CREDIT OPINION
23 December 2024

Update

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RATINGS

Credit Logement

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

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

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Credit Logement

Update following affirmation of the LT Issuer Rating

Summary

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

Credit strengths

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

» High importance of home loan guarantees to the French housing market and soundness of the French home loan market.

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

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

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

Credit challenges

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

» The increase in interest rates has affected the volume of home-loans' production translating into lower inflows to MGF and gradually affecting CL's revenues.

» Creditworthiness of Credit Logement is partly constrained by the creditworthiness of its shareholder banks due to the exposure via its treasury portfolio.

Outlook

The outlook is stable, reflecting our expectation that the French home loan market as well as CL's guarantee portfolio will remain sound over the outlook horizon and that CL will maintain a strong financial profile, including ample buffers that would help it withstand a potential deterioration in this market, if any.

Factors that could lead to an upgrade

» An upgrade of CL's long-term issuer rating could occur following further reduction of risks in its guaranteed loan portfolio, or a material improvement in its loss-absorption capacity.

Factors that could lead to a downgrade

- A downgrade of CL's long-term issuer rating could occur in case of severe deterioration of the French housing market's performance or in CL's guaranteed home-loan portfolio,
- A downgrade of CL's long-term issuer rating could also occur if its loss-absorption capacity were to reduce, or if the quality and diversification of the investment portfolio were to deteriorate significantly.

Key indicators

Exhibit 1
Credit Logement (Unconsolidated Financials) [1]

	12-23 [1]	12-22 [1]	12-21 [1]	12-20 [1]	12-19 [1]	CAGR/Avg. [2]
Total assets (EUR Million)	12,462	12,553	12,402	11,931	11,385	2.29%
Off-balance sheet guaranteed portfolio (EUR Million)	420,950	429,707	413,437	390,392	374,746	2.95%
Tier 1 ratio	11.89%	11.88%	19.26%	19.76%	18.27%	16.21%
Mutual Guarantee Fund (EUR Million)	6,986	6,938	6,641	6,350	6,065	3.60%
Net income, group share (EUR Million)	104	120	120	99	103	0.09%

[1] All figures and ratios are adjusted using Moody's standard adjustments, Local GAAP. [2] May include rounding differences because of the scale of reported amounts.
Source: Company's financial statements and Moody's Ratings

Profile

Credit Logement is a Paris-based financial institution founded in 1975, which, through its shareholders[1,2], is the leading provider of guarantees for non-mortgage-backed residential housing loans to individuals in France. Credit Logement guaranteed 23% of the domestic home loans (including traditional mortgage loans) originated in 2023 and 33% of the entire stock of residential housing loans in France as of year-end 2023 (€1 292 billion).

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

As of 31 December 2023, the institution reported total assets of €12.5 billion and an off-balance-sheet guaranteed loan portfolio of €421 billion that is reflective of its core activity as a guarantor.

Detailed credit considerations

Unless noted otherwise, the data in this report is sourced from the company's reports and Moody's Banking Financial Metrics. Given the activities and the structure of the institution, in assigning the rating to Credit Logement we considered factors that are specific to mortgage insurers as set out in our Mortgage Insurers rating methodology, updated in August 2022 and republished in March 2024. Nevertheless, we also consider bank metrics in our analysis because Credit Logement is chartered as a “Société de Financement”, which is required to comply with regulations that are very similar to those applicable to banks.

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

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

The French banking industry relies mostly on guarantees rather than on mortgage claims for securing its housing loans. Based on the statistics published by the ACPR, the share of loans secured by a guarantee has continuously increased over the past ten years and accounted for around 64% of total housing loans outstanding in France at the end of June 2023.

Credit Logement is by far the largest provider of home loan guarantees with a portfolio of €421 billion at year-end 2023 representing 51% of total home loan guarantees outstanding in France. While the mutual banking groups have a large portion of their housing loans guaranteed by their own captive guarantee providers, all the other French banks primarily rely on the credit protection provided by Credit Logement.

Although down from 38% in 2022 and over 40% in 2021, Credit Logement's share of housing loan guarantee production remains high at 34% in 2023. The decrease in market share from the previous years reflects the fact that the mutual banking groups remained more active than the other banks in originating new housing loans in the global context of the material slowdown in loan production since the middle of 2022. The scorecard captures the market share as the value of guarantees to retail customers arranged by Credit Logement relative to the value of total guaranteed production in France over the financial period[3].

