



# BNP PARIBAS HOME LOAN SFH

## BNP Paribas Home Loan SFH

(duly licensed French credit institution)

### €30,000,000,000 Covered Bond Programme

for the issue of *Obligations de Financement de l'Habitat*

Under the Covered Bond Programme described in this Base Prospectus (the "**Programme**"), BNP Paribas Home Loan SFH (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may issue covered bonds (*obligations de financement de l'habitat*) to be governed either by English law, French law or German law, as specified in the relevant Final Terms (as defined below) (respectively, the "**English Law Covered Bonds**", the "**French Law Covered Bonds**" and the "**German Law Covered Bonds**" and together, the "**Covered Bonds**"). The Issuer is licensed as a *société de financement de l'habitat* ("**SFH**") by the *Autorité de contrôle prudentiel* (the "**ACP**"). All English Law Covered Bonds, French Law Covered Bonds and German Law Covered Bonds will benefit from the statutory *privilège* (priority in right of payment) over all the assets and revenues of the Issuer created by Article L.515-19 of the French Monetary and Financial Code (*Code monétaire et financier*) (the "**Privilège**"), as more fully described herein.

The aggregate nominal amount of Covered Bonds outstanding will not at any time exceed € 30,000,000,000 (or its equivalent in other currencies) at the date of issue.

Application has been made to the *Autorité des marchés financiers* (the "**AMF**") for approval of this Base Prospectus in its capacity as competent authority in France pursuant to Article L.621-8 of the French *Code monétaire et financier* which implements the Directive 2003/71/EC of 4 November 2003, as amended (the "**Prospectus Directive**"). Application may be made to Euronext Paris for the English Law Covered Bonds and the French Law Covered Bonds issued under the Programme during a period of twelve (12) months after the date of this Base Prospectus to be listed and admitted to trading on the regulated market of Euronext Paris. The regulated market of Euronext Paris is a regulated market for the purposes of the Directive 2004/39/EC of 21 April 2004 (each such market being a "**Regulated Market**"). English Law Covered Bonds and French Law Covered Bonds issued under the Programme may also be unlisted or listed and admitted to trading on any other market, including any other Regulated Market in any member state of the European Economic Area ("**EEA**"). The relevant final terms (a form of which is contained herein) in respect of the issue of any English Law Covered Bonds or French Law Covered Bonds, as the case may be, (the "**Final Terms**") will specify whether or not such Covered Bonds will be listed and admitted to trading on any market and, if so, the relevant market. The German Law Covered Bonds will not be admitted to trading nor listed on any market or stock exchange. Covered Bonds admitted to trading on a Regulated Market of the European Union in circumstances which require the publication of a prospectus under the Prospectus Directive shall have a minimum denomination of at least €100,000, or such higher amount as may be allowed or required by the relevant monetary authority or any applicable laws or regulations.

Covered Bonds will be issued on a continuous basis in series (each a "**Series**") having one or more issue dates and (except in respect of the first payment of interest) on terms otherwise identical, the Covered Bonds of each Series being intended to be interchangeable with all other Covered Bonds of that Series. Each Series may be issued in tranches (each a "**Tranche**") on different issue dates. The specific terms of each Series (which will be supplemented where necessary with supplemental terms and conditions) will be set forth in the Final Terms.

English Law Covered Bonds may be issued in bearer form ("**Bearer English Law Covered Bonds**"), which includes English Law Covered Bonds that are specified to be Exchangeable Bearer Bonds, in bearer form exchangeable for Registered English Law Covered Bonds ("**Exchangeable Bearer Bonds**"), or in registered form only ("**Registered English Law Covered Bonds**"). Bearer English Law Covered Bonds having an original maturity of over one year will initially be represented by a temporary global note (a "**Temporary Global Note**"). Bearer English Law Covered Bonds having an original maturity of one year or less will initially be represented by a permanent global note. Interests in a Temporary Global Note will be exchangeable for interests in a permanent global note (a "**Permanent Global Note**" and together with the Temporary Global Note, a "**Global Note**") or, if so stated in the relevant Final Terms, for definitive English Law Covered Bonds in bearer form ("**Definitive English Law Covered Bonds**") in the case of Bearer English Law Covered Bonds after the date falling 40 days after the issue date upon certification as to non-U.S. beneficial ownership as more fully described herein. Interests in Permanent Global Notes will be exchangeable for definitive English Law Covered Bonds in bearer form or (in the case of Exchangeable Bearer Bonds) registered form, in each case, as described under "Summary of Provisions Relating to the English Law Covered Bonds While in Global Form". Registered English Law Covered Bonds will be represented by registered certificates (each a "**Certificate**"), one Certificate being issued in respect of each Bondholder's entire holding of Registered English Law Covered Bonds of one Series.

If a Permanent Global Note is stated in the applicable Final Terms to be issued in new global note form ("**New Global Notes**" or "**NGNs**"), it is intended to be eligible collateral for Eurosystem monetary policy and such Permanent Global Note will be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"). Permanent Global Notes which are not issued in NGN form ("**Classic Global Notes**" or "**CGNs**") and Certificates may (a) in the case of a Tranche intended to be cleared through Euroclear and/or Clearstream, Luxembourg, be deposited on the issue date with a common depository on behalf of Euroclear and Clearstream, Luxembourg or (b) in the case of a Tranche intended to be cleared through Euroclear France,

be deposited on the issue date with Euroclear France acting as Central Depository or (c) in the case of a Tranche intended to be cleared through a clearing system other than or in addition to Euroclear or Clearstream, Luxembourg or delivered outside a clearing system, as agreed between the Issuer and the relevant Dealer(s).

One or more series of Registered English Law Covered Bonds may be offered to investors in the United States pursuant to the exemption from registration provided by Section 3(a)(2) (the "**3(a)(2) Covered Bonds**") of the Securities Act of 1933, as amended (the "**Securities Act**"). 3(a)(2) Covered Bonds will be entitled to the benefit of an unconditional senior guarantee (the "**US Guarantee**") of the due payment thereof issued by BNP Paribas, acting through its New York Branch (in such capacity, the "**US Guarantor**"). 3(a)(2) Covered Bonds will initially be represented by a permanent registered global Certificate (each, a "**3(a)(2) Global Certificate**"), without interest coupons, which will be deposited on the issue date with a custodian for, and registered in the name of Cede & Co. as nominee for, the Depository Trust Company ("**DTC**").

Alternatively, one or more series of Registered English Law Covered Bonds may be offered only to qualified institutional buyers ("**QIBs**") in the United States in reliance on the exemption from registration provided by Rule 144A (the "**144A Covered Bonds**") under the Securities Act ("**Rule 144A**"). Any such 144A Covered Bonds may simultaneously be offered outside the United States to non-U.S. persons (as such term is defined in Rule 904 under the Securities Act (a "**non-U.S. person**")) pursuant to Regulation S (the "**Regulation S Covered Bonds**").

Regulation S Covered Bonds will initially be represented by a permanent registered global Certificate (each an "**Unrestricted Global Certificate**"), without interest coupons, which may (or in the case of English Law Covered Bonds listed on Euronext Paris will) be deposited on the issue date with a common depository on behalf of Euroclear and Clearstream, Luxembourg or if a Global Certificate (as defined below) is stated in the applicable Final Terms to be issued under the new safekeeping structure ("**NSS**"), it is intended to be eligible collateral for Eurosystem monetary policy and such Global Certificate will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. An Unrestricted Global Certificate in respect of a Tranche of English Law Covered Bonds that is not to be listed on Euronext Paris may be cleared through a clearing system other than or in addition to Euroclear, Clearstream, Luxembourg or DTC (as defined below) or delivered outside a clearing system, as agreed between the Issuer and the relevant Dealer.

144A Covered Bonds will initially be represented by a permanent registered global Certificate (each a "**Restricted Global Certificate**" and, together with the 3(a)(2) Global Certificate and the Unrestricted Global Certificate, the "**Global Certificates**"), without interest coupons, which may be deposited on the issue date either (a) with a common depository on behalf of Euroclear and Clearstream, Luxembourg, (b) with a custodian for, and registered in the name of Cede & Co. as nominee for, DTC or (c) if a Global Certificate is stated in the applicable Final Terms to be issued under the new safekeeping structure ("**NSS**"), it is intended to be eligible collateral for Eurosystem monetary policy and such Global Certificate will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper for Euroclear and Clearstream, Luxembourg.

French Law Covered Bonds may be issued either in dematerialised form ("**Dematerialised Covered Bonds**") or in materialised form ("**Materialised Covered Bonds**") as more fully described herein. Dematerialised Covered Bonds will at all times be in book entry form in compliance with Articles L. 211-3 *et seq.* of the French Monetary and Financial Code (*Code monétaire et financier*). No physical documents of title will be issued in respect of the Dematerialised Covered Bonds.

Dematerialised Covered Bonds may, at the option of the Issuer, be (i) in bearer form (*au porteur*) inscribed as from the issue date in the books of Euroclear France (acting as central depository) which shall credit the accounts of the Account Holders (as defined in "Terms and Conditions of the Covered Bonds - Form, Denomination, Title and Redenomination") including Euroclear Clearstream, Luxembourg, or (ii) in registered form (*au nominatif*) and, in such latter case, at the option of the relevant Bondholder (as defined in "Terms and Conditions of the Covered Bonds - Form, Denomination, Title and Redenomination"), in either fully registered form (*au nominatif pur*), in which case they will be inscribed in an account maintained by the Issuer or by a registration agent (appointed in the relevant Final Terms) for the Issuer, or in administered registered form (*au nominatif administré*) in which case they will be inscribed in the accounts of the Account Holders designated by the relevant Bondholder.

Materialised Covered Bonds will be in bearer materialised form only and may only be issued outside France. A temporary global certificate in bearer form without interest coupons attached (a "**Temporary Global Certificate**") will initially be issued in relation to Materialised Covered Bonds. Such Temporary Global Certificate will subsequently be exchanged for definitive Materialised Covered Bonds with, where applicable, coupons for interest or talons attached (the "**Definitive Materialised Covered Bonds**"), on or after the fortieth (40<sup>th</sup>) day after the issue date of the Covered Bonds (subject to postponement as described in "Temporary Global Certificate in respect of Materialised Covered Bonds") upon certification as to non-U.S. beneficial ownership as more fully described herein. Temporary Global Certificates will (a) in the case of a Tranche intended to be cleared through Euroclear and/or Clearstream, Luxembourg, be deposited on the issue date with a common depository for Euroclear and Clearstream, Luxembourg, and (b) in the case of a Tranche intended to be cleared through a clearing system other than or in addition to Euroclear and/or Clearstream, Luxembourg or delivered outside a clearing system, be deposited as agreed between the Issuer and the relevant Dealer(s) (as defined below).

German Law Covered Bonds will be issued in materialised registered form only.

**None of the Covered Bonds or US Guarantee have been or will be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States. The Covered Bonds may include Covered Bonds in bearer form (including Definitive English Law Covered Bonds and French Law Covered Bonds which are Materialised Covered Bonds) or Exchangeable Bearer Bonds that are subject to U.S. tax law requirements. Subject to certain exceptions, the Covered Bonds may not be offered or sold or, in the case of Bearer English Law Covered Bonds, delivered within the**

United States or to, or for the account or benefit of, United States persons as defined in the U.S. Internal Revenue Code of 1986, as amended.

The Covered Bonds are being offered and sold only outside the United States to non-U.S. persons in reliance on Regulation S of the Securities Act, provided, that, in the case of English Law Covered Bonds only, Covered Bonds may be offered and sold in registered form within the United States either: (i) pursuant to Section 3(a)(2) of the Securities Act, or (ii) in reliance on Rule 144A only to QIBs. Prospective purchasers are hereby notified that sellers of the 144A Covered Bonds may be relying on the exemption from provisions of Section 5 of the Securities Act provided by Rule 144A of the Securities Act. For a description of certain restrictions on offers, sales and transfers of 144A Covered Bonds and on distribution of this Base Prospectus, see "Transfer Restrictions" and "Plan of Distribution".

The Issuer has not registered as an investment company pursuant to the United States Investment Company Act of 1940, as amended.

None of the Covered Bonds or the US Guarantee are insured by the Federal Deposit Insurance Corporation (the "FDIC") or any other U.S. governmental agency. Neither BNP Paribas nor the Issuer is subject to the periodic reporting requirements of the U.S. Securities Exchange Act of 1934.

Covered Bonds issued under the Programme are expected on issue to be rated Aaa by Moody's Investors Service Ltd., AAA by Standard & Poor's Ratings Services and AAA by Fitch Ratings (together, the "Rating Agencies"). 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. As of the date of this Base Prospectus, each of the Rating Agencies is established in the European Union and has applied for registration under Regulation (EU) No. 1060/2009 (the "CRA Regulation"), although notification of the corresponding registration decision has not yet been provided by the relevant competent authority. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before June 7, 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

This Base Prospectus and the documents incorporated by reference in this Base Prospectus will be available on the websites of the Issuer ([www.http://invest.bnpparibas.com/](http://invest.bnpparibas.com/)) and the AMF ([www.amf-france.org](http://www.amf-france.org)).

See "Risk Factors" below for certain information relevant to an investment in the Covered Bonds to be issued under the Programme.



In accordance with Articles L.412-1 and L.621-8 of the French *Code monétaire et financier* and with the *Règlement général* of the *Autorité des marchés financiers* (AMF), in particular Articles 212-31 to 212-33, the AMF has granted to this Base Prospectus its visa n°11-221 on 15 June 2011. This document may be used for the purposes of a financial transaction only if it is supplemented by final terms. It was prepared by the Issuer and its signatories assume responsibility for it. In accordance with Article L.621-8-1-I of the French *Code monétaire et financier*, the visa was granted following an examination by the AMF of "whether the document is complete and understandable, and whether the information it contains is consistent". It does not imply that the AMF has verified the accounting and financial data set out herein. This visa has been granted subject to the publication of final terms in accordance with Article 212-32 of the AMF's *Règlement général*, setting out the terms and conditions of the securities to be issued.

**ARRANGER AND PERMANENT DEALER**  
**BNP PARIBAS**

This Base Prospectus (together with all supplements thereto from time to time) constitutes a base prospectus for the purposes of Article 5.4 of the Prospectus Directive and contains all relevant information concerning the Issuer which 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, as well as the base terms and conditions of the English Law Covered Bonds and French Law Covered Bonds to be issued under the Programme. The terms and conditions applicable to each Tranche not contained herein (including, without limitation, the aggregate nominal amount, issue price, redemption price thereof, and interest, if any, payable thereunder) will be determined by the Issuer and the relevant Dealer(s) at the time of the issue and will be set out in the relevant Final Terms.

This Base Prospectus should be read and construed in conjunction with any document and/or information which is incorporated herein by reference in accordance with Article 212-11 of the *Règlement général* of the AMF implementing the Prospectus Directive in France and Article 28 of the European Commission Regulation no.809/2004 dated 29 April 2004 (see "Documents incorporated by Reference" below) as well as, in relation to any Tranche of Covered Bonds, with the relevant Final Terms.

This Base Prospectus (together with all supplements thereto from time to time) may only be used for the purposes for which it has been published.

No person is or has been authorised to give any information or to make any representation other than those contained or incorporated by reference in this Base Prospectus in connection with the issue or sale of the Covered Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the US Guarantor, the Arranger or the Dealer (as defined in "General Description of the Programme"). Neither the delivery of this Base Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented, or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented, or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied, or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and the offering or sale of Covered Bonds in certain jurisdictions may be restricted by law. The Issuer and the Dealer do not represent that this Base Prospectus may be lawfully distributed, or that any Covered Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Dealer which is intended to permit a public offering of any Covered Bonds or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Covered Bond may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Covered Bonds may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Covered Bonds. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Covered Bonds in the United States of America, Japan and the European Economic Area (including France, Italy, the Netherlands and the United Kingdom).

For a description of these and certain further restrictions on offers, sales and transfers of Covered Bonds and on distribution of this Base Prospectus, see "Transfer Restrictions" and "Plan of Distribution".

This Base Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Arranger or the Dealer to subscribe for, or purchase, any Covered Bonds.

The Arranger and the Dealer have not separately verified the information contained or incorporated by reference in this Base Prospectus. Neither the Arranger nor the Dealer makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information contained or incorporated by reference in this Base Prospectus. Neither this Base Prospectus nor any other information supplied in connection with the Programme (including any information incorporated by reference therein) is intended to provide the basis of any credit or other evaluation and

should not be considered as a recommendation by any of the Issuer, the US Guarantor, the Arranger or the Dealer that any recipient of this Base Prospectus or any other financial statements should purchase the Covered Bonds. Each prospective investor of Covered Bonds should determine for itself the relevance of the information contained or incorporated by reference in this Base Prospectus and its purchase of Covered Bonds should be based upon such investigation as it deems necessary. Neither the Arranger nor the Dealer undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or prospective investor in the Covered Bonds of any information that may come to the attention of the Dealer or the Arranger.

In connection with the issue of any Tranche, the Dealer or Dealers (if any) named as the stabilising manager(s) (the "Stabilising Manager(s)") (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Covered Bonds or effect transactions with a view to supporting the market price of the Covered Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Tranche is made and, if begun, may be ended at any time, but it must end no later than the earlier of thirty (30) days after the issue date of the relevant Tranche and sixty (60) days after the date of the allotment of the relevant Tranche. Any stabilisation action or over-allotment shall be conducted in accordance with all applicable laws and rules.

None of the Dealer or the Issuer or the US Guarantor makes any representation to any prospective investor on the Covered Bonds regarding the legality of its investment under any applicable laws. Any prospective investor in the Covered Bonds should be able to bear the economic risk of an investment in the Covered Bonds for an indefinite period of time.

Prospective purchasers of Covered Bonds should ensure that they understand the nature of the relevant Covered Bonds and the extent of their exposure to risks and that they consider the suitability of the relevant Covered Bonds as an investment in the light of their own circumstances and financial condition. Covered Bonds involve a high degree of risk and potential investors should be prepared to sustain a total loss of the purchase price of their Covered Bonds. For more information, see "Risk Factors".

In this Base Prospectus, unless otherwise specified or the context otherwise requires, references to "€", "Euro", "euro" or "EUR" are to the lawful currency of the Member States of the European Union that have adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union and as amended by the Treaty of Amsterdam, references to "£", "pounds sterling" and "Sterling" are to the lawful currency of the United Kingdom, references to "\$", "USD" and "US Dollar" are to the lawful currency of the United States of America, references to "¥", "JPY" and "Yen" are to the lawful currency of Japan and references to "CHF" and "Swiss Francs" are to the lawful currency of the Swiss Confederation.

The Covered Bonds have not been approved or disapproved by the U.S. Securities and Exchange Commission (the "SEC"), any State securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Covered Bonds or the accuracy or adequacy of the Base Prospectus. Any representation to the contrary is a criminal offence in the United States.

**CIRCULAR 230 DISCLOSURE**

To ensure compliance with Treasury Department Circular 230, each US Holder (as defined below) is hereby notified that:

(i) the following summary of US federal income tax issues was not intended or written to be used, and it cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer under the US federal income tax laws; (ii) the summary was written to support the promotion or marketing (within the meaning of Circular 230) of the transactions or matters addressed thereby; and (iii) the taxpayer should seek advice from its own tax advisor based on the taxpayer's particular circumstances.

### FOR NEW HAMPSHIRE RESIDENTS ONLY

**NEITHER THE FACT THAT A REGISTRATION STATEMENT NOR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSONS, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

### AVAILABLE INFORMATION

So long as any of the registered Covered Bonds resold in the United States to qualified institutional buyers are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, and the Issuer is not subject to and in compliance with Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, the Issuer has undertaken to furnish to each holder or beneficial owner of Covered Bonds resold in the United States to qualified institutional buyers and to any prospective purchaser, any information required to be delivered under Rule 144A(d)(4) under the Securities Act.

### FORWARD-LOOKING STATEMENTS

Some sections of this Base Prospectus, in particular, "The Issuer", and of the documents incorporated by reference, in particular BNP Paribas' Information Statement, contain forward-looking statements. The Issuer, the US Guarantor and the BNP Paribas Group may also make forward-looking statements in their audited annual financial statements, in their interim financial statements, in their offering circulars, in press releases and other written materials and in oral statements made by their officers, directors or employees to third parties. Statements that are not historical facts, including statements about the Issuer, the US Guarantor and/or BNP Paribas' beliefs and expectations, are forward-looking statements. These statements are based on current plans, estimates and projections, and therefore undue reliance should not be placed on them. Forward-looking statements speak only as of the date they are made, and the Issuer, the US Guarantor and BNP Paribas undertake no obligation to update publicly any of them in light of new information or future events.

### SUPPLEMENT TO THE BASE PROSPECTUS

In connection with Covered Bonds admitted to trading on a Regulated Market, unless the Issuer does not intend to issue Covered Bonds under the Programme for the time being, if at any time during the duration of the Programme there is a significant change affecting any matter contained or incorporated by reference in this base prospectus (the "**Base Prospectus**"), including any modification of the terms and conditions or generally any significant new factor, material mistake or inaccuracy relating to information, included in this Base Prospectus which is capable of affecting the assessment of any Covered Bonds, which inclusion would reasonably be required by investors, and would reasonably be expected by them to be found in this Base Prospectus, for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the rights attaching to the Covered Bonds, the Issuer shall prepare a supplement to the Base Prospectus in accordance with article 16 of the Prospectus Directive and Article 212-25 of the AMF's *Règlement général* for use in connection with any subsequent offering of the Covered Bonds, submit such supplement to the Base Prospectus to the AMF for approval and supply each Dealer, Euronext Paris and the AMF with such number of copies of such supplement to the Base Prospectus as may reasonably be requested.

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**PERSONS RESPONSIBLE FOR THE INFORMATION GIVEN IN THE BASE  
PROSPECTUS**

**In the name of the Issuer**

To the best of my knowledge, having taken all reasonable care to ensure that such is the case, I represent that the information relating to the Issuer contained or incorporated by reference in this Base Prospectus is in accordance with the facts and contains no omission likely to affect its import.

Paris, 15 June 2011

**BNP Paribas Home Loan SFH**  
1, boulevard Haussmann  
75009 Paris  
France

duly represented by Mrs Valérie BRUNERIE  
in its capacity as *Président Directeur Général* of the Issuer

## DOCUMENTS INCORPORATED BY REFERENCE

This Base Prospectus shall be read and construed in conjunction with the following documents which have been previously or simultaneously published and filed with the AMF and which are incorporated in, and shall be deemed to form part of, this Base Prospectus:

- the free English translation of the "*BNP Paribas Home Loan Covered Bonds Etats Financiers au 31 décembre 2010*" which contain the audited financial statements of the Issuer for the financial year ended 31 December 2010 together with the free English translation of the statutory auditors' report thereon (together the "**2010 Financial Statements**");
- the free English translation of the "*BNP Paribas Home Loan Covered Bonds Etats Financiers au 31 décembre 2009*" which contain the audited financial statements of the Issuer for the financial year ended 31 December 2009 together with the free English translation of the statutory auditors' report thereon (together the "**2009 Financial Statements**");
- the information statement relating to BNP Paribas, dated 7 June 2011 (the "**Information Statement**");
- the audited consolidated financial statements of BNP Paribas as at, and for the years ended, 31 December 2009 and 31 December 2010 (the "**BNPP 2009 Financial Statements**" and the "**BNPP 2010 Financial Statements**" respectively), together with the respective statutory auditors' reports thereon, as contained, respectively, in BNP Paribas' *document de référence* in English for 2009 (the "**2009 Registration Document**") and BNP Paribas' *document de référence* in English for 2010 (the "**2010 Registration Document**");
- chapter 5 (entitled "Pillar 3") of the 2009 Registration Document and the 2010 Registration Document;
- the complement to the financial statements of BNP Paribas as at, and for the year ended, 31 December 2009 as contained in Chapter 5 of BNP Paribas' *Actualisation du document de référence déposée auprès de l'AMF le 11 mai 2010* in English (the "**First Update to the 2009 Registration Document**"); and
- the supplement to the consolidated financial statements of BNP Paribas as at, and for the year ended, 31 December 2010 as contained in Chapter 3 of BNP Paribas' *Actualisation du document de référence déposée auprès de l'AMF le 6 mai 2011* in English (the "**First Update to the 2010 Registration Document**").

All documents incorporated by reference in this Base Prospectus may be obtained, without charge on request, at the principal office of the Issuer and the Paying Agents set out at the end of this Base Prospectus during normal business hours so long as any of the Covered Bonds are outstanding. Such documents will be published on the website of the AMF ([www.amf-france.org](http://www.amf-france.org)). The 2010 Financial Statements and the 2009 Financial Statements are published on the website of the Issuer ([www.http://invest.bnpparibas.com/](http://invest.bnpparibas.com/) - heading "bnpparibasdebt"). The Information Statement, the 2009 Registration Document, the 2010 Registration Document, the First Update to the 2009 Registration Document and the First Update to the 2010 Registration Document and their respective original French versions are available on the website of BNP Paribas ([www.http://invest.bnpparibas.com/](http://invest.bnpparibas.com/)).

The information incorporated by reference in this Base Prospectus shall be read in connection with the cross reference list below. Any information not listed in the cross reference list but otherwise included in the documents mentioned shall not form part of this Base Prospectus.

## Cross-reference list

<b>INFORMATION INCORPORATED BY REFERENCE</b> (Annex VII of the European Regulation 809/2004/EC)	<b>REFERENCE</b>
<b>8. FINANCIAL INFORMATION CONCERNING BNP PARIBAS HOME LOAN SFH'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES</b>	
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Business of the Group	Pages 77 to 97 of the Information Statement
Risk Management	Pages 98 to 141 of the Information Statement
Governmental Supervision and Regulation of BNP Paribas in France	Pages 142 to 145 of the Information Statement
Capital Adequacy of the BNP Paribas Group	Pages 146 to 149 of the Information Statement
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<i>2010 Registration Document</i>	
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Cash Flows statement for the year ended 31 December 2010	Page 107 of the 2010 Registration Document
Statement of changes in shareholder's equity between 1 January 2009 and 31 December 2010	Pages 108 to 109 of the 2010 Registration Document
Notes to the financial statements prepared in accordance with International Financial Reporting standards as adopted by the European Union	Pages 110 to 253 of the 2010 Registration Document
Statutory Auditors' Report on the Consolidated Financial Statements of BNP Paribas for the year ended 31 December 2010	Pages 254 to 255 of the 2010 Registration Document
Chapter 5 ("Pillar 3")	Pages 257 to 296 of the 2010 Registration Document

<i>First Update to the 2010 Registration Document</i>	
Supplement to the consolidated financial statements of BNP Paribas ended 31 December 2010	Pages 60 to 61 of the First Update to the 2010 Registration Document
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Profit and Loss account for the year ended 31 December 2009	Page 106 of the 2009 Registration Document
Statement of net income and changes in fair value of assets and liabilities recognised directly in equity	Page 107 of the 2009 Registration Document
Balance sheet at 31 December 2009	Page 108 of the 2009 Registration Document
Statement of changes in shareholders' equity between 1 January 2008 and 31 December 2009	Page 109 to 110 of the 2009 Registration Document
Statement of Cash Flows for the year ended 31 December 2009	Page 111 of the 2009 Registration Document
Notes to the financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union	Pages 112 to 243 of the 2009 Registration Document
Statutory Auditors' Report on the Consolidated Financial Statements of BNP Paribas for the year ended 31 December 2009	Pages 244 to 246 of the 2009 Registration Document
Chapter 5 ("Pillar 3")	Pages 247 to 280 of the 2009 Registration Document
<i>First Update to the 2009 Registration Document</i>	
Complement to the financial statements of BNP Paribas ended 31 December 2009	Pages 64 to 66 of the First Update to the 2009 Registration Document

## GENERAL DESCRIPTION OF THE PROGRAMME

*Words and expressions defined in the section entitled "Terms and Conditions of the Covered Bonds" below shall have the same meanings in this general description. The expression "Covered Bonds" refers to the English Law Covered Bonds, the French Law Covered Bonds and the German Law Covered Bonds to the extent permitted by the terms and conditions applicable to the English Law Covered Bonds, the French Law Covered Bonds and the German Law Covered Bonds, as applicable.*

### 1. THE COVERED BONDS PROGRAMME

**Issuer:** BNP Paribas Home Loan SFH, a limited liability company (*société anonyme*) incorporated under French law and a duly licensed French credit institution (*établissement de crédit*) with the status of *société de financement de l'habitat* (SFH) delivered by the *Autorité de contrôle prudentiel* (ACP) on 28 March 2011.

**Arranger:** BNP Paribas.

**Dealer:** BNP Paribas.

The Issuer may from time to time terminate the appointment of any Dealer under the Programme or appoint additional dealers either in respect of one (1) or more Tranches or in respect of the whole Programme. References in this Base Prospectus to "**Permanent Dealers**" are to the person referred to above as Dealer and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "**Dealers**" are to all Permanent Dealers and all persons appointed as a dealer in respect of one (1) or more Tranches.

At the date of this Base Prospectus, only credit institutions and investment firms incorporated in a member state of the European Union ("EU") and which are authorised by the relevant authority of such member home state to lead-manage bond issues in such Member State may act (a) as Dealers with respect to non-syndicated issues of Covered Bonds denominated in Euro and (b) as lead manager of issues of Covered Bonds denominated in Euro issued on a syndicated basis.

**The Programme:** Under the Programme, the Issuer may issue Covered Bonds (*obligations de financement de l'habitat*) the principal and interest of which benefit from a statutory *Privilège* (priority in right of payment) created by Article L.515-19 of the French Monetary and Financial Code (*Code monétaire et financier*). See "The Issuer - The SFH Legal Framework".

**Programme Limit:** Up to € 30,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Covered Bonds outstanding at any one (1) time.

**Fiscal Agent, Principal Paying Agent and Calculation Agent:**

(i) French Law Covered Bonds:

BNP Paribas Securities Services.

(ii) English Law Covered Bonds:

BNP Paribas Securities Services, Luxembourg Branch.

**Transfer Agent, Registrar, Paying Agent and US Guarantor:**

BNP Paribas, New York Branch.

**Method of Issue:** The Covered Bonds will be issued outside France, in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (except in respect of the first payment of interest) and may be distributed on a syndicated or non-syndicated basis.

