operations of the Masse, including all expenses relating to the calling and holding of Collective Decisions and, more generally, all administrative expenses resolved upon by Collective Decisions, it being expressly stipulated that no expenses may be imputed against interest payable under the Notes.

(i) Single Masse

The Noteholders of the same Series, and the Noteholders of any other Series which have been assimilated with the Notes of such first mentioned Series in accordance with Condition 13, shall, for the defence of their respective common interests, be grouped in a single Masse.

(j) Notices to Noteholders

Any notice to be given to Noteholders in accordance with this Condition 10 shall be given in accordance with Condition 11.

11. Notices

Any notice to the Noteholders shall be validly given by (i) delivery of the relevant notice to Euroclear France, Euroclear or Clearstream, (ii) publication on the website of the Issuer (www.creditlogement.fr), (iii) publication on the website of the Luxembourg Stock Exchange (www.bourse.lu) so long as the Notes are listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and (iv) as may be required by the mandatory rules of any exchange on which the Notes are from time to time listed and/or admitted to trading.

Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which such publication is made.

12. Waiver of Set-Off

No Noteholder may at any time exercise or claim any Waived Set-Off Rights against any right, claim, or liability the Issuer has or may have or acquire against such Noteholder, directly or indirectly, howsoever arising (and, for the avoidance of doubt, including all such rights, claims and liabilities arising under or in relation to any and all agreements or other instruments of any sort or any non-contractual obligations, in each case whether or not relating to the Notes) and each such Noteholder shall be deemed to have waived all Waived Set-Off Rights to the fullest extent permitted by applicable law in relation to all such actual and potential rights, claims and liabilities.

For the avoidance of doubt, nothing in this Condition 12 is intended to provide or shall be construed as acknowledging any right of deduction, set-off, netting, compensation, retention or counterclaim or that any such right is or would be available to any Noteholder but for this Condition 12.

For the purposes of this Condition 12, "**Waived Set-Off Rights**" means any and all rights of or claims of any Noteholder for deduction, set-off, netting, compensation, retention or counterclaim arising directly or indirectly under or in connection with any such Note.

13. Further Issues

The Issuer may from time to time without the consent of the Noteholders issue further notes to be assimilated (*assimilables*) with the Notes as regards their financial service, provided that such further notes and the Notes shall carry rights identical in all respects (or in all respects save for the amount

and date of the first payment of interest thereon) and that the terms of such further notes shall provide for such assimilation. In the event of any such assimilation, the Notholders and the holders of any assimilated notes will, for the defence of their common interests, be grouped in a single *Masse* having legal personality.

The Issuer shall upon issue of any such further notes confirm in writing to the Relevant Regulator that they have been fully paid-up.

14. Governing Law and Jurisdiction

The Notes are governed by the laws of France.

Any action or proceedings against the Issuer arising out of or in connection with the Notes will be submitted to the exclusive jurisdiction of the competent courts within the jurisdiction of the *Cour d'Appel* of Paris.

USE OF PROCEEDS

The net proceeds of the issue of the Notes will be used for general corporate purposes which may include the refinancing of all or part of its €500,000,000 ordinary subordinated notes issued by the Issuer on 16 February 2011 and its €800,000,000 undated deeply subordinated non cumulative fixed to floating rate notes issued by the Issuer on 16 March 2006.

DESCRIPTION OF THE ISSUER

1. General

Crédit Logement is a limited liability company (*société anonyme*) incorporated under the laws of France having its registered office at 50, boulevard de Sébastopol, 75003 Paris, and is registered with the *Registre du Commerce et des Sociétés* (Trade and Companies Register) of Paris under number B302 493 275. It was established on 30 January 1975 for a duration of 99 years.

Crédit Logement is a financial institution ("*Société de Financement*") governed by the applicable provisions of the French monetary and financial code (*Code monétaire et financier*). It is supervised by the French prudential supervisory and resolution authority (*Autorité de Contrôle Prudentiel et de Résolution* – ACPR). Pursuant to a decree (*Arrêté*) dated 11 September 2015, it is required to comply with provisions of the application of certain requirements of the Capital Requirements Directive no. 2013/36/EU dated 26 June 2013 ("**CRD IV**") and the Capital Requirements Regulation no. 575/2013 dated 26 June 2013 ("**CRR**") implementing measures applicable to credit institutions (the CRD IV and CRR implementing measures applicable to the *sociétés de financement* are listed in Annex II of the decree (*Arrêté*) dated 11 September 2015).

Crédit Logement is monitored and rated Aa3 Stable/AA Low Stable by the rating agencies Moody's and DBRS.

2. Shareholding

As at 31 December 2016, Crédit Logement had a share capital of €1,259,850,270, divided into 17,997,861 ordinary shares of €70, each fully paid up.

The shareholders of Crédit Logement as at 31 December 2016 were as follows:

Crédit Agricole/Crédit Lyonnais including		33.00%
Crédit Agricole S.A	16.50%	
Crédit Lyonnais S.A	16.50%	
BNP Paribas S.A.		16.50%
Société Générale/Crédit du Nord including		16.50%
Société Générale S.A	13.50%	
Crédit du Nord S.A	3.00%	
C.N.C.E.P./CFF including		15.49%
C.N.C.E.P. S.A	8.50%	
Crédit Foncier de France S.A	6.99%	
Crédit Mutuel/CIC including		9.50%
Caisse Centrale de Crédit Mutuel SACV	5.00%	
Crédit Industriel et Commercial S.A	4.50%	
SF2 S.A – Groupe La Banque Postale		6.00%
HSBC France S.A		3.00%
Other Deposit Banks and Individuals		0.01%

3. Business Activities

3.1 Crédit Logement's purpose and activity

Crédit Logement's main object is to guarantee the repayment of loans taken by individuals to purchase their property for residential use, in the form of a joint and several guarantee (*cautionnement solidaire*). Crédit Logement also ensures the recovery of these loans when they are in default. Its joint and several guarantee (*caution solidaire*) enables credit institutions to offer financings at attractive rates due to the absence of any mortgage registration (*enregistrement des hypothèques*) and to simplify administrative procedures both at the signing of the loan (where no registration is required at the mortgage registry (*bureau des hypothèques*)) and at loan maturity (where the mechanism for release (*mainlevée*) is straightforward and no cost).