Credit Logement relies on the distribution networks of the largest French banking groups to write guarantees on home loans, thus benefitting from several distribution channels. The share of the institution's portfolio in the Paris region and the southeast of France is above average if compared to the geographical distribution of housing loans, with 60% of the annual production of home loan guarantees. However, the high concentration of exposures in these affluent regions reflects (1) the importance of these regions in the French housing market and its structural concentration, where Paris and its surroundings accounted for 23% of the French home loan production in 2023; and (2) the institution's focus on the premium segments of the French home loan market.

Credit Logement also offers collection services to third parties, where it provides its expertise to other banks. Other offers include valuation services and energy-efficiency estimation, as well as latest real estate market data. These activities do not generate any additional credit risk, but provide earnings diversification, although still limited.

Housing market structure underpins Credit Logement's low risk profile

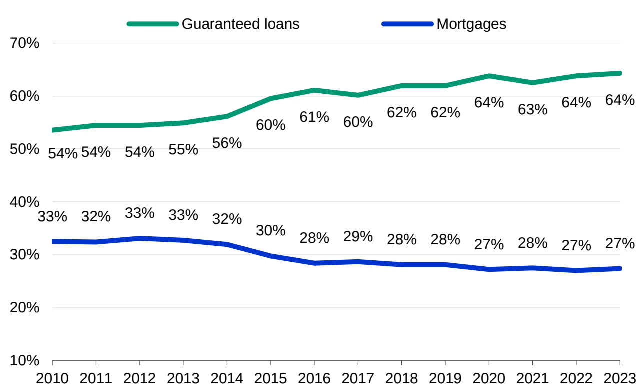
As reflected by the assigned Housing Market Attributes score of Aa, the benign structure of the French home loan guarantee market is a strong credit driver, supporting Credit Logement's financial strength. This reflects the attractiveness of home loan guarantees relative to traditional mortgage loans translating into the strong market presence of the former, the generally sound underwriting criteria deployed by the French banks, and the relative stability of the property valuations.

The high penetration rate of home loan guarantees comes from the lack of competitiveness of mortgages, which are costly and involve slow process for the registration of mortgage deeds and foreclosures. The proportion of guaranteed loans in the stock of housing loans has been increasing mostly at the expense of traditional mortgage loans.

Exhibit 2

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

Proportions of total outstanding housing loans by type of guarantees

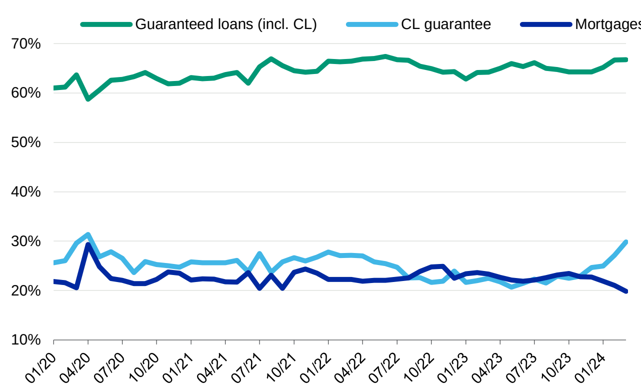


Source: ACPR data and Moody's Ratings calculations

Exhibit 3

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

Proportions of monthly new housing loans by type of guarantees



Source: ACPR data and Moody's Ratings calculations

Housing loans in France are amortising and predominantly fixed-rate (and therefore immune to rise in interest rates). Furthermore, favorable social welfare system in France is supportive of the good performance of this asset class. Additionally, in case of default, lenders have full recourse on all the borrowers' net worth, should the proceeds of the property's sale not fully cover their claims. The average loan-to-value ratio (LTV) of the stock of French residential loans was 66% at year-end 2023, and the weighted average LTV of 2023 production was around 79%, down from 83% in 2022 and the peak of 88% in 2019.[4]

Underwriting, which is strongly focused on borrowers' debt service payment capacity, is good. France's High Council for Financial Stability (HCSF), the macroprudential authority entrusted with oversight of the country's financial system, pointed out some deterioration in French banks' underwriting standards on housing loans in 2019. These nonetheless have improved since the HCSF subsequently imposed new restrictions limiting debt service-to-income on housing loans to 35% and loan maturities to 25 years,[5] and that have been effective since January 2022.