## 2. THE COVERED BONDS

<b>Issuable in Series; Tranches:</b>	<p>The Covered Bonds will be issued in Series. Each Series may be issued in Tranches on the same or different issue dates.</p> <p>The specific terms of each Tranche (including, without limitation, the aggregate nominal amount, issue price, redemption price thereof, and interest, if any, payable thereunder and supplemented, where necessary, with supplemental terms and conditions which, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be determined by the Issuer and the relevant Dealer(s) at the time of the issue and will be set out in the Final Terms of such Tranche.</p>
<b>Maturities:</b>	<p>Subject to compliance with all relevant laws, regulations and directives, the Covered Bonds may have any maturity as specified in the relevant Final Terms (the "<b>Final Maturity Date</b>"), subject to such minimum maturity as may be required by the applicable legal and/or regulatory requirements.</p> <p>Covered Bonds have hard bullet maturities. In the future it may be decided that the Issuer will issue Covered Bonds with a soft bullet maturity (allowing the Final Maturity Date of the relevant Series to be extended if the Issuer fails to pay the amount due on the Final Maturity Date), provided that this Base Prospectus has been updated and that the Programme Documents have been amended to reflect this. The issue or amortisation of a Series with a soft bullet maturity shall not affect the issue or amortisation of any Series with a hard bullet maturity.</p>
<b>Currencies:</b>	<p>Subject to the Hedging Strategy (as defined herein) and to compliance with all relevant laws, regulations and directives, Covered Bonds may be issued in Euros, U.S. dollars, Japanese yen, Swiss francs and, subject to prior Rating Affirmation (as defined below) (of Standard &amp; Poor's only), in any other currency agreed between the Issuer and the relevant Dealer(s).</p>
<b>Denomination(s):</b>	<p>Covered Bonds will be issued in the Specified Denomination(s) (as defined herein) set out in the relevant Final Terms, provided that all Covered Bonds admitted to trading on a Regulated Market of the European Union in circumstances which require the publication of a prospectus under the Prospectus Directive shall have a minimum denomination of €100,000 (or its equivalent in any other currency at the time of issue) or such higher amount as may be allowed or required from time to time in relation to the relevant Specified Currency. Dematerialised Covered Bonds will be issued in one (1) denomination only.</p>
<b>Status:</b>	<p>Subject to the Priority Payments Orders (as defined herein), the Covered Bonds, and, where appropriate, any related Coupons and Receipts will constitute direct, unconditional, unsubordinated and privileged obligations of the Issuer and will rank <i>pari passu</i> without any preference among themselves. The Covered Bonds are issued under Articles L. 515-34 to L. 515-38 of the French Monetary and Financial Code (<i>Code monétaire et financier</i>). Bondholders benefit from a <i>Privilège</i> (priority in right of payment) provided for in Article L. 515-19 of the French Monetary and Financial Code (<i>Code monétaire et financier</i>) over all the assets and revenues of the Issuer.</p> <p>See "<b>Terms and Conditions of the Covered Bonds - Privilège (Statutory Priority in Right of Payment)</b>".</p>
<b>US Guarantee of 3(a)(2) Covered Bonds:</b>	<p>The obligations of the Issuer under the 3(a)(2) Covered Bonds only will be guaranteed on a senior basis (the "<b>US Guarantee</b>") by BNP Paribas, acting through its New York branch (in such capacity, the "<b>US Guarantor</b>"). The US Guarantor's obligations under the US Guarantee constitute direct, unconditional, unsecured and unsubordinated obligations of the US Guarantor and will rank <i>pari passu</i> with all present and future unsecured, unconditional and unsubordinated obligations of the US Guarantor, without any preference among themselves and without any preference one above the other by reason of priority of date of issue,</p>

currency of payment or otherwise, except for obligations given priority by law. The US Guarantee is available for inspection at the principal office of BNP Paribas Securities Services, Luxembourg Branch as Fiscal Agent and Principal Paying Agent for English Law Covered Bonds.

- Negative Pledge:** There will be a negative pledge as set out in Condition 5(a) of the Terms and Conditions.
- Issuer Events of Default:** Under certain circumstances, subject to the legal framework applicable to an SFH, upon the occurrence of an Issuer Event of Default (as set out in Condition 10 under "Terms and Conditions of the Covered Bonds"), Bondholders may be able to cause the principal amount of all Covered Bonds of such Series to become immediately due and payable (but subject to the relevant Priority Payment Order), together with any accrued interest thereon, as of the date on which the notice for payment is received by the Fiscal Agent.
- Redemption Amount:** Subject to any laws and regulations applicable from time to time, the relevant Final Terms will specify the basis for calculating the redemption amounts payable.
- Optional Redemption:** The Final Terms issued in respect of each issue of Covered Bonds will state whether such Covered Bonds may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the Bondholders, and if so the terms applicable to such redemption.
- Redemption by Instalments:** The Final Terms issued in respect of each Tranche of Covered Bonds that are redeemable in two (2) or more instalments will set out the dates on which, and the amounts in which, such Covered Bonds may be redeemed.
- Early Redemption:** Except as provided in "Optional Redemption" above, Covered Bonds will be redeemable at the option of the Issuer prior to their stated maturity only for tax reasons (as provided in Condition 7(f)) or illegality (as provided in Condition 7(g)).
- Withholding Tax:**
1. All payments of principal and interest by or on behalf of the Issuer in respect of the Covered Bonds shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within France or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.
  2. Covered Bonds (except Covered Bonds which are to be assimilated (*assimilables* for the purposes of French law) and form a single series with Covered Bonds issued before 1 March 2010 having the benefit of Article 131 *quater* of the French General Tax Code (*Code général des impôts*)) fall under the new French withholding tax regime pursuant to the French *loi de finances rectificative pour 2009* no.3 (n°2009-1674 dated 30 December 2009), applicable as from 1 March 2010 (the "**Law**"). Payments of interest and other revenues made by the Issuer on such Covered Bonds will not be subject to the withholding tax set out under Article 125 A III of the French General Tax Code (*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 General Tax Code (*Code général des impôts*) (a "**Non-Cooperative State**"). If such payments under the Covered Bonds are made in a Non-Cooperative State, a 50% withholding tax will be applicable (subject to certain exceptions described below and the more favourable provisions of any applicable double tax treaty) by virtue of Article 125 A III of the French General Tax Code (*Code général des impôts*).
- Furthermore, interest and other revenues on such Covered Bonds are not deductible from the Issuer's taxable income, if they are paid or accrued to persons established in a Non-Cooperative State or paid in such a Non-Cooperative State. Under certain conditions, any such non-deductible interest and other revenues may be recharacterised as constructive dividends pursuant to Article 109 of the French General Tax Code (*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* of the French General Tax Code (*Code général des impôts*), at a rate of 25% or 50%.

Notwithstanding the foregoing, the Law provides that neither the 50% withholding tax nor the non-deductibility will apply in respect of a particular issue of Covered Bonds if the Issuer can prove that the principal purpose and effect of such issue of Covered Bonds 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 ruling (*rescrit*) no. 2010/11 (FP and FE) of the *Direction générale des impôts* dated 22 February 2010, an issue of Covered Bonds will benefit from the Exception without the Issuer having to provide any proof of the purpose and effect of such issue of Covered Bonds, if such Covered Bonds are:

- (i) offered by means of a public offer within the meaning of Article L.411-1 of the French Monetary and Financial Code (*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 clearing and delivery and payments systems operator within the meaning of Article L.561-2 of the French Monetary and Financial Code (*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.
3. Interest and other revenues on Covered Bonds which are to be assimilated (*assimilables* for the purposes of French law) and form a single series with Covered Bonds issued (or deemed issued) outside France as provided under Article 131 *quater* of the French General Tax Code (*Code général des impôts*), prior to 1 March 2010 will continue to be exempt from the withholding tax set out under Article 125 A III of the French General Tax Code (*Code général des impôts*).

In addition, interest and other revenues paid by the Issuer on Covered Bonds which are to be assimilated (*assimilables* for the purposes of French law) and form a single series with Covered Bonds issued before 1 March 2010 will not be subject to the withholding tax set out in Article 119 *bis* of the French General Tax Code (*Code général des impôts*) solely on account of their being paid in a Non-Cooperative State or accrued or paid to persons established or domiciled in a Non-Cooperative State.

**Additional Amounts**

If French law should require that payments of principal or interest in respect of any Covered Bond, Receipt or Coupon be subject to deduction or withholding in respect of any present or future taxes or duties whatsoever, the Issuer will, to the fullest extent then permitted by law, pay such additional amounts, subject to exceptions all as specified in Condition 9(b) of the Terms and Conditions.

**Interest Periods and Interest Rates:**

The length of the interest periods for the Covered Bonds and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Covered Bonds may have a maximum interest rate, a minimum interest rate or both. The use of interest accrual periods permits the Covered Bonds to bear interest at different rates in the same interest period. All such information will be

set out in the relevant Final Terms.

**Fixed Rate Covered Bonds:**

Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.

**Floating Rate Covered Bonds:**

Floating Rate Covered Bonds will bear interest determined separately for each Series as follows:

- (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by the 2001 FBF Master Agreement relating to the transactions on forward financial instruments as supplemented by the Technical Schedules (*Additifs Techniques*) as published by the *Fédération Bancaire Française* (together, the "**2001 FBF Master Agreement**"),
- (b) on the basis of a reference rate appearing on an agreed screen page of a commercial quotation service (including, without limitation, EURIBOR, EONIA, LIBOR, CMS or TEC), or
- (c) on such other basis or benchmark as may be specified in the applicable Final Terms,

in each case plus or minus any applicable margin, if any, and calculated and payable as indicated in the applicable Final Terms. Floating Rate Covered Bonds may also have a maximum rate of interest, a minimum rate of interest or both.

**Zero Coupon Covered Bonds:**

Zero Coupon Covered Bonds may be issued at their nominal amount or at a discount to it and will not pay periodic interest.

**Dual Currency Covered Bonds:**

Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Covered Bonds will be made in such currencies, and based on such rates of exchange, as may be specified in the relevant Final Terms.

**Index Linked Covered Bonds:**

Payments of principal or of interest in respect of Index Linked Covered Bonds will be calculated by reference to such index and/or formula as may be specified in the relevant Final Terms. Index Linked Covered Bonds may be issued by the Issuer subject to prior Rating Affirmation.

**Other Covered Bonds:**

Terms applicable to high interest Covered Bonds, low interest Covered Bonds, step-up Covered Bonds, step-down Covered Bonds, reverse dual currency Covered Bonds, optional dual currency Covered Bonds, partly paid Covered Bonds and any other type of Covered Bonds that the Issuer and any Dealer or Dealers may agree to issue under the Programme will be set out in the relevant Final Terms.

**Redenomination:**

Covered Bonds issued in the currency of any Member State of the EU which participates in the third stage (or any further stage) of the European Monetary Union may be redenominated into Euro, all as more fully provided in Condition 2(d).

**Consolidation:**

Covered Bonds of one (1) Series may be consolidated with Covered Bonds of another Series as more fully provided in Condition 16.

**Form of Covered Bonds:**

(i) English Law Covered Bonds

English Law Covered Bonds may be issued in bearer form ("**Bearer English Law Covered Bonds**"), which includes English Law Covered Bonds that are specified to be Exchangeable Bearer Bonds (defined below), in bearer form exchangeable for Registered English Law Covered Bonds ("**Exchangeable Bearer Bonds**"), or in registered form only ("**Registered English Law Covered Bonds**").

Each Tranche of Bearer English Law Covered Bonds having an original maturity of more than one year will initially be represented by a temporary global note (a "**Temporary Global Note**"). Each Tranche of Bearer English Law Covered Bonds having an original maturity of one year or less will initially be represented by a permanent global note (a "**Permanent Global Note**" and together with the Temporary Global Note, a "**Global Note**"). Interests in a Temporary Global Note will be exchangeable for interests in a Permanent Global Note or, if so stated in the

relevant Final Terms, for definitive English Law Covered Bonds in bearer form ("**Definitive English Law Covered Bonds**"), in the case of Bearer English Law Covered Bonds after the date falling 40 days after the issue date upon certification as to non-U.S. beneficial ownership.

Interests in a Permanent Global Note will be exchangeable for definitive English Law Covered Bonds in bearer form or (in the case of Exchangeable Bearer Bonds) registered form, in each case, as described under "Summary of Provisions Relating to the English Law Covered Bonds While in Global Form" in the Final Terms.

Registered English Law Covered Bonds will be represented by registered certificates (each, a "**Certificate**"), one Certificate being issued in respect of each such Bondholder's entire holding of Registered English Law Covered Bonds of one Series.

If a Permanent Global Note is stated in the applicable Final Terms to be issued in new global note form ("**New Global Notes**" or "**NGNs**"), it is intended to be eligible collateral for Eurosystem monetary policy and such Permanent Global Note will be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the "**Common Safekeeper**") for Euroclear and Clearstream Luxembourg.

Permanent Global Notes which are not issued in NGN form ("**Classic Global Notes**" or "**CGNs**") and Certificates may (a) in the case of a Tranche intended to be cleared through Euroclear and/or Clearstream, Luxembourg, be deposited on the issue date with a common depository on behalf of Euroclear and Clearstream, Luxembourg or (b) in the case of a Tranche intended to be cleared through Euroclear France, be deposited on the issue date with Euroclear France acting as Central Depository or (c) in the case of a Tranche intended to be cleared through a clearing system other than or in addition to Euroclear or Clearstream, Luxembourg or delivered outside a clearing system, as agreed between the Issuer and the relevant Dealer(s).

One or more series of Registered English Law Covered Bonds may be offered to investors in the United States pursuant to the exemption from registration provided by Section 3(a)(2) (the "**3(a)(2) Covered Bonds**") of the Securities Act of 1933, as amended (the "**Securities Act**"). 3(a)(2) Covered Bonds will be entitled to the benefit of an unconditional senior guarantee (the "**US Guarantee**") of the due payment thereof issued by BNP Paribas, acting through its New York Branch (in such capacity, the "**US Guarantor**"). 3(a)(2) Covered Bonds will initially be represented by a permanent registered global Certificate (each, a "**3(a)(2) Global Certificate**"), without interest coupons, which will be deposited on the issue date with a custodian for, an registered in the name of Cede & Co. as nominee for, the Depository Trust Company ("**DTC**").

Alternatively, one or more series of Registered English Law Covered Bonds may be offered only to qualified institutional buyers ("**QIBs**") in the United States in reliance on the exemption from registration provided by Rule 144A (the "**144A Covered Bonds**") under the Securities Act ("**Rule 144A**"). In addition, any such 144A Covered Bonds may be offered outside the United States to non-U.S. persons (as such term is defined in Rule 904 under the Securities Act (a "**non-U.S. person**")) pursuant to Regulation S (the "**Regulation S Covered Bonds**").

Regulation S Covered Bonds will initially be represented by a permanent registered global Certificate (each an "**Unrestricted Global Certificate**"), without interest coupons, which may (or in the case of English Law Covered Bonds listed on Euronext Paris will) be deposited on the issue date with a common depository on behalf of Euroclear and Clearstream, Luxembourg or if a Global Certificate (as defined below) is stated in the applicable Final Terms to be issued under the new safekeeping structure ("**NSS**"), it is intended to be eligible collateral for Eurosystem monetary policy and such Global Certificate will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. An Unrestricted Global Certificate in

respect of a Tranche of English Law Covered Bonds that is not to be listed on Euronext Paris may be cleared through a clearing system other than or in addition to Euroclear, Clearstream, Luxembourg or DTC (as defined below) or delivered outside a clearing system, as agreed between the Issuer and the relevant Dealer.

144A Covered Bonds will initially be represented by a permanent registered global Certificate (each a "**Restricted Global Certificate**" and, together with the 3(a)(2) Covered Bonds and the Unrestricted Global Certificate, the "**Global Certificates**"), without interest coupons, which may be deposited on the issue date either (a) with a common depository on behalf of Euroclear and Clearstream, Luxembourg, or (b) with a custodian for, and registered in the name of Cede & Co. as nominee for, DTC.

If a Registered English law Covered Bond is stated in the applicable Final Terms to be issued under the NSS, it is intended to be eligible collateral for Eurosystem monetary policy and the Global Certificate in respect of such Registered English law Covered Bond will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper for Euroclear and Clearstream Luxembourg.

(ii) French Law Covered Bonds

French Law Covered Bonds may be issued either in dematerialised form ("**Dematerialised Covered Bonds**") or in materialised form ("**Materialised Covered Bonds**").

Dematerialised Covered Bonds may, at the option of the Issuer, be issued in bearer form (*au porteur*) or in registered form (*au nominatif*) and, in such latter case, at the option of the relevant holder, in either fully registered form (*au nominatif pur*) or administered form (*au nominatif administré*). No physical documents of title will be issued in respect of Dematerialised Covered Bonds.

Materialised Covered Bonds will be in bearer form only. A Temporary Global Certificate will initially be issued in respect of each Tranche of Materialised Covered Bonds. Materialised Covered Bonds may only be issued outside France.

Unless otherwise specified in the relevant Final Terms, French Law Covered Bonds may not be offered or resold within the United States or to, or for the account or benefit of, U.S. persons.

(iii) German Law Covered Bonds

German Law Covered Bonds will be issued in materialised registered form. They will not be admitted to trading nor listed on any market or stock exchange.

**Deed of Covenant:**

The holders of interests in a Global Note representing the English Law Covered Bonds and so credited to their accounts with Euroclear and/or Clearstream, Luxembourg, as the case may be, will in certain circumstances become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg and subject to the terms of the Deed of Covenant as defined in "Terms and Conditions of the Covered Bonds".

**Representation of English law Bondholders:**

Meetings of holders of English Law Covered Bonds are held in the manner set out in Condition 12(a).

**Representation of French law Bondholders:**

French law Bondholders will, in respect of all Tranches in any Series, be grouped automatically for the defence of their common interests in a *masse* (in each case, the "**Masse**").

The *Masse* will be a separate legal entity and will act in part through a representative (the "**Representative**") and in part through a general meeting of the French law Bondholders (the "**General Meeting**").

**Governing Law:**

The Covered Bonds will be governed by, and construed in accordance with, English law (except for the *Privilège*, which will be governed by French law) or French law, as specified in the relevant Final Terms.

The US Guarantee of the 3(a)(2) Covered Bonds will be governed by, and

construed in accordance with, New York law.

The Issuer may from time to time issue Covered Bonds governed by, and construed in accordance with, German law (except for the *Privilège*, which will be governed by French law).

The English Law Covered Bonds, French Law Covered Bonds and German Law Covered Bonds will benefit from the same security and rights. The terms and conditions of the German Law Covered Bonds are contained in the Agency Agreement.

**Common Depositary,  
Common Safe Keeper  
and/or Custodian for  
English Law Covered  
Bonds:**

For Bearer English Law Covered Bonds in NGN form, such person as may be appointed from time to time as Common Safekeeper for Euroclear Clearstream, Luxembourg.

For Bearer English Law Covered Bonds in CGN form (a) such person as may be appointed from time to time as common depository on behalf of Euroclear and Clearstream, Luxembourg; (b) Euroclear France acting as Central Depositary and/or (c) in the case of a Tranche intended to be cleared through a clearing system other than or in addition to Euroclear or Clearstream, Luxembourg or delivered outside a clearing system, as agreed between the Issuer and the relevant Dealer(s).

Global Certificates in respect of Registered English Law Covered Bonds will either be deposited with such person as may be appointed from time to time as Common Depositary, Central Despository and/or Custodian or such person as may be appointed from time to time as Common Safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg, and registered in the name of a common nominee of Euroclear and Clearstream, Luxembourg, a nominee of Euroclear France and/or Cede & Co or in the name of a nominee of the Common Safekeeper, as specified in the applicable Final Terms.

**Central Depositary for  
French Law Covered  
Bonds:**

Euroclear France in respect of Dematerialised Covered Bonds.

**Clearing Systems for  
English Law Covered  
Bonds:**

Euroclear and Clearstream, Luxembourg for Bearer English Law Covered Bonds and Registered English Law Covered Bonds and DTC for Registered English Law Covered Bonds and in each case, any other clearing system, as agreed between the Issuer and the relevant Dealer(s).

**Clearing Systems for  
French Law Covered  
Bonds:**

Euroclear France as central depository in relation to Dematerialised Covered Bonds and, in relation to Materialised Covered Bonds, Clearstream, Luxembourg and Euroclear or any other clearing system that may be agreed between the Issuer, the Fiscal Agent in respect of French Law Covered Bonds and the relevant Dealer(s).

**Initial Delivery of  
English Law Covered  
Bonds:**

If the Bearer English Law Covered Bonds are to be issued in NGN form the Permanent Global Note will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper for Euroclear and Clearstream, Luxembourg.

If the Registered English Law Covered Bonds are to be issued under the NSS, the Global Certificates in respect of the Registered English Law Covered Bonds will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. The Global Note in respect of Bearer English Law Covered Bonds and Exchangeable Bearer Bonds which are issued in CGN form and the Certificates in respect of Registered English Law Covered Bonds may (a) in the case of a Tranche intended to be cleared through Euroclear and/or Clearstream, Luxembourg, be deposited on the issue date with a common depository on behalf of Euroclear and Clearstream, Luxembourg or (b) in the case of a Tranche intended to be cleared through Euroclear France, be deposited on the issue date with Euroclear France acting as Central Depositary or (c) in the case of a Tranche intended to be cleared through a clearing system other than or in addition to Euroclear or Clearstream, Luxembourg or delivered outside a clearing system, as agreed between the Issuer and the relevant Dealer(s).

<b>Initial Delivery of French law Dematerialised Covered Bonds:</b>	At least one (1) Paris business day before the issue date of each Tranche of Dematerialised Covered Bonds, the <i>Lettre comptable</i> relating to such Tranche shall be deposited with Euroclear France as central depository.
<b>Initial Delivery of French law Materialised Covered Bonds:</b>	On or before the issue date for each Tranche of Materialised Covered Bonds, the Temporary Global Certificate issued in respect of such Tranche shall be deposited with a common depository for Euroclear and Clearstream, Luxembourg or with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Fiscal Agent in respect of French Law Covered Bonds and the relevant Dealer(s).
<b>Issue Price:</b>	Covered Bonds may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Covered Bonds may be issued, the issue price of which will be payable in two (2) or more instalments.
<b>Listing and Admission to Trading:</b>	<p>Application may be made for English Law Covered Bonds and French Law Covered Bonds to be listed and admitted to trading on Euronext Paris and/or on any other Regulated Market in the EEA in accordance with the Prospectus Directive and/or any other market as specified in the relevant Final Terms. As specified in the relevant Final Terms, a Series of Covered Bonds may be unlisted.</p> <p>Neither the 3(a)(2) Covered Bonds nor the German Law Covered Bonds will be admitted to trading nor listed on any market or stock exchange.</p>
<b>Rating:</b>	<p>Covered Bonds issued under the Programme are expected on issue to be rated Aaa by Moody's Investors Service Ltd., AAA by Standard &amp; Poor's Ratings Services and AAA by Fitch Ratings.</p> <p>The rating of the Covered Bonds will be specified in the relevant Final Terms.</p> <p>As of the date of this Base Prospectus, each of the Rating Agencies is established in the European Union and has applied for registration under Regulation (EU) No. 1060/2009 (the "<b>CRA Regulation</b>"), although notification of the corresponding registration decision has not yet been provided by the relevant competent authority. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before June 7, 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.</p> <p>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.</p>
<b>Selling Restrictions:</b>	<p>There are restrictions on the offer and sale of Covered Bonds and the distribution of offering materials in various jurisdictions. In connection with the offering and sale of a particular Tranche, additional selling restrictions may be imposed in the relevant Final Terms.</p> <p>One or more series of Registered English Law Covered Bonds may be offered only to qualified institutional buyers ("<b>QIBs</b>") in the United States in reliance on the exemption from registration provided by Rule 144A under the Securities Act. Any such 144A Covered Bonds may simultaneously be offered outside the United States to non-U.S. persons pursuant to Regulation S.</p> <p>The Issuer is Category 1 for the purposes of Regulation S under the United States Securities Act of 1933, as amended. See "Transfer Restrictions".</p> <p>Bearer English Law Covered Bonds or Materialised Covered Bonds will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the "<b>D Rules</b>") unless (i) the relevant Final Terms states that such Covered Bonds are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the "<b>C Rules</b>") or (ii) such Covered Bonds are issued other than in compliance with the D Rules or the C</p>

Rules but in circumstances in which the Covered Bonds will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**"), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.

**Transfer Restrictions:** There are restrictions on the transfer of 144A Covered Bonds and Regulation S Covered Bonds. See "Transfer Restrictions".

### 3. THE BORROWER FACILITY AGREEMENT AND THE BORROWER COLLATERAL SECURITY

**The Borrower Facility Agreement:**

The proceeds from the issuance of the Covered Bonds under the Programme will be used by BNP Paribas Home Loan SFH, as lender (in such capacity, the "**Lender**") to fund advances (each a "**Borrower Advance**") to be made available to BNP Paribas, as borrower (in such capacity, the "**Borrower**") under a multicurrency term facility agreement (the "**Borrower Facility**").

The Borrower Advances shall be made available to the Borrower in an aggregate maximum amount equal to € 30,000,000,000 for the purpose of financing the general financial needs of the Borrower and, in particular, any Affiliate Advance (as described in "**The Affiliates, the Affiliate Facility Agreements and the Affiliate Collateral Security**") under any Affiliate Facility Agreement (as described in "**The Affiliates, the Affiliate Facility Agreements and the Affiliate Collateral Security**").

The terms and conditions regarding the calculation and the payment of principal and interest under a Borrower Advance shall mirror the equivalent terms and conditions of the corresponding Final Terms of Covered Bonds, it being provided that, as a principle, the interest and fees to be paid by the Borrower under a Borrower Advance shall be the financing costs of the Lender under the Covered Bonds funding such Borrower Advance. Any amounts repaid or prepaid under any Borrower Advance increased by a margin which covers all the costs and expenses relating to the structuring and updating of the Programme, the issuance of Covered Bonds and taxes of the Issuer during the Programme shall not be re-borrowed.

**Borrower Event of Default:**

Upon the occurrence of a Borrower Event of Default, the Issuer (represented by the Administrator or the Issuer Independent Representative) shall, by written notice (such notice to constitute a *mise en demeure*) to the Borrower (with copy to (ii) the Issuer Independent Representative (if the Borrower Enforcement Notice is delivered by the Administrator), (ii) the Administrator (if the Borrower Enforcement Notice is delivered by the Issuer Independent Representative) and (iii) (in each instance) the Rating Agencies), (x) declare that (i) no further Borrower Advances shall be available under the Borrower Facility Agreement, and (ii) the then outstanding Borrower Advances are immediately due and payable and (y) enforce the rights of the Lender under the Borrower Collateral Security Agreement and the Cash Collateral Agreement for the repayment of any sum due by the Borrower under the Borrower Facility Agreement and not paid by the Borrower (whether at its contractual due date or upon acceleration) (a "**Borrower Enforcement Notice**").

Each of the following events constitutes the occurrence of an event of default under the Borrower Facility Agreement (each, a "**Borrower Event of Default**"):

- (a) the Borrower fails to pay any sum due under the Borrower Facility Agreement when due, in the currency and in the manner specified herein; provided, however, that where such non-payment is due to an administrative error or the failure of continuing external payment systems or clearing systems reasonably used by the Borrower and such payment is made by the Borrower within three (3) Business Days of such non-payment, such non-payment shall not constitute a Borrower Event of Default;
- (b) a Breach of Pre-Maturity Test occurs;
- (c) a Breach of Asset Cover Test occurs;

- (d) a Breach of Collection Loss Reserve Funding Requirement occurs;
- (e) any material representation or warranty made by the Borrower, in the Borrower Facility Agreement or in any notice or other document, certificate or statement delivered by it pursuant hereto or in connection herewith is or proves to have been incorrect or misleading in any material respect when made, and the same is not remedied (if capable of remedy) within sixty (60) Business Days after the Administrator or the Issuer has given notice thereof to the Borrower or (if sooner) the Borrower has knowledge of the same, provided that the Issuer, at its discretion, certifies that it is prejudicial to the interests of the holders of the relevant Covered Bonds;
- (f) the Borrower fails to comply with any of its material obligations under the Borrower Facility Agreement unless such breach is capable of remedy and is remedied within sixty (60) Business Days after the Administrator or the Issuer has given notice thereof to the Borrower or (if sooner) the Borrower has knowledge of the same, provided that the Issuer, at its discretion, certifies that it is prejudicial to the interests of the holders of the relevant Covered Bonds;
- (g) as regards the Borrower, an Insolvency Event occurs;
- (h) any effect, event or matter (regardless of its nature, cause or origin and in particular the commencement of any legal, administrative or other proceedings against the Borrower) occurs which is or could be reasonably expected to be materially adverse to (i) the financial or legal situation, assets, business or operations of the Borrower and (ii) the ability of the Borrower to perform its payment obligations or the financial covenants under any of the Programme Documents;
- (i) at any time it is or becomes unlawful for the Borrower to perform or comply with any or all of its material obligations under the Borrower Facility Agreement or any of the material obligations of the Borrower under the Borrower Facility Agreement are not or cease to be legal, valid and binding; or
- (j) upon the occurrence of a Hedging Rating Trigger Event (as defined in section "The Hedging Strategy" of this Base Prospectus), (i) the Issuer (or the Administrator on its behalf) fails to enter into any Issuer Hedging Agreement (as defined in section "The Hedging Strategy" of this Base Prospectus) with any relevant Eligible Hedging Provider (as defined in section "The Hedging Strategy" of this Base Prospectus) within thirty (30) calendar days from the occurrence date of such Hedging Rating Trigger Event, as described under the Hedging Strategy (as defined in section "The Hedging Strategy" of this Base Prospectus) or (ii) the Issuer (or the Administrator on its behalf) or the Borrower fails to enter into any Borrower Hedging Agreement (as defined in section "The Hedging Strategy" of this Base Prospectus) within thirty (30) calendar days from the occurrence date of such Hedging Rating Trigger Event, as described under the Hedging Strategy (as defined in section "The Hedging Strategy" of this Base Prospectus); or
- (k) a Breach of Maximum Legal Substitution Assets Limit has occurred and is continuing and the license of the Issuer as a *société de financement de l'habitat* has been withdrawn following such breach.

Under the Borrower Facility Agreement, the Borrower undertakes to indemnify the Lender:

**Borrower's guarantee and indemnities:**

- (a) against any cost, claim, loss, expense (including legal fees) or liability (other than reasonable consequential losses including loss of profit), which the Lender may (acting reasonably) sustain or incur as a consequence of the occurrence of any Borrower Event of Default or any default by the Borrower in the performance of any of the obligations expressed to be assumed by it in the



Borrower Facility Agreement; and

- (b) against any loss (other than by reason of negligence or default by the Lender) that the Lender may suffer or incur as a result of its funding or making arrangements to fund a Borrower Advance requested by the Borrower hereunder but not made by reason of the operation of any one or more of the provisions hereof; and

In addition, the Borrower, as guarantor, irrevocably and unconditionally guarantees and undertakes to hold the Lender harmless against any liabilities that the Lender may incur in connection with its funding or making arrangements to fund, through the issuance of Covered Bonds or otherwise, any Borrower Advance made available to the Borrower under the Borrower Facility Agreement (including but not limited to any indemnity payable by the Lender (in its capacity as Issuer) to any party under any Program Documents and any termination costs due and payable by the Lender under any Hedging Agreement which would not be subordinated to the full and final redemption of the then outstanding Covered Bonds).

Under the Borrower Facility Agreement and subject to customary legal limitation under French law, the Borrower, as guarantor (in such capacity, the "**Guarantor**") irrevocably and unconditionally, (i) jointly and severally guarantees (*caution solidaire*) to the Lender the due and punctual observance and performance of the terms, conditions and covenants under each Affiliate Facility Agreement (as described in "**The Affiliates, the Affiliate Facility Agreements and the Affiliate Collateral Security**") on the part of each relevant Affiliate (as described in "**The Affiliates, the Affiliate Facility Agreements and the Affiliate Collateral Security**") of each and any Affiliate under each and any Affiliate Facility Agreement (the "**Guaranteed Liabilities**"), and agrees to pay from time to time on demand of the Administrator any and every sum or sums of money which is at any time payable to the Lender in respect of the Guaranteed Liabilities, and (ii) agrees as a primary obligation to indemnify the Lender from time to time on demand of the Administrator from and against any loss incurred by the Lender as a result of any of the obligations of any Affiliate under or pursuant to the Programme Documents being or becoming void, voidable, unenforceable or ineffective as against such Affiliate for any reason whatsoever, whether or not known to the Lender or any other person, the amount of such loss being the amount which the Lender would otherwise have been entitled to recover from such Affiliate.

(see section "**The Borrower and the Borrower Facility Agreement**" – "**The Borrower Facility Agreement**").