The guarantee system used by Crédit Logement is based on the principle of pooling risk (*mutualisation*): each borrower guaranteed by Crédit Logement contributes to a mutual guarantee fund (the *Fonds Mutuel de Garantie*) ("**FMG**") intended to substitute any borrower who defaults on loan repayments, partially for unpaid instalments and totally when an event of default has been declared. As of 31 December 2016, the FMG represents 4.92 billion (see point 3.1.3 below for further details).

Since the borrower is reimbursed with a large proportion (historically, more than 65%) of the contribution paid by it at the signing of the loan to the FMG, Crédit Logement's guarantee is ideally suited to market trends and, in particular, to the increasingly fast turnover of real estate assets. As an illustration of the growing success of this guarantee mechanism, the latest research available on the breakdown of the guarantee market in France for 2016 (source: the annual study from ACPR on residential loans), expressed in distributed loan amounts, indicates a market share of 58.4% for financial guarantees (bank guarantees and insurance company guarantees) compared to a 30.3% market share for physical (*i.e* mortgage) collateral.

3.1.1 Granting guarantees

(i) *Agreements with partner banks*

Crédit Logement has signed agreements with most French banks, mainly its shareholders, and banks providing residential loans on Crédit Logement to guarantee the residential loans they grant.

183 of these agreements are currently being used, allowing Crédit Logement to develop its activity with its partners.

(ii) *Credit risk analysis*

Crédit Logement has its own system of credit risk analysis. This process is carried out independently from its shareholders and partner banks in accordance with a number of precisely defined procedures and using risk analysis tools developed over many years.

In 2016, when a guarantee was requested from a partner bank, the loan information was automatically transmitted through electronic transmission or via the Extranet for 99.9% of the files, while the remaining 0.1 % was received by fax or mail and dealt with manually.

When the file is loaded on to the computer system following its completion and the elimination of inconsistencies, it goes on to a two-stage analysis phase. These phases are:

1. an automated analysis by an Automatic Analysis System named DIAG. All new transactions are automatically scored and analyzed using guarantee analysis tools and then assigned to a risk category of the internal rating model;

2. a human assessment carried out by analysts of the Analysis and Decision Division (*Service Analyse et Décision (SAD)*) in circumstances where the Automatic Analysis System has not provided an automatic clearance.

The guarantee may be accepted automatically by DIAG. Applications not accepted by DIAG because they extend beyond its scope (even if its analysis is positive) are automatically transferred to SAD for a human analysis. It is important to note that automatic acceptance only applies to files with very favorable characteristics, particularly where the level of the borrower's indebtedness, the portion of the property to be financed and the loan itself are low.

In total, DIAG automatically accepts approximately 59% (55% excluding refinancing loans) of all transactions received by Crédit Logement; the remainder and those rejected are reviewed by SAD analysts. The vast majority of applications that are not automatically accepted by DIAG are rejected because they fall beyond its scope. The acceptance criteria take into account Crédit Logement's global exposure to the relevant borrower as well as other relevant qualitative criteria.

(iii) *The automatic analysis system: DIAG*

The Automatic Analysis System, named DIAG, is a fully automated approval system and was set up in 1994. It is regularly tested, in particular following the introduction of new loan criteria. The refinement of the Automatic Analysis System is the responsibility of the Risks Department.

In April 2005, a new automatic analysis process was set up to combine Crédit Logement's previous system and to set up a score, built on historical data, which became necessary with the Basel II implementation and which provides, for the application studied, a probability of default.

The score is also taken into consideration to define whether the customer solvency and the margin on the property will permit an automatic clearance of the guarantee application, or whether it will have to be studied by an analyst. In this latter case, the score and the regulatory quotation is provided to the analyst to help him in building his decision.

At the end of 2009, a new set of rules, called compensation, was introduced to allow DIAG to accept operations where very good data on one axis of analysis (for example the debtor indebtedness) compensate less positive data on another axis of analysis (for example the margin), taking into account the level of the score. The goal is to replicate human analyst thinking process, when studying an application, to define whether this application has to be accepted.

Over time, Crédit Logement's refusal rate has remained relatively stable, at 15.6% for the year 2016 compared to 14.3% in 2015 and at an annual rate between 20.3% and 14.3% over the last 5 years. DIAG's methodology is the same for all its partner banks. This approach ensures homogeneous treatment of the origination of guarantees.

In each case, DIAG delivers its conclusion as to the solvency of the borrower and its assessment of the property. The solvency of the borrower depends upon:

- the position of the borrower (his/her indebtedness level after any appropriate weighting of income and outgoings, disposable income, history of outgoings and savings characteristics);
- his/her profile (age, profession, security of income, banking record, credit record, behaviour, etc.); and
- insurance (contract type, scope and apportionment).