After several years of high growth until the middle of 2022, production of housing loans has slowed significantly in France since the second half of 2022. During the first months of rising interest rates, the usury rate[6] capping interest rates on new loans made it difficult for the banks to extend new housing loans at an economically viable price. Slowing loan production also reflects tighter underwriting and lower demand as higher interest rates have reduced households' debt affordability. New lending to households decreased by 41% in 2023 compared to the previous year,[7] and shrank further in H1 2024. Although still slow, housing loan origination, supported by somewhat lower lending interest rates compared to the highest point reached at the end of 2023, started to resume since the end of Q2 2024.

House prices in France have decreased by close to 9% on average between the end of 2022 and the end of Q1 2024 after a continuous rise of around 40% between 2015 and 2022. While prices could still adjust to a relatively weak demand, we do not expect any material collapse over the coming quarters. The 2-year nominal price change based on the average of the past four years is around 8%. Based on data from L'Observatoire Crédit Logement/CSA, the house price-to-income ratio in France also fell below its long-term average at the end of 2023 from the peak reached in the middle of 2022. The combination of these two indicators (i.e.nominal price growth and distance to housing market fundamentals) are reflected in an Aa score for housing conditions.

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

Credit Logement has a prudent underwriting policy and efficient collection of arrears

The ratio of doubtful loans to total guaranteed loans of around 0.4% as of year-end 2023, broadly stable from 2021 and 2022, is materially lower than the doubtful loan ratio for the whole French residential market of 0.97% at year-end 2023[8],reflecting the strong quality of Credit Logement's portfolio. The performance of the assets guaranteed by Credit Logement is better than the market average because of its strict solvency-based standards, which are typically stricter than those of its partner banks and reflected in its own scoring system.

Credit Logement has put in place efficient collection procedures with a dedicated team focusing on early amicable recovery process in order to avoid litigations. The recovery process starts when a borrower defaults on its installments. At origination, loans are booked onto the partner banks' balance sheets, which also collect interest and principal repayment. If arrears occur on the guaranteed home loan, partner banks can call upon Credit Logement's guarantee. Credit Logement would first pay the customer's arrears to the partner bank. If the bank were to declare close-out of the loan, the partner bank would be repaid in full whereas the loan is transferred onto the balance sheet of Credit Logement for collection.

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

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

Credit Logement has material on-balance-sheet resources that will help withstand a significant deterioration in, if any, in the performance of its guaranteed loan portfolio. At year-end 2023, these resources (€10.3 billion) represented 2.4% of the company's total exposures and around 6 times the life-time expected loss on the guaranteed portfolio.[9] broadly stable from year-end 2022.

The quality of this loss absorbing buffer is very high as they are essentially composed of own funds or quasi own funds, including the Mutual Guarantee Fund (MGF, €7 billion as of year-end 2023), shareholder's equity (€1.7 billion) and subordinated debt (€2 billion).

The MGF is comprised of premiums paid by households when they take out a loan guaranteed by Credit Logement and is the first line of defense against credit losses. Under severe stress, the institution would have the ability to use the entire MGF to absorb losses. Although MGF contributions are, in principle, partially repaid to the households once the corresponding loans are repaid in full, the terms and conditions of the guarantee allows it to keep the entirety of the MGF in case of a a material increased in expected losses on the portfolio. This feature makes the MGF eligible as CET1 capital.

Credit Logement also benefits from a commitment from its shareholders to replenish its MGF, but only with respect the contributions made to the MGF before 1 January 2014.[10] As of year-end 2023, this commitment amounted to €1.3 billion. This provides some additional loss-absorption capacity, although the shareholders' ability to provide support would be diminished if Credit Logement were to face very high losses on its guaranteed loan portfolio because they would also likely be faced with the same stress.