**The Borrower  
Collateral Security  
Agreement:**

The Borrower Collateral Security Agreement sets forth the terms and conditions upon which the Borrower shall grant financial assets (the "**Eligible Assets**") as collateral security (*remise en garantie financière à titre de sûreté*) pursuant to Articles L. 211-36 to L. 211-40 of the French Monetary and Financial Code (*Code monétaire et financier*) (the "**Borrower Collateral Security**") for the benefit of the Lender in order to secure, as they become due and payable, the payments of all and any amounts owed by the Borrower under the Borrower Facility Agreement, whether present or future and whether in its capacity as "Borrower" or "Guarantor" (the "**Borrower Secured Liabilities**").

For the purposes of the Borrower Collateral Security Agreement, an "Eligible Asset" means any Home Loan Receivable that complies with the "Home Loan Eligibility Criteria" and with the SFH Legal Framework which is existing and has not been repaid in full (each as further described in "**The Borrower Collateral Security Agreement**").

The title to the Eligible Assets granted as Collateral Security shall not be transferred in favour of the Issuer until perfection of the Collateral Security. The Issuer shall be vested in the title to such Eligible Assets only upon enforcement of the Borrower Collateral Security, if any such enforcement occurs in accordance with the terms of the Borrower Collateral Security Agreement.

The Borrower shall perform the servicing of the Borrower Collateral Security Assets (as defined in "The Borrower Collateral Security Agreement") in accordance with applicable laws and its customary servicing procedures (the "**Servicing Procedures**"), using the degree of skill, care and attention as for the servicing of its assets for its own account, without interfering with the Issuer's material rights under the Borrower Collateral Security Agreement.

(see section "**The Borrower Collateral Security**" – "**The Borrower Collateral Security Agreement**").

**The Cash Collateral Agreement:**

The Cash Collateral Agreement sets forth the terms and conditions upon which BNP Paribas, as Cash Collateral Provider, shall be requested to fund certain amounts as cash collateral (*gage espèces*) (each, a "**Cash Collateral**") into a Cash Collateral Account, the Collection Loss Reserve Account and the Affiliate Debt Commingling Account in order to secure the repayment of the Borrower Secured Liabilities.

*Pre-Maturity Test and Legal Liquidity Test*

The contractual liquidity test of the Issuer (the "**Pre-Maturity Test**") shall be deemed complied with for so long as, in relation to any and each Series of Covered Bonds, (i) no Pre-Maturity Rating Downgrade Event has occurred during any Pre-Maturity Test Period, or (ii) if, to the contrary, a Pre-Maturity Rating Downgrade Event has occurred during any Pre-Maturity Test Period, the Cash Collateral Provider has duly funded the Cash Collateral Account with the relevant Cash Collateral, up to the relevant amount within thirty (30) calendar days from the receipt of the relevant Cash Collateral Funding Notice.

The legal liquidity test of the Issuer (the "**Legal Liquidity Test**") shall be deemed complied with for so long as, in relation to all the Liabilities of the Issuer, (i) no Legal Liquidity Rating Downgrade Event has occurred, or (ii) if, to the contrary, a Legal Liquidity Rating Downgrade Event has occurred, the Cash Collateral Provider (x) has duly funded the Cash Collateral Account with the relevant Cash Collateral, up to the relevant amount following the receipt of the relevant Cash Collateral Funding Notice, and (y) on each day following the initial funding of the Cash Collateral as mentioned above (each, a "**CCRFA Funding Date**"), the Cash Collateral Provider has maintain in the Cash Collateral Account an amount sufficient to ensure that the balance of the Cash Collateral Account shall be at least equal to the CCRFA, as determined pursuant to the Cash Collateral Agreement, computed as of such CCRFA Funding Date.

The Cash Collateral Provider shall be requested to fund the Cash Collateral Account with the relevant Cash Collateral, up to the relevant amount, upon the occurrence of (i) the downgrading, during any Pre-Maturity Test Period (as defined below), of the then applicable ratings of the Borrower below one (1) or more of the Pre-Maturity Rating Required Levels (as defined below) (each, a "**Pre-Maturity Rating Downgrade Event**") (or, after the date hereof, any other rating levels as per the most recently public available rating criteria methodology reports published by the Rating Agencies), and/or (ii) the downgrading at any time of the then applicable ratings of the Borrower below (cumulatively) all three (3) Liquidity Rating Required Levels (as defined below) (each, a "**Legal Liquidity Rating Downgrade Event**") (or, after the date hereof, any other rating levels as per the most recently public available rating criteria methodology reports published by the Rating Agencies). The occurrence of a Pre-Maturity Rating Downgrade Event and/or a Legal Liquidity Rating Downgrade Event does not constitute the occurrence of a Borrower Event of Default or an Issuer Event of Default.

The following credit ratings with respect to the Borrower are defined as the "**Pre-Maturity Rating Required Levels**" for the purposes of the Cash Collateral Agreement: A-1+ (short-term) (S&P), F1 + (short-term) (Fitch) and P-1 (short-term) (Moody's), or, after the date hereof, any other rating levels as may be required by law and regulations and/or as per the most recently public available rating criteria

methodology reports published by the Rating Agencies.

The following credit ratings with respect to the Borrower are defined as the "**Liquidity Rating Required Levels**" for the purposes of the Cash Collateral Agreement: A-1 (short-term) (S&P), F1 (short-term) (Fitch) and P-1 (short-term) (Moody's), or, after the date hereof, any other rating levels as may be required by law and regulations and/or as per the most recently public available rating criteria methodology reports published by the Rating Agencies.

A "**Pre-Maturity Test Period**" is, with respect to any Series of Covered Bonds (which is not a Series of Covered Bonds with a soft bullet maturity which allows the Final Maturity Date of the relevant Series to be extended if the Issuer is about to fail to pay the amount due on the Final Maturity Date, in accordance with, and as described in, the relevant Final Terms of Covered Bonds (the "**Soft Bullet Covered Bonds**")), the period of twelve (12) months preceding any Final Maturity Date.

"**Legal Liquidity Cover Period**" means a period of one hundred and eighty (180) calendar days as from each CCRFA Funding Date, the first applicable Legal Liquidity Cover Period beginning upon the occurrence of a Legal Liquidity Rating Downgrade Event.

The failure by the Cash Collateral Provider to fund into the Cash Collateral Account the relevant amount within thirty (30) calendar days from the receipt of a Cash Collateral Funding Notice shall constitute a "**Breach of Pre-Maturity Test**". A Breach of Pre-Maturity Test constitutes the occurrence of a Borrower Event of Default.

The failure by the Cash Collateral Provider to fund any required Cash Collateral following the receipt of a Cash Collateral Funding Notice or maintain the relevant amount in the Cash Collateral Account at any time during any Legal Liquidity Cover Period in accordance with the relevant terms of the Cash Collateral Agreement constitutes a "**Breach of Liquidity Test**". A Breach of Liquidity Test does not constitute the occurrence of a Borrower Event of Default or an Issuer Event of Default.

#### *Collection Loss Trigger Event*

Upon downgrading of the credit rating of the Borrower below A-2 (short term) (S&P) or F1(short term) / A (long term) (Fitch) or P-1 (Moody's) (or, after the date hereof, any other rating levels as per the most recently public available rating criteria methodology reports published by the Rating Agencies) (the "**Collection Loss Trigger Event**") and within ten (10) Business Days from the occurrence of such Collection Loss Trigger Event, the Cash Collateral Provider shall be required to pay into the credit of a bank account to be opened within such period in the Issuer's name and in its books of the Issuer Accounts bank (the "**Collection Loss Reserve Account**"), an amount equal to the higher of (i) the Interest Amount due, on a rolling basis, during the three (3) calendar months following the occurrence date of the Collection Loss Trigger Event, and (ii) the collections received by the Borrower and the Affiliates under the under the Home Loans Receivables granted as Borrower Collateral Security and Affiliate Collateral Security during the three (3) calendar months preceding the occurrence date of the Collection Loss Trigger Event, as such amount shall be reported to the Issuer, the Administrator and the Issuer Calculation Agent (with a copy to the Rating Agencies) within the above mentioned ten (10) Business Day-period.

Failure by the Cash Collateral Provider to fund the Collection Loss Reserve Account up to the required amount within the required period following the occurrence date of the Collection Loss Trigger Event shall constitute a "**Breach of Collection Loss Reserve Funding Requirement**" within the meaning of the Cash Collateral Agreement. A Breach of Collection Loss Reserve Funding Requirement constitutes the occurrence of a Borrower Event of Default.

Any other solution that prevents the rating of the Covered Bonds to be adversely impacted may also be implemented upon Collection Loss Trigger Event.

*Affiliate Debt Commingling Trigger Event*

Upon downgrading of the credit rating of the Borrower below A-1 (S&P) or F1 (short-term) or A (long term) (Fitch) or P-1 (Moody's) (or, after the date hereof, any other rating levels as per the most recently public available rating criteria methodology reports published by the Rating Agencies) (the "**Affiliate Debt Commingling Trigger Event**") and within sixty (60) Business Days from the occurrence of such Affiliate Debt Commingling Trigger Event:

- (a) the Borrower and each relevant Affiliate shall take all necessary steps so that all and any amounts owed by any Affiliates under any Affiliate Facility, are paid into the credit of a single dedicated bank account to be opened within such period in the name and in the books of the Borrower (the "**Affiliate Debt Commingling Account**"); and
- (b) the Borrower shall grant any cash amount standing on the credit of the Affiliate Debt Commingling Account as Cash Collateral (*gage-espèces*) for the benefit of the Issuer so as to secure as they become due and payable the payments of the Borrower Secured Liabilities.

Failure by the Cash Collateral Provider to fund the Affiliate Debt Commingling Account up to the required amount within the required period following the occurrence date of the Affiliate Debt Commingling Trigger Event shall constitute a "**Breach of Debt Commingling Funding Requirement**" within the meaning of the Cash Collateral Agreement. A Breach of Debt Commingling Funding Requirement constitutes the occurrence of a Borrower Event of Default.

All cash credited to the Collection Loss Reserve Account as described above shall be granted as Cash Collateral subject to, and in accordance with, the relevant terms of the Cash Collateral Agreement and shall secure the Borrower Secured Liabilities as they become due and payable.

The Cash Collateral Provider will benefit from the *Privilège* for the repayment of any amounts constituting any Cash Collateral. The Cash Collateral Provider will thus be qualified as a privileged creditor of the Issuer ("**Privileged Creditor**").

(see section "**The Borrower Collateral Security**" – "**The Cash Collateral Agreement**").

#### **4. THE AFFILIATES, THE AFFILIATE FACILITY AGREEMENTS AND THE AFFILIATE COLLATERAL SECURITY**

**The Affiliates:** Any Affiliate of the Borrower may access the Programme subject to the satisfaction of the conditions described in section "**The Affiliates, the Affiliate Facility Agreements and the Affiliate Collateral Security**".

**The Affiliate Facility Agreements:** Prior to its accession to the Programme, each relevant Affiliate enters into an Affiliate Facility agreement (each, an "**Affiliate Facility Agreement**") with BNP Paribas, as "Affiliate Lender" (the "**Affiliate Lender**") in order to determine the terms and conditions according to which the Affiliate Lender shall grant such Affiliate with advances under an Affiliate Facility (each, an "**Affiliate Advance**").

The Affiliate Lender will fund each Affiliate advance to be made available to the relevant Affiliate with the proceeds of a corresponding Borrower Advance made available under the Borrower Facility.

The terms and conditions of an Affiliate Advance may not mirror those of the

Borrower Advance funding such Affiliate Advance. Any amounts repaid or prepaid under any Affiliate Advance shall not be re-borrowed.

Upon the occurrence of an Affiliate Event of Default which is continuing unremedied, the Affiliate Lender may, by written notice (such notice to constitute a *mise en demeure*) to the relevant Affiliate, (i) declare that no further Affiliate Advances shall be available under the relevant Affiliate Facility Agreement, and the relevant Affiliate Advances become immediately due and payable and enforce its rights under the relevant Affiliate Collateral Security Agreement (an "**Affiliate Enforcement Notice**").

Any Affiliate Facility will be accelerated upon the occurrence of a Borrower Event of Default.

Under each Affiliate Facility Agreement, subject to customary legal limitations under French law and up to the maximum amount that may be owed by each Affiliate under the relevant Affiliate Facility Agreement, each Affiliate, as guarantor (in such capacity, the "**Affiliate Guarantor**") irrevocably and unconditionally and jointly and severally:

- (i) guarantees to the Lender the due and punctual observance and performance of the terms, conditions and covenants under the Borrower Facility Agreement (as described in "The Borrower and the Borrower Facility Agreement") on the part of the Borrower under the Borrower Facility Agreement (as defined herein), including the payment of all present and future payment obligations (whether actual or contingent and whether owed jointly or severally or in any other capacity whatsoever), and agrees to pay from time to time on demand of the Administrator any and every sum or sums of money which is at any time payable to the Lender in respect of the Borrower Facility Agreement; and
- (ii) agrees as a primary obligation to indemnify the Lender from time to time on demand of the Administrator from and against any loss incurred by the Lender as a result of any of the obligations of the Borrower under or pursuant to the Programme Documents being or becoming void, voidable, unenforceable or ineffective as against the Borrower for any reason whatsoever, whether or not known to the Lender or any other person, the amount of such loss being the amount which the Lender would otherwise have been entitled to recover from the Borrower.

(see section "The Affiliates, the Affiliate Facility Agreements and the Affiliate Collateral Security" – "The Affiliate Facility Agreements").

**Affiliates not incorporated in France:**

Variations to the above described terms of any Affiliate Facility Agreement may be agreed between the Affiliate Lender and any Affiliate not incorporated in France if required under the law of the jurisdiction where the relevant Affiliate is incorporated or the law governing the Home Loans and/or the Affiliate Collateral Security. Other variations to the above described terms of any Affiliate Facility Agreement can only be agreed subject to prior Rating Affirmation.

**The Affiliate Collateral Security Agreements:**

Each Affiliate Collateral Security Agreement sets forth the terms and conditions upon which the relevant Affiliate shall grant Eligible Assets as collateral security (*garantie financière*) (the "**Affiliate Collateral Security**") for the benefit of the Affiliate Lender so as to secure as they become due and payable the payments of all and any amounts owed by the Affiliate under the relevant Affiliate Facility, whether present or future and whether in its capacity as "Affiliate" or "Affiliate Guarantor" (the "**Affiliate Secured Liabilities**").

For the purposes of each Affiliate Collateral Security Agreement, an "**Eligible Asset**" means any Home Loans receivables that comply to the "Home Loans Eligibility Criteria" and with the SFH Legal Framework.

The creation and perfection of each Affiliate Collateral Security with respect to each Affiliate which is incorporated in France shall be created and perfected subject to the same requirements as that applicable to the creation and perfection of the Borrower Collateral Security.

Each Affiliate shall perform the servicing of the Affiliate Collateral Security Assets (as defined in section "The Affiliates, the Affiliate Facility Agreements and the Affiliate Collateral Security" – "The Affiliate Collateral Security Agreements") in accordance with applicable laws, its customary servicing procedures, using the degree of skill, care and attention as for the servicing of its assets for its own account.

(see section "The Affiliates, the Affiliate Facility Agreements and the Affiliate Collateral Security" – "The Affiliate Collateral Security Agreements").

## 5. ASSET MONITORING

### Asset Cover Test:

Under the Borrower Collateral Security Agreement and for so long as no Borrower Event of Default has occurred and been enforced subject to, and in accordance with, the relevant terms of the Borrower Facility Agreement, the Borrower shall monitor the Borrower Collateral Security Assets and cause each Affiliate to monitor the relevant Affiliate Collateral Security Assets so as to ensure compliance with an asset cover test (the "**Asset Cover Test**").

For so long as Covered Bonds remain outstanding, non compliance with the Asset Cover Test would result from the Asset Cover Test Ratio (as specified in section "**Asset Monitoring**" – "**The Asset Cover Test**"), being less than one (1). Non compliance with the Asset Cover Test does not constitute the occurrence of an Issuer Event of Default or a Borrower Event of Default. However, it will prevent the Issuer from issuing any further Covered Bonds as long as it remains unremedied, except for the purposes of subscription by the Issuer of Auto-held Covered Bonds in accordance with Condition 20 as set forth in "Terms and Conditions of the Covered Bonds".

Failure by the Borrower to cure a non compliance with the Asset Cover Test occurred on any Asset Cover Test Date prior to the next following Asset Cover Test Date (as defined in "**Asset Monitoring – The Asset Cover Test**") will constitute a "**Breach of Asset Cover Test**" within the meaning of the Collateral Security Agreement.

A Breach of Asset Cover Test constitutes the occurrence of a Borrower Event of Default. A Breach of Asset Cover Test will prevent the Issuer from issuing any further Covered Bonds, except for the purposes of subscription by the Issuer of Auto-held Covered Bonds in accordance with Condition 20 as set forth in "**Terms and Conditions of the Covered Bonds**".

(see section "Asset Monitoring" – "The Asset Cover Test").

### Minimum Legal Collateralisation Ratio

The Issuer, as a *société de financement de l'habitat*, must at all times maintain a cover ratio between its Eligible Assets (including its Legal Substitution Assets (as defined herein)) and its liabilities benefiting from the *Privilège* (the "**Collateralisation Ratio**"). In accordance with the French SFH legal Framework on the date hereof, and in particular pursuant to Articles L. 515-20 and R. 515-7-2 of the French Monetary and Financial Code (*Code monétaire et financier*), the *sociétés de financement de l'habitat* (SFH) such as the Issuer must at all times maintain an Collateralisation Ratio equal to at least one hundred and two per cent. (102%) (the "**Minimum Legal Collateralisation Ratio**"). For the calculation of the Minimum Legal Collateralisation Ratio, the Issuer shall take into account the Home Loan Receivables granted as Collateral Security in accordance with Article R. 515-7-2 of the French Monetary and Financial Code (*Code monétaire et financier*).

The Specific Controller (as defined herein) ensures that the Minimum Legal Collateralisation Ratio is complied with.

Non-compliance by the Issuer with the Minimum Legal Collateralisation Ratio will constitute a "**Breach of Minimum Legal Collateralisation Ratio**".

A Breach of Minimum Legal Collateralisation Ratio does not constitute the

occurrence of a Borrower Event of Default or an Issuer Event of Default.

See "**Asset Monitoring – Minimum Legal Collateralisation Ratio**".

**Maximum Legal  
Substitution Assets  
Percentage**

Pursuant to Articles L. 515-17 and R. 515-7 of the French Monetary and Financial Code, the so-called substitution assets (*valeurs de remplacement*) (the "**Legal Substitution Assets**") of the Issuer shall not exceed at any time a percentage equal to fifteen per cent. (15%) of the total amount of its liabilities which benefit from the *Privilège* (the "**Maximum Legal Substitution Assets Percentage**").

With respect to the Issuer and for the purpose of the calculation of the Maximum Legal Substitution Assets Percentage, the Legal Substitution Assets are comprised of such debt, securities, deposits and other investment products that are deemed eligible as the so-called substitution assets (*valeurs de remplacement*) within the meaning of Articles L. 515-17, R. 515-7 and R. 515-16 of the French Monetary and Financial Code (*Code monétaire et financier*) (including any Permitted Investment and any Cash Collateral made available to the Issuer by the Cash Collateral Provider in accordance with the Cash Collateral Agreement) and which are held by the Issuer from time to time.

The Specific Controller ensures that the Maximum Legal Substitution Assets Percentage is not exceeded by the Issuer.

Upon the Legal Substitution Assets of the Issuer exceeding the Maximum Legal Substitution Assets Percentage, this shall constitute a "**Breach of Maximum Legal Substitution Assets Limit**" by the Issuer. The Specific Controller ensures that the Issuer and the *Autorité de contrôle prudentiel (ACP)* are promptly notified of the occurrence of a Breach of Maximum Legal Substitution Assets Limit. Upon receipt of such notice, the Issuer will then notify the Borrower, the Rating Agencies, the Asset Monitor and the Issuer Calculation Agent of the same.

A Breach of Maximum Legal Substitution Assets Limit does not constitute the occurrence of a Borrower Event of Default or an Issuer Event of Default if it does not trigger in turn the withdrawal of the licence of the Issuer as a *société de financement de l'habitat*.

See "**Asset Monitoring – Maximum Legal Substitution Assets Percentage**".

**Pre-Maturity Test and  
Legal Liquidity Test:**

The contractual liquidity test of the Issuer (the "**Pre-Maturity Test**") shall be deemed complied with for so long as, in relation to any and each Series of Covered Bonds, (i) no Pre-Maturity Rating Downgrade Event has occurred during any Pre-Maturity Test Period, or (ii) if, to the contrary, a Pre-Maturity Rating Downgrade Event has occurred during any Pre-Maturity Test Period, the Cash Collateral Provider has duly funded the Cash Collateral Account with the relevant Cash Collateral, up to the relevant amount within thirty (30) calendar days from the receipt of the relevant Cash Collateral Funding Notice.

The legal liquidity test of the Issuer (the "**Legal Liquidity Test**") shall be deemed complied with for so long as, in relation to all the Liabilities of the Issuer, (i) no Legal Liquidity Rating Downgrade Event has occurred, or (ii) if, to the contrary, a Legal Liquidity Rating Downgrade Event has occurred, the Cash Collateral Provider (x) has duly funded the Cash Collateral Account with the relevant Cash Collateral, up to the relevant amount following the receipt of the relevant Cash Collateral Funding Notice, and (y) on each day following the initial funding of the Cash Collateral as mentioned above (each, a "**CCRFA Funding Date**"), the Cash Collateral Provider has maintain in the Cash Collateral Account an amount sufficient to ensure that the balance of the Cash Collateral Account shall be at least equal to the CCRFA, as determined pursuant to the Cash Collateral Agreement, computed as of such CCRFA Funding Date.

The Cash Collateral Provider shall be requested to fund the Cash Collateral Account

with the relevant Cash Collateral, up to the relevant amount, upon the occurrence of (i) the downgrading, during any Pre-Maturity Test Period (as defined below), of the then applicable ratings of the Borrower below one (1) or more of the Pre-Maturity Rating Required Levels (as defined below) (each, a "**Pre-Maturity Rating Downgrade Event**") (or, after the date hereof, any other rating levels as per the most recently public available rating criteria methodology reports published by the Rating Agencies), and/or (ii) the downgrading at any time of the then applicable ratings of the Borrower below (cumulatively) all three (3) Liquidity Rating Required Levels (as defined below) (each, a "**Legal Liquidity Rating Downgrade Event**") (or, after the date hereof, any other rating levels as per the most recently public available rating criteria methodology reports published by the Rating Agencies). The occurrence of a Pre-Maturity Rating Downgrade Event and/or a Legal Liquidity Rating Downgrade Event does not constitute the occurrence of a Borrower Event of Default or an Issuer Event of Default.

The failure by the Cash Collateral Provider to fund into the Cash Collateral Account the relevant amount within thirty (30) calendar days from the receipt of a Cash Collateral Funding Notice shall constitute a "**Breach of Pre-Maturity Test**". A Breach of Pre-Maturity Test constitutes the occurrence of a Borrower Event of Default.

The failure by the Cash Collateral Provider to fund any required Cash Collateral following the receipt of a Cash Collateral Funding Notice or maintain the relevant amount in the Cash Collateral Account at any time during any Legal Liquidity Cover Period in accordance with the relevant terms of the Cash Collateral Agreement constitutes a "**Breach of Liquidity Test**". A Breach of Liquidity Test does not constitute the occurrence of a Borrower Event of Default or an Issuer Event of Default.

In order to comply with its legal obligation to cover its liquidity needs, the Issuer may also recourse to any other financing methods provided for under Article R.515-7-1 of the French Monetary and Financial Code (*Code monétaire et financier*).

See "**Asset Monitoring – The Pre-Maturity Test and the Legal Liquidity Test**".

**Amortisation Test:**

For so long as Covered Bonds remain outstanding and following the enforcement of a Borrower Event of Default subject to, and in accordance with, the relevant terms of the Borrower Facility Agreement, the Issuer must ensure compliance with an amortisation test (the "**Amortisation Test**").

For so long as Covered Bonds remain outstanding, non compliance with the Amortisation Test would result from the Amortisation Ratio (as specified under "**Asset Monitoring**" being less than one (1).

A non compliance with the Amortisation Test constitutes the occurrence of an Issuer Event of Default.

See section "**Asset Monitoring**" – "**The Amortisation Test**".

## 6. GENERAL INFORMATION

**General Information:**

This Base Prospectus and any supplements thereto will be published on the websites of the Issuer ([www.http://invest.bnpparibas.com/](http://invest.bnpparibas.com/) - heading "bnpparibasdebt") and of the AMF ([www.amf-france.org](http://www.amf-france.org)). The Final Terms related to Covered Bonds traded on any Regulated Market in accordance with the Prospectus Directive will be published, so long as such Covered Bonds are admitted to trading on any Regulated Market, on the websites of the Issuer ([www.http://invest.bnpparibas.com/](http://invest.bnpparibas.com/) - heading "bnpparibasdebt") and of the AMF ([www.amf-france.org](http://www.amf-france.org)).



For so long as Covered Bonds may be issued pursuant to this Base Prospectus, copies of such documents will also be available, free of charge, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the registered office of the Issuer and at the specified office of the Paying Agent(s).

All documents incorporated by reference in this Base Prospectus may be obtained, without charge on request, at the principal office of the Issuer and the Paying Agents set out at the end of this Base Prospectus during normal business hours so long as any of the Covered Bonds are outstanding. Such documents will be published on the website of the AMF ([www.amf-france.org](http://www.amf-france.org)). The 2010 Financial Statements and the 2009 Financial Statements of the Issuer are available on the website of the Issuer ([www.http://invest.bnpparibas.com/](http://invest.bnpparibas.com/) - heading "bnpparibasdebt"). The Information Statement, the BNPP 2010 Financial Statements which are contained in the 2010 Registration Document, the First Update to the 2010 Registration Document, the BNPP 2009 Financial Statements which are contained in the 2009 Registration Document and the First Update to the 2009 Registration Document are available on the website of BNP Paribas ([www.invest.bnpparibas.com](http://www.invest.bnpparibas.com)).

## RISK FACTORS

*This section only applies to English Law Covered Bonds and French Law Covered Bonds.*

*The Issuer believes that the following factors may affect its ability to fulfil its obligations related to Covered Bonds issued under the Programme. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

*In addition, factors which are material as to the market risk associated with Covered Bonds issued under the Programme are also described below.*

*The Issuer believes that the factors described below represent the principal risks inherent to investing in Covered Bonds issued under the Programme. However, the Issuer does not represent that the factors below are exhaustive. Investors must be aware that other risks and uncertainties which, as of the date of this Base Prospectus, are not known to the Issuer, or are considered immaterial, may have a significant impact on the Issuer, its activities, its financial condition, or the Covered Bonds. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus (including any documents deemed to be incorporated by reference herein) and form their own opinions as to potential risk prior to making any investment decision. Investors should, in particular, conduct their own analysis and evaluation of risks relating to the Issuer, its financial condition and issued Covered Bonds issued under this Programme and consult their own financial and legal advisers about risks associated with investment in a particular Series of Covered Bonds and the suitability of investing in the Covered Bonds in light of their particular circumstances.*

*The Issuer's view is that the Covered Bonds should only be purchased by investors that are (or are advised by) financial institutions or other professional investors who have the knowledge and experience sufficient to appropriately evaluate the risks involved with the Covered Bonds.*

*Words and expressions defined elsewhere in this Base Prospectus shall have the meanings described in the risk factors description below.*

### **Risks related to the Issuer**

*The Issuer has sole liability under the Covered Bonds*

The Issuer is the only entity with the obligation to pay principal and interest with respect to the Covered Bonds. The Covered Bonds are not and will not be the obligation or responsibility of any other entity, including (but not limited to) BNP Paribas (in any capacity but in particular in its capacity as Borrower, Administrator, Cash Collateral Provider or Issuer Calculation Agent), the Dealers, the Representative, the Paying Agents, the Affiliates (if any), the Asset Monitor, any participant to the Hedging Strategy (as applicable) or any company in the same group of companies as any of the foregoing entities, or the shareholders, directors, or agents of any company in the same group of companies as the foregoing entities provided however that:

- (a) the obligations of the Issuer under the 3(a)(2) Covered Bonds only will be guaranteed on a senior basis (the "**US Guarantee**") by BNP Paribas, acting through its New York branch (in such capacity, the "**US Guarantor**"). The US Guarantor's obligations under the US Guarantee constitute direct, unconditional, unsecured and unsubordinated obligations of the US Guarantor and will rank *pari passu* with all present and future unsecured, unconditional and unsubordinated obligations of the US Guarantor, without any preference among themselves and without any preference one above the other by reason of priority of date of issue, currency of payment or otherwise, except for obligations given priority by law; and
- (b) the Borrower, as guarantor, will irrevocably and unconditionally guarantee and hold the Issuer harmless against any liabilities that the Issuer (as lender under the Borrower Facility Agreement) may incur in connection with its funding or making arrangements to fund, through the issuance of Covered Bonds or otherwise, any Borrower Advance made available to the Borrower under the Borrower Facility Agreement (including but not limited to any indemnity payable by the Issuer to any party under any Programme Documents and any termination costs due and payable by the Issuer under any

Hedging Agreement which would not be subordinated to the full and final redemption of the then outstanding Covered Bonds).

In making an investment decision, investors must rely upon their own examination of the Issuer, the Borrower Collateral Security Assets, the terms of the Covered Bonds issued under the Programme and the financial information incorporated in this Base Prospectus. In the case of a Borrower Event of Default, there can be no assurance that the Borrower Collateral Security Assets will be sufficient to pay in full the amounts payable under the Covered Bonds.

*The Issuer relies on BNP Paribas or its successors for its operations and to administer the Programme Documents*

The Issuer has entered into a number of agreements with BNP Paribas, who has agreed to perform services for the Issuer. In particular, but without limitation:

- BNP Paribas has been appointed as Administrator to provide the Issuer with necessary advice, assistance and know-how, whether technical or otherwise in connection with the day to day management and corporate administration of the Issuer and to ensure that the Issuer exercises each of its rights and perform each of its obligations under the Programme Documents;
- BNP Paribas has been appointed as Issuer Calculation Agent, as defined below, to make calculations as provided under the Programme Documents and in particular to make calculations relating to the Asset Cover Test, the Pre-Maturity Test, the Legal Liquidity Test and the Amortisation Test.

Upon certain events occurring, a new entity would have to be appointed to act as Issuer Calculation Agent and Administrator.

Under the relevant Programme Documents, the Issuer may in certain circumstances terminate the appointment of BNP Paribas or any other BNP Paribas Entity that may be appointed (such termination not being effective until a substitute servicer with the required rating shall have replaced BNP Paribas), in which case the transfer of the servicing function to a new servicer outside the BNP Paribas Group may result in delays, increased costs and/or losses in collection of sums due to the Issuer under its assets, could create operational and administrative difficulties for the Issuer, and could adversely affect its ability to perform its obligations under the Covered Bonds.

*The Issuer relies on third parties including BNP Paribas and entities of the Group and their successors for the monitoring of the Collateral Security Assets*

The Issuer has entered into the Borrower Collateral Security Agreement and the Affiliate Collateral Security Agreement with BNP Paribas and the Affiliates, who have agreed to administer and monitor the Collateral Security Assets and/or the Collateral Security.

Under the relevant Programme Documents, the Issuer may terminate the appointment of BNP Paribas or any other entity of the Group that may be appointed (such termination not being effective until a substitute servicer with the required rating shall have replaced BNP Paribas or the relevant entity of the Group), in which case the transfer of the monitoring function to any entity outside the Group may result in delays, increased costs and/or losses for the Issuer, could create operational and administrative difficulties for the Issuer and could adversely affect its ability to perform its obligations under the Covered Bonds. In addition, if the Affiliates and/or the BNP Paribas fail to adequately administer the Collateral Security Assets and/or the Collateral Security, this may lead to diminished value of the Collateral Security or any part thereof, and in turn, the ability of the Issuer to make payments under the Covered Bonds.