The property assessment is the result of a calculation, which takes into account:

- the property to be financed (purpose and duration of the loan, borrower contribution, financial plan);
- the transaction type;
- legal features (marital status, property ownership, whether the property is to be held by non-trading real estate investment companies (*sociétés civiles immobilières* - "SCI"), etc.); and
- the borrowers' assets (margin, other assets, etc.).

Since April 2005, DIAG also delivers a score which provides, for the application studied, a probability of default.

Since the end of June 2005, a full "regulatory quotation" is provided, stating not only the probability of default (score) but as well the expected loss in case of default. Thus, each new application for guarantee is quoted, allowing Crédit Logement to compute its capital requirement under its internal rating based model, which has been approved by the ACPR at the beginning of 2007.

(iv) *Management of unpaid amounts and recovery process*

As a general principle, the partner institution must inform Crédit Logement of any fact brought to its attention, which would be the type of matter to affect the solvency of the borrower or to put the repayment of the loan at risk.

Following three unpaid installments, Crédit Logement will be called by the lender bank to indemnify himself for the total due and unpaid amount by drawing such an amount from the FMG (*appel en garantie*). Crédit Logement may decide not to indemnify the bank if the characteristics of the reference obligation are too different from the original characteristics transmitted by the bank, or if the management of the reference obligation by the bank has led to an increase in the potential loss on the reference obligation. This drawing (known as a temporary use of the FMG) is subject to obtaining the following contractual documents: signed loan offer, or signed loan contract making reference to the offer with acknowledgement of receipt, amortization table on which the claim is based, joint and several guarantees (if any) (*actes de cautionnement solidaires*) and supporting evidence of the risk from the arrangement of the loan (supporting evidence of earnings, of allocation of funds, of full ownership (*pleine propriété*)).

As from the *appel en garantie*, the lending institution subrogates Crédit Logement in its rights *vis-à-vis* the defaulting borrower to the extent of the indemnity amounts paid by Crédit Logement. At the same time, Crédit Logement is subject to a requirement to make use of all procedures, whether by private agreement or through the courts, for the recovery of installments due from the defaulting borrower.

The first stage of recovery is "out of court discovery" ("*découverte amiable*"), during which the recovery analyst will seek to contact the borrower, evaluate his/her financial situation and calculate his/her ability to recommence payment of his/her financial obligations and to repay the unpaid installments. After the establishment of an out-of-court discharge plan (*plan d'apurement amiable*), the return to normal file management will take place after full repayment of the unpaid sums.

If the unpaid installments are not repaid, the file passes to the litigation phase and the declaration of an event of default may be made by the lending institution against the borrower (*déchéance du terme*), either with the agreement of, or at the request of, Crédit Logement. As a consequence of an event of default, Crédit Logement must pay its partner bank all of the remaining installments due by the borrower. These payments are made by withdrawing sums from the FMG. Crédit Logement may take a mortgage over it (usually through the courts for reasons of cost and speed) to secure the repayment of the defaulted loans.

Crédit Logement negotiates with the debtor in order to gain the maximum advantage from an out-of-court sale, which statistically allows the best level of recovery. The deadline agreed with the debtor for the sale of the property must not exceed 6 months following the date of the signature of the sale agreement (*mandat de vente*), a copy of which will have been sent to Crédit Logement by the debtor.

In case of a failure to sell, Crédit Logement initiates the process of property seizure (*saisie immobilière*) which, in half of the cases, results in the borrower changing his/her mind and agreeing to sell the property out-of-court; when this happens, execution procedures are not cancelled, but potentially suspended. In all other cases, the failure to agree an out-of-court sale inevitably leads to a court sale.

Once the sale is completed, Crédit Logement has the ability to pursue the borrower. After having exhausted all the judicial and extra-judicial pursuits, or after taking the decision not to pursue further, Crédit Logement writes off the outstanding unpaid amount due by the borrower.

Crédit Logement also develops a recovery activity for the account of third-parties on residential loans which have not been guaranteed by Crédit Logement.

3.1.2 Crédit Logement's exposure

Crédit Logement's exposure on its guarantee portfolio is as at 31 December 2016 as follows:

- Maximum risk exposure by generation: doubtful debt and FMG withdrawal divided by total initial amount per generation

Maximum risk exposure	Aging in years		
	3 years	5 years	10 years
2005	0,111%	0,272%	0,369%
2006	0,215%	0,401%	0,534%
2007	0,304%	0,544%	0,702%
2008	0,343%	0,574%	
2009	0,254%	0,481%	
2010	0,210%	0,450%	
2011	0,247%	0,531%	
2012	0,293%	0,492%	
2013	0,159%		
2014	0,140%		

- Present default rate by generation: Global FMG withdrawal divided by total initial amount per generation

Present default rate	Aging in years		
	3 years	5 years	10 years
2005	0,038%	0,150%	0,246%
2006	0,060%	0,227%	0,363%

Present default rate	Aging in years		
	3 years	5 years	10 years
2007	0,096%	0,276%	0,512%
2008	0,103%	0,282%	
2009	0,064%	0,216%	
2010	0,045%	0,184%	
2011	0,050%	0,246%	
2012	0,051%	0,242%	
2013	0,034%		
2014	0,024%		

- Final default rate by generation: Write off and unrecoverable portion of doubtful debt divided by total initial amount per generation

Present default rate	Aging in years		
	3 years	5 years	10 years
2005	0,007%	0,048%	0,074%
2006	0,012%	0,060%	0,077%
2007	0,018%	0,072%	0,082%
2008	0,023%	0,033%	
2009	0,013%	0,015%	
2010	0,004%	0,005%	
2011	0,000%	0,003%	
2012	0,001%	0,004%	
2013	0,001%		
2014	0,000%		