Under the “Societe de Financement” prudential regime,[11] Credit Logement's Tier 1 capital ratio was 11.9% (Tier 1 capital amounted to €7 billion) as of year-end 2023, broadly in line with year-end 2022. Its total capital ratio was 15.2% (total regulatory capital was €9 billion), down from 15.4% at year-end 2022 and from 24.7% at year-end 2021. The material reduction in the capital ratio from year-end 2021 stemmed from the adoption of a revised internal risk-based model (IRB), which resulted in 64% increase in risk-weighted assets in 2022. Although the buffer above the 8.5% minimum Tier 1 capital requirement (€5 billion) has materially reduced, this does not reflect an actual increase in risks in the asset portfolio and we expect Credit Logement's capital ratio, to be less affected by stress scenarios going forward given the conservatism embedded into the IRB model.

Since 30 June 2017, Credit Logement has also been subject to a total capital requirement of 2% of its outstanding guarantees. This requirement was set up by the ACPR in 2017 and must be complied with by all providers of home loan guarantees in France. As of year-end 2023, the institution's total regulatory capital (€9 billion) exceeded the total requirement of 2% of outstanding loans (i.e. €8.4 billion) by only €0.6 billion. Nonetheless we view this modest margin as easily manageable considering that loan production is expected to pick up only gradually in the current economic conditions, that each new guarantee extended contributes to the MGF (1% of the guarantee) and that the 2% pillar 2 requirement can be filled with the issuance of subordinated debt to shareholders. For more details on the new requirement, please refer to our Issuer In-Depth titled Harmonised capital rules for French guaranteed home loans are credit positive for Credit Logement, published in December 2017.

Our capital adequacy score incorporates a geography-specific adjustment[12] to the risks stemming from the guaranteed housing loans, to reflect the differences in guaranteed coverage between the French (typically 100% of the loan) and US-based mortgage insurers which cover only a portion of the loan. For the sake of comparability with its French peers, we consider total regulatory capital of Credit Logement (including the Tier 2 and subordinated debt) in the denominator of the ratio.

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

Payments to the partner banks on defaulted loans - i.e. credit costs - are not accounted for as provisions but rather deducted directly from its regulatory capital. Credit Logement's accounting profit, therefore, only reflects the institution's capacity to cover its general expenses with (1) the commissions[13] on the *prêts cautionnés* paid by individual borrowers, released through its income statement throughout the life of the guarantee; and (2) the proceeds from the investment of its own funds.

Credit Logement has been consistently generating around €100 million net profit per annum on a recurring basis over the past few years. Net profit amounted to €104 million in 2023, down from €120 million in 2022. The 25% fall in commission income due to the lower production of new loans during the year, partly offset by higher income from the investment portfolio, was the main driver of the decrease in net profit. As a service provider to its shareholders, Credit Logement is not a profit maximiser. Although not high, the institution's profit still represents a potential additional source of capital in case of need.

In addition, Credit Logement's low recurring earnings generation capacity does not constrain its financial strength because the institution's (1) MGF is its first line of defence and Credit Logement may reduce the refund of the borrowers' initial contribution to the MGF at time of stress.

The combined ratio in the scorecard is a proxy. We use the change in the MGF (i.e. the difference between the new premium flows into the MGF and the outflows related to premiums repaid to the borrowers) as a proxy of premiums earned in the denominator of the ratio. The numerator is composed of the expenses of the year as reported in the income statement and the cost of risk calculated by Credit Logement.

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

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

Credit Logement's use of subordinated debt instruments is high. Credit Logement's financial leverage was around 55% as of year-end 2023 (leverage is defined as the ratio of debt to the sum of debt and own capital). The institution issues subordinated capital instruments as a means to beefing up its solvency so as to keep up with the growth in its guarantee commitments.

However, restricted access to wholesale funding in the event of a market disruption would not pose a material risk for Credit Logement in our view because (1) the firm only needs to issue subordinated debt instruments to support its capital base, but does not need to tap the wholesale markets for funding purposes; and (2) Credit Logement's shareholders are committed to maintaining its solvency and to replenishing the MGF,[14] which would help the institution grow its regulatory capital base in sync with the growth of its guarantee portfolio. This commitment is illustrated by the €0.9 billion deeply subordinated loans (emprunts participatifs) held by the institution's shareholders as of year-end 2023, out of the total €1.9 billion subordinated debt outstanding as of the same date.

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

Credit Logement's liabilities are made of shareholders' equity, the MGF and subordinated instruments while its assets are comprised of the investment of highly rated securities and bank deposits. As a result, Credit Logement's intrinsic financial strength is partly correlated with the credit quality of its investment portfolio, reflecting (1) the portfolio's size (€9.7 billion of interbank exposures and highly rated securities as of year-end 2023, 138% of Credit Logement's Tier 1 capital); and (2) the high counterparty and industry concentration in the portfolio because the institution's interbank exposures are in the form of deposits at the main French banks, i.e. its shareholders.