*The Issuer relies on third parties including BNP Paribas and entities of the Group and their successors for the hedging of its obligations under the Covered Bonds*

Under the Hedging Strategy, the Issuer is reliant on the entities of the Group (only until a Borrower Event of Default is enforced, subject to, and in accordance with the relevant terms of the Borrower Facility Agreement) and/or any relevant Eligible Hedging Provider(s), as defined below, to provide it with the funds matching its obligations under the Covered Bonds (see "**The Hedging Strategy**").

Failure of entities of the Group and/or any relevant Eligible Hedging Provider(s) to enter into any hedging agreement contemplated by the Hedging Strategy may adversely affect the Issuers' ability to perform its obligations under the Covered Bonds.

*The Issuer relies on BNP Paribas and its successors for the provision of liquidity*

The Issuer has entered into the Cash Collateral Agreement with BNP Paribas (as Cash Collateral Provider), who has agreed to provide liquidity to the Issuer upon certain rating trigger events occurring.

Failure of BNP Paribas to provide liquidity where required under the Cash Collateral Agreement may adversely affect the Issuers' ability to perform its obligations under the Covered Bonds.

*Substitution risk*

In the event of a downgrading of the short-term and/or long-term debt of one (1) or more parties to the Programme Documents (such as the Eligible Hedging Providers, the Issuer Calculation Agent, the Cash Collateral Provider, the Administrator, or the Issuer Accounts Bank), or if under certain other circumstances the substitution of one (1) or more of these parties is appropriate pursuant to the terms of the Programme Documents, no assurance can be given that a substitute entity will be found.

If there is a downgrading of the long-term debt of the Administrator, or another Administrator Termination Event, as defined below, occurs pursuant to the terms of the Administrative Agreement, as defined below, the Issuer will be entitled to terminate the appointment of the Administrator and appoint a new administrator in its place. There can be no assurance that a substitute administrator with sufficient experience would be found who would be willing and able to serve on the same or similar terms found in the Administrative Agreement. In particular, upon the occurrence of any Borrower Event of Default and the subsequent enforcement of the Borrower Collateral Security and the transfer to the Issuer of the Borrower Collateral Security Assets, there can be no assurance that a substitute administrator with sufficient experience of servicing such transferred Borrower Collateral Security Assets could be found who could be willing and able to serve on the same or similar terms found in the Administrative Agreement. The ability of a substitute Administrator to perform the required services fully would depend, among other things, on the information, software and records available at the time of the appointment. Any delay or inability to appoint a substitute Administrator may affect the realisable value of the Issuer Security or any part thereof, and/or the ability of the Issuer to make payments under the Covered Bonds. No Administrator has (nor will have, as applicable) any obligation itself to advance payments that the Borrower fails to make in a timely manner. The Representative is not obliged under any circumstance to act as an Administrator or to monitor the proper performance of obligations by any Administrator.

*Certain conflicts of interest*

The Issuer is a special purpose entity with exclusive and limited purpose, as well as a credit institution (*établissement de crédit*) licensed as a "*société financière*" with the status of *société de financement de l'habitat*, and is intended to be a ring-fenced entity that will be unaffected by the insolvency of the Group, in particular by including limited recourse and non-petition wording in the relevant Programme Documents.

Nonetheless, conflicts of interest may arise during the life of the Programme as a result of various factors involving certain parties to the transaction. For example, potential conflicts may arise when BNP Paribas acts in several capacities under the Programme, as it is allowed to do provided that its rights and obligations under the Programme Documents are not contractually conflicting and are independent from one another. During the course of their business activities, the Programme parties and/or any respective affiliates may operate, service, acquire or sell properties, or finance loans secured by properties, which are in the same markets as the Home Loans. In such case, the interest of any of those parties or their affiliates or the interest of other parties for whom they perform services may differ from, and compete with, the interests of the Issuer or of the Bondholders.

*Insolvency and examinership laws in France could limit the ability of the Bondholders to enforce their rights under the Covered Bonds*

The Issuer, as a *société anonyme*, is subject to French laws and proceedings affecting creditors (including conciliation proceedings (*procédure de conciliation*), safeguard proceedings (*procédure de sauvegarde*) and judicial reorganisation or liquidation proceedings (*procédure de redressement ou de liquidation judiciaires*)).

The Issuer, as a regulated financial institution, is also subject to the provisions of Articles L. 613-25 *et seq.* of the French Monetary and Financial Code (*Code monétaire et financier*). These provisions include in particular specific rules on the opening of an insolvency proceeding against the Issuer, the involvement of the *Autorité de contrôle prudentiel (ACP)* in the event of bankruptcy of the Issuer, specific concepts of suspension of payment (*cessation des paiements*) for the Issuer and some specific rules of liquidation for the Issuer.

As a general principle, the above mentioned insolvency and reorganisation rules favour the continuation of a business and protection of employment over the payment of creditors.

However, the Issuer, as a *société de financement de l'habitat*, benefits from a regime which derogates in many ways from the French legal provisions relating to insolvency proceedings, in particular:

- in accordance with Article L. 515-37 of the French Monetary and Financial Code, the provisions of Article L. 632-2 of the French Commercial Code (*nullités de la période suspecte*) shall not apply to payments made by the Issuer in application of the Programme Documents;
- the bankruptcy proceedings (*procédure de sauvegarde, de redressement ou de liquidation judiciaires*) of a shareholder of the Issuer cannot be extended to the Issuer;
- any service/loan agreement pursuant to which the Issuer has delegated to another credit institution the management or the recovery of loans, exposures, assimilated receivables, securities, instruments, bonds or other sources of financing may be immediately terminated upon the opening of bankruptcy proceedings (*procédure de sauvegarde, de redressement ou de liquidation judiciaires*) affecting that credit institution;
- in case of bankruptcy proceedings (*procédure de sauvegarde, de redressement ou de liquidation judiciaires*) or conciliation proceedings (*procédure de conciliation*) of the Issuer, all cash flows generated by the assets of the Issuer are allocated as a matter of absolute priority to servicing liabilities of the Issuer which benefit from the *Privilège* as they fall due, in preference to all other claims, whether or not secured or statutorily preferred and, until payment in full of the liabilities of the Issuer which benefit from the *Privilège*, no other creditors may take any action against the assets of the Issuer.

As a result of the operation of the SFH legal Framework, in the case of a bankruptcy or insolvency proceedings in respect of the Issuer, the ability of holders of Covered Bonds to exercise their rights under the Covered Bonds may be limited.

*The Issuer filing for bankruptcy will not give rise to the right on the part of holders of the Covered Bonds to declare the Covered Bonds immediately due and payable*

The bankruptcy of the Issuer, which is an event that is customarily considered an event of default under debt instruments giving rise to an absolute or qualified right on the part of the registered holder to declare such debt instrument immediately due and payable, constitutes the occurrence of an Issuer Event of Default under the Terms and Conditions of the Covered Bonds. However, under the SFH legal Framework, the opening of bankruptcy proceedings or of conciliation proceedings with respect to the Issuer will not give rise to the right on the part of the holders of the Covered Bonds to declare the Covered Bonds immediately due and payable since, pursuant to the terms of the French Monetary and Financial Code (*Code monétaire et financier*) mentioned above, all cash flows generated by the assets of the Issuer are allocated as a matter of absolute priority to servicing liabilities of the Issuer which benefit from the *Privilège* as they fall due, in preference to all other claims, whether or not secured or statutorily preferred and, until payment in full of the liabilities of the Issuer which benefit from the *Privilège*, no other creditors may take any action against the assets of the Issuer.

*Limited resources are available to the Issuer*

In the absence of any Borrower Event of Default, the Issuer's ability to meet its obligations under the Covered Bonds will depend on the amount of scheduled principal and interest paid by the Borrower under the Borrower Facility Agreement and the timing thereof and/or, as applicable, the amounts received under any hedging agreement concluded in accordance with the Hedging Strategy and/or the revenue proceeds generated by Permitted Investments, as defined below and/or the available amount under the Share Capital Proceeds Account and/or payments proceeds under Legal Substitution Assets.

Pursuant to the Cash Collateral Agreement, the Issuer will benefit from any Cash Collateral to be provided by the Cash Collateral Provider under the circumstances described under the Cash Collateral Agreement.

Upon the occurrence of a Borrower Event of Default and/or an Affiliate Event of Default and enforcement of the Borrower Collateral Security and/or Affiliate Collateral Security granted by the Borrower and any Affiliate, and without prejudice to any other unsecured recourse the Issuer may have under the Borrower Debt, as defined below, the Issuer's ability to meet its obligations under all the Covered Bonds will depend on the revenue proceeds from the Borrower Collateral Security Assets and the Affiliate Collateral Security Assets granted by the Borrower and any Affiliate which would have been enforced in favour of the Issuer (meaning the amount of principal and interest paid directly to the Issuer by the relevant debtors under the Home Loan Receivables which would have been transferred to the Issuer upon enforcement of such Borrower Collateral Security and/or Affiliate Collateral Security or the price or value of such Home Loan Receivables and related Home Loan Security upon the sale or refinancing thereof by the Issuer) and/or, as applicable the amounts received under any hedging agreement concluded in accordance with the Hedging Strategy, and/or the revenue proceeds generated by Permitted Investments, and/or the amount of any Cash Collateral provided by the Cash Collateral Provider under the Cash Collateral Agreement, and/or the available amount under the Share Capital Proceeds Account, as defined below and/or payments proceeds under Legal Substitution Assets.

If such amounts are not sufficient for the Issuer to meet its obligations under the Covered Bonds, the Issuer will not have any further source of funds available other than the recourse the Issuer has under the Borrower Debt until such Borrower Debt is repaid in full.

The occurrence for whatever reason of an Issuer Event of Default will not automatically trigger the cross occurrence of a Borrower Event of Default, and the Issuer will in the absence of a Borrower Event of Default be unable to enforce the Collateral Security securing the repayment of the Covered Bonds in order to cure such Issuer Event of Default. Therefore, notwithstanding the occurrence of such an Issuer Event of Default while no Borrower Event of Default shall have occurred, the Issuer's ability to meet its obligations under the Covered Bonds will continue to depend only on the amount of scheduled principal and interest paid by the Borrower under the Borrower Facility Agreement and the timing thereof and/or, as applicable, the amounts received under any hedging agreement concluded in accordance with the Hedging Strategy and/or the revenue proceeds generated by Permitted Investments and/or any Cash Collateral and/or the available amount under the Share Capital Proceeds Account.

*Recourse and enforcement with respect to the Issuer is subject to significant limitations*

Payments due under the Covered Bonds are subject to significant limitations as described in Condition 14 "Limited recourse" under "**Terms and Conditions of the Covered Bonds**". Furthermore, payment with respect to the Covered Bonds will be subordinated to the full payment of certain sums pursuant to the then applicable Priority Payment Order and recoverable only from and to the extent of the amount of the Available Funds as described in Condition 15 under "**Terms and Conditions of the Covered Bonds**". No enforcement action under the Covered Bonds may be taken prior to the date which is eighteen (18) months and one (1) day after the earlier of (i) the Final Maturity Date of the last Series issued by the Issuer under the Programme, or (ii) the date of payment of any sums outstanding and owing under the latest outstanding Covered Bond as described in Condition 14 "Non-petition" under "**Terms and Conditions of the Covered Bonds**".

*Permitted Investments*

Any available funds in the Issuer Accounts (prior to their allocation and distribution) may be invested by the Administrator in Permitted Investments. The value of the Permitted Investments may fluctuate depending on the financial markets and the Issuer may be exposed to a credit risk in relation to such Permitted Investments. None of the Arrangers, the Dealers, the Issuer, the Administrator or any other party to the Programme Documents guarantees the market value of the Permitted Investments. None of them shall be liable if the market value of any of the Permitted Investments fluctuates and decreases.

### **Risks related to the Borrower**

#### *Borrower's ability to pay under the Borrower Debt*

Neither the Issuer nor any other party to the Programme Documents (other than, upon certain circumstances, the Cash Collateral Provider and the Affiliates (if any)) guarantees or warrants the full and timely payment by the Borrower of any sums of principal or interest payable under the Borrower Debt, being part of the Issuer Assets.

Should BNP Paribas be subject to any applicable insolvency proceedings (including, the procedures of safeguard, moratorium, suspension of payments, controlled management, liquidation or similar insolvency proceedings), this would impair the ability of the Issuer to claim against BNP Paribas to obtain timely payment of amounts of principal and interest due and payable under the Borrower Debt.

However in such event, the Issuer would be entitled to accelerate the payment of such amounts and then immediately enforce the Borrower Collateral Security or the Cash Collateral (including upon and following the commencement of insolvency proceedings against the Cash Collateral Provider and/or the Borrower).

For a detailed description of certain risks related to the Borrower's operations and industry, investors are directed to pages 5 to 10 of the Information Statement incorporated by reference herein.

### **Risks related to the Affiliates**

#### *Affiliates' ability to pay under the Affiliate Debt*

Neither the Issuer nor any other party to the Programme Documents (other than, upon certain circumstances, the Cash Collateral Provider, the Borrower and the other Affiliates (if any)) guarantees or warrants the full and timely payment by any Affiliate of any sums of principal or interest payable under the Affiliate Debt.

Should an Affiliate be subject to any applicable insolvency proceedings (including, the procedures of safeguard, moratorium, suspension of payments, controlled management, liquidation or similar insolvency proceedings), this would impair the ability of the Issuer to claim against such Affiliate to obtain timely payment of amounts of principal and interest due and payable under the Affiliate Debt.

However in such event, the Issuer would be entitled to accelerate the payment of such amounts and then immediately enforce the Affiliate Collateral Security (including upon and following the commencement of insolvency proceedings against the Affiliate).

#### *Accession of new entities of the Group as Affiliates may increase risk to the Bondholders*

New entities may accede to the Programme as Affiliates by concluding an Affiliate Facility Agreement and an Affiliate Collateral Security Agreement with the Borrower, and this will generally increase the risks of the Bondholders under the Programme.

However, this would only be permitted if such entities are within the Group, upon prior Rating Affirmation, and if the other conditions precedent relating to Affiliates acceding to the Programme are met in accordance with the Programme Documents.

For a detailed description of certain risks related to the BNP Paribas Group, investors are directed to pages 5 to 10 of the Information Statement incorporated by reference herein.

### **Risks related to the Borrower Collateral Security and Affiliate Collateral Security**

#### *No interpretation by French courts of rules applicable to Borrower Collateral Security and Affiliate Collateral Security*

The Home Loan Receivables which will be granted as Borrower Collateral Security and Affiliate Collateral Security in favour of the Issuer for the repayment of the Borrower Debt and the Affiliate Debt extended by the Issuer will be granted in accordance with Articles L. 211-36 to L. 211-40 of the French Monetary and Financial Code implementing Directive 2002/47/EC of the European Parliament and of the Council of 6 June 2002 on

financial collateral arrangements, which has been amended by Directive 2009/44/EC of the European Parliament and of the Council of 6 May 2009 (the "**EU Collateral Directive**").

However, Article L. 211-38 of the Financial Code further states that the establishment and enforceability of a collateral security "*derive from the transfer of the relevant property and rights, the dispossession of the grantor or their control by the beneficiary or a person acting on his behalf*" but there are no guidelines in the EU Collateral Directive, in Article L. 211-38 of the French Monetary and Financial Code, in legal commentaries or in French case law on how to satisfy the "control" requirement in practice and in the context of security over loan receivables such as the security purported to be created over the Home Loan Receivables under each Affiliate Collateral Security Agreement and the Borrower Collateral Security Agreement.

Although these French laws are in full force and effect as of the date of this Base Prospectus, Bondholders should note that French courts have not yet had the opportunity to interpret such rules.

*No prior notification to debtors under the Home Loan Receivables granted as Borrower Collateral Security or as Affiliate Collateral Security*

Each Affiliate Collateral Security Agreement (if any) and the Borrower Collateral Security Agreement will provide that the relevant Home Loans Receivables and Home Loan Security will be granted as Collateral Security without notification to the underlying debtors of such Home Loans. Such debtors will only be notified if and when the relevant Collateral Security is enforced following the occurrence of a Borrower Event of Default, and title to the relevant Home Loans and related Home Loan Security has been transferred to the Issuer. Notification to such debtors will only be effected when upon such Borrower Event of Default, the relevant collateral security has been enforced. As long as no such notification has been given, any payment made by any debtor under the relevant Home Loans to the relevant Affiliate or to the Borrower will be considered valid, as applicable, even though title to such Home Loans will have been validly transferred to the Issuer upon enforcement of the relevant Collateral Security.

There is no guarantee that notification to the debtors under the relevant Home Loans will be made at the times mandated and there can be no guarantee or assurance as to the ability of the Issuer to obtain effective direct payment from the debtors under the relevant Home Loans in a sufficiently timely manner, all of which may affect payments under the Covered Bonds. In such circumstances, a shortfall in distributions of interest or repayment of principal to Bondholders may result. However, also in such circumstances, the Hedging Agreement concluded in accordance with the Hedging Strategy is designed to cover limited amounts of interest on the related Series of Covered Bonds for a limited period of time.

Until notification to the debtors has been given informing them that insolvency proceedings have been opened against the Borrower, a statutory stay of execution under mandatory rules of French insolvency law will prevent the Issuer from taking recourse against the Borrower for repayment of collections received by the Borrower under the relevant Home Loans which are commingled with the Borrower's other funds.

This commingling risk is mitigated by the obligation of the Borrower to grant cash as Borrower Collateral Security to cover such risk upon downgrading of the Borrower credit rating below A-1 (short term by S&P) or F1 (short term) or A (long term) (by Fitch) or P-1 (by Moody's) (or, after the date hereof, any other rating levels as per the most recently public available rating criteria methodology reports published by the Rating Agencies) (see "**The Borrower Collateral Security – The Borrower Collateral Security Agreement – Collection Loss Trigger Event**").

*Set-off by debtors*

Notwithstanding the transfer to the Issuer of the relevant Home Loans and related Home Loan Security upon the occurrence of a Borrower Event of Default which is continuing, the debtors under the relevant Home Loans may be entitled, under restrictive conditions, to set off the relevant Home Loans receivable against a claim they may have vis-à-vis the relevant Borrower or Affiliate. In the absence of contractual arrangements providing for statutory set-off possibilities under the Home Loans (see "**The Borrower Collateral Security – The Borrower Collateral Security Agreement – Home Loan Eligibility Criteria**") or judicial ordered set-off, only mutuality of claims (*connexité*) may allow a set-off by a debtor under a Home Loan. A set-off between inter-related debts (*dettes connexes*) is available as a right. Inter-related debts (*dettes connexes*) mainly result from an economic association. In this latter case, mutuality of claims will be determined on a case by case basis, depending on the factual circumstances then existing. The most likely circumstance where set-off would be considered is when



counterclaims resulting from a current account relationship will allow a debtor to set-off such counterclaims against sums due under a Home Loan. In this situation however, French case law states that there is no mutuality of claims, notwithstanding the fact that instalment under the home loan was to be paid by way of direct debit from the funds standing to the credit of the relevant current account, since the parties did not intend to interrelate their current account relationship and the lending transaction from an economical standpoint.

*Risks related to maintenance of Borrower Collateral Security or Affiliate Collateral Security value prior to or following enforcement thereof*

If the collateral value of the Home Loans Receivables and related Home Loan Security granted as Borrower Collateral Security in favour of the Issuer pursuant to the Borrower Collateral Security Agreement or as Affiliate Collateral Security in favour of the Borrower pursuant to any Affiliate Collateral Security Agreement has not been maintained in accordance with the terms of the Asset Cover Test, the Amortisation Test and the Minimum Legal Collateralisation Test or the other provisions of the Programme Documents, the value of the relevant Collateral Security Assets or any part thereof (both before and after the occurrence of a Borrower Event of Default) or the price or value of such Home Loans Receivables and related Home Loan Security upon the sale or refinancing thereof by the Issuer may be affected.

The value of the properties securing the Home Loans may decrease as a result of any number of factors, including the national or international economic climate, regional economic or housing conditions, changes in tax laws, mortgage interest rates, inflation, the availability of financing, yields on alternative investments, increasing utility costs and other day-to-day expenses, political developments and government policies. In addition, as the properties securing the Home Loans are predominantly located in France, the value of such properties may therefore decline in the event of a general downturn in the value of property in France. In addition, as the properties securing the Home Loans are predominantly located in France, the value of such properties may therefore decline in the event of a general downturn in the value of property in France.

The materialisation of any of the foregoing factors could adversely affect the Issuer's business, financial condition, cash flows and results of operations, and may result in the Issuer having insufficient funds to meet its obligations under the Covered Bonds.

*Sale or refinancing of Home Loan Receivables and related Home Loan Security by the Issuer following enforcement of the Borrower Collateral Security or of the Affiliate Collateral Security*

After title to the Home Loan Receivables granted as Collateral Security and the related Home Loan Security has been transferred to the Issuer upon enforcement of the Collateral Security (the "**Transferred Assets**"), the Administrator will organise the sale or refinancing by the Issuer of such Home Loan Receivables and related Home Loan Security in order for the Issuer to receive sufficient Available Funds to make payments when due under the relevant Series of Covered Bonds (after taking into account all payments to be made in priority thereto according to the relevant Priority Payment Order and the relevant payment dates and Final Maturity Date under each relevant Series of Covered Bonds).

The Administrator will organise the sale or refinancing by the Issuer of the Home Loan Receivables granted as Collateral Security and the related Home Loan Security in accordance with the Administrative Agreement (see "**The Issuer – The Administrative Agreement**").

The Administrative Agreement provides that the Administrator shall ensure that the Transferred Assets which are proposed for sale or refinancing by the Issuer (the "**Selected Assets**") at any relevant date (the "**SARA Relevant Date**") will be selected on a random basis, provided that (i) no more Selected Assets will be selected than are necessary for the estimated sale or refinancing proceeds to equal the Adjusted Required Redemption Amount, and (ii) the aggregate outstanding principal amount or value (and interest accrued thereon) of such Selected Assets shall not exceed the "**Selected Assets Required Amount (SARA)**", which is calculated as follows:

$$\text{SARA} = \text{Adjusted Required Redemption Amount} * A/B$$

where:

**"Adjusted Required Redemption Amount"** means an amount equal to the Euro equivalent of the outstanding principal amount of the first Series of Covered Bonds maturing after the SARA Relevant Date (together with Interest Amount accrued thereon), less amounts standing to the credit of the Issuer Accounts (excluding all amounts to be applied on the first Payment Date following the SARA Relevant Date to repay higher ranking amounts in the relevant Priority Payment Order and those amounts that are required to repay any Series which mature prior to or on the same date as the relevant Series);

**"A"** means the Euro equivalent of the aggregate of the outstanding principal amount or value (together with interest accrued thereon) of all Transferred Assets; and

**"B"** means the Euro equivalent of the outstanding principal amount (together with Interest Amount accrued thereon) in respect of all Series of Covered Bonds then outstanding.

The Administrator (or the Substitute Administrator) acting on behalf of the Issuer will offer the Selected Assets for sale to potential buyers for the best price reasonably available, but in any event for an amount not less than the Adjusted Required Redemption Amount.

If the Selected Assets have not been sold or refinanced (in whole or in part) in an amount equal to the Adjusted Required Redemption Amount by the date which is six (6) months prior to the Final Maturity Date of the Series of Covered Bonds maturing after the SARA Relevant Date (after taking into account all payments, provisions and credits to be made in priority thereto), then the Administrator will (i) organise the offer for sale of the Selected Assets by the Issuer for the best price reasonably available, or (ii) seek a refinancing of the Selected Assets by the Issuer on the best terms reasonably available, even if the price obtained in this case for the Selected Assets is less than the Adjusted Required Redemption Amount.

For the purpose hereof, the Administrator may through a tender process select a portfolio manager of recognised standing which shall be appointed by the Issuer to advise it in relation to the sale or refinancing of the Transferred Assets. This portfolio manager can be appointed by the Issuer on terms intended to incite the portfolio manager to achieve the best price for the sale or refinancing of the Transferred Assets (if such terms are commercially available in the market).

In respect of any sale or refinancing of the Selected Assets, the Administrator shall use all reasonable endeavours to procure that the Selected Assets are sold as quickly as reasonably practicable (in accordance, as the case may be, with the recommendations of the portfolio manager) taking into account the market conditions at that time.

There is no guarantee that a buyer will be found to acquire the Home Loan Receivables granted as Collateral Security and the related Home Loan Security at the times required and there can be no guarantee or assurance as to the price which may be able to be obtained, which may affect the ability of the Issuer to make payments when due under the Covered Bonds.

In addition, with respect to any sale or refinancing of the Home Loan Receivables granted as Collateral Security and the related Home Loan Security to third parties, the Issuer will not be permitted to give warranties or indemnities as to those assets. There is no assurance that representations or warranties previously given by the Borrower or by the relevant Affiliates with respect to such assets pursuant to the terms of the Borrower Collateral Security Agreement and to the relevant Affiliate Collateral Security Agreement may benefit a third party purchaser of such assets upon sale or refinancing thereof by the Issuer. Accordingly, there is a risk that the price or value of such assets upon the sale or refinancing thereof by the Issuer be adversely affected by the lack of representations and warranties which in turn could adversely affect the ability of the Issuer to make payments when due under the relevant Series of Covered Bonds.

### **Risk related to the Home Loans and related Home Loan Security**

#### *Debtors' ability to pay under the Home Loans*

The debtors under the Home Loans are individuals having borrowed under the Home Loans in order to finance the acquisition of real estate property.

If, following enforcement of the Collateral Security, the Issuer does not receive the full amount due from the debtors on such Home Loans, this may affect the ability of the Issuer to make payments under the Covered Bonds.

The Issuer may therefore be exposed to the occurrence of credit risk in relation to the debtors under the Home Loans.

None of the Borrower, the Affiliates, the Issuer or any other party to the Programme Documents guarantees or warrants full and timely payment by the debtors under the Home Loans of any sums payable under such Home Loans.

The ability of a debtor under the Home Loans to make timely payment of amounts due under such Home Loans will mainly depend on his assets and his liabilities as well as his ability to generate sufficient income to make payments under the relevant Home Loans. His ability to generate income may be adversely affected by a large number of factors, some of which (i) relate specifically to the debtor himself (including but not limited to his age and health, employment situation, family situation, creditworthiness or expropriation) or (ii) are more general in nature (such as changes in governmental regulations, fiscal policy, etc.).

Furthermore, the debtors under the Home Loans may benefit from the favourable legal and statutory provisions of the French Consumer Code (*Code de la consommation*), pursuant to which any individual may, under certain circumstances, and subject to certain conditions, request and obtain from the competent court a grace period, a reduction of the amount of all and any of its indebtedness and any interest relating thereto and, as the case may be, (pursuant to (i) law no.98-657 dated 29 July 1998, as amended, and (ii) law no.2003-710 dated 1st August 2003) a full or partial extinguishment of its indebtedness against a credit institution.

#### *No independent investigation – representations and warranties*

None of the Issuer, the Arranger, the Administrator or any other party to any Programme Documents has undertaken or will undertake any investigations, searches or other due diligence regarding the Home Loans, the related Home Loan Security or as to the status and/or the creditworthiness of the debtors under the Home Loans. Each of them has relied solely on the representations and warranties given by the Borrower under the Borrower Collateral Security Agreement and by the relevant Affiliate under the relevant Affiliate Collateral Security Agreement.

If any breach of eligibility criteria relating to any Home Loan Receivable is material and (if capable of remedy) is not remedied, the Borrower shall be required under the Borrower Collateral Security Agreement to provide sufficient eligible Homes Loans Receivables in order to maintain compliance with the Asset Cover Test.

Failure to maintain compliance with the Asset Cover Test and/or Minimum Legal Collateralisation Ratio may result in the Issuer having insufficient funds to meet its obligations under the Covered Bonds.

#### *Limited description of the Home Loans*

The Bondholders will not receive detailed statistics or information in relation to the Home Loans or the Borrower Collateral Security Assets because it is expected that the constitution of the security over the Borrower Collateral Security Assets may constantly change due to, among other things, the Borrower and/or the Affiliates (if any) granting security over additional, and/or new Borrower Collateral Security Assets, and/or Affiliate Collateral Security Assets or Affiliates acceding to the Programme. However, each eligible Home Loan Receivable will be required to meet the applicable eligibility criteria.

#### *Prepayment*

The rate of prepayment of Homes Loans is influenced by a wide variety of economic, social and other factors, including prevailing market interest rates, changes in tax laws (including but not limited to amendments to mortgage interest tax deductibility), local, and regional economic conditions, as well as changes in the debtor's behaviour (including but not limited to home-owner mobility). No guarantee can be given as to the level of prepayment that the Home Loans may experience, and variation in the rate of prepayments of principal on the Home Loans may affect the ability of the Issuer to have sufficient funds to make payments under the Covered Bonds upon the service of a Borrower Enforcement Notice, and effect subsequent transfer of title to the Home Loan Receivables and Home Loan Security in favour of the Issuer.

*Changes to the lending criteria of the Borrower and of the Affiliates*

Each of the Home Loans originated by the Borrower or by an Affiliate (if any) will have been originated in accordance with its lending criteria at the time of origination. It is expected that each Borrower's or Affiliate's lending criteria will generally consider the type of financed property, term of loan, age of applicant, the loan-to-value ratio, the status of applicants and their credit history. One (1) of the Home Loans Eligibility Criteria requires that, prior to the date upon which the Home Loan has been made available to the borrower thereof, all scoring and lending criteria and preconditions as applied by the originator of the Home Loan pursuant to its customary lending procedures be satisfied. Each of the Borrower or the relevant Affiliate (if any) retains the right to revise its lending criteria from time to time. If the lending criteria changes in a manner that affects the creditworthiness of the Home Loans, that may lead to increased defaults by borrowers thereof and may affect the realisable value of the Borrower Collateral Security Assets, or of the Affiliate Collateral Security Assets, or a part thereof, and may affect the ability of the Issuer to make payments under the Covered Bonds upon the service of a Borrower Enforcement Notice, and ultimately effect transfer of title to the Home Loan Receivables and Home Loan Security in favour of the Issuer.

*Foreclosing on real property granted as security under French law governed Mortgages*

French legal procedures to be followed in relation to the enforcement of French law governed Mortgages and related expenses may affect the Issuer's ability to liquidate the properties secured under such Mortgages efficiently and in a timely manner. An outline of these procedures is set out below. (Specific rules are provided for lender's privileges and mortgages registered in the departments of Haut-Rhin, Bas-Rhin and Moselle. However, these specific rules do not substantially change the outline of these procedures set out below.)

Foreclosure on property located in France by secured creditors (*saisie immobilière*) may require the sale of the property at a public auction (*vente aux enchères*) if the sale cannot be made voluntarily by the debtor (*conversion en vente volontaire* or *à l'amiable*). The foreclosure procedure may take up to one (1) and a half years in normal circumstances. The beneficiary of a lender's privilege or a mortgage will rank, with respect to sale proceeds, in the order of priority of registration of privileges and mortgages (*droits de préférence*) encumbering such property (Article 2458 of the French Civil Code (*Code civil*)). The first step in the foreclosure procedure consists of delivering a foreclosure notice to the debtor by a bailiff or *huissier* (a process server or *commandement de saisie immobilière*). This notice is filed at the French Land and Charges Registry having jurisdiction in the district where the real property is located. The next step is to instruct a local lawyer (*avocat*) to prepare the terms of the sale of the property at auction, including the reserve price of the relevant real property (such instruction is not mandatory in the departments of Haut-Rhin, Bas-Rhin and Moselle). Finally, a number of legal notices are required to be given prior to the sale. The debtor may file objections against such foreclosure (including the reserve price), the validity of which will be decided by a competent court. If no bid is made at the public auction, and provided there is only one (1) foreclosing creditor, such foreclosing creditor is declared the highest bidder and is thus obliged to purchase the property at a reserve price specified in the terms of the sale. Rules applicable to the *saisie immobilière* procedure have been recently modified by an act (*ordonnance n° 2006-461 réformant la saisie immobilière*) dated 21 April 2006. This new legislation (Articles 2190 *et seq.* of the French Civil Code (*Code civil*)) came into force on 1 January 2007. The purpose of the legislation is to simplify the foreclosure process by encouraging voluntary sales (*ventes à l'amiable*), and to reduce the duration and complexity of the foreclosure process.