Crédit Logement estimates that the number of guarantees under recovery over the five last years has evolved as follows:

- Number of guarantees under recovery:

	2016	2015	2014	2013	2012
Number of guarantees beginning in the year	21 067	18 335	14 830	13 107	10 698
New calls on our guarantees	9 877	11 571	11 032	8 739	8 811
Number of Guarantees cleared	9 169	8 839	7 527	7 016	6 402
Number of guarantees end of the year	21 775	21 067	18 335	14 830	13 107

- Doubtful outstanding and doubtful debts for the 5 last financial years (in € thousands):

	31/12/2016	31/12/2015	31/12/2014	31/12/2013	31/12/2012
Balance sheet – Doubtful debt	1,244,099	1,078,428	889,163	730,424	587,581
Off-Balance sheet – Doubtful outstanding	1,047,175	1,145,969	1,118,592	897,862	809,276
Total	2,291,274	2,224,397	2,007,755	1,628,286	1,396,857
Total outstandings	301,095.817	280,343.833	254,287.714	245,470.350	232,869.959
%Total doubtful/total outstandings	0.76%	0.79%	0.79%	0.66%	0.60%
French residential market - Doubtful rate (ACPR 2016)	1.54%	1.58%	1.58%	1.47%	1.34%

3.1.3 The Mutual Guarantee Fund (*Fonds Mutuel de Garantie (FMG)*) and the guarantee fees

When a loan is guaranteed by Crédit Logement, the borrower has to pay two amounts:

- A contribution to the Mutual Guarantee Fund (FMG); and
- A flat fee.

(i) *The Mutual Guarantee Fund*

When a loan is repaid, the borrower receives its initial contribution back less the apportionment due to the global delinquency of all loans outstanding in the portfolio of Crédit Logement.

All disbursements on defaulted loans guaranteed by Crédit Logement are paid from the FMG which also receives all recoveries on these loans.

FMG growth over the years in € millions:

2012:	3,703
2013:	3,950
2014:	4,140
2015:	4,571
2016:	4,924

Crédit Logement's shareholders and partners subscribe, on a half-yearly basis, to a commitment to reconstitute, if necessary and on a prorata of their guaranteed commitments, the FMG under the rules applying to contribution settled before the 1st January 2014.

In accordance with the decree of 23 December 2013 regarding the prudential regime applicable to financial institutions in France (*arrêté du 23 décembre 2013 relatif au régime prudentiel des sociétés de financement*), the FMG under the rules applying to contribution settled after the 1st January 2014 is considered as Core Equity Tier One (*fonds propres de base de catégorie 1*), and the FMG under the former rules is grandfathered.

(ii) *The Guarantee Fees*

There are two types of fees, the one received at the beginning of the guarantee, and the one received at the end of the guarantee, which is subtracted from the FMG restitution to the borrower. That latter type of fees may only be applied to “young” borrower, up to 36 years of age, and their level take into account the fact that they are only received at the end of the guarantee.

In both cases, only part of these fees is immediately taken away as income, the remaining part being spread over the life time of the guarantee. In 2016 the amount of fees received in the year at the beginning of the guarantee were equal to €116.3 million, while fees to be received amounted to €68.4 million fees.

Thus, the stock of fees received but not yet taken as income rose to €347.7 million at the end of 2016, while the stock of fees to be received at the end of the guarantee amounted to €394.5 million at the end of 2016, out of which only €136.6 million were already taken as income.

3.2 Crédit Logement and the property market

The main developments in the business of Crédit Logement in 2016 were:

- Historically-low interest rates (interest rates averaged 1.32% in the fourth quarter and some 15-year loans below 1%) and longer loan terms
- Stimulus measures for investment in new homes via the Pinel scheme and the strengthening of the zero-rate loan mechanism
- Pursue of loan renegotiation and refinancing (37% of total guaranteed production compared with 44% in 2015)
- Relatively strong growth in the loan production (3.7%)
- Growth in the new home market (9%) and for existing home market (3.1%) but fall in the renovation market (-13.4%)
- Average loan duration at 212 months in 2016
- Minority part of floating rate loans (7% in 2016 vs. 9% in 2015 according to the annual study from ACPR on residential loans)
- The one year default rate has been decreasing steadily since September 2015 and is at 0.25% at 31 December 2016.

The table below indicates a substantial growth of productivity in recent years:

<i>Year</i>	<i>Amount of guarantees arranged, in € billions</i>	<i>Outstanding guarantee, in € billions</i>
2012	35.31	232.87
2013	49.06	245.47
2014	43.18	254.29
2015	80.38	280.34
2016	69.41	301.1

In 2016, according to the annual study from ACPR on residential loans, the amount of healthy loans outstanding rose to €870.8 billion vs. €834.1 billion in 2015 which gave Crédit Logement a share of 34.45% in 2016 against 33.46% in 2015 (statistic on performing loans).

3.3 Treasury management

The “available treasury”, mainly coming from the FMG, fees received and not yet posted as income to the Profit&Loss account and from subordinated notes issued, are placed according to the general principle defined by the Board in 2002. A Treasury Committee, comprised of five specialists from five shareholder banks, together with Crédit Logement management, defines the investments rules and limits and controls the treasury activity and results.