However, to mitigate these risks, Credit Logement introduced a mechanism of collateralisation of its deposits with its main shareholders in 2013 and reduced limits on unsecured deposit exposures. In addition, since 2016, Credit Logement's investment policy allows the purchase of high-quality sovereign and quasi-sovereign bonds eligible to the European Central Bank's refinancing, further reducing the portfolio's concentration risk. These securities accounted for 21% of the investment portfolio as of December 2023.

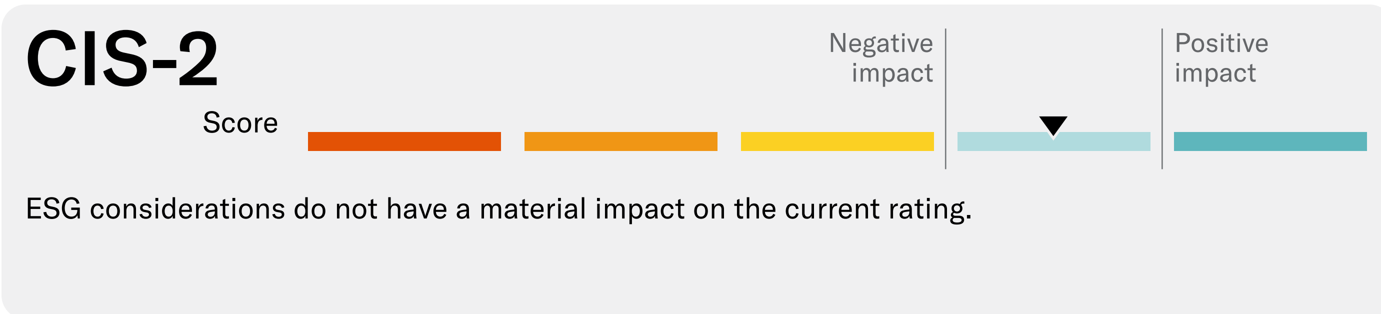
At year-end 2023, €3.7 billion exposures were subject to collateralisation. The level of collateral posted against these exposures is a function of the current levels of exposure, the credit rating of each of its counterparties and the term to maturity of the exposures. The level of haircut on the collateral depends on the type of collateral. Credit Logement minimizes its portfolio interest rate risk through interest rate swaps in line with the European Banking Authority's guidance the management of interest rate risk in the banking book.

We also expect CL to be able to reduce deposit exposures rapidly if needed and without material losses. Finally, since 2014 the MGF can absorb losses coming from the investment portfolio.