In accordance with Article 2461 of the French Civil Code (*Code civil*), secured creditors will continue to benefit from the lender's privilege or mortgage, even if the property is transferred by the debtor to a third party without the Lenders' consent. This right is known as *droit de suite*. If the secured creditor wishes to exercise this right, an order to pay is required to be served on the debtor by a bailiff and notice is required to be served on the third party to whom the relevant secured property was transferred (*tiers détenteur de l'immeuble hypothéqué*) with a view either to pay the debt secured over the property or to surrender the property at an auction.

The exercise of the *droit de suite* is often frozen due to an "advanced clearing" of the privileges and mortgages granted over the relevant property (*purge des privilèges et hypothèques*). If the debtor and all secured creditors agree, in accordance with Article 2475 of the French Civil Code (*Code civil*), for sale proceeds to be allocated (*affecté*) to them, the secured creditors exercise their preferential rights (*droits de préférence*) over the sale proceeds, the payment of which will discharge all privileges and mortgages granted over the property (*purge amiable*). If no agreement is reached (for instance if the sale price of the property is substantially below the amount of the secured debt), the third party will still be entitled to offer to pay the sale price to the secured

creditors in order to clear all privileges and mortgages granted over the relevant property (*purge judiciaire*, Articles 2478 *et seq.* of the French Civil Code (*Code civil*)). Secured creditors may refuse this offer if they believe that the sale price has been underestimated by the debtor and the third party. In this case, an auction will be ordered with a minimum bid which is the price offered by the relevant third party being made to the secured creditor, plus ten per cent (10%).

The Issuer's ability to liquidate the properties secured under the Home Loans efficiently and in a timely manner, and in turn to make payments when due on the Covered Bonds, may be adversely affected by the legal procedures described above.

#### *Enforcement of Home Loan Guarantees*

Following enforcement of the Borrower Collateral Security and of the Affiliate Collateral Security, title to the Home Loans Receivables and Home Loan Security is transferred in favour of the Issuer. Notification of the debtors under such Home Loans is then given, and the Issuer enforces its rights under the relevant Home Loan Guarantees against the guarantor. If thereafter, such guarantor does not pay in whole or in part any amounts due under the relevant Home Loan Guarantees for whatever reason or does not pay such amounts in a timely manner, this may affect the ability of the Issuer to make payments under the Covered Bonds.

### **Risks relating to swaps and options derivatives**

#### *Interest and currency risks*

Each Borrower Advance granted by the Issuer for the benefit of the Borrower under the Borrower Facility Agreement shall be made available in the same Specified Currency and according to the same interest conditions as those applicable to the Covered Bonds funding such Borrower Advance. As a consequence, as long as a Borrower Event of Default has not occurred, the Issuer shall not be exposed to any currency and interest risk regarding the Borrower Debt and the Covered Bonds.

There is no assurance that the Loans that are part of the Borrower Collateral Security and of the Affiliate Collateral Security (if any) bear interest by way of the same conditions as those of the Covered Bonds and are denominated in the same currency as the Covered Bonds. Upon the occurrence of a Borrower Event of Default which continuing unremedied and the enforcement of the Borrower Collateral Security and the Affiliate Collateral Security (if any), Home Loan Receivables and related Homes Loans Security will be transferred to the Issuer. In this case, in order to hedge the potential mismatch of the interest rates applicable to the Covered Bonds and to the Home Loan Receivables and the potential mismatch of currencies, the Issuer shall apply the Hedging Strategy as from the occurrence of the Hedging Rating Trigger Event, as defined below. However, there can be no assurance that the Hedging Strategy will adequately address such hedging risks.

#### *Hedging strategy*

Upon the occurrence of the Hedging Rating Trigger Event, no assurance can be given that the hedging documentation agreed under the Hedging Strategy will be concluded, and in particular, that all the relevant Eligible Hedging Provider(s) will be found and will accept to conclude the hedging documentation as agreed under the Hedging Strategy. Upon the occurrence of a Hedging Rating Trigger Event, a failure by the Issuer (or the Administrator on its behalf) to enter into any Issuer Hedging Agreement, as defined below, with any relevant Eligible Hedging Provider or enter into any Borrower Hedging Agreement, as defined below, with BNP Paribas within thirty (30) calendar days from the occurrence date of such Hedging Rating Trigger Event, as described under the Hedging Strategy, constitutes the occurrence of an Issuer Event of Default and a Borrower Event of Default. Moreover, in certain circumstances, the hedging documentation contemplated under the Hedging Strategy may be terminated, and as a result the Issuer may be unhedged if replacement interest rates and/or currency derivative transactions are not entered into.

### **Risks related to Covered Bonds generally**

*The Covered Bonds may not be a suitable investment for all investors*

Each prospective investor in the Covered Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each prospective investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Covered Bonds and weigh the merits and risks of investing in the relevant Covered Bonds. The prospective investor should have sufficient knowledge in experience for the purpose of properly evaluating the information contained or incorporated by reference in this Base Prospectus or any applicable supplement to this Base Prospectus and the relevant Final Terms;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Covered Bonds and the impact the relevant Covered Bonds will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Covered Bonds, including Covered Bonds with principal or interest payable in one (1) or more currencies, or where the currency for principal or interest payments is different from the prospective investor's currency;
- (d) understand thoroughly the terms of the relevant Covered Bonds and be familiar with the behaviour of any relevant indices and financial markets;
- (e) 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
- (f) be aware, in terms of any legislation or regulatory regime applicable to such investor, of the applicable restrictions (if any) on its ability to invest in Covered Bonds generally and in any particular type of Covered Bonds.

Some Covered Bonds are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to overall portfolios. A prospective investor should not invest in Covered Bonds which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Covered Bonds will perform under changing conditions, the resulting effects on the value of such Covered Bonds, and the impact this investment will have on the prospective investor's overall investment portfolio. For certain Index-Linked Covered Bonds, the amount of principal payable at redemption may be less than their nominal amount or even zero.

#### *Modification of the Conditions of English Law Covered Bonds*

The Terms and Conditions applicable to English Law Covered Bonds permit in certain cases defined majorities to bind all holders of English Law Covered Bonds including Bondholders who did not attend and vote at the relevant meeting and holders of English Law Covered Bonds who voted in a manner contrary to the majority. The meeting may deliberate on any proposal relating to the modification of the Conditions including any proposal, whether for arbitration or settlement, relating to rights in controversy or which were the subject of judicial decisions, as more fully described in Condition 12(a).

#### *Modification of the Conditions of French Law Covered Bonds*

The holders of French Law Covered Bonds will, in respect of all Tranches in any Series, be grouped automatically for the defence of their common interest in a *masse*, as defined in Condition 12(b), and a General Meeting can be held thereto. The Terms and Conditions applicable to French Law Covered Bonds permit in certain cases defined majorities to bind all holders of French Law Covered Bonds including Bondholders who did not attend and vote at the relevant General Meeting and holders of French Law Covered Bonds who voted in a manner contrary to the majority. The General Meeting may deliberate on any proposal relating to the modification of the Conditions including any proposal, whether for arbitration or settlement, relating to rights in controversy or which were the subject of judicial decisions, as more fully described in Condition 12(b).

#### *Change of law*

The Terms and Conditions of the Covered Bonds are based on English law in the case of English Law Covered Bonds, and French law in the case of French Law Covered Bonds, in each case, in effect as at the date of this

Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or French law (as applicable) or administrative practice after the date of this Base Prospectus.

#### *Impact of regulatory changes*

The Issuer is subject to financial services laws, regulations, administrative actions and policies in each jurisdiction in which it carries on business. Changes in supervision and regulation, in particular in France, could materially affect the Issuer's business, the products and services offered or the value of its assets. Although the Issuer works closely with its regulators and continually monitors its environment, future changes in regulation, fiscal or other policies can be unpredictable and are beyond the control of the Issuer.

#### *Taxation*

Potential purchasers and sellers of the Covered Bonds should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Covered Bonds 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 Covered Bonds. Potential investors are advised not to rely upon the tax summary contained in this Base Prospectus and/or in the Final Terms but to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, holding, sale and redemption of the Covered Bonds. Only these advisors are 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 Base Prospectus and the additional tax sections, if any, contained in the relevant Final Terms.

#### *EU Savings Directive*

On 3 June 2003, the European Council of Economics and Finance Ministers adopted a directive 2003/48/EC regarding the taxation of savings income in the form of interest payments (the "**Saving Directive**"). The Saving Directive requires Member States, subject to a number of conditions being met, to provide to the tax authorities of other Member States details of payments of interest and other similar income made by a paying agent located within their jurisdiction to an individual resident in that other Member State, except that, for a transitional period, Luxembourg and Austria will instead withhold an amount on interest payments unless the relevant beneficial owner of such payment elects otherwise and authorises the paying agent to disclose the above information (see "Taxation – EU Savings Directive").

If a payment were to be made or collected through a Member State which has opted for a withholding system and tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Covered Bond as a result of the imposition of such withholding tax.

#### *US Guarantee only for the benefit of 3(a)(2) Covered Bonds*

The US Guarantee is granted for the benefit of the 3(a)(2) Covered Bonds only.

#### *The Covered Bonds and the US Guarantee are not Registered under the Securities Act*

The Covered Bonds have not been, and will not be, registered under the Securities Act or under any state securities laws.

The 144A Covered Bonds are being offered in certain limited circumstances to investors in the United States that are QIBs in reliance on the exemption from registration provided by Rule 144A. In addition, Regulation S Covered Bonds may be offered outside the United States to non-U.S. persons pursuant to Regulation S. There are restrictions on the transfer of 144A Covered Bonds and Regulation S Covered Bonds. See "Transfer Restrictions".

The 3(a)(2) Covered Bonds and the US Guarantee are not required to be and are not registered under the Securities Act or under any state securities laws. The 3(a)(2) Covered Bonds and US Guarantee are being offered pursuant to the registration exemption contained in Section 3(a)(2) of the Securities Act.

Neither the SEC nor any state securities commission or regulatory authority has recommended or approved the Covered Bonds or the US Guarantee, nor has any such commission or regulatory authority reviewed or passed upon the accuracy or adequacy of this base prospectus or any applicable supplement.

*The Covered Bonds are not insured by the FDIC*

The Covered Bonds are not deposit liabilities of BNP Paribas and neither the Covered Bonds nor your investment in the Covered Bonds are insured by the FDIC or any other governmental agency of the United States, France or any other jurisdiction.

**Risks related to the structure of a particular issue of Covered Bonds**

Covered Bonds issued under the Programme will either be fungible with an existing Series or have different terms to an existing Series (in which case they will constitute a new Series). All Covered Bonds issued from time to time will rank *pari passu* with each other in all respects.

A wide range of Covered Bonds may be issued under the Programme. A number of these Covered Bonds may have features which contain particular risks for prospective investors. Set out below is a description of the most common of such features:

*Covered Bonds subject to optional redemption by the Issuer*

An optional redemption feature of Covered Bonds is likely to limit their market value. During any period when the Issuer may elect to redeem Covered Bonds, the market value of such Covered Bonds generally will not rise substantially above the price at which they can be redeemed. This also may be true prior for any redemption period.

*Fixed Rate Covered Bonds*

Investment in Covered Bonds which bear interest at a fixed rate involves the risk that subsequent changes in market interest rates may adversely affect the value of the relevant Tranche of Covered Bonds.

*Floating Rate Covered Bonds*

Investment in Covered Bonds which bear interest at a floating rate comprises (i) a reference rate and (ii) a margin to be added or subtracted, as the case may be, from such base rate. Typically, the relevant margin will not change throughout the life of the Covered Bonds but there will be a periodic adjustment (as specified in the relevant Final Terms) of the reference rate (e.g., every three months or six months) which itself will change in accordance with general market conditions. Accordingly, the market value of floating rate Covered Bonds may be volatile if changes, particularly short term changes, to market interest rates evidenced by the relevant reference rate can only be reflected in the interest rate of these Covered Bonds upon the next periodic adjustment of the relevant reference rate.

*Index-Linked Covered Bonds and Dual Currency Covered Bonds*

Subject to prior Rating Affirmation, the Issuer may issue Covered Bonds with principal or interest determined by reference to an index or formula, movements in currency exchange rates or other factors (each, a "**Relevant Factor**"). In addition, the Issuer may issue Covered Bonds with principal or interest payable in one (1) or more currencies which may be different from the currency in which the Covered Bonds are denominated. Prospective investors should be aware that:

- (a) the market price of such Covered Bonds may be volatile;
- (b) they may receive no interest;
- (c) payment of principal or interest may occur at a different time or in a different currency than expected;
- (d) the amount of principal payable at redemption may be less than the nominal amount of such Covered Bonds or even zero;



- (e) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (f) if a Relevant Factor is applied to Covered Bonds in conjunction with a multiplier greater than one (1) or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (g) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

#### *Zero Coupon Covered Bonds*

Changes in market interest rates have a substantially stronger impact on the prices of Zero Coupon Covered Bonds than on the prices of ordinary Covered Bonds because the discounted issue prices are substantially below par. If market interest rates increase, Zero Coupon Covered Bonds can suffer higher price losses than other Covered Bonds having the same maturity and credit rating. Due to their leverage effect, Zero Coupon Covered Bonds are a type of investment associated with a particularly high price risk.

#### *Partly-paid Covered Bonds*

The Issuer may issue Covered Bonds where principal amount and redemption price is payable in more than one (1) instalment. Failure to pay any subsequent instalment could result in an investor losing some or all of his investment.

#### *Variable Rate Covered Bonds with a multiplier or other leverage factor*

Covered Bonds with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

#### *Inverse Floating Rate Covered Bonds*

Inverse Floating Rate Covered Bonds have an interest rate equal to a fixed rate minus a rate based upon a reference rate. The market values of such Covered Bonds typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Covered Bonds are more volatile because an increase in the reference rate not only decreases the interest rate of the Covered Bonds, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Covered Bonds.

#### *Fixed/Floating Rate Covered Bonds*

Fixed/Floating Rate Covered Bonds may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Covered Bonds since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Covered Bonds may be less favourable than then prevailing spreads on comparable Floating Rate Covered Bonds tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Covered Bonds. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Covered Bonds.

#### *Covered Bonds issued at a substantial discount or premium*

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

*Decisions of majority holders of English Law Covered Bonds may bind all holders of the relevant Series*

Any Extraordinary Resolution permitting the service of an Issuer Enforcement Notice, and any approval via an Extraordinary Resolution to take any action as provided under this Base Prospectus must be passed at a meeting of the holders of the English Law Covered Bonds of a single Series then outstanding and cannot be decided upon at a meeting of the holders of the English Law Covered Bonds of all Series. Any Extraordinary Resolution permitting the service of an Issuer Enforcement Notice will be effective for all the holders of the English Law Covered Bonds, including the holders of the English Law Covered Bonds who did not attend and vote at the relevant meeting and the holders of the English Law Covered Bonds who voted in a manner contrary.

*Certain decisions of majority holders of French Law Covered Bonds may bind all holders of the relevant Series*

Any resolution to direct the Representative to serve an Issuer Enforcement Notice, and any direction to the Representative to take any action as provided under this Base Prospectus must be passed at a single meeting of the holders of the French Law Covered Bonds of a single Series then outstanding and cannot be decided upon at a meeting of the holders of the French Law Covered Bonds of all Series. Any resolution to direct the Representative to serve an Issuer Enforcement Notice will be effective for all the holders of the French Law Covered Bonds, including the holders of the French Law Covered Bonds who did not attend and vote at the relevant meeting and the holders of the French Law Covered Bonds who voted in a manner contrary.

*Ratings of the Covered Bonds and Rating Affirmation*

The ratings assigned to the Covered Bonds by the Rating Agencies are based on the Collateral Assets, the Collateral Security, the Home Loans and Home Loan Security, the Cash Collateral, the *Privilège* and the other relevant structural and credit enhancement features provided for under the Programme Documents, including, among other things, the short-term and/or long-term unsecured, unguaranteed and unsubordinated debt ratings of the parties to the Programme Documents, and reflect only the views of the Rating Agencies. The ratings address the likelihood of full and timely receipt by any of the relevant Bondholders of interest on the Covered Bonds and the likelihood of receipt by any relevant Bondholder of principal of the Covered Bonds by the relevant Final Maturity Date. There is no assurance that any such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by any of the Rating Agencies as a result of changes in or unavailability of information or if, in the judgement of the Rating Agencies, circumstances so warrant. A qualification, downgrade or withdrawal of any of the ratings mentioned above may impact upon both the value of the Covered Bonds or their marketability in secondary market transactions.

The Rating Agencies will be notified of the exercise of certain discretions exercised by or on behalf of the Issuer under the Programme Documents. However, the Rating Agencies are under no obligation to revert to the Issuer (or any of its agents) regarding the impact of the exercise of such discretion on the ratings of the Covered Bonds and any decision as to whether or not to confirm, downgrade, withdraw or qualify the ratings of all classes or any class of Covered Bonds based on such notification may be made at the sole discretion of the Rating Agencies at any time, including after the relevant action has been taken.

Where, after the Programme Date, as defined below, a particular matter such as that referred to in the preceding paragraph or any other matter involves the Rating Agencies being requested a prior Rating Affirmation, the Rating Agencies, at their sole discretion, may or may not give such affirmation. It should be noted that, depending on the timing of delivery of the request and any information needed to be provided as part of any such request, it may be the case that the Rating Agencies cannot provide the relevant affirmation in the time available or at all and they will not be held responsible for the consequences thereof. Any affirmation received from the Rating Agencies, if given, will be given on the basis of the facts and circumstances prevailing at the relevant time and in the context of cumulative changes to the transaction of which the Covered Bonds form part since the Programme Date. Furthermore, in the event that the Rating Agencies gives a Rating Affirmation, this will be on the basis of full and timely receipt by the relevant Bondholders of interest on the Covered Bonds and the likelihood of receipt of principal of the Covered Bonds by the relevant Final Maturity Date. There is no assurance that after any such affirmation, the then current ratings of the Covered Bonds will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by one (1) or more of the Rating Agencies for any of the reasons specified above in relation to the original ratings of the Covered Bonds. As such an affirmation of the ratings of the Covered Bonds by the Rating Agencies is not a representation or warranty that, as a result of a particular matter, the interest and principal due under the Covered Bonds will be paid or repaid in full and when due.

Agencies other than the Rating Agencies could seek to rate the Covered Bonds and if such unsolicited ratings are lower than the comparable ratings assigned to the Covered Bonds by the Rating Agencies, those unsolicited ratings could have an adverse effect on the value and the marketability of the Covered Bonds. For the avoidance of doubt and unless the context otherwise requires, any references to "ratings" or "rating" in this Base Prospectus are to ratings assigned by the specified Rating Agencies only.

#### *Implementation of Basel II Risk-Weighted Asset Framework*

In June 1999, the Basel Committee on Banking Supervision (the "**Basel Committee**") issued proposals for the reform of the 1988 Basel Capital Accord and proposed a new capital adequacy framework which would place enhanced emphasis on risk sensitivity and market discipline. On 26 June 2004, the Basel Committee published a new Capital Accord under the title "Basel II International Convergence of Capital Measurement and Capital Standards: a Revised Framework" ("**Basel II**"), an updated version of which was published in November 2005. Basel II has been implemented into the EU legislation through the directives no. 2006/48 and no. 2006/49 (the "**Capital Requirements Directives**") both dated 14 June 2006. In France, the provisions of the Capital Requirements Directives providing for a new solvency ratio have been implemented through the arrêtés dated 20 February 2007 and the *ordonnance* no. 2007-571 dated 19 April 2007 relating to the credit institutions, the investment firms and *sociétés de crédit foncier*. Please note also that the *arrêté* dated 25 August 2010 transposing the Capital Requirements Directives, which has entered into effect on 31 December 2010, has amended the French prudential control requirements applicable to credit institutions and investment firms.

This implementation has brought about many substantial changes to the current system of capital requirements, prudential oversight and risk-management systems, including those of the Issuer. The direction and the magnitude of the impact of Basel II obviously depends on the particular asset structure of each bank and its precise impact on the Issuer cannot be quantified with certainty at this time. The Issuer may operate its business in ways that may be less profitable than its present operation in complying with the new guidelines resulting from the transposition of the Capital Requirements Directives.

In addition, the implementation of Basel II could affect the risk weighing of the Covered Bonds in respect of certain investors if those investors are subject to the new guidelines resulting from the implementation of the Capital Requirements Directives. Accordingly, recipients of this Base Prospectus should consult their own advisers as to the consequences and effects the implementation of the Capital Requirements Directives could have on them.

#### *Forecasts and estimates*

Estimates of the weighted average lives of the Covered Bonds contained in this Base Prospectus, together with any other projections, forecasts and estimates in this Base Prospectus are forward-looking statements. Such projections are speculative in nature and it can be expected that some or all of the assumptions underlying the projections will not prove to be wholly correct or will vary from actual results. Consequently, the actual results might differ from the projections and such differences might be significant.

### **Risks related to the market generally**

#### *An active trading market for the Covered Bonds may not develop*

Covered Bonds may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Covered Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Covered Bonds that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Covered Bonds generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have an adverse effect on the market value of Covered Bonds.

#### *Exchange rate risks and exchange controls*

The Issuer will pay principal and interest on the Covered Bonds in the Specified Currency. 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 the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency 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 Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Covered Bonds, (2) the Investor's Currency-equivalent value of the principal payable on the Covered Bonds and (3) the Investor's Currency-equivalent market value of the Covered Bonds.

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.

*Interest rate risks*

Investment in Fixed Rate Covered Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Covered Bonds.

*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 prospective investor should consult its legal advisers to determine whether and to what extent (1) Covered Bonds are legal investments for it, (2) Covered Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Covered Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Covered Bonds under any applicable risk-based capital or similar rules.

*English Law Covered Bonds where denominations involve integral multiples*

In relation to any issue of English Law Covered Bonds which have a denomination consisting of the minimum Denomination of €100,000 (or its equivalent in another currency) plus higher integral multiples of another smaller amount, it is possible that the English Law Covered Bonds may be traded in amounts in excess of €100,000 (or its equivalent in another currency) that are not integral multiples of €100,000 (or its equivalent in another currency). In such a case a Bondholder who, as a result of trading such amounts, holds a nominal amount of less than the minimum Denomination will not receive a Definitive English law Covered Bond in respect of such holding (should definitive English Law Covered Bonds be printed) and would need to purchase a nominal amount of English Law Covered Bonds such that it holds an amount equal to one or more Denominations in order to receive Definitive English Law Covered Bonds.

## US GUARANTEE OF 3(A)(2) COVERED BONDS

The obligations of the Issuer under the 3(a)(2) Covered Bonds only will be guaranteed on a senior basis (the "**US Guarantee**") by BNP Paribas, acting through its New York branch (in such capacity, the "**US Guarantor**"). The US Guarantor's obligations under the US Guarantee constitute direct, unconditional, unsecured and unsubordinated obligations of the US Guarantor and will rank *pari passu* with all present and future unsecured, unconditional and unsubordinated obligations of the US Guarantor, without any preference among themselves and without any preference one above the other by reason of priority of date of issue, currency of payment or otherwise, except for obligations given priority by law. The US Guarantee is available for inspection at the principal office of BNP Paribas Securities Services, Luxembourg Branch, as Fiscal Agent and Principal Paying Agent for English Law Covered Bonds.

### THE BRANCH

BNP Paribas operates the New York branch (the "**Branch**") pursuant to a license issued by the Superintendent in 1976. The Branch conducts an extensive banking business serving U.S. and non-U.S. customers including French clients of BNP Paribas and their U.S. subsidiaries. The Branch's principal office is located at 787 Seventh Avenue, New York, New York 10019, and its telephone number is (212) 841-2000.

### SUPERVISION AND REGULATION OF THE BRANCH AND BNP PARIBAS IN THE UNITED STATES

The U.S. banking operations of BNP Paribas, including those conducted through the Branch, are subject to extensive state and U.S. federal regulation and supervision.

#### *New York State Law*

BNP Paribas is licensed by the New York Superintendent of Banks (the "**Superintendent**") under the New York Banking Law (the "**NYBL**") to conduct a commercial banking business in the state of New York through the Branch. The Branch is examined by the New York State Banking Department and the Federal Reserve System and is subject to banking laws and regulations applicable to a foreign bank that operates a New York branch.

Under the NYBL and regulations adopted by the New York Banking Board, BNP Paribas must maintain for the Branch, with banks in the State of New York, high-quality eligible assets, which are pledged to the Superintendent for certain purposes. The amount of assets required to be pledged is generally determined on the basis of a sliding scale (whereby the amount of assets required to be pledged as a percentage of the third-party liabilities of BNP Paribas decreases as such liabilities increase) in the case of foreign banking corporations that have been designated as "well-rated" by the Superintendent, as BNP Paribas is currently designated. Should BNP Paribas cease to be "well-rated" by the Superintendent, it may need to maintain substantial additional amounts of eligible assets with banks in the State of New York. The Superintendent is also empowered to require a New York branch of a foreign bank to maintain in New York specified assets equal to such percentage of certain of the branch's liabilities as the Superintendent may designate. Currently, the Superintendent has set this percentage at 0%, although specific asset maintenance requirements may be imposed upon individual branches on a case-by-case basis. The Superintendent has not prescribed such a requirement for the Branch.

The NYBL authorizes the Superintendent to take possession of the business and property of a foreign banking corporation in the State of New York and its New York branch under certain circumstances, generally involving violation of law, conduct of business in an unauthorized or unsafe manner, capital impairment, the suspension of payment of obligations, initiation of liquidation proceedings against the foreign bank, or reason to doubt the foreign bank's ability to pay in full the claims of its creditors. Pursuant to the NYBL, when the Superintendent takes possession of a foreign bank's business and property in the State of New York, it succeeds to the branch's assets and the assets of the foreign bank located in New York State. In liquidating or dealing with the branch's business after taking possession of the branch, the Superintendent will accept for payment out of the branch's assets only the claims of depositors and other creditors unaffiliated with the foreign bank that arose out of transactions with the branch (without prejudice to the rights of the holders of such claims to be satisfied out of other assets of the foreign bank). After such claims are paid out of the business and property of the foreign bank

in New York, the Superintendent would turn over the remaining assets, if any, to the foreign bank or its duly appointed liquidator or receiver.

The Branch is generally subject under the NYBL to the same single borrower (or issuer) lending and investment limits applicable to a New York State-chartered bank, except that for the Branch such limits, which are expressed as a percentage of capital, are based on the worldwide capital of BNP Paribas.

The NYBL also requires foreign banking corporations to make written reports on an ongoing basis to the Superintendent showing the amount of their assets and liabilities and containing such other matters as the Superintendent prescribes.

### *U.S. Federal Law*

In addition to being subject to New York laws and regulations, the Branch is also subject to U.S. federal regulation.

### *Regulatory Developments*

In July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “**Dodd-Frank Act**”) was signed into law. Although the Dodd-Frank Act calls for significant structural reforms and new substantive regulation across the financial industry, implementation will require further detailed rulemaking and interpretation over several years by different U.S. regulators, including the Department of the Treasury, the Board of Governors of the Federal Reserve System (the “**Federal Reserve Board**”), the SEC, the Federal Deposit Insurance Corporation (the “**FDIC**”), the Commodity Futures Trading Commission (the “**CFTC**”) and the newly created Financial Stability Oversight Council (the “**Council**”). In imposing heightened capital, leverage, liquidity and other prudential standards on foreign banking organizations such as BNP Paribas, the Federal Reserve Board is directed to take into account the principle of national treatment and equality of competitive opportunity, and the extent to which the foreign bank is subject to comparable home country standards.

Among other things, the Dodd-Frank Act will limit the ability of banking entities to sponsor or invest in private equity or hedge funds or to engage in certain types of proprietary trading in the United States, requires that sizable financial holding companies, such as BNP Paribas, provide prior notice to the Federal Reserve Board of certain large acquisitions of non-bank companies, and provides U.S. regulators with tools to provide greater capital, leverage and liquidity requirements and other prudential standards, particularly for financial institutions that pose significant systemic risk. Increased capital requirements are also expected to apply to holding companies that BNP Paribas maintains over its U.S. Subsidiary Banks (as defined below). The Dodd-Frank Act establishes a new regime for the orderly liquidation of systemically significant financial companies and authorizes assessments on financial institutions with U.S.\$50 billion or more in consolidated assets to repay debts that may be owed to the U.S. Treasury Department in connection with a liquidation under the new insolvency regime.

In addition, the Dodd-Frank Act will create an extensive framework for the regulation of over-the-counter derivatives (which may require BNP Paribas to restructure the manner in which it conducts certain of these activities), requires broader regulation of hedge funds and private equity funds, as well as credit agencies, and imposes new requirements with respect to asset securitization activities. Under the Dodd-Frank Act, entities of BNP Paribas that are swap dealers, security-based swap dealers, major swap participants or major security-based swap participants will be required to register with the SEC or CFTC, or both, and will become subject to the requirements as to capital, margin, business conduct, recordkeeping and other requirements applicable to such entities. The details of these requirements will be established through numerous regulations to be issued by various U.S. regulatory authorities.

The Dodd-Frank Act also grants the SEC discretionary rule-making authority to impose a new fiduciary standard on brokers, dealers and investment advisers and expands the extraterritorial jurisdiction of U.S. courts over actions brought by the SEC or the United States with respect to violations of the antifraud provisions in the Securities Act, the Exchange Act and the Investment Advisers Act.

Other legislative proposals or future rulemaking, either under U.S. Federal or New York State law, could also potentially have a material adverse effect on the business of BNP Paribas and the operations of the Branch. Implementation of the Dodd-Frank Act and related final regulations could result in additional costs or limit or restrict the way BNP Paribas conducts its business, although uncertainty remains about the details, impact and timing of these changes.

*U.S. Bank Regulatory Framework*

The Branch is also subject to regulation under the International Banking Act of 1978, as amended (the "**IBA**"), including the amendments to the IBA made pursuant to the Foreign Bank Supervision Enhancement Act of 1991 (the "**FBSEA**"). Under the IBA, as amended by the FBSEA, all U.S. branches of foreign banks, such as the Branch, are subject to reporting and examination requirements of the Federal Reserve Board, which acts as the U.S. "umbrella supervisor" of BNP Paribas. In addition, most U.S. branches and agencies of foreign banks, including the Branch, are subject to Federal Reserve Board requirements and limitations on the acceptance and maintenance of deposits and restrictions on the payment of interest on demand deposits (although the prohibition on the payment of interest on demand deposits will be removed under the Dodd-Frank Act). The Branch's deposits are not, and are not required or permitted to be, insured by the FDIC. In general, under the IBA, as amended by the FBSEA and implemented in applicable regulation, the Branch is not permitted to accept domestic retail deposits having a balance of less than U.S.\$250,000. In addition, U.S. branches of foreign banks, including the Branch, are also subject to reserve requirements on deposits pursuant to regulations of the Federal Reserve Board.