Globally, the overall risk from the treasury management is very limited with over 97% of final risk being on European Community banks as at 31 December 2016, mainly on Shareholder group banks (95% on the available treasury), and the breakdown of this overall risk being as follows, according to S&P and/or Moody’s ratings taken as at 31 December 2016:

LT rating	Overall risk (%)
AAA to AA-	5,1%
A+	2,9%
A	87,6%
A-	3,7 %
BBB+ to B-	0,7%

The other funds obtained from ordinary shares are replaced with French banks on term accounts, with interest rates being fixed every year based on the one year euro rate. Following the same pattern, subordinated loans granted by partner banks are replaced with French banks with a negative margin supported by Crédit Logement.

As at 31 December 2016, the outstanding notional amount of Interest Rates Swaps (IRS) was €2.120 billion, either micro coverage IRS to transform fixed rate notes purchased to floating rate, or macro coverage to manage Crédit Logement global rate position.

Crédit Logement has opted for the establishment of “FBF framework” contracts for collateralisation on derivatives signed with bank counterparties which provide for netting of exposure and the establishment of a regular margin call (cash deposit) which makes it possible to reduce the real exposure. Regular adjustments under the framework agreement are performed each week.

In 2013, since most of its investments are made with French banks and in the form of time deposits, Crédit Logement considered necessary to mitigate counterparty risk. Financial guarantee agreements were signed with the main bank partners. These specify the conditions under which partner banks, counterparties to the investments of Crédit Logement, must pledge to it eligible assets within the framework of article L. 211-38 of the French Monetary and Financial Code (*Code monétaire et financier*). These guarantees can be of several types such as cash deposits, eligible securities quoted in Euros, pledged loans to SME well ported by Bank of France etc. Regular adjustments to the collateral under the framework agreement are performed each quarter.

Since 2015, Crédit Logement began to divert its investments by purchasing sovereign or quasi sovereign North Euro zone securities included in a global portfolio which amounts to €743 million as at 31 December 2016.

Crédit Logement's liquidity risk is very specific, since the residential loan guarantee business generates liquidity. A liquidity risk could therefore arise only from a mismatch between its cash investment policy and the requirements resulting from its business as a guarantor.

Crédit Logement's objective is also to minimize its overall interest rate risk, made up in particular of a long-term resource, the mutual guarantee fund and investments made under liquidity stress scenarios.

3.4 Financing

3.4.1 Undated deeply subordinated bond issue

€800 million undated deeply subordinated securities were issued on 16 March 2006 and can be taken in additional Tier 1 capital. However, as they do not meet all the criteria laid down in EU Regulation 575/2013 on prudential requirements for credit institutions and investment firms, they are subject to grandfathering.

They include an early call option at the exclusive initiative of the issuer which has been exercisable since 16 March 2011 with prior agreement from ACPR and a clause taking them from fixed-rate remuneration to variable rate, applicable to holders of these securities after 16 March 2011.

Interests is payable quarterly in arrears on March 16, June 16, September 16, December 16 of each year at the Euribor 3 month rate plus 115bp.

3.4.2 Dated subordinated bond issue

€500 million dated subordinated bonds were issued on 16 February 2011 and can be included into Tier 2 capital. However, as they do not meet all the criteria laid down in EU Regulation 575/2013, they are subject to grandfathering and progressive derecognition as their maturity stands in 2021.

Interests is payable quarterly in arrears on 16 February of each year at a fixed rate of 5.454%.

3.4.3 Subordinated borrowings

Subordinated borrowings, granted to Crédit Logement by its banking partners, are held in the Tier 2 capital, and are of two types:

- Undated subordinated borrowings that may be paid back after eight years solely on the initiative of the borrower with prior approval from the ACPR. They do not meet all the criteria laid down in EU Regulation 575/2013 and are subject to grandfathering.
- Subordinated borrowings amended in 2014 with a twelve year term and that may be paid back after five years solely on the initiative of the borrower with prior approval from the ACPR. They meet all the criteria laid down in EU Regulation 575/2013 and are included in Tier 2 capital.

4. Subsidiaries

Crédit Logement has two subsidiaries which are not consolidated, in agreement with its auditors because of their small size and very limited activity:

- Crédit Logement Assurance, an insurance company held for 81.74% by Crédit Logement; and
- SNC FONCIÈRE SÉBASTOPOL, an estate company held for 99.9% by Crédit Logement

5. Management

The members of the Board of Directors as at 30 June 2017 are:

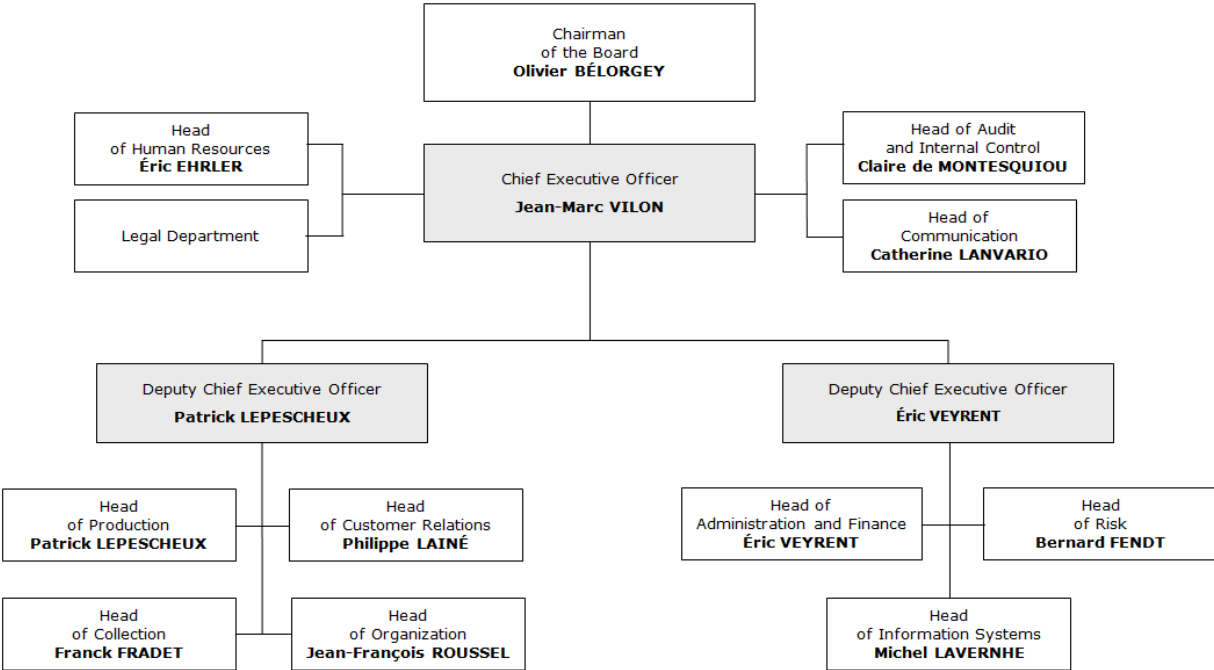
Name	Principal functions
Olivier BELORGEY Chairman	Head of Financial Operations at Crédit Agricole S.A. (Chief Financial Officer of Crédit Agricole Corporate and Investment Bank since 1 September 2017)
Yves MARTRENCAR Honorary Chairman	Head of Human Resources at BNP Paribas and member of the Executive Committee of the BNP Paribas Group
BNPPARIBAS represented by Stanislas de MALHERBE	Head of Finance, French Retail Banking Division in France
HSBC FRANCE represented by Vincent de PALMA	Head of the Strategy and of the Customer Offer Service and Wealth Management
CREDIT FONCIER represented by Bruno DELETRE	Chief Executive Officer
LCL - LE CRÉDIT LYONNAIS represented by Grégory ERPHELIN	Head of Finance, Operations and Organization
CAISSE CENTRALE DU CRÉDIT MUTUEL represented by Sophie OLIVIER	Deputy Head of Retail Banking Confédération Nationale du Crédit Mutuel
BPCE represented by Sylvain PETIT	Head of Strategy
SF2- GROUPE LA BANQUE POSTALE represented by Jean-Marc TASSAIN	Head of Partnership Development and of Market Relations
SOCIETE GENERALE represented by Marianne AUVRAY-MAGNIN	Head of Market Relations and Regulations, Retail Banking in France
Eric PINAULT	Chief Financial Officer and Risk at Fédération Nationale du Crédit Agricole
Brigitte GEFFARD	Head of Loans Acceptance and Debt Collection at LCL
Dominique FIABANE	Senior Advisor DG Domestic Markets for BNP Paribas
Albert BOCLE	

All members of the Board of Directors have their business address at Crédit Logement's address.

Potential conflict of interest

As the members of the Board of Directors of Crédit Logement are among its main customers or competitors, a conflict of interests may arise between their duties with respect to the Issuer and their private interests or other duties.

The following chart sets out Cr dit Logement 's management structure.



6. Statutory Auditors

Compagnie des Techniques Financi res – duration 5 years
 Represented by Christophe LEGUE
 23-25, rue de Berri
 75008 Paris France

Deloitte & Associ s – duration 6 years
 represented by Sylvie BOURGUIGNON
 185, avenue Charles de Gaulle
 92200 Neuilly sur Seine

7. Employees

Cr dit Logement had 316 employees as of 31 December 2016.

RECENT DEVELOPMENTS

Crédit Logement estimates that the amount of guarantees put in place in the first 8 months of 2017 increased by 55.2% as compared to 2016 (€63.03 billion in 2017 vs. €40.62 billion in 2016) thanks to low interest rates, despite a slight upward trend. However, the seasonality is quite different, as the refinancing market was booming at the end of 2016 and is now decreasing (42% in January vs. 12% in August). The production, excluding refinancing loans, is still increasing, but at much lower pace.

The French regulator, ACPR, reviewed its Pillar 2 requirements for Crédit Logement and for all the companies giving guarantees for residential loans (financial institutions or assurance companies). As a result, from 30 June 2017, the capital requirement should be calculated as 2% of outstanding guarantees. This represents a lower requirement than previously needed and should give more flexibility in periods of high production as is currently the case. Surplus capital should also enable Crédit Logement to deal with stress tests like those of the European Banking Authority.

Press release dated 13 November 2017

CREDIT LOGEMENT ANNOUNCES THE LAUNCH OF A TENDER OFFER ON TWO SERIES OF SUBORDINATED NOTES

Crédit Logement announces today the launch of a cash tender offer (the **Tender Offer**) with respect to its outstanding:

- €800,000,000 undated deeply subordinated non cumulative fixed to floating rate notes issued by Crédit Logement on 16 March 2006 (the **Undated Notes**); and
- €500,000,000 5.454 per cent. ordinary subordinated notes due 16 February 2021 issued by Crédit Logement on 16 February 2011 (the **2021 Notes**, and together with the Undated Notes, the **Notes**).

The Tender Offer is made upon the terms and subject to the conditions set forth in a Tender Offer Memorandum dated 13 November 2017 and is conditional upon the issue by Crédit Logement, subject to market conditions, of a new series of Euro denominated subordinated notes, the proceeds of which would be used, in whole or in part, to finance the Tender Offer.