ESG considerations

Credit Logement's ESG credit impact score is CIS-2

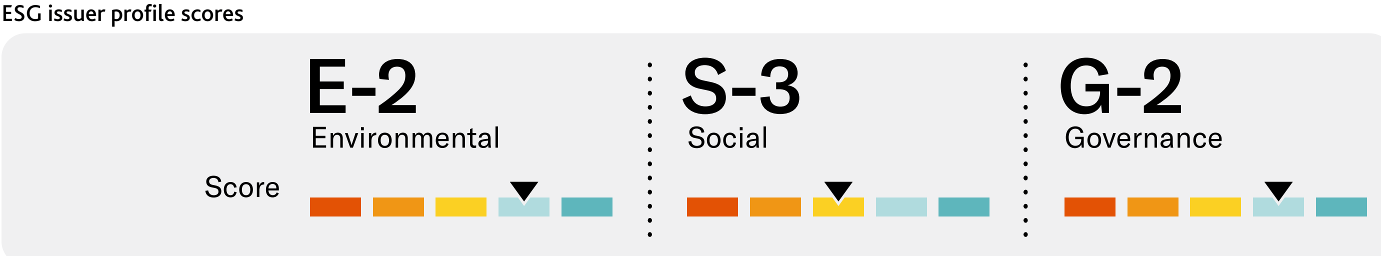
Exhibit 4
ESG credit impact score



Source: Moody's Ratings

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

Exhibit 5
ESG issuer profile scores



Source: Moody's Ratings

Environmental

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

Social

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

Governance

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

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

Support and structural considerations

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

Rating methodology and scorecard factors

Exhibit 6

Rating Factors

Financial Strength Rating Scorecard [1][2]	Aaa	Aa	A	Baa	Ba	B	Caa	Score	Adj Score
Business Profile								A	Aa
Market Position (20%)								Baa	Aa
- Avg. NIW as a % of Total Industry NIW		38.6%							
- Prime Loans (% of RIF)			94.0%						
- Client Concentration						67.5%			
- Geographic Concentration						59.8%			
Housing Market Attributes (25%)								Aa	Aa
- Demand for mortgage insurance		X							
- Generic loan attributes		X							
- Housing conditions		X							
Financial Profile								A	A
Capital Adequacy (30%)								Aa	Aa
- Adjusted Risk-to-Capital Ratio		6.9x							
Profitability (15%)								A	A
- Return on Capital – 5 yr. avg.				3.0%					
- Combined Ratio – 5 yr. avg.		16.3%							
Financial Flexibility (10%)								Baa	A
- Cash Flow Coverage – 5 yr. avg.									
- Adjusted Financial Leverage						55.2%			
- Total Leverage						55.2%			
Operating Environment								Aaa - A	Aaa - A
Preliminary Standalone Outcome								A1	Aa3

[1] Information based on LOCAL GAAP financial statements as of Fiscal YE 12/31/2023. [2] The Scorecard rating is an important component of the company's published rating, reflecting the stand-alone financial strength before other considerations (discussed above) are incorporated into the analysis.
Source: Moody's Ratings

Ratings

Exhibit 7

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

Source: Moody's Ratings

Moody's related publications

Issuer In-Depth

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

Sector Comment

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

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

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Endnotes

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

2 Credit Logement's shareholders are French financial institutions that extend home loans together with a guarantee from Credit Logement ("prêts cautionnés"). They comprise the largest banks in the French banking sector, including BNP Paribas (A1/A1 stable, baa1), Crédit Agricole S.A. (A1/A1 stable, a3), LCL – Le Crédit Lyonnais, Société Générale (A1/A1 negative, baa2), Banque Federative du Crédit Mutuel(A1/A1 stable, a3), CIC – Credit Industriel et Commercial (A1/A1 stable, a3), BPCE S.A. (A1/A1 stable, baa1), Credit Foncier de France (A1 stable, baa1), La Banque Postale (A2/A2 stable, baa2), and CCF (Baa2/Baa2 stable, baa3). As of year-end 2023, three of the institution's four largest shareholders (BNP Paribas, LCL – Le Crédit Lyonnais and Société Générale) held a 16.5% stake in the institution each, while Credit Agricole held a 16% stake.

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

4 The improvement of the LTV profile of the production was driven by higher down payments in the context of higher interest rates and strict underwriting limits, as well as eviction of lower and middle-class borrowers.

5 Lenders are nonetheless authorised to grant an additional two-year grace period for housing loans intended for the purchase or construction of a new dwelling, or one undergoing extensive renovation. Furthermore, lenders retain some flexibility on the implementation of the 35% and 25-year limits for a maximum of up to 20% of new issuance, of which 80% must be dedicated to acquisitions of a household's main residence and 30% is specifically reserved for first-time buyers. In June 2023, the HCSF fine-tuned the criteria, introducing some flexibility regarding the origination of buy-to-let loans, but we believe these adjustments do not compromise French banks' lending practices nor their loan quality.

6 The taux d'usure, or usury rate, is a legal cap designed to protect borrowers from abusive interest rates.

7 Source: ACPR.

8 Source: ACPR.

9 Calculation is based on the amount of life-time expected loss provided by Credit Logement.

10 The MGF collected after that date do not benefit from the same commitment from the shareholders because of changes in some rules following the extension of loss absorption by the MGF those incurred on this investment portfolio.

11 Credit Logement's regulatory solvency requirement under the "Societe de Financement" prudential regime is broadly in line with those applicable to banks under the European Capital Directive (CRD) 5. The main difference is that, under this prudential regime, the MGF is eligible as CET1 capital (except for the MGF collected before 2014, which is subject to a grandfathering clause).

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

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

14 The shareholders' commitment to replenishing the MGF is limited to the portion contributed prior to 1 January 2014.

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