Among other things, the FBSEA provides that a state-licensed branch of a foreign bank (such as the Branch) may not engage as principal in any type of activity that is not permissible for a federally-licensed branch or agency of a foreign bank unless the Federal Reserve Board has determined that such activity is consistent with sound banking practice. A state-licensed branch must also comply with the same single borrower (or issuer) lending and investment limits applicable to national banks. These limits are based on the foreign bank's worldwide capital and, in the case of a foreign bank with multiple U.S. branches and agencies (such as BNP Paribas), the foreign bank must aggregate the business of all of its U.S. branches and agencies in determining compliance with these limits. Under the Dodd-Frank Act, lending limits will take into account credit exposure arising from derivative transactions, securities borrowing and lending transactions and repurchase and reverse repurchase agreements with counterparties. In addition, regulations that the Council, or the Consumer Financial Protection Bureau established under the Dodd-Frank Act, may adopt could affect the nature of the activities which BNP Paribas (including the Branch) may conduct, and may impose restrictions and limitations on the conduct of such activities.

The FBSEA authorizes the Federal Reserve Board to terminate the activities of a U.S. branch or agency of a foreign bank if it finds that the foreign bank is not subject to comprehensive supervision on a consolidated basis in its home country, or if there is reasonable cause to believe that such foreign bank or one of its affiliates has violated the law or engaged in an unsafe or unsound banking practice in the United States, and as a result, continued operation of the branch or agency would be inconsistent with the public interest and the purposes of U.S. federal banking laws. If the Federal Reserve Board were to use this authority to close the Branch, creditors of the Branch would have recourse against non-U.S. branches of BNP Paribas, unless the Superintendent or other regulatory authorities were to make alternative arrangements for the payment of the liabilities of the Branch.

The Bank Holding Company Act of 1956, as amended (the "**BHCA**"), imposes significant restrictions on the U.S. non-banking operations of BNP Paribas and on its worldwide holdings of equity in companies operating in the United States. The Gramm-Leach-Bliley Act (the "**GLBA**") significantly modified these restrictions. Once the GLBA took effect in 2000, qualifying bank holding companies and foreign banks that became "financial holding companies" were permitted to engage through non-bank subsidiaries in a broad range of non-banking activities in the United States (subject to regulatory requirements and limitations), including insurance, securities, merchant banking and other financial activities, in many cases without prior notice to, or approval from the Federal Reserve Board or any other U.S. banking regulator. The GLBA does not authorize banks or their affiliates to engage in commercial activities that are not financial in nature, and in general does not affect or expand the permitted activities of a U.S. branch of a foreign bank (such as the Branch).

The GLBA did not affect certain provisions of the BHCA that govern the acquisition of U.S. banks. Accordingly, as was the case prior to the effectiveness of the GLBA, BNP Paribas is required to obtain the prior approval of the Federal Reserve Board before acquiring, directly or indirectly, the ownership or control of more than 5% of any class of voting securities (or "control") of any U.S. bank, bank holding company or certain other types of U.S. depository institution or depository institution holding company. Under U.S. federal banking law and regulations issued by the Federal Reserve Board, the Branch is also restricted in engaging in certain "tying" arrangements involving various products and services, and the Branch is required to comply with certain volume limits and collateral requirements applicable to certain extensions of credit to, or other covered transactions with, its U.S. affiliates engaged in certain securities, insurance or merchant banking activities.

Under the GLBA and related Federal Reserve Board regulations, BNP Paribas became a financial holding company effective April 2, 2001. To qualify as a financial holding company, BNP Paribas was required to certify and demonstrate that it was "well capitalized" and "well managed" at the time (in each case, as defined by Federal Reserve Board regulation). These standards, as applied to BNP Paribas, are comparable to the standards U.S. domestic banking organizations must satisfy to qualify as financial holding companies. In terms of capital requirements, each of BNP Paribas and its U.S. subsidiary banks, Bank of the West, San Francisco, California, and First Hawaiian Bank, Honolulu, Hawaii (collectively, the "**U.S. Subsidiary Banks**"), must in general maintain a Tier 1 risk-based capital ratio of at least 6% and a total risk-based capital ratio of at least 10% (in each case, calculated in accordance with the respective home country standards of BNP Paribas and the U.S. Subsidiary Banks). In addition, the U.S. Subsidiary Banks must also meet applicable leverage ratio and Community Reinvestment Act standards. If, in the future, BNP Paribas were to acquire control of another U.S. bank (or certain other types of U.S. depository institution), or were to acquire control of a non-U.S. bank with a U.S. branch (or certain other U.S. banking operations), such U.S. or non-U.S. bank must also satisfy the Federal Reserve Board's "well-capitalized" and "well-managed" standards in order for BNP Paribas to maintain its status as a financial holding company. At any time when BNP Paribas or either of the U.S. Subsidiary Banks, or any such other U.S. or non-U.S. bank, is not well capitalized or well managed, or otherwise fails to take action to correct unsatisfactory conditions or to meet any of the requirements for BNP Paribas to maintain its financial holding company status, then, depending on the requirement in question, BNP Paribas may be required to discontinue certain financial activities or terminate its U.S. banking operations, or may be limited in its ability to expand certain activities or undertake certain acquisitions.

The GLBA and the regulations issued thereunder contain a number of other provisions that could affect the U.S. banking operations of BNP Paribas. One such provision relates to the financial privacy of consumers. In addition, the so-called "push-out" provisions of the GLBA narrow the exclusion of banks (including U.S. branches of foreign banks, such as the Branch) from the definitions of "broker" and "dealer" under the Exchange Act. The rules of the SEC narrowing the exclusion of banks from the definition of "dealer" took effect in 2003 and the rules of the SEC and the Federal Reserve Board narrowing the exclusion of banks from the definition of broker took effect for BNP Paribas in 2009. As a result, certain securities activities conducted by the Branch have been restructured or transferred to one or more U.S. registered broker-dealer affiliates.

#### *U.S. Anti-Money Laundering and Sanctions Regime*

In recent years, a major focus of U.S. policy and regulation relating to financial institutions has been to combat money laundering and terrorist financing and to assure compliance with U.S. economic sanctions in respect of designated countries or entities. U.S. regulations applicable to BNP Paribas (including the Branch) and its subsidiaries impose obligations to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing, to verify the identity of their customers and otherwise to comply with U.S. economic sanctions. Failure of BNP Paribas (including the Branch) to maintain and implement adequate programs to combat money laundering and terrorist financing, and to comply with U.S. economic sanctions, could have serious legal and reputational consequences.

With regard to combating money laundering and terrorist financing, in 2001, the U.S. Congress enacted the USA PATRIOT Act, which imposed significant new record-keeping and customer identity requirements, expanded the government's powers to freeze or confiscate assets and increased the available penalties that may be assessed against financial institutions. The USA PATRIOT Act also required the U.S. Treasury Secretary to adopt regulations with respect to anti-money laundering and related compliance obligations on financial institutions. The U.S. Treasury Secretary delegated this authority to a bureau of the U.S. Treasury Department known as the Financial Crimes Enforcement Network ("**FinCEN**"). U.S. economic sanctions are enforced in part by the U.S. Office of Foreign Assets Control ("**OFAC**").

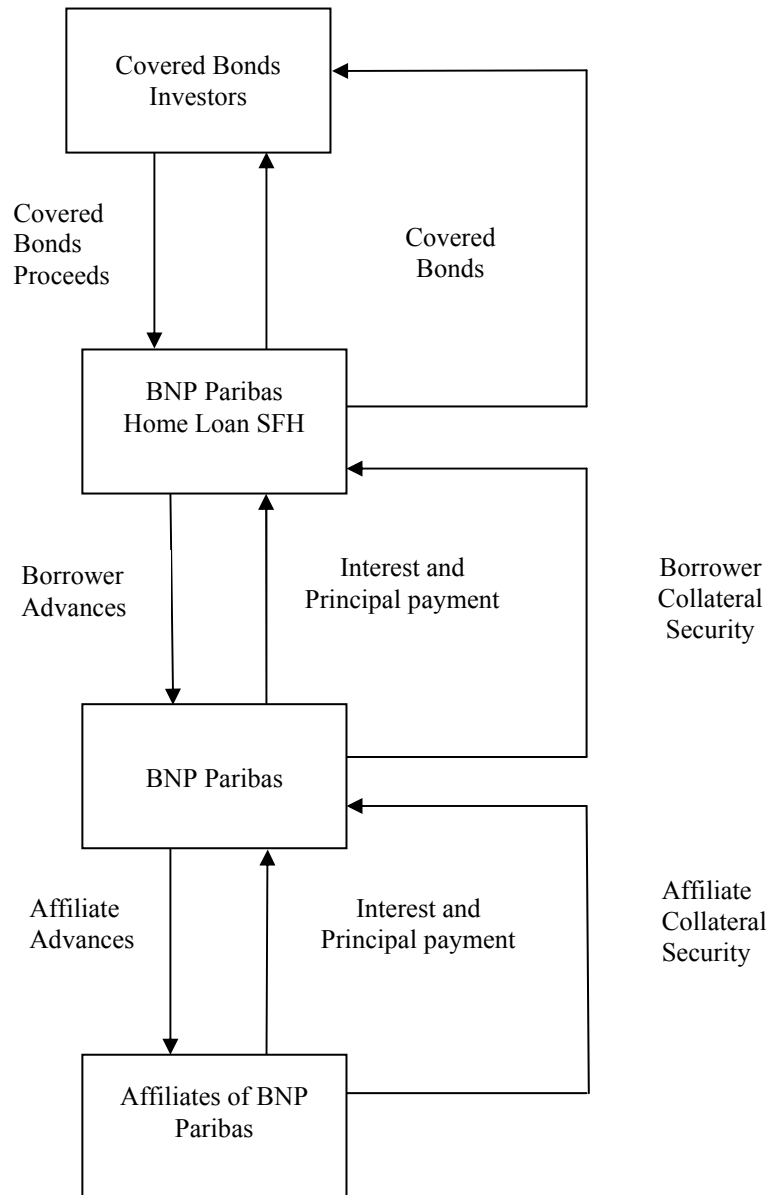
The anti-money laundering compliance requirements of the USA PATRIOT Act and other applicable legislation, as implemented by FinCEN and OFAC, include requirements, among others, to adopt and implement an anti-money laundering programme, report suspicious transactions, implement due diligence procedures for certain correspondent and private banking accounts and verify customers' identities.

BNP Paribas provides financial services throughout the world, which may from time to time include countries in which U.S. banks are prohibited from conducting business due to restrictions imposed by OFAC. BNP Paribas does not believe its business activities with counterparties in, or directly relating to, such countries are material to its business, and such activities represented a very small part of the total assets of BNP Paribas and total revenues as of, and for the year ended, December 31, 2010.



**STRUCTURE DIAGRAM – PRINCIPAL PROGRAMME PARTIES**

**Structure Diagram**



**Principal Programme Parties**

The following list does not purport to be complete and is qualified in all respects by the remainder of this Base Prospectus.

<b>Issuer:</b>	BNP Paribas Home Loan SFH
<b>Administrator:</b>	BNP Paribas
<b>Borrower:</b>	BNP Paribas
<b>Affiliates:</b>	BNP Paribas Personal Finance and, as the case may be, any other Affiliates of BNP Paribas located within the EEA and/or relevant special purpose entities
<b>Cash Collateral Provider:</b>	BNP Paribas
<b>Arranger:</b>	BNP Paribas
<b>Permanent Dealer:</b>	BNP Paribas
<b>Bondholders Representative:</b>	BNP Paribas Securities Services
<b>Fiscal Agent, Principal Paying Agent and Calculation Agent:</b>	(i) French Law Covered Bonds: BNP Paribas Securities Services. (ii) English Law Covered Bonds: BNP Paribas Securities Services, Luxembourg Branch.
<b>Transfer Agent Registrar, Paying Agent and US Guarantor:</b>	BNP Paribas, New York Branch.
<b>Rating Agencies:</b>	Moody's Investors Services, Standard & Poor's and Fitch Ratings
<b>Issuer Calculation Agent:</b>	BNP Paribas
<b>Issuer Accounts Bank:</b>	BNP Paribas
<b>Asset Monitor:</b>	KPMG LLP
<b>Specific Controller:</b>	Fides Audit, represented by Stéphane Massa
<b>Substitute Specific Controller:</b>	M.B.V. & Associés, represented by Marine Leconte

## USE OF PROCEEDS

For the avoidance of doubt, it is specified that the expression "Covered Bonds" will include English Law Covered Bonds, German Law Covered Bonds and French Law Covered Bonds, in the following section.

The net proceeds of the issue of Covered Bonds will be used to fund the Borrower Advances that the Issuer (as Lender) will make available to BNP Paribas (as Borrower) under the Borrower Facility Agreement. Such net proceeds may also fund the purchase by the Issuer in the future of eligible assets other than the Borrower Advances and the Home Loan Receivables. In particular, the Issuer may purchase any such assets in the future in a view to grant such assets as collateral with the *Banque de France* in accordance with the rules of the Eurosystem.

## TERMS AND CONDITIONS OF THE COVERED BONDS

*The following is the text of the terms and conditions (the "Conditions") that as completed, supplemented, amended or varied in accordance with the provisions of the relevant Final Terms shall be applicable to the English Law Covered Bonds and the French Law Covered Bonds. The terms and conditions applicable to the German Law Covered Bonds are contained in the Agency Agreement (as defined below).*

*In this section, "Covered Bonds" refers only to English Law Covered Bonds and French Law Covered Bonds, except as otherwise provided. In the case of French Law Covered Bonds which are Dematerialised Covered Bonds, the text of the terms and conditions will not be attached to any physical documents of title but will be constituted by the following text as completed, supplemented, amended or varied by the relevant Final Terms. In the case of French Law Covered Bonds which are Materialised Covered Bonds, or English Law Covered Bonds, either (i) the full text of these terms and conditions together with the relevant provisions of the Final Terms (and subject to simplification by the deletion of non-applicable provisions) or (ii) these terms and conditions as so completed, amended, supplemented or varied shall be endorsed on the relevant Definitive Materialised Covered Bond, Temporary Global Note, Permanent Global Note, Bearer English law Covered Bond (in definitive form) and each Certificate relating to Registered English Law Covered Bonds, as the case may be.*

*Words and expressions defined in the Agency Agreement, or defined or used in the applicable Final Terms shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated provided that, in the event of inconsistency between the Agency Agreement, and the applicable Final Terms, the applicable Final Terms will prevail. References in the Conditions to "Covered Bonds" are to the Covered Bonds of one (1) Series only, not to all Covered Bonds that may be issued under the Programme.*

The Covered Bonds are issued outside France by BNP Paribas Home Loan SFH (the "**Issuer**"), on a syndicated or non-syndicated basis, in series (each a "**Series**") having one (1) or more issue dates and on terms otherwise identical (or identical save as to the first payment of interest), the Covered Bonds of each Series being intended to be interchangeable with all other Covered Bonds of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (including, without limitation, the aggregate nominal amount, issue price, redemption price thereof, and interest, if any, payable thereunder and supplemented, where necessary, with supplemental terms and conditions which, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be determined by the Issuer and the relevant Dealer(s) at the time of the issue and will be set out in the final terms of such Tranche (the "**Final Terms**").

The Covered Bonds are issued with the benefit of an amended and restated agency agreement dated on or before the date of this Base Prospectus (the "**Agency Agreement**" governed by French law except for those provisions in respect of English Law Covered Bonds which are governed by English law) entered into between the Issuer, BNP Paribas Securities Services as fiscal agent, principal paying agent and calculation agent with respect to French Law Covered Bonds (the "**French Fiscal Agent**"), BNP Paribas Securities Services, Luxembourg Branch as fiscal agent, principal paying agent and calculation agent with respect to English Law Covered Bonds (the "**English Fiscal Agent**" and references to the "**Fiscal Agent**" shall be to the French Fiscal Agent and/or the English Fiscal Agent, as appropriate), BNP Paribas, New York Branch as transfer agent, registrar and paying agent with respect to English Law Covered Bonds (the "**Transfer Agent**") and the other agents named therein. The paying agents, the registrar, the registration agent and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Paying Agents**" (which expression shall include the Fiscal Agent), the "**Registrar**", the "**Registration Agent**" and the "**Calculation Agent(s)**".

The Bondholders (as defined below) and, where applicable, the holders of the interest coupons (the "**Coupons**") relating to interest bearing Covered Bonds and, where applicable in the case of such Covered Bonds, talons (the "**Talons**") for further Coupons and the holders of the receipts for the payment of instalments of principal (the "**Receipts**") relating to Covered Bonds of which the principal is redeemable in instalments are respectively referred to below as the "**Couponholders**" and the "**Receiptholders**" and are deemed to have notice of all the provisions of the Agency Agreement, Deed of Covenant and the applicable Final Terms which are applicable to them.

In the case of the English Law Covered Bonds, the Bondholders, the Receiptholders and Couponholders are entitled to the benefit of a Deed of Covenant (as amended from time to time, the "**Deed of Covenant**") dated

27 July 2010 and executed by the Issuer. The original copy of the Deed of Covenant is held by a common depository on behalf of Euroclear (as defined below) and Clearstream, Luxembourg.

Copies of the Deed of Covenant are obtainable during normal business hours at the specified office of each of the Paying Agents. Copies of the applicable Final Terms may be obtained, upon request, free of charge, from the registered office of the Issuer and the specified offices of the Paying Agents save that, if this Covered Bond is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a Base Prospectus is required to be published under the Directive 2003/71/EC of the European Parliament and of the Council, as amended from time to time (the "**Prospectus Directive**"), the applicable Final Terms will only be obtainable by a Bondholder holding one or more Covered Bonds and such Bondholder must produce evidence satisfactory to the Issuer and/or the Paying Agent as to its holding of such Covered Bonds and identity. .

The obligations of the Issuer under the 3(a)(2) Covered Bonds will be guaranteed on a senior basis by the US Guarantor pursuant to a guarantee (the "**US Guarantee**"). The US Guarantor's obligations under the US Guarantee constitute direct, unconditional, unsecured and unsubordinated obligations of the US Guarantor and will rank *pari passu* with all present and future unsecured, unconditional and unsubordinated obligations of the US Guarantor, without any preference among themselves and without any preference one above the other by reason of priority of date of issue, currency of payment or otherwise, except for obligations given priority by law. The US Guarantee is available for inspection at the principal office of BNP Paribas Securities Services, Luxembourg Branch, as Fiscal Agent and Principal Paying Agent for English Law Covered Bonds.

References below to "**Conditions**" are, unless the context requires otherwise, to the numbered paragraphs below.

For the purposes of the Terms and Conditions, "**English Law Covered Bonds**" means the Covered Bonds specified in the applicable Final Terms as being governed by English law and "**French Law Covered Bonds**" means the Covered Bonds specified in the applicable Final Terms as being governed by French law.

## 1. Definitions

"**Base Prospectus**" means the Base Prospectus, dated 15 June 2011 of the Issuer, in the form in which it is on file with the *Autorité des marchés financiers* in France and granted visa no. 11-221 on 15 June 2011 and any documents incorporated to it by reference and any supplements to it.

"**Bondholder**" or, as the case may be, "holder of any Covered Bond" means:

- (a) the bearer of any Bearer English law Covered Bond, Receipt, Coupon or Talon and the person in whose name a Registered English law Covered Bond is registered (as the case may be);
- (b) in the case of French Law Covered Bonds (i) if Dematerialised Covered Bonds, the individual or entity whose name appears in the account of the relevant Account Holder, the Issuer or the Registration Agent (as the case may be) as being entitled to such Covered Bonds, (ii) if Definitive Materialised Covered Bonds, the bearer of any Definitive Materialised Covered Bond and the Coupons, Receipts or Talons relating to it and (iii) if Materialised Covered Bonds in respect of which a Temporary Global Certificate has been issued and is outstanding, each person (other than a clearing institution) who appears as the holder of such Covered Bonds or of a particular nominal amount of interests in such Covered Bonds, in accordance with the applicable laws and regulations and with the applicable rules and procedures of any relevant clearing institution, including, without limitation, Euroclear France, Euroclear or Clearstream, Luxembourg, as appropriate; and
- (c) in the case of German Law Covered Bonds the registered holder of a German law Covered Bond.

"**Borrower Debt**" means the Borrower's indebtedness outstanding from time to time under the Borrower Facility.

"**EEA**" means the European Economic Area.

"**Group**" means BNP Paribas and its consolidated subsidiaries.

"**Issuer Enforcement Notice**" in respect of English Law Covered Bonds, has the meaning given in Condition 10(a) and, in respect of French Law Covered Bonds, has the meaning given in Condition 10(b).

"**Issuer Event of Default**" means the occurrence of any of the following events:

- (a) at any relevant time following the service of a Borrower Enforcement Notice (as defined in the section "The Borrower and the Borrower Facility Agreement" – "The Borrower Facility Agreement" of the Base Prospectus), a Breach of Amortisation Test (as defined in section "Asset Monitoring" of the Base Prospectus) occurs; or
- (b) the Issuer is in default in the payment of principal of, or interest on, any Covered Bond (including the payment of any additional amounts mentioned in Condition 9) when due and payable, unless such default has arisen by reason of technical default or error and payment is made within three (3) Business Days of the due date thereof; or
- (c) the Issuer is in default in the performance or observance of any of its other material obligations under any Covered Bond and such default has not been cured within thirty (30) days after the receipt by the Fiscal Agent (with copy to the Issuer, and, when applicable, the Specific Controller) of the written notice of such default by (i) in the case of any French Law Covered Bonds, the Representative, and (ii) in the case of any English Law Covered Bonds or German Law Covered Bonds, a Bondholder, requiring such default to be remedied and indicating that this provision may be invoked if it is not so remedied; or
- (d) any other present or future indebtedness of the Issuer (including any Covered Bonds of any other Series (including German Law Covered Bonds)) becomes or becomes capable of being declared due and payable prior to its stated maturity as a result of a default thereunder, or any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period (a "**Covered Bonds Cross Acceleration Event**"); or
- (e) an order is made or an effective resolution passed for the liquidation or winding up of the Issuer (except in the case of a liquidation or winding up for the purpose of a reconstruction, amalgamation, merger or following the transfer of all or substantially all of the assets of the Issuer, the terms of which have previously been approved by the Majority Bondholders of all Series for which Covered Bonds (including German Law Covered Bonds) or, if applicable, any Receipts or Coupons relating to them, are Outstanding, and such liquidation or winding up being subject to prior Rating Affirmation); or
- (f) the Issuer makes any proposal for a general moratorium in relation to its debt or applies for, or is subject to, the appointment of a *mandataire ad hoc* or has applied to enter into a conciliation procedure (*procédure de conciliation*) or into an accelerated financial safeguard procedure (*procédure de sauvegarde financière accélérée*) or a safeguard procedure (*procédure de sauvegarde*) or a judgement is issued for the judicial liquidation (*liquidation judiciaire*) or the transfer of the whole of the business (*cession totale de l'entreprise*) of the Issuer or, to the extent permitted by applicable law, if the Issuer is subject to any other insolvency or bankruptcy proceedings or makes any conveyance, assignment or other arrangement for the benefit of its creditors or enters into a composition with its creditors; or
- (g) the Issuer ceases to carry on all or a material part of its business (except in the case of a cessation for the purpose of a reconstruction, amalgamation, merger or following the transfer of all or substantially all of the assets of the Issuer, in each case the terms of which have previously been approved by the Majority Bondholders of all Series for which Covered Bonds (including German Law Covered Bonds) or, if applicable, any Receipts or Coupons relating to them, are Outstanding and such liquidation or winding up being subject to prior Rating Affirmation); or
- (h) upon the occurrence of a Hedging Rating Trigger Event (as defined in the section "The Hedging Strategy" of the Base Prospectus), (i) the Issuer (or the Administrator on its behalf) fails to enter into any Issuer Hedging Agreement (as defined in section "The Hedging Strategy" of this Base Prospectus) with any relevant Eligible Hedging Provider (as defined in section "The Hedging Strategy" of the Base Prospectus) within thirty (30) calendar days from the occurrence date of such Hedging Rating Trigger Event, as described under the Hedging Strategy (as defined in the section "The Hedging Strategy" of the Base Prospectus) or (ii) the Issuer (or the Administrator on its behalf) or the Borrower fails to enter into any Borrower Hedging Agreement (as defined in the section "The Hedging Strategy" of the Base Prospectus) within thirty (30) calendar days from the occurrence date

of such Hedging Rating Trigger Event, as described under the Hedging Strategy (as defined in the section "The Hedging Strategy" of the Base Prospectus); or

- (i) the license of the Issuer as a *société de financement de l'habitat* is withdrawn.

**"Majority Bondholders"** means:

(i) in relation to any Series of English Law Covered Bonds, the Bondholders acting through an Extraordinary Resolution (as defined in Condition 12(a) of the Terms and Conditions) taken at a meeting of Bondholders of such Series;

(ii) in relation to any Series of French Law Covered Bonds, a decision of the General Meeting (as defined in Condition 12(b) of the Terms and Conditions) of such Series taken in accordance with Condition 12(b) (v) of the Terms and Conditions; and

(iii) in relation to any Series of German Law Covered Bonds, an approval of one or more German law Bondholders holding at least two-thirds (2/3) of the then outstanding principal amount of such German Law Covered Bonds.

**"Outstanding"** means, in relation to Covered Bonds of any Series (including German Law Covered Bonds), all the Covered Bonds issued other than (a) those that have been redeemed in accordance with these Conditions, (b) those in respect of which the date for redemption has occurred and the redemption moneys (including all interest accrued on such Covered Bonds to the date for such redemption and any interest payable after such date) have been duly paid as provided in Condition 8 of the Terms and Conditions, (c) those which have become void or in respect of which claims have become prescribed, (d) those which have been purchased and cancelled or held by the Issuer, for so long as such Covered Bonds are held by the Issuer, as provided in these Conditions, (e) in the case of Definitive Materialised Covered Bonds and definitive Bearer English Law Covered Bonds (i) those mutilated or defaced Definitive Materialised Covered Bonds and definitive Bearer English Law Covered Bonds that have been surrendered in exchange for replacement Definitive Materialised Covered Bonds or definitive Bearer English Law Covered Bonds (as the case may be), (ii) (for the purpose only of determining how many such Definitive Materialised Covered Bonds and definitive Bearer English Law Covered Bonds are outstanding and without prejudice to their status for any other purpose) those Definitive Materialised Covered Bonds and definitive Bearer English Law Covered Bonds alleged to have been lost, stolen or destroyed and in respect of which replacement Definitive Materialised Covered Bonds or definitive Bearer English Law Covered Bonds (as applicable) have been issued and (iii) any Temporary Global Certificate, Temporary Global Note or Permanent Global Note to the extent that it shall have been exchanged for one (1) or more Definitive Materialised Covered Bonds or definitive Bearer English Law Covered Bonds, as applicable, pursuant to its provisions.

**"Programme Date"** means the date of the Base Prospectus applicable to the Programme.

**"Programme Documents"** means:

- (a) the Shareholder Letter of Undertaking (as defined in the section "the Issuer" – "Issuer Share capital, Subordinated Loans and Issuer Majority Shareholder's undertakings" of the Base Prospectus);
- (b) the Subordinated Loan Agreements (as defined in the section "The Issuer" – "Issuer Share capital, Subordinated Loans and Super Subordinated Bonds Issue and Issuer Majority Shareholder's undertakings" of the Base Prospectus);
- (c) the Super Subordinated Bonds Subscription Agreement (as defined in the section "The Issuer" – "Issuer Share capital, Subordinated Loans and Super Subordinated Bonds Issue and Issuer Majority Shareholder's undertakings" of the Base Prospectus);
- (d) the Administrative Agreement (as defined in the section "the Issuer" – "The Administrative Agreement" of the Base Prospectus);
- (e) the *Convention de mise à disposition de moyens*, as amended from time to time (as defined in the section "the Issuer" – "Issuer Risk Management" of the Base Prospectus);
- (f) the Issuer Bank Accounts Agreement (as defined in the section "the Issuer" – "The Issuer Accounts Agreement" of the Base Prospectus);
- (g) the Terms and Conditions;

- (h) the Agency Agreement;
- (i) the Deed of Covenant;
- (j) the Dealer Agreement dated 15 June 2011 between the Issuer and the Dealer named therein and relating to the Covered Bonds;
- (k) the Borrower Facility Agreement (as defined in the section "The Borrower and the Borrower Facility Agreement" – "The Borrower Facility Agreement");
- (l) the Borrower Collateral Security Agreement (as defined in the section "The Borrower Collateral Security" – "The Borrower Collateral Security Agreement" of the Base Prospectus);
- (m) the Cash Collateral Agreement (as defined in the section "The Borrower Collateral Security" – "The Cash Collateral Agreement" of the Base Prospectus);
- (n) the Affiliate Facility Agreement(s) (if any) (as defined in the section "The Affiliates, the Affiliate Facility Agreements and the Affiliate Collateral Security" – "The Affiliate Facility Agreements" of the Base Prospectus);
- (o) the Affiliate Collateral Security Agreement(s) (if any) (as defined in the section "The Affiliates, the Affiliate Facility Agreements and the Affiliate Collateral Security" – "The Affiliate Collateral Security Agreements" of the Base Prospectus);
- (p) the Calculation Services Agreement (as defined in the section "Asset Monitoring" – "The Calculation Services Agreement" of the Base Prospectus);
- (q) the Asset Monitor Agreement (as defined in the section "Asset Monitoring" – "The Asset Monitor Agreement" of the Base Prospectus);
- (r) the Master Definitions and Construction Agreement, as amended from time to time, provided for the definitions of defined terms used under some other Programme Documents;
- (s) the Issuer Letter of Undertaking (as defined in the sections "The Borrower Collateral Security" – "Asset Servicing" and "The Affiliate Collateral Security" – "Asset Servicing" of the Base Prospectus);
- (t) the Hedging Approved Form Letter, as amended from time to time, (as defined in the section "The Hedging Strategy" of the Base Prospectus); and
- (u) the Hedging Agreement(s) (if any) (as defined in the section "The Hedging Strategy" of the Base Prospectus).

**"Rating Affirmation"** means, with respect to any specified action, determination or appointment and except as otherwise specified herein and/or in any Programme Documents, (i) receipt by the Issuer (and sent to the relevant Representative) of written confirmation from Moody's and S&P, for so long as any Covered Bonds are rated by Moody's and S&P, that such specified action, determination or appointment will not result in the downgrading, or withdrawal, of the ratings then assigned to the Covered Bonds; and (ii) notification by the Issuer (or the relevant Representative) to Fitch, for so long as any Covered Bonds are rated by Fitch, of such specified action, determination or appointment which does not result in the downgrading, or withdrawal, of the ratings then assigned to the Covered Bonds.

**"Rating Agency"** means each of Moody's Investors Service ("**Moody's**"), Standard and Poor's Ratings Services ("**S&P**") and Fitch Ratings ("**Fitch**").

**"Regulated Market"** means a regulated market within the meaning of Directive 2004/39/EC of the European Parliament and of the Council within the EEA.

**"Representative Consent"** means, with respect to any specified action, determination or appointment, receipt by the Issuer of:

- (i) in relation to any Series of English Law Covered Bonds, confirmation of an Extraordinary Resolution (as defined in Condition 12(a) of the Terms and Conditions) taken at a meeting of holders of English Law Covered Bonds (in accordance with Condition 12(a) of the Terms and Conditions) of such Series;



(ii) in relation to any Series of French Law Covered Bonds, written confirmation of consent of the Representative (acting upon instructions of the Majority Bondholders of the relevant Series of Outstanding French Law Covered Bonds or, if applicable, any Receipts or Coupons relating to them); and

(iii) in relation to any Series of German Law Covered Bonds, written confirmation of consent of 2/3 of the holders of each Series of Outstanding German Law Covered Bonds, as described in the Agency Agreement, in each case to such proposed action, determination or appointment.