The purpose of this Tender Offer, together with the new issue of subordinated notes, is to improve the debt maturity profile of Crédit Logement and to reduce the total cost of its hybrid debt.

Crédit Logement also announces its intention to withdraw the outstanding Notes from trading on the regulated market of the Luxembourg Stock Exchange and to have such Notes admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange which is not a regulated market, although no application for the transfer of listing has yet been made by Crédit Logement to the Luxembourg Stock Exchange.

The Tender Offer is not being made to (nor will tenders of Notes be accepted from or on behalf of) holders of Notes in any jurisdiction in which the making or acceptance thereof would not be in compliance with the securities laws of such jurisdiction.

TAXATION

The following is a summary limited to certain tax considerations in France and in Luxembourg relating to the Notes. It specifically contains information on taxes on the income from the securities withheld at source. This summary is based on the laws in force in France and in Luxembourg as of the date of this Prospectus and is subject to any changes in law and/or interpretation thereof (potentially with a retroactive effect). It is included herein solely for information purposes and does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Notes. Each prospective holder or beneficial owner of Notes should consult its tax advisor as to the tax consequences of any investment in or ownership and disposition of the Notes.

French withholding tax

The following may be relevant to Noteholders who do not concurrently hold shares in the Issuer.

Payments of interest and other revenues made by the Issuer with respect to the Notes will not be subject to the withholding tax set out under Article 125, A III of the French *Code général des impôts* unless such payments are made outside France in a non-cooperative State or territory (*Etat ou territoire non coopératif*) within the meaning of Article 238-0 A of the French *Code général des impôts* (a "**Non-Cooperative State**"). If such payments under the Notes are made in a Non-Cooperative State, a 75% withholding tax will be applicable (subject to certain exceptions and to the provisions of an applicable double tax treaty) by virtue of Article 125 A, III of the French *Code général des impôts*.

Furthermore, pursuant to Article 238 A of the French *Code général des impôts*, interest and other revenues on such Notes by the Issuer are not deductible from the Issuer's taxable income if they are paid or accrued to persons domiciled or established in a Non-Cooperative State or paid in such a Non-Cooperative State (the "**Deductibility Exclusion**"). Under certain conditions, any such non-deductible interest and other revenues may be recharacterised as constructive dividends pursuant to Articles 109 and *seq.* of the French *Code général des impôts*, in which case such non-deductible interest and other revenues may be subject to the withholding tax set out under Article 119 *bis*, 2 of the French *Code général des impôts*, at a rate of 30% or 75% (subject to certain exceptions and to the provisions of an applicable double tax treaty).

Notwithstanding the foregoing, neither the 75% withholding tax set out under Article 125 A, III of the French *Code général des impôts* nor, to the extent that the relevant interest and other revenues relate to genuine transactions and are not in an abnormal or exaggerated in amount, the Deductibility Exclusion will apply in respect of the Notes if the Issuer can prove that the principal purpose and effect of the issue of the Notes was not that of allowing the payments of interest or other revenues to be made in a Non-Cooperative State (the "**Exception**"). Pursuant to the *Bulletin Officiel des Finances Publiques-Impôts* BOI-INT-DG-20-50-20140211 no. 550 and no. 990, BOI-RPPM-RCM-30-10-20-40-20140211 no. 70 and no. 80, and BOI-IR-DOMIC-10-20-20-60-20150320 no. 10, the Notes will benefit from the Exception without the Issuer having to provide any proof of the purpose and effect of the issue of the Notes, if such Notes are:

- (i) offered by means of a public offer within the meaning of Article L.411-1 of the French *Code monétaire et financier* or pursuant to an equivalent offer in a State or territory other than a Non-Cooperative State. For this purpose, an "equivalent offer" means any offer requiring the registration or submission of an offer document by or with a foreign securities market authority; or
- (ii) admitted to trading on a regulated market or on a French or foreign multilateral securities trading system provided that such market or system is not located in a Non-Cooperative State,

and the operation of such market is carried out by a market operator or an investment services provider, or by such other similar foreign entity, provided further that such market operator, investment services provider or entity is not located in a Non-Cooperative State; or

- (iii) admitted, at the time of their issue, to the operations of a central depository or of a securities delivery and payments systems operator within the meaning of Article L.561-2 of the French *Code monétaire et financier*, or of one or more similar foreign depositories or operators provided that such depository or operator is not located in a Non-Cooperative State.

Since the Notes are admitted, at the time of their issue, to the operations of Euroclear France, payments of interest and other revenues under the Notes by the Issuer are not subject to the 75% withholding tax set out under Article 125 A, III of the French *Code général des impôts* and the Deductibility Exclusion does not apply to such payments solely on account of their being paid to a bank account opened in a Non-Cooperative Jurisdiction.

Besides, pursuant to Article 125 A of the French *Code général des impôts*, subject to certain exceptions, interest and similar revenues received by individuals who are fiscally domiciled (*domiciliés fiscalement*) in France are subject to a 24% withholding tax (pursuant to the Finance Bill for 2018, this rate could be decreased to 12.8% as from 2018), which is deductible from their personal income tax liability in respect of the year in which the payment has been made. Social contributions (CSG, CRDS and other related contributions) are also levied by way of withholding at a global rate of 15.5% (pursuant to the Social Security Financing Bill for 2018, this rate could be increased to 17.2% as from 2018) on such interest and similar revenues received by individuals who are fiscally domiciled (*domiciliés fiscalement*) in France.