## 2. Form, Denomination, Title and Redenomination

### (a) Form

#### A English Law Covered Bonds

English Law Covered Bonds may be issued in bearer form ("**Bearer English Law Covered Bonds**"), which includes English Law Covered Bonds that are specified to be Exchangeable Bearer Bonds (defined below), in bearer form exchangeable for Registered English Law Covered Bonds ("**Exchangeable Bearer Bonds**"), or in registered form ("**Registered English Law Covered Bonds**").

Bearer English Law Covered Bonds are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Bearer English Law Covered Bonds which do not bear interest. Any Bearer English Law Covered Bonds the nominal amount of which is redeemable in instalments is issued with one or more Receipts attached.

Registered English Law Covered Bonds are represented by registered certificates ("**Certificates**") and, save as provided in Condition 3(c), each Certificate shall represent the entire holding of Registered English Law Covered Bonds by the same holder.

#### B French Law Covered Bonds

French Law Covered Bonds may be issued either in dematerialised form ("**Dematerialised Covered Bonds**") or in materialised form ("**Materialised Covered Bonds**"), as specified in the relevant Final Terms.

- (i) Title to Dematerialised Covered Bonds will be evidenced in accordance with Articles L. 211-3 *et seq.* of the French Monetary and Financial Code (*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 Monetary and Financial Code (*Code monétaire et financier*)) will be issued in respect of the Dematerialised Covered Bonds.

Dematerialised Covered Bonds will be issued, at the option of the Issuer, in either bearer form (*au porteur*), which will be inscribed in the books of Euroclear France (acting as central depository) which shall credit the accounts of the Account Holders, or in registered form (*au nominatif*) and, in such latter case, at the option of the relevant holder in either administered registered form (*nominatif administré*) inscribed in the books of an Account Holder designated by the relevant holder of Covered Bonds or in fully registered form (*au nominatif pur*) inscribed in an account maintained by the Issuer or a registration agent (designated in the relevant Final Terms) acting on behalf of the Issuer (the "**Registration Agent**").

For the purpose of these Conditions, "**Account Holder**" means any authorised financial intermediary institution entitled to hold accounts, directly or indirectly, with Euroclear France, and includes Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**").

- (ii) Materialised Covered Bonds will be issued in bearer form only. Materialised Covered Bonds in definitive form ("**Definitive Materialised Covered Bonds**") will be serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Covered Bonds in which case references to interest (other than in relation to interest due after the Final Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Covered Bonds are issued with one (1) or more Receipts attached.

In accordance with Articles L. 211-3 *et seq.* of the French Monetary and Financial Code (*Code monétaire et financier*), securities (such as Covered Bonds constituting obligations under French law) in materialised form and governed by French law must be issued outside the French territory.

The Covered Bonds may be "**Fixed Rate Covered Bonds**", "**Floating Rate Covered Bonds**", "**Zero Coupon Covered Bonds**", "**Dual Currency Covered Bonds**" or a combination of any of the foregoing, depending on the Interest Basis and the redemption method specified in the relevant Final Terms. Subject to prior Rating Affirmation, the Issuer may issue Covered Bonds which are "**Index Linked Interest Covered Bonds**" or "**Inflation Linked Bonds**".

(b) **Denomination**

The Covered Bonds will be issued in the specified denomination(s) set out in the relevant Final Terms (the "**Specified Denomination(s)**"), provided that all Covered Bonds admitted to trading on a Regulated Market of the European Union in circumstances which require the publication of a prospectus under the Prospectus Directive shall have a minimum denomination of €100,000 (or its equivalent in any other currency at the time of issue) or such higher amount as may be allowed or required from time to time in relation to the relevant Specified Currency.

All Registered English Law Covered Bonds shall have the same Specified Denomination. Where Exchangeable Bearer Bonds are issued, the Registered English Law Covered Bonds for which they are exchangeable shall have the same Specified Denomination as the lowest denomination of Exchangeable Bearer Bonds.

Dematerialised Covered Bonds will be issued in one (1) Specified Denomination only.

(c) **Title**

*A English Law Covered Bonds*

In respect of English Law Covered Bonds, title to the Bearer English Law Covered Bonds, Receipts, Coupons and Talons shall pass by delivery. Title to the Registered English Law Covered Bonds shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Registered English Law Covered Bonds are represented by registered certificates ("**Certificates**") and, save as provided in Condition 3(c), each Certificate shall represent the entire holding of Registered English Law Covered Bonds by the same holder.

Restricted Global Certificates and 3(a)(2) Global Certificates held by a Custodian on behalf of DTC will be registered in the name of Cede & Co., as nominee of DTC, but this does not confer any rights or benefits on Cede & Co. or any other nominee of DTC in whose name a Global Certificate may be registered. Transfers of interests in Restricted Global Certificates and 3(a)(2) Global Certificates by such nominee of DTC shall be limited to transfers of such Global Certificates, in whole or in part, to another nominee of DTC or to a successor of DTC or such successor's nominee. Rights conferred by the Restricted Global Certificates and the 3(a)(2) Global Certificates are only enforceable by the Account Holders as provided therein.

*B French Law Covered Bonds*

- (i) Title to Dematerialised Covered Bonds in bearer form (*au porteur*) and in administered registered form (*au nominatif administré*) shall pass upon, and transfer of such Covered Bonds may only be effected through, registration of the transfer in the accounts of the Account Holders. Title to Dematerialised Covered Bonds in fully registered form (*au nominatif pur*) shall pass upon, and transfer of such Covered Bonds may only be effected through, registration of the transfer in the accounts maintained by the Issuer or by the Registration Agent.
- (ii) Title to Definitive Materialised Covered Bonds, including, where appropriate, Receipt(s), Coupons and/or a Talon attached, shall pass by delivery.

Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Covered Bond, Coupon, Receipt or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it (or, in respect of Registered English Law Covered Bonds only, on the Certificate representing it), any writing on it or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

**(d) Redenomination**

The Issuer may (if so specified in the relevant Final Terms), on any date, without the consent of the holder of any Covered Bond, Coupon, Receipt or Talon, by giving at least thirty (30) days' notice in accordance with Condition 17 and on or after the date on which the European Member State in whose national currency the Covered Bonds are denominated has become a participating Member State in the single currency of the European Economic and Monetary Union (as provided in the Treaty establishing the European Community (the "EC"), as amended from time to time (the "**Treaty**")) or events have occurred which have substantially the same effects (in either case, "**EMU**"), redenominate all, but not some only, of the Covered Bonds of any Series into Euro and adjust the aggregate principal amount and the Specified Denomination(s) set out in the relevant Final Terms accordingly, as more fully described in the relevant Final Terms.

**3. Conversions, Transfers and Exchanges of Covered Bonds***A English Law Covered Bonds***(a) Exchange of Exchangeable Bearer Bonds**

Subject as provided in Condition 3(f), Exchangeable Bearer Bonds may be exchanged for the same aggregate nominal amount of Registered English Law Covered Bonds at the request in writing of the relevant Bondholder and upon surrender of each Exchangeable Bearer Bond to be exchanged, together with all unmatured Receipts, Coupons and Talons relating to it, at the specified office of any Transfer Agent; provided, however, that where an Exchangeable Bearer Bond is surrendered for exchange after the Record Date (as defined in Condition 8(c)) for any payment of interest, the Coupon in respect of that payment of interest need not be surrendered with it. Registered English Law Covered Bonds may not be exchanged for Bearer English Law Covered Bonds. Bearer English Law Covered Bonds of one Specified Denomination may not be exchanged for Bearer English Law Covered Bonds of another Specified Denomination. Bearer English Law Covered Bonds that are not Exchangeable Bearer Bonds may not be exchanged for Registered English Law Covered Bonds.

**(b) Transfer of Registered English Law Covered Bonds**

One or more Registered English Law Covered Bonds may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered English Law Covered Bonds to be transferred, together with the form of transfer endorsed on such Certificate duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered English Law Covered Bonds represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of English Law Covered Bonds and entries on the Register will be made subject to the detailed regulations concerning transfers of English Law Covered Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the holders of English Law Covered Bonds. A copy of the current regulations will be made available by the Registrar to any holder of English Law Covered Bonds upon request.

**(c) Exercise of Options or Partial Redemption in Respect of Registered English Law Covered Bonds**

In the case of an exercise of the Issuer's or Bondholders' option in respect of, or a partial redemption of, a holding of Registered English Law Covered Bonds represented by a single Certificate, a new Certificate shall be issued to the Bondholder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered English Law Covered Bonds of the same holding having different terms, separate Certificates shall be issued in respect of those English Law Covered Bonds of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered English Law Covered Bonds to a person who is already a holder of Registered English Law Covered Bonds, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

**(d) Delivery of New Certificates**

Each new Certificate to be issued pursuant to Conditions 3 (a), (b) or (c) shall (subject to compliance with the applicable provisions of Conditions 3 (a), (b) or (c)) be available for delivery within three business days of receipt of the request for exchange, form of transfer or Exercise Notice (as defined in Condition 7 (d)) and

surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such request for exchange, form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant request for exchange, form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 3 (d), "business day" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

**(e) Exchange Free of Charge**

Exchange and transfer of English Law Covered Bonds and Certificates on registration, transfer, partial redemption or exercise of an option shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require in respect thereof).

**(f) Closed Periods**

No holder of English Law Covered Bonds may require the transfer of a Registered English Law Covered Bonds to be registered or an Exchangeable Bearer bond to be exchanged for one or more Registered English Law Covered Bonds (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that English law Covered Bond, (ii) during the period of 15 days before any date on which Covered Bonds may be called for redemption by the Issuer at its option pursuant to Condition 7(c), (iii) after any such English law Covered Bond has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date. An Exchangeable Bearer Bond called for redemption may, however, be exchanged for one or more Registered English law Covered Bond(s) in respect of which the Certificate is simultaneously surrendered not later than the relevant Record Date.

*B. French Law Covered Bonds*

**(a) Dematerialised Covered Bonds**

- (i) Dematerialised Covered Bonds issued in bearer form (*au porteur*) may not be converted into Dematerialised Covered Bonds in registered form, whether in fully registered form (*au nominatif pur*) or in administered registered form, (*au nominatif administré*).
- (ii) Dematerialised Covered Bonds issued in registered form (*au nominatif*) may not be converted into Dematerialised Covered Bonds in bearer form (*au porteur*).
- (iii) Dematerialised Covered Bonds issued in fully registered form (*au nominatif pur*) may, at the option of the holder of such Covered Bonds, be converted into Covered Bonds in administered registered form (*au nominatif administré*), and vice versa. The exercise of any such option by such holder shall be made in accordance with Article R. 211-4 of the French Monetary and Financial Code (*Code monétaire et financier*). Any such conversion shall be effected at the cost of such holder.

**(b) Materialised Covered Bonds**

Materialised Covered Bonds of one (1) Specified Denomination may not be exchanged for Materialised Covered Bonds of another Specified Denomination.

**4. Status**

Subject to the Priority Payment Orders, the principal and interest of the Covered Bonds, and, where applicable, any related Coupons and Receipts are direct, unconditional, unsubordinated and, pursuant to the provisions of Condition 5(b), privileged obligations of the Issuer and rank and will rank *pari passu* and without any preference among themselves and equally and rateably with all other present and future obligations of the Issuer (including the French, English and German Law Covered Bonds of all other Series) and other resources raised by the Issuer benefiting from the *Privilège* described in Condition 5.

## 5. Covenants

So long as any of the Covered Bonds or, if applicable, any Receipts or Coupons relating to them, is Outstanding:

### (a) Negative Pledge

Except in accordance with Programme Documents, the Issuer will not create or permit to subsist any privilege, mortgage, charge, pledge or other form of security interest (*sûreté réelle*) upon any of its assets or revenues, present or future, to secure any Relevant Undertaking (as defined below) of, or guaranteed by, the Issuer;

where "**Relevant Undertaking**" means any present or future (i) indebtedness for borrowed money and (ii) undertaking in relation to interest or currency swap transactions.

### (b) Privilège (*Statutory Priority in Right of Payment*)

The principal and interest of the Covered Bonds will benefit from the *privilège* (statutory priority in right of payment) created by Article L. 515-19 of the French Monetary and Financial Code (the "**Privilège**").

Accordingly, notwithstanding any legal provisions to the contrary (including Livre VI of the French Commercial Code (*Code de Commerce*)), pursuant to Article L. 515-19 of the French Monetary and Financial Code (*Code monétaire et financier*):

- (i) all amounts payable to the Issuer in respect of loans or assimilated receivables, exposures and securities referred to in Articles L. 515-14 to L. 515-17 and L. 515-35 of the French Monetary and Financial Code and forward financial instruments referred to in Article L. 515-18 of the French Monetary and Financial Code, in each case after any applicable set-off, together with the claims in respect of deposits made by the Issuer with credit institutions, shall be allocated in priority to the payment of any sums due in respect of *obligations de financement de l'habitat* (such as the Covered Bonds) and any other resources raised by the Issuer and benefiting from the *Privilège*;
- (ii) in case of conciliation (*conciliation*), safeguard (*sauvegarde*), judicial reorganisation (*redressement judiciaire*) and judicial liquidation (*liquidation judiciaire*), the amounts due by the Issuer from time to time under the *obligations de financement de l'habitat* (including the Covered Bonds) or any other resources or liabilities benefiting from the *Privilège* shall be paid on their contractual due date, and in priority to all other Issuer's debts, whether or not preferred or secured, including interest resulting from agreements whatever their duration. Accordingly, until all creditors benefiting from the *Privilège* have been paid in full, no other creditor of the Issuer may exercise any right over the assets and rights of the Issuer;
- (iii) the judicial liquidation (*liquidation judiciaire*) of the Issuer will not result in the *obligations de financement de l'habitat* (such as the Covered Bonds) and the other debts benefiting from the *Privilège* becoming due and payable.

### (c) Limitation on Indebtedness

The Issuer undertakes not to incur any indebtedness other than as contemplated by the Programme Documents unless:

- (i) such indebtedness is fully subordinated to the outstanding indebtedness incurred in relation to the Covered Bonds, as the case may be; or
- (ii) prior Rating Affirmation has been delivered in relation to such indebtedness.

### (d) Restrictions on mergers or reorganisations

The Issuer undertakes not to enter into any merger, re-organisation or similar transaction without prior Representative Consent and Rating Affirmation (of S&P), and notification (of Moody's and Fitch).

**(e) Separateness covenants**

The Issuer undertakes (except as permitted under the Programme Documents):

- (i) to maintain books and records separate from any other person or entity;
- (ii) to maintain its accounts separate from those of any other person or entity;
- (iii) not to commingle assets with those of any other entity;
- (iv) to conduct its own business in its own name;
- (v) to maintain separate financial statements;
- (vi) to pay its own liabilities out of its own funds;
- (vii) to observe all corporate, partnership, or other formalities required by its constituting documents;
- (viii) not to guarantee or to become obligated for the debts of any other entity or to hold out its credit as being available to satisfy the obligations of others;
- (ix) not to acquire capital shares of its partners or shareholders;
- (x) to use its own separate stationery, invoices and cheques;
- (xi) to hold itself out as a separate entity;
- (xii) not to have any employees;
- (xiii) not to voluntarily wind up; and
- (xiv) to correct any known misunderstanding regarding its separate identity.

**(f) Amortisation Test**

Following the enforcement of a Borrower Event of Default, the Issuer undertakes to comply with the Amortisation Test. For the purposes hereof, the terms of section "**Asset Monitoring**" of this Base Prospectus are incorporated by reference in this Condition 5 (f).

**(g) Hedging Strategy**

Upon the occurrence of a Hedging Rating Trigger Event, and, as applicable, upon the occurrence of any Borrower Event of Default, the Issuer undertakes to take all reasonable steps to implement the Hedging Strategy as described under section "**Hedging Strategy**" of this Base Prospectus.

**(h) Programme Documents**

Subject to the qualifications described in the relevant Programme Document(s) to which it is a party, the Issuer undertakes that no amendment, modification, alteration or supplement shall be made to any Programme Document to which it is a party without prior Rating Affirmation if the same materially and adversely affects the interest of the Issuer or the Bondholders.

For the avoidance of doubt, the Issuer may amend, modify, alter or supplement any Programme Document to which it is a party without prior Rating Affirmation:

- (i) to cure any ambiguity, omission, defect or inconsistency;
- (ii) to evidence or effect the transition of any party to any Programme Document to which it is a party to any successor;
- (iii) to add to the undertakings and other obligations of any party (except the Issuer) under any Programme Document to which it is a party; or

- (iv) to comply with any mandatory requirements of applicable laws and regulations.

In addition, the Issuer undertakes that:

- (i) each Programme Document to which the Issuer is or will become a party will include limited recourse language pursuant to which the creditors of the Issuer (including the Bondholders) will agree that their recourse will be limited to the funds that are available to the Issuer at any relevant date; and
- (ii) each Programme Document to which the Issuer is or will become a party will also include non-petition language, whereby the creditors of the Issuer (including the Bondholders) will agree not to commence or to join any proceedings for the insolvency of the Issuer prior to the end of an eighteen (18) month period after all Covered Bonds have been paid and discharged in full.

German Law Covered Bonds (a) are subject to the particular limited recourse provisions specified in the terms and conditions of the German law Covered Bonds included in the Agency Agreement and (b) are not subject to non-petition provisions.

**(i) Notification of Issuer Events of Default**

In respect of any Series, the Issuer undertakes to promptly inform the Rating Agencies, the Representative, the holders of English Law Covered Bonds and the Administrator of the occurrence of any Issuer Event of Default and, upon receipt of a written request from the Rating Agencies, the Representative, any holder of English Law Covered Bonds or the Administrator, the Issuer will confirm to the Rating Agencies, the Representative, the holders of English Law Covered Bonds and the Administrator that, save as previously notified to the Rating Agencies, the Representative, the holders of English Law Covered Bonds and the Administrator or as notified in such confirmation, no Issuer Event of Default has occurred or is continuing.

**(j) No further Issuance**

The Issuer undertakes not to issue any further Covered Bonds (including German Law Covered Bonds) under the Programme :

- (i) as from the date a Borrower Enforcement Notice (as defined in section "The Borrower and the Borrower Facility Agreement" – "The Borrower Facility Agreement" of the Base Prospectus) has been served, except for the purposes of subscription by the Issuer of Auto-held Covered Bonds in accordance with Condition 20;
- (ii) as from the date an Issuer Enforcement Notice has been served;
- (iii) for so long as a Non Compliance with Asset Cover Test (as defined in the section "Asset Monitoring" of the Base Prospectus) has occurred and is not remedied, except for the purposes of subscription by the Issuer of Auto-held Covered Bonds in accordance with Condition 20;
- (iv) for so long as a Non Compliance with Amortisation Test (as defined in the section "Asset Monitoring" of the Base Prospectus) has occurred and is not remedied, except for the purposes of subscription by the Issuer of Auto-held Covered Bonds in accordance with Condition 20; or
- (v) for so long as, regarding the Pre-Maturity Test and the Legal Liquidity Test (as defined in the section "Asset Monitoring" of the Base Prospectus), a Non Compliance Notice (as defined in the section "Asset Monitoring" of the Base Prospectus) has been delivered and is not withdrawn, except for the purposes of subscription by the Issuer of Auto-held Covered Bonds in accordance with Condition 20.

**(k) Rating of further Issuance**

Subject to Conditions (j) above, the Issuer undertakes that any new further issuance of Covered Bonds will be rated by the Rating Agencies.

## 6. Interest and other Calculations

### *Definitions*

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Benchmark**" means the reference rate as set out in the relevant Final Terms.

"**Business Day**" means:

- (i) in the case of Euro, a day on which the Trans European Automated Real Time Gross Settlement Express Transfer payment system (TARGET2) or any successor thereto (the "**TARGET System**") is operating (a "**TARGET Business Day**"), and/or
- (ii) in the case of a Specified Currency other than Euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for that currency, and/or
- (iii) in the case of a Specified Currency and/or one (1) or more additional business centre(s) specified in the relevant Final Terms (the "**Business Centre(s)**"), a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres so specified.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Covered Bond for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period, the "**Calculation Period**"):

- (i) if "**Actual/365**", "**Actual/365-FBF**" or "**Actual/Actual-ISDA**" is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by three hundred and sixty-five (365) (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by three hundred and sixty-six (366) and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by three hundred and sixty-five (365)).
- (ii) if "**Actual/Actual-ICMA**" is specified in the relevant Final Terms:
  - (A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
  - (B) if the Calculation Period is longer than one (1) Determination Period, the sum of:
    - (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
    - (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

in each case, where:

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date and

"**Determination Date**" means the date specified in the relevant Final Terms or, if none is so specified, the Interest Payment Date.

- (iii) if "**Actual/Actual-FBF**" is specified in the relevant Final Terms, the fraction whose numerator is the actual number of days elapsed during such period and whose denominator is three hundred and sixty-



five (365) (or three hundred and sixty-six (366) if 29 February falls within the Calculation Period). If the Calculation Period is of a duration of more than one (1) year, the basis shall be calculated as follows:

- (A) the number of complete years shall be counted back from the last day of the Calculation Period;
  - (B) this number shall be increased by the fraction for the relevant period calculated as set out in the first paragraph of this definition.
- (iv) if "**Actual/365 (Fixed)**" is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by three hundred and sixty-five (365).
  - (v) if "**Actual/360**" is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by three hundred and sixty (360).
  - (vi) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the relevant Final Terms, the number of days in the Calculation Period divided by three hundred and sixty (360) calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{1}{360} \times [[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)]$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day included the Calculation Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day included the Calculation Period falls;

"D1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included the Calculation Period, unless such number would be 31 and D1 greater than 29, in which case D2 will be 30.

- (vii) if "**30/360-FBF**" or "**Actual 30A/360 (American Bond Basis)**" is specified in the relevant Final Terms, in respect of each Calculation Period, the fraction whose denominator is three hundred and sixty (360) and whose numerator is the number of days calculated as for 30E/360-FBF, subject to the following exception: where the last day of the Calculation Period is the thirty-first (31<sup>st</sup>) and the first day is neither the thirtieth (30<sup>th</sup>) nor the thirty-first (31<sup>st</sup>), the last month of the Calculation Period shall be deemed to be a month of thirty-one (31) days.

Using the same abbreviations as for 30E/360-FBF the fraction is:

If dd2 = 31 and dd1 ≠ (30,31)

then :

$$\frac{1}{360} \times [(yy2 - yy1) \times 360 + (mm2 - mm1) \times 30 + (dd2 - dd1)]$$

or

$$\frac{1}{360} \times [(yy2 - yy1) \times 360 + (mm2 - mm1) \times 30 + \text{Min}(dd2, 30) - \text{Min}(dd1, 30)].$$

- (viii) if "**30E/360**" or "**Eurobond Basis**" is specified in the relevant Final Terms, the number of days in the Calculation Period divided by three hundred and sixty (360) calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{1}{360} \times [[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)]$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day included the Calculation Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day included the Calculation Period falls;

"D1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included the Calculation Period, unless such number would be 31, in which case D2 will be 30.

- (ix) if "**30E/360-FBF**" is specified in the relevant Final Terms, in respect of each Calculation Period, the fraction whose denominator is three hundred and sixty (360) and whose numerator is the number of days elapsed during such period, calculated on the basis of a year comprising twelve (12) months of thirty (30) days, subject to the following the exception: if the last day of the Calculation Period is the last day of the month of February, the number of days elapsed during such month shall be the actual number of days.

Where:

D1 (dd1, mm1, yy1) is the date of the beginning of the period

D2 (dd2, mm2, yy2) is the date of the end of the period

The fraction is :

$$\frac{1}{360} \times [(yy2 - yy1) \times 360 + (mm2 - mm1) \times 30 + \text{Min}(dd2, 30) - \text{Min}(dd1, 30)].$$

"**Effective Date**" means, with respect to any Floating Rate to be determined on an Interest Determination Date, the date specified as such in the relevant Final Terms or, if none is so specified, the first day of the Interest Accrual Period to which such Interest Determination Date relates.

"**Euro Zone**" means the region comprised of member states of the EU that have adopted or adopt the single currency in accordance with the Treaty establishing the European Community, as amended from time to time.

"**FBF Definitions**" means the definitions set out in the 2001 FBF Master Agreement relating to the transactions on forward financial instruments as supplemented by the Technical Schedules (*Additifs Techniques*) as published by the *Fédération Bancaire Française* (together, the "**2001 FBF Master Agreement**"), unless otherwise specified in the relevant Final Terms.

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"**Interest Amount**" means the amount of interest payable, and in the case of Fixed Rate Covered Bonds, means the Fixed Coupon Amount or Broken Amount, as specified in the relevant Final Terms, as the case may be.

"**Interest Commencement Date**" means the issue date or such other date as may be specified in the relevant Final Terms.

**"Interest Determination Date"** means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the relevant Final Terms or, if none is so specified, (i) the day falling two (2) TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is Euro or (ii) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (iii) the day falling two (2) Business Days in the city specified in the Final Terms for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor Euro.

**"Interest Payment Date"** means the date(s) specified in the relevant Final Terms.

**"Interest Period"** means the period beginning on (and including) the Interest Commencement 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.

**"Interest Period Date"** means each Interest Payment Date unless otherwise specified in the relevant Final Terms.

**"Rate of Interest"** means the rate of interest payable from time to time in respect of the Covered Bonds and that is either specified or calculated in accordance with the provisions in the relevant Final Terms.

**"Reference Banks"** means the institutions specified as such in the relevant Final Terms or, if none, four (4) major banks selected by the Calculation Agent in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the Benchmark (which, if EURIBOR or EONIA is the relevant Benchmark, shall be the Euro Zone, and if LIBOR is the relevant Benchmark, shall be London).

**"Relevant Date"** means, in respect of any Covered Bond, Receipt or Coupon, the date on which payment in respect of it first became due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (in the case of Materialised Covered Bonds if earlier the date seven (7) days after that on which notice is duly given to the holders of such Materialised Covered Bonds that, upon further presentation of the Materialised Covered Bond, Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation).

**"Relevant Financial Centre"** means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the financial centre as may be specified as such in the relevant Final Terms or, if none is so specified, the financial centre with which the relevant Benchmark is most closely connected (which, in the case of EURIBOR or EONIA, shall be the Euro-Zone and in the case of LIBOR, shall be London) or, if none is so connected, Paris.

**"Relevant Rate"** means the Benchmark for a Representative Amount of the Specified Currency for a period (if applicable or appropriate to the Benchmark) equal to the Specified Duration commencing on the Effective Date.

**"Relevant Time"** means, with respect to any Interest Determination Date, the local time in the Relevant Financial Centre specified in the relevant Final Terms or, if no time is specified, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Specified Currency in the interbank market in the Relevant Financial Centre and for this purpose **"local time"** means, with respect to Europe and the Euro-Zone as a Relevant Financial Centre, 11:00 a.m. (Brussels time).

**"Representative Amount"** means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the amount specified as such in the relevant Final Terms or, if none is specified, an amount that is representative for a single transaction in the relevant market at the time.

**"Specified Currency"** means the currency specified as such in the relevant Final Terms or, if none is specified, the currency in which the Covered Bonds are denominated.

"**Specified Duration**" means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the duration specified in the relevant Final Terms or, if none is specified, a period of time equal to the relative Interest Accrual Period, ignoring any adjustment pursuant to Condition 6(c)(ii).

(l) **Interest on Fixed Rate Covered Bonds**

Each Fixed Rate Covered Bond bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date except as otherwise provided in the relevant Final Terms.

If a fixed amount of interest ("**Fixed Coupon Amount**") or a broken amount of interest ("**Broken Amount**") is specified in the relevant Final Terms, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount or, if applicable, the Broken Amount so specified and in the case of the Broken Amount will be payable on the particular Interest Payment Date(s) specified in the relevant Final Terms.

(m) **Interest on Floating Rate Covered Bonds and Index Linked Interest Covered Bonds**

(i) *Interest Payment Dates:* Each Floating Rate Covered Bond and Index Linked Interest Covered Bond bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate *per annum* (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrears on each Interest Payment Date. Such Interest Payment Date(s) is/are either shown in the relevant Final Terms as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown in the relevant Final Terms, Interest Payment Date shall mean each date which falls the number of months or other period shown in the relevant Final Terms as the Specified Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day. Notwithstanding the foregoing, where the applicable Final Terms specify that the relevant Business Day Convention is to be applied on an "unadjusted" basis, the Interest Amount payable on any date shall not be affected by the application of that Business Day Convention.

(iii) *Rate of Interest for Floating Rate Covered Bonds:* The Rate of Interest in respect of Floating Rate Covered Bonds for each Interest Accrual Period shall be determined in the manner specified in (i) the relevant Final Terms and/or (ii) the provisions below relating to either FBF Determination or Screen Rate Determination, depending upon which is specified in the relevant Final Terms.

(A) FBF Determination for Floating Rate Covered Bonds:

Where FBF Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Agent as a rate equal to the relevant FBF Rate plus or minus (as indicated in the relevant Final Terms) the Margin (if any). For the purposes of this sub-paragraph (A), "**FBF Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Agent under a notional interest rate swap transaction (*Echange*) in the relevant Specified Currency governed by the 2001 FBF Master Agreement (*convention cadre FBF*) relating to transactions on forward financial instruments (formerly 1994 AFB Master

Agreement for Foreign Exchange and Derivatives Transactions), as supplemented by the then applicable Interest and Currency incorporating the FBF Definitions and under which:

- (1) the Floating Rate is as specified in the relevant Final Terms; and
- (2) the Floating Rate Determination Date is as specified in the relevant Final Terms.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Agent**" and "**Floating Rate Determination Date**" are translations of the French terms "*Taux Variable*", "*Agent*" and "*Date de Détermination du Taux Variable*", respectively, which have the meanings given to those terms in the FBF Definitions.

(B) Screen Rate Determination for Floating Rate Covered Bonds:

Where Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent at or about the Relevant Time on the Interest Determination Date in respect of such Interest Accrual Period in accordance with the following:

(1) if the Primary Source for Floating Rate is a Page, subject as provided below, the Rate of Interest shall be:

- (I) the Relevant Rate (where such Relevant Rate on such Page is a composite quotation or is customarily supplied by one (1) entity); or
- (II) the arithmetic mean of the Relevant Rates of the persons whose Relevant Rates appear on that Page, in each case appearing on such Page at the Relevant Time on the Interest Determination Date as disclosed in the relevant Final Terms, plus or minus (as indicated in the relevant Final Terms) the Margin (if any); and

(2) if the Primary Source for the Floating Rate is Reference Banks or if sub-paragraph (1)(I) applies and no Relevant Rate appears on the Page at the Relevant Time on the Interest Determination Date or if sub-paragraph (1)(II) applies and fewer than two (2) Relevant Rates appear on the Page at the Relevant Time on the Interest Determination Date, subject as provided below, the Rate of Interest shall be the arithmetic mean of the Relevant Rates that each of the Reference Banks is quoting to leading banks in the Relevant Financial Centre at the Relevant Time on the Interest Determination Date, as determined by the Calculation Agent, plus or minus (as indicated in the relevant Final Terms) the Margin (if any), and

(3) if paragraph (2) above applies and the Calculation Agent determines that fewer than two (2) Reference Banks are so quoting Relevant Rates, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) that the Calculation Agent determines to be the rates (being the nearest equivalent to the Benchmark) in respect of a Representative Amount of the Specified Currency that at least two (2) out of five (5) leading banks selected by the Calculation Agent in the principal financial centre of the country of the Specified Currency or, if the Specified Currency is Euro, in the Euro-zone as selected by the Calculation Agent (the "**Principal Financial Centre**") are quoting at or about the Relevant Time on the date on which such banks would customarily quote such rates for a period commencing on the Effective Date for a period equivalent to the Specified Duration (I) to leading banks carrying on business in Europe, or (if the Calculation Agent determines that fewer than two (2) of such banks are so quoting to leading banks in Europe) (II) to leading banks carrying on business in the Principal Financial Centre; except that, if fewer than two (2) of such banks are so quoting to leading banks in the Principal Financial Centre, the Rate of Interest shall be the Rate of Interest determined on the previous Interest Determination Date (after readjustment for any difference between any Margin, Rate Multiplier or Maximum or Minimum Rate of Interest applicable to the preceding Interest Accrual Period and to the relevant Interest Accrual Period).