Luxembourg withholding tax

Luxembourg non residents

Under Luxembourg general tax laws currently in effect, there is no withholding tax on payments of principal, premium or interest (including accrued but unpaid interest) made to Luxembourg non-resident holders of Notes. There is also no Luxembourg withholding tax, upon repayment of principal or upon redemption, repurchase or exchange of the Notes.

Luxembourg residents

Under Luxembourg tax law currently in effect and subject to the law of December 23, 2005, as amended (the "**Relibi Law**"), there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon the redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Relibi Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 20%. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Accordingly, payments of interest under the Notes coming within the scope of the Relibi Law would currently be subject to a withholding tax at a rate of 20%.

SUBSCRIPTION AND SALE

Pursuant to a subscription agreement dated 24 November 2017 (the "**Subscription Agreement**"), Société Générale, BNP Paribas and Crédit Agricole Corporate and Investment Bank (the "**Managers**") have agreed with the Issuer, subject to satisfaction of certain conditions, to jointly and severally procure subscription and payment for, and failing which to subscribe and pay for Notes at a price equal to 100 per cent. of their total principal amount less an amount of commission agreed between the Issuer and the Managers. The Subscription Agreement entitles the Managers to terminate it in certain circumstances prior to payment being made to the Issuer. The Issuer has agreed to indemnify the Managers against certain liabilities in connection with the offer and sale of the Notes.

General Restrictions

The present Prospectus does not constitute an offer of, or an invitation or solicitation by or on behalf of the Issuer or the Managers to subscribe or purchase, any of the Notes. It may not be used by anyone for the purpose of an offer or a solicitation in a country or jurisdiction in which such offer or solicitation would not be authorised. It may not be communicated to persons to which such offer or solicitation may not legally be made.

No action has been, or will be, taken in any country or jurisdiction that would permit a public offering of the Notes, or the distribution of any offering material relating to the Notes (including the Prospectus), in any country or jurisdiction where action for that purpose is required. The Notes may not be offered, delivered or sold and no offering material relating to the Notes (including the Prospectus) may be distributed in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations.

France

The Issuer and each Manager have represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, any Notes to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Prospectus or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in France only to (a) persons providing investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*) acting for their own account, as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*.

United States

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be offered or sold within the United States, or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act and in compliance with any applicable state securities laws. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act ("**Regulation S**").

Each of the Managers has agreed that it has not offered or sold, and will not offer or sell, the Notes (i) as part of their distribution at any time or (ii) otherwise until forty (40) days after completion of the distribution of the Notes as determined, and certified to the Issuer by each of the Managers, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each distributor or dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting out the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding sentence have the meanings given to them by Regulation S.

The Notes are being offered and sold outside the United States to non-U.S. persons in compliance with Regulation S.

In addition, until forty (40) days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each Manager has represented and agreed that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of any Notes in circumstances in which section 21 (1) of the FSMA does not apply to the Issuer; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

GENERAL INFORMATION

1. The Notes have been accepted for clearance through Euroclear France (66, rue de la Victoire, 75009 Paris, France), Clearstream (42, avenue JF Kennedy, 1855 Luxembourg, Luxembourg) and Euroclear Bank SA/N.V. (1 boulevard du Roi Albert II, B-1210 Brussels, Belgium) with the Common Code 172628567. The International Securities Identification Number (ISIN) for the Notes is FR0013299468.
2. Application has been made for the Notes to be listed on the official list of the Luxembourg Stock Exchange and to be admitted to trading on the Euro MTF Market.
3. The issue of the Notes was authorised pursuant to a resolution of the *Conseil d'Administration* (Board of Directors) of the Issuer dated 28 September 2017 and a decision of Jean-Marc Vilon, *Directeur Général* of the Issuer, dated 22 November 2017.
4. Save as disclosed in the Prospectus, no person involved in the issue of the Notes has an interest material to the issue. One or more of the Managers are shareholders of the Issuer and the entry into the Subscription Agreement by such Managers has been authorised by a special resolution of the Board of Directors (*Conseil d'Administration*) of the Issuer in accordance with the provisions of the French commercial code (*Code de commerce*).
5. The yield in respect of the Notes from the Issue Date to the First Call Date is 1.350 per cent. *per annum* and is calculated on the basis of the issue price of the Notes. It is not an indication of future yield.
6. Save as disclosed in the Recent Developments section of the Prospectus, there has been no significant change in the financial or trading position of the Issuer since 31 December 2016.
7. There has been no material adverse change in the prospects of the Issuer since 31 December 2016.
8. There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the period covering at least the 12 months prior to the date of this Prospectus which may have, or have had in the recent past, significant effects on the Issuer's financial position or profitability.
9. For so long as any of the Notes are outstanding, copies of the following documents may be obtained free of charge during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the specified office of the Issuer or the Fiscal Agent:
 - a. this Prospectus (including any documents incorporated by reference);
 - b. the Fiscal Agency Agreement;
 - c. the most recently published annual audited non-consolidated accounts of the Issuer; and
 - d. the *statuts* of the Issuer.

The Issuer does not publish any interim accounts. The most recently annual audited non-consolidated accounts published by the Issuer relate to the financial years ended on 31 December 2015 and 2016, and are incorporated by reference herein (See "Incorporation by Reference").

10. The Issuer only publishes non-consolidated financial statements. Deloitte & Associés and Compagnie des Techniques Financières have audited and rendered unqualified audit reports on the non-consolidated financial statements of the Issuer for each of the financial years ended 31

December 2015 and 2016. Compagnie des Techniques Financières and Deloitte & Associés are registered as *Commissaires aux Comptes* (members of the *Compagnie Nationale des Commissaires aux Comptes*).

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