- (iv) *Rate of Interest for Index Linked Interest Covered Bonds*: The Rate of Interest in respect of Index Linked Interest Covered Bonds for each Interest Accrual Period shall be determined in the manner specified in the relevant Final Terms and interest will accrue by reference to an Index or Formula as specified in the relevant Final Terms.

**(n) Zero Coupon Covered Bonds**

Where a Covered Bond the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Final Maturity Date pursuant to an Issuer's Option or, if so specified in the relevant Final Terms, pursuant to Condition 7(e) or otherwise and is not paid when due, the amount due and payable prior to the Final Maturity Date shall, unless otherwise provided in the relevant Final Terms, be the Early Redemption Amount. As from the Final Maturity Date, the Rate of Interest for any overdue principal of such a Covered Bond shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 7(e)(i)).

**(o) Dual Currency Covered Bonds**

In the case of Dual Currency Covered Bonds, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating a Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified in the relevant Final Terms.

**(p) Partly Paid Covered Bonds**

In the case of Partly Paid Covered Bonds (other than Partly Paid Covered Bonds which are Zero Coupon Covered Bonds), interest will accrue as aforesaid on the paid-up nominal amount of such Covered Bonds and otherwise as specified in the relevant Final Terms.

**(q) Accrual of Interest**

Interest shall cease to accrue on each Covered Bond on the due date for redemption unless (i) in the case of Dematerialised Covered Bonds, on such due date or (ii) in the case of English Law Covered Bonds and Materialised Covered Bonds, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgement) at the Rate of Interest in the manner provided in this Condition 6 to the Relevant Date.

**(r) Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding:**

- (i) If any Margin is specified in the relevant Final Terms (either (x) generally, or (y) in relation to one (1) or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with (c) above by adding (if a positive number) or subtracting (if a negative number) the absolute value of such Margin, subject always to the next paragraph.
- (ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified in the relevant Final Terms, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (w) if FBF Determination is specified in the relevant Final Terms, all percentages resulting from such calculations shall be rounded, if necessary, to the nearest ten-thousandth of a percentage point (with halves being rounded up), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest fifth decimal (with halves being rounded up), (y) all figures shall be rounded to seven (7) figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "unit" means the lowest amount of such currency that is available as legal tender in the country of such currency.

**(s) Calculations**

The amount of interest payable in respect of any Covered Bond for any period shall be calculated by multiplying the product of the Rate of Interest and the outstanding nominal amount of such Covered Bond

by the Day Count Fraction, unless an Interest Amount (or a formula for its calculation) is specified in respect of such period, in which case the amount of interest payable in respect of such Covered Bond for such period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two (2) or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period shall be the sum of the Interest Amounts of interest payable in respect of each of those Interest Accrual Periods.

**(t) Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts**

The Calculation Agent shall, as soon as practicable on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts in respect of each Specified Denomination of the Covered Bonds for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the Bondholders, any other Calculation Agent appointed in respect of the Covered Bonds that is to make a further calculation upon receipt of such information and, if the Covered Bonds are admitted to trading on a Regulated Market and the rules of such Regulated Market so require, such Regulated Market as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such Regulated Market of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth (4<sup>th</sup>) Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 6(c)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

**(u) Calculation Agent and Reference Banks**

The Issuer shall procure that there shall at all times be four (4) Reference Banks (or such other number as may be required) with offices in the Relevant Financial Centre and one (1) or more Calculation Agents if provision is made for them in the relevant Final Terms and for so long as any Covered Bond is Outstanding. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank, then the Issuer shall appoint another Reference Bank with an office in the Relevant Financial Centre to act as such in its place. Where more than one (1) Calculation Agent is appointed in respect of the Covered Bonds, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Period or Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal Paris office, or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

**7. Redemption, Purchase and Options**

**(a) Final Redemption**

Unless previously redeemed, purchased and cancelled as provided below or its maturity is extended pursuant to any Issuer's or Bondholders' option in accordance with Condition 7(c) or 7(d), each Covered Bond shall be finally redeemed on the Final Maturity Date specified in the relevant Final Terms at its Final Redemption Amount (which, unless otherwise provided, is its nominal amount) or, in the case of a Covered Bond falling within Condition 7(b) below, its final Instalment Amount.

**(b) Redemption by Instalments**

Unless previously redeemed, purchased and cancelled as provided in this Condition 7, or the relevant Instalment Date (being one (1) of the dates so specified in the relevant Final Terms) is extended pursuant to any Issuer's or Bondholders' option in accordance with Conditions 7(c) or 7(d), each Covered Bond that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified in the relevant Final Terms. The outstanding nominal amount of each such Covered Bond shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Covered Bond, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused (i) in the case of Dematerialised Covered Bonds, on the due date for such payment or (ii) in the case of Materialised Covered Bonds, Registered English Law Covered Bonds or Bearer English Law Covered Bonds, on presentation of the related Receipt, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

**(c) Redemption at the Option of the Issuer, Exercise of Issuer's Options and Partial Redemption**

- i. If a Call Option or any other Issuer's option (as may be described in the relevant Final Terms) is specified in the relevant Final Terms, the Issuer may, subject to compliance by the Issuer of all the relevant laws, regulations and directives and on giving not less than fifteen (15) nor more than thirty (30) days' irrevocable notice in accordance with Condition 17 to the Bondholders (or such other notice period as may be specified in the relevant Final Terms) redeem, or exercise any other option in relation to all or, if so provided, some, of the Covered Bonds on any Optional Redemption Date or Option Exercise Date, as the case may be. Any such redemption of Covered Bonds shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption, if any. Any such redemption must relate to Covered Bonds of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed as specified in the relevant Final Terms and no greater than the Maximum Redemption Amount to be redeemed as specified in the relevant Final Terms.

All Covered Bonds in respect of which any such notice is given shall be redeemed, or the Issuer's Option shall be exercised, on the date specified in such notice in accordance with this Condition.

*A. English Law Covered Bonds*

In the case of a partial redemption or a partial exercise of an Issuer's option, the notice to holders of Bearer English Law Covered Bonds shall also contain the certificate numbers of the Bearer English Law Covered Bonds, or in the case of Registered English Law Covered Bonds shall specify the nominal amount of Registered English Law Covered Bonds and the holder(s) of such Registered English Law Covered Bonds chosen to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange requirements.

*B. French Law Covered Bonds*

In the case of a partial redemption or a partial exercise of an Issuer's Option in respect of Materialised Covered Bonds, the notice to holders of such Materialised Covered Bonds shall also contain the numbers of the Definitive Materialised Covered Bonds to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and Regulated Market requirements.

In the case of a partial redemption or a partial exercise of an Issuer's Option in respect of Dematerialised Covered Bonds, the redemption may be effected, at the option of the Issuer, either (i) by reducing the nominal amount of all such Dematerialised Covered Bonds in a Series in proportion to the aggregate nominal amount redeemed or (ii) by redeeming in full



some only of such Dematerialised Covered Bonds and, in such latter case, the choice between those Dematerialised Covered Bonds that will be fully redeemed and those Dematerialised Covered Bonds of any Series that will not be redeemed shall be made in accordance with Article R. 213-16 of the French Monetary and Financial Code (*Code monétaire et financier*) and the provisions of the relevant Final Terms, subject to compliance with any other applicable laws and Regulated Market requirements.

- ii. So long as the Covered Bonds are listed and admitted to trading on Euronext Paris and the rules thereof so require, the Issuer shall, once in each year in which there has been a partial redemption of the Covered Bonds, cause to be published either on the website of the AMF ([www.amf-france.org](http://www.amf-france.org)) or in a leading financial newspaper of general circulation in France, which is expected to be *La Tribune* or *Les Echos*, a notice specifying the aggregate nominal amount of Covered Bonds outstanding and, in the case of Materialised Covered Bonds and English Law Covered Bonds a list of any Materialised Covered Bonds and English Law Covered Bonds, drawn for redemption but not surrendered.

**(d) Redemption at the Option of Bondholders and Exercise of Bondholders' Options**

If a Put Option is specified in the relevant Final Terms, the Issuer shall, at the option of the Bondholder, upon the Bondholder giving not less than fifteen (15) nor more than thirty (30) days' notice to the Issuer (or such other notice period as may be specified in the relevant Final Terms) redeem such Covered Bond on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option or any other Bondholders' Option as may be set out in the relevant Final Terms (which must be exercised on an Option Exercise Date) the Bondholder must deposit with a Paying Agent at its specified office a duly completed option exercise notice (the "**Exercise Notice**") in the form obtained during normal business hours from any Paying Agent within the notice period. In the case of Materialised Covered Bonds and Bearer English Law Covered Bonds, the Exercise Notice shall have attached to it the relevant Covered Bonds (together with all unmatured Receipts and Coupons and unexchanged Talons) or (in the case of Registered English Law Covered Bonds) the Certificate representing such English Law Covered Bonds must be deposited with the Registrar or any Transfer Agent at its specified office. In the case of Dematerialised Covered Bonds, the Bondholder shall transfer, or cause to be transferred, the Dematerialised Covered Bonds to be redeemed to the account of the Paying Agent with a specified office in Paris, as specified in the Exercise Notice.

No option so exercised and, where applicable, no Covered Bond so deposited or transferred, may be withdrawn without the prior consent of the Issuer.

**(e) Early Redemption**

(i) *Zero Coupon Covered Bonds*

- (A) The Early Redemption Amount payable in respect of any Zero Coupon Covered Bond, the amount of which is not linked to an index and/or a formula, upon redemption of such Covered Bond pursuant to Condition 7(f) or (g) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Nominal Amount (calculated as provided below) of such Covered Bond unless otherwise specified in the relevant Final Terms.
- (B) Subject to the provisions of sub-paragraph (C) below, the amortised nominal amount of any such Covered Bond (the "**Amortised Nominal Amount**") shall be the scheduled Final Redemption Amount of such Covered Bond on the Final Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the amortisation yield (which, if none is shown in the relevant Final Terms, shall be such rate as would produce an Amortised Nominal Amount equal to the issue price of the Covered Bonds if they were discounted back to their issue price on the Issue Date) (the "**Amortisation Yield**") compounded annually.
- (C) If the Early Redemption Amount payable in respect of any such Covered Bond upon its redemption pursuant to Condition 7(f) or 7(g) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and

payable in respect of such Covered Bond shall be the Amortised Nominal Amount of such Covered Bond as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Covered Bond becomes due and payable was the Relevant Date. The calculation of the Amortised Nominal Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgement) until the Relevant Date, unless the Relevant Date falls on or after the Final Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Covered Bond on the Final Maturity Date together with any interest that may accrue in accordance with Condition 6(d).

Where such calculation is to be made for a period of less than one (1) year, it shall be made on the basis of the Day Count Fraction as provided in the relevant Final Terms.

(ii) *Other Covered Bonds*

The Early Redemption Amount payable in respect of any Covered Bond (other than Covered Bonds described in (i) above), upon redemption of such Covered Bond pursuant to Condition 7(f) or 7(g) or upon it becoming due and payable as provided in Condition 10 shall be the Final Redemption Amount together with interest accrued to the date fixed for redemption unless otherwise specified in the relevant Final Terms.

**(f) Redemption for taxation reasons**

- (i) If, by reason of any change in French law, or any change in the official application or interpretation of such law, becoming effective after the Issue Date, the Issuer or, in the case of 3(a)(2) Covered Bonds, the US Guarantor would on the occasion of the next payment of principal or interest due in respect of the Covered Bonds, not be able to make such payment without having to pay additional amounts as specified under Condition 9(b) below, the Issuer may, at its option, on any Interest Payment Date or, if so specified in the relevant Final Terms, at any time, subject to having given not more than forty-five (45) nor less than thirty (30) days' notice to the Bondholders (which notice shall be irrevocable), in accordance with Condition 17, redeem all, but not some only, of the Covered Bonds at their Early Redemption Amount together with, unless otherwise specified in the Final Terms, any interest accrued to the date set 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 or the US Guarantor could make payment of principal and interest without withholding for French taxes.
- (ii) If the Issuer or, in the case of 3(a)(2) Covered Bonds, the US Guarantor would, on the next payment of principal or interest in respect of the Covered Bonds, be prevented by French law from making payment to the Bondholders or, if applicable, Couponholders of the full amounts then due and payable, notwithstanding the undertaking to pay additional amounts contained in Condition 9(b) below, then the Issuer shall forthwith give notice of such fact to the Fiscal Agent and the Issuer shall upon giving not less than seven (7) days' prior notice to the Bondholders in accordance with Condition 17, redeem all, but not some only, of the Covered Bonds then outstanding at their Early Redemption Amount together with, unless otherwise specified in the Final Terms, any interest accrued to the date set for redemption on (A) the latest practicable Interest Payment Date on which the Issuer or, in the case of 3(a)(2) Covered Bonds, the US Guarantor could make payment of the full amount then due and payable in respect of the Covered Bonds, provided that if such notice would expire after such Interest Payment Date the date for redemption pursuant to such notice of Bondholders shall be the later of (i) the latest practicable date on which the Issuer or, in the case of 3(a)(2) Covered Bonds, the US Guarantor could make payment of the full amount then due and payable in respect of the Covered Bonds and (ii) fourteen (14) days after giving notice to the Fiscal Agent as aforesaid or (B) if so specified in the relevant Final Terms, at any time, provided that the due date for redemption of which notice hereunder shall be given shall be the latest practicable date at which the Issuer could make payment of the full amount payable in respect of the Covered Bonds, or, if applicable, Receipts or Coupons or, if that date is passed, as soon as practicable thereafter.

**(g) Redemption due to illegality**

The Covered Bonds of all Series shall be redeemed at the option of the Issuer, subject to compliance by the Issuer of all the relevant laws, regulations and directives, in whole, but not in part, at any time, on giving not

less than thirty (30) nor more than sixty (60) days' irrevocable notice in accordance with Condition 17 to the Bondholders (or such other notice period as may be specified in the relevant Final Terms), if the Issuer satisfies the Fiscal Agent immediately before the giving of such notice that it has, or will, before the next Interest Payment Date of any Covered Bonds of any Series, become unlawful for the Issuer to make, fund or allow to remain outstanding any Collateral Assets made by it to an Originator or to comply with any other of its obligations under the Covered Bonds of that Series, as a result of any change in, or amendment to, the applicable laws or regulations or any change in the application or official interpretation of such laws or regulations, which change or amendment has become or will become effective before the next such Interest Payment Date.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Fiscal Agent a certificate signed by two (2) members of the Executive Board (*directoire*) of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and the Fiscal Agent shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on all Bondholders, Receiptholders and Couponholders.

Covered Bonds redeemed pursuant to this Condition 7(g) will be redeemed at their Early Redemption Amount referred to in paragraph 7(e) above together (if appropriate) with interest accrued to the date fixed for redemption, if any.

**(h) Partly Paid Covered Bonds**

Partly Paid Covered Bonds will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 7 and the provisions specified in the relevant Final Terms.

**(i) Purchases**

The Issuer shall have the right at all times to purchase Covered Bonds (provided that, in the case of Bearer English Law Covered Bonds and Materialised Covered Bonds, all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith and in the case of Registered English Law Covered Bonds) in the open market or otherwise (including by tender offer) at any price.

Unless otherwise indicated in the Final Terms, Covered Bonds so purchased by the Issuer may be held and resold in accordance with applicable laws and regulations for the purpose of enhancing the liquidity of the Covered Bonds, or cancelled.

**(j) Cancellation**

All Covered Bonds purchased by or on behalf of the Issuer to be cancelled, will be cancelled, in the case of Dematerialised Covered Bonds, by transfer to an account in accordance with the rules and procedures of Euroclear France, in the case of Bearer English Law Covered Bonds and Materialised Covered Bonds, by surrendering the relevant Temporary Global Certificate, the Definitive Materialised Covered Bonds or the Bearer English Law Covered Bonds in question, together with all unmatured Receipts and Coupons and all unexchanged Talons, if applicable, to the Fiscal Agent and in the case of Registered English Law Covered Bonds, the Certificate representing such Registered English Law Covered Bonds is surrendered to the Registrar and, in each case, if so transferred or surrendered, shall, together with all Covered Bonds redeemed by the Issuer, be cancelled or annotated forthwith, as the case maybe (together with, in the case of Dematerialised Covered Bonds, all rights relating to payment of interest and other amounts relating to such Dematerialised Covered Bonds, in the case of Bearer Materialised Covered Bonds, all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith and in the case of Registered English Law Covered Bonds, all relevant Certificates). Any Covered Bonds so cancelled or, where applicable, transferred or surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Covered Bonds shall be discharged.

## 8. Payments and Talons

### (a) Dematerialised Covered Bonds

Payments of principal and interest in respect of Dematerialised Covered Bonds shall (i) in the case of Dematerialised Covered Bonds in bearer dematerialised form or administered registered form, be made by transfer to the account denominated in the relevant currency of the relevant Account Holders for the benefit of the Bondholders and, (ii) in the case of Dematerialised Covered Bonds in fully registered form, to an account denominated in the relevant currency with a Bank designated by the relevant Bondholder. All payments validly made to such Account Holders or Bank will be an effective discharge of the Issuer in respect of such payments.

### (b) Definitive Materialised Covered Bonds and Bearer English Law Covered Bonds

#### (i) *Method of payment*

Subject as provided below, payments in a Specified Currency will be made by credit or transfer to an account denominated in the relevant Specified Currency, or to which the Specified Currency may be credited or transferred (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a Bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Euro, shall be any country in the Euro-Zone, and, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Auckland, respectively).

#### (ii) *Presentation and surrender of Definitive Materialised Covered Bonds, Bearer English Law Covered Bonds, Receipts and Coupons*

Payments of principal in respect of Definitive Materialised Covered Bonds and Bearer English Law Covered Bonds will (subject as provided below) be made in the manner provided in paragraph (i) above only against presentation and surrender (or, in the case of partial payment of any sum due, annotation) of such Covered Bonds, and payments of interest in respect of Definitive Materialised Covered Bonds and Bearer English Law Covered Bonds will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, annotation) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Payments of instalments of principal (if any) in respect of Definitive Materialised Covered Bonds and Bearer English Law Covered Bonds, other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (i) above only against presentation and surrender (or, in the case of part payment of any sum due, annotation) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in paragraph (i) above only against presentation and surrender (or, in the case of part payment of any sum due, annotation) of the relevant Covered Bond in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the Definitive Materialised Covered Bond or Bearer English Law Covered Bonds, as relevant, to which it appertains. Receipts presented without the Definitive Materialised Covered Bond or Bearer English Law Covered Bonds, as relevant, to which they appertain do not constitute valid obligations of the Issuer.

Upon the date upon which any Definitive Materialised Covered Bond or Bearer English Law Covered Bonds becomes due and payable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment will be made in respect thereof.

Fixed Rate Covered Bonds in definitive form (other than Dual Currency Covered Bonds or Index Linked Covered Bonds) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against

surrender of the relative missing Coupon at any time before the expiry of ten (10) years after the Relevant Date in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 11) or, if later, five (5) years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Covered Bond in definitive form becoming due and repayable prior to its Final Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Covered Bond, Dual Currency Covered Bond, Index Linked Covered Bond in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

If the due date for redemption of any Definitive Materialised Covered Bond or Bearer English Law Covered Bonds is not an Interest Payment Date, interest (if any) accrued in respect of such Covered Bond from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against presentation and surrender (if appropriate) of the relevant Definitive Materialised Covered Bond or Bearer English Law Covered Bonds, as relevant.

**(c) Registered English Law Covered Bonds**

- (i) Payments of principal (which for the purposes of this Condition 8(c) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered English Law Covered Bonds shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.
- (ii) Interest (which for the purpose of this Condition 8(c) shall include all Instalment Amounts other than final Instalment Amounts) on Registered English law Covered Bonds shall be paid to the person shown on the Register at the close of the Business Day before the due date for payment thereof (the "**Record Date**"). For the purpose of this Condition 8(c), "**Business Day**" means any day which is both a day on which DTC is open for business (a "**DTC business day**") and a TARGET Business Day. Payments of interest on each Registered English Law Covered Bonds shall be made in the currency in which such payments are due by cheque drawn on a bank in the principal financial centre of the country of the currency concerned and mailed to the holder (or to the first named of joint holders) of such Covered Bond at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date subject to paragraph (b) above, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank in the principal financial centre of the country of that currency.
- (iii) Payments through DTC: Registered English Law Covered Bonds, if specified in the relevant Final Terms, will be issued in the form of one or more Global Certificates and may be registered in the name of, or in the name of a nominee for, DTC. Payments of principal and interest in respect of Registered English Law Covered Bonds denominated in US dollars will be made in accordance with Conditions 8(c)(i) and 8(c)(ii). Payments of principal and interest in respect of Registered English Law Covered Bonds registered in the name of, or in the name of a nominee for, DTC and denominated in a specified currency other than US dollars will be made or procured to be made by the Fiscal Agent in the specified currency in accordance with the following provisions. The amounts in such specified currency payable by the Fiscal Agent or its agent to DTC with respect to Registered English Law Covered Bonds held by DTC or its nominee will be received from the Issuer by the Fiscal Agent who will make payments in such specified currency by wire transfer of same day funds to the designated bank account in such specified currency of those DTC participants entitled to receive the relevant payment who have made an irrevocable election to DTC, in the case of interest payments, on or prior to the third DTC business day after the Record Date for the relevant payment of interest and, in the case of payments of principal, at least 12 DTC business days prior to the relevant payment date, to receive that payment in such specified currency. The Fiscal Agent, after the Exchange Agent (as defined in the Agency Agreement) has converted amounts in such specified currency into US dollars, will cause the Exchange Agent to deliver such US dollar amount in same day funds to DTC for payment through its settlement system to those DTC participants entitled to

receive the relevant payment who did not elect to receive such payment in such specified currency. The Agency Agreement sets out the manner in which such conversions are to be made.

**(d) Payments in the United States**

Notwithstanding the foregoing, if any Bearer English Law Covered Bonds or Materialised Covered Bonds are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Covered Bonds in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

**(e) Payments subject to Fiscal Laws**

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives but without prejudice to Condition 9. No commission or expenses shall be charged to the Bondholders or Couponholders in respect of such payments.

**(f) Appointment of Agents**

The Fiscal Agent, the Paying Agents, the Transfer Agent, the Registrar, the Registration Agent, the Exchange Agent and the Calculation Agent initially appointed by the Issuer and their respective specified offices are set forth in the Agency Agreement. The Fiscal Agent, the Paying Agents, the Transfer Agent, the Registrar, the Exchange Agent and the Registration Agent act solely as agents of the Issuer and the Calculation Agent(s) act(s) as independent experts(s) and, in each case, do not assume any obligation or relationship of agency for any Bondholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, any other Paying Agent, Transfer Agent, Registrar, Exchange Agent, Registration Agent or Calculation Agent and to appoint other Fiscal Agent, Paying Agent(s), Transfer Agent(s), Registrar, Registration Agent(s), Exchange Agent(s) or Calculation Agent(s) or additional Paying Agent(s), Registration Agent(s) or Calculation Agent(s), provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) one (1) or more Calculation Agent(s) and an Exchange Agent where the Conditions so require, (iii) Paying Agents having specified offices in at least two (2) major European cities (and ensuring the financial services of the Covered Bonds in France so long as the Covered Bonds are listed and traded on Euronext Paris and, so long as the Covered Bonds are admitted to trading on any other Regulated Market of the EEA, such other city where the Covered Bonds are admitted to trading) (iv) a Registrar in relation to Registered English Law Covered Bonds (v) a Transfer Agent in relation to Registered English Law Covered Bonds, (vi) in the case of Materialised Covered Bonds, a Paying Agent having its specified office in a Member State of the EU that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other EU Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to, such Directive (which may be any of the Paying Agents referred to in (iii) above), (vii) in the case of Dematerialised Covered Bonds in fully registered form, a Registration Agent and (viii) such other agents as may be required by the rules of any other Regulated Market on which the Covered Bonds may be admitted to trading. The Exchange Agent may, with the prior written consent of the Issuer, appoint a third party to carry out its duties in respect of Registered English Law Covered Bonds that are to be cleared through DTC.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer English Law Covered Bonds and Materialised Covered Bonds denominated in U.S. dollars in the circumstances described in paragraph (d) above.

Notice of any such change or any change of any specified office shall promptly be given to the Bondholders in accordance with Condition 17.

**(g) Talons**

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer English Law Covered Bonds and Materialised Covered Bond, the Talon forming part of such

Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 11).

(h) **Business Days for Payment**

If any date for payment in respect of any Covered Bond, Receipt or Coupon is not a Business Day, the holder shall not be entitled to payment until the next following Business Day unless otherwise specified in the relevant Final Terms, nor to any interest or other sum in respect of such postponed payment. In this paragraph, "**business day**" means a day (other than a Saturday or a Sunday) (A) (i) in the case of Dematerialised Covered Bonds, on which Euroclear France is open for business or (ii) in the case of all other Covered Bonds, on which banks and foreign exchange markets are open for business in the relevant place of presentation, (B) in such jurisdictions as shall be specified as "**Financial Centre(s)**" in the relevant Final Terms and (C) (i) in the case of a payment in a currency other than Euro, where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency or (ii) in the case of a payment in Euro, which is a TARGET Business Day.

(i) **Bank**

For the purpose of this Condition 8, "**Bank**" means a bank in the principal financial centre of the relevant currency or, in the case of Euro, in a city in which banks have access to the TARGET System.

**9. Taxation**

(a) **Tax Exemption for Covered Bonds constituting *obligations* or debt instruments (*titres de créances*) assimilated thereto for French tax purposes**

All payments of principal, interest and other revenues by or on behalf of the Issuer in respect of the Covered Bonds shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within France or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

(b) **Additional Amounts**

If French law should require that payments of principal or interest in respect of any Covered Bond, Receipt or Coupon be subject to deduction or withholding in respect of any present or future taxes or duties whatsoever, the Issuer will, to the fullest extent then permitted by law, pay such additional amounts as shall result in receipt by the Bondholders or, if applicable, the Receiptholders and the Couponholders, as the case may be, of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Covered Bond, Receipt or Coupon, as the case may be:

- (i) *Other connection*: to, or to a third party on behalf of, a Bondholder, Receiptholder or Couponholder who is liable to such taxes or duties by reason of his having some connection with the Republic of France other than the mere holding of the Covered Bond, Receipt or Coupon; or
- (ii) *More than thirty (30) days after the Relevant Date*: in the case of Definitive Materialised Covered Bonds or English Law Covered Bonds, more than thirty (30) days after the Relevant Date except to the extent that the Bondholder, Receiptholder or Couponholder would have been entitled to such additional amounts on presenting it (or the Certificate representing it, as applicable) for payment on the thirtieth (30<sup>th</sup>) such day; or
- (iii) *Payment to individuals*: where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

- (iv) *Payment by another Paying Agent*: in the case of Definitive Materialised Covered Bonds and English Law Covered Bonds (other than Registered English Law Covered Bonds) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Covered Bond, Receipt or Coupon to another Paying Agent in a Member State of the EU.

References in these Conditions to (A) "**principal**" shall be deemed to include any premium payable in respect of the Covered Bonds, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Nominal Amounts and all other amounts in the nature of principal payable pursuant to Condition 7 or any amendment or supplement to it, (B) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 6 or any amendment or supplement to it and (C) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition.

## 10. Events of Default

### (a) English Law Covered Bonds

If an Issuer Event of Default occurs in respect of any Series of English Law Covered Bonds, any holder of the relevant English Law Covered Bonds may, following an Extraordinary Resolution at a meeting of the holders of the relevant English Law Covered Bonds, or if such Issuer Event of Default is a Covered Bonds Cross Acceleration Event, any holder of the English Law Covered Bonds may at its discretion, upon written notice (an "**Issuer Enforcement Notice**") to the Fiscal Agent and the Issuer (with copy to the Administrator and to the Rating Agencies) given before all defaults have been cured, cause the principal amount of all Covered Bonds of such Series to become due and payable (but subject to the relevant Payment Priority Order), together with any accrued interest thereon, as of the date on which such notice for payment is received by the Fiscal Agent.

### (b) French Law Covered Bonds

Subject to the legal framework applicable to an SFH, if an Issuer Event of Default occurs in respect of any Series of French Law Covered Bonds, the Representative may (i) may, at its discretion, or (ii) shall, if so directed by the Majority Bondholders or if such Issuer Event of Default is a Covered Bonds Cross Acceleration Event, upon written notice (an "**Issuer Enforcement Notice**") to the Fiscal Agent and the Issuer (with copy to the Administrator and to the Rating Agencies) given before all defaults have been cured, cause the principal amount of all Covered Bonds of such Series to become due and payable (but subject to the relevant Payment Priority Order), together with any accrued interest thereon, as of the date on which such notice for payment is received by the Fiscal Agent.

## 11. Prescription

Claims against the Issuer for payment in respect of any amount due under the Covered Bonds, Receipts and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within ten (10) years (in the case of principal) or five (5) years (in the case of interest) from the appropriate Relevant Date in respect of them.

## 12. Representation of Bondholders

### (a) English Law Covered Bonds

The Agency Agreement contains provisions for convening meetings of the holders of English Law Covered Bonds to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Agency Agreement) of a modification of any of the Conditions. Any modification of the Conditions shall only be binding on the Issuer if agreed by it or on its behalf.

The meeting of the holders of the English Law Covered Bonds may deliberate on and also may act with respect to any matter that relates to the common rights, actions and benefits which now or in the future may accrue with respect to the English Law Covered Bonds. It may further deliberate on any proposal relating to the modification of the Conditions including any proposal, whether for arbitration or settlement, relating to rights in controversy or which were the subject of judicial decisions, it being specified, however, that it may not increase amounts payable by holders of English Law Covered Bonds, nor establish any unequal treatment between the holders of English Law Covered Bonds.



Such a meeting may be convened by the Issuer or one (1) or more holders of English Law Covered Bonds holding not less than one-thirtieth (1/30) of the nominal amount of the English Law Covered Bonds for the time being outstanding may address to the Issuer a demand for convening such a meeting. If such a meeting has not been convened within two (2) months after such demand, the holder of the English Law Covered Bonds may petition a competent court in Paris to appoint an agent (*mandataire*) who will call the meeting.

Notice of the date, hour, place and agenda of any such meeting will be published as provided under Condition 17.

The quorum for any meeting convened to consider an Extraordinary Resolution shall be holders (or persons representing them) of English Law Covered Bonds holding at least a fifth (1/5) of the nominal amount of the English Law Covered Bonds for the time being outstanding and at any adjourned meeting no quorum shall be required. An Extraordinary Resolution will be deemed sanctioned at a valid meeting if a two-third (2/3) majority of votes is cast in favour of the proposed resolution by holders of English Law Covered Bonds attending such meeting or represented thereat.

Each holder of a English law Covered Bond has the right to participate in the meeting in person or by proxy. Each English law Covered Bond carries the right to one (1) vote or, in the case of English Law Covered Bonds issued with more than one (1) Specified Denomination, one (1) vote in respect of each multiple of the lowest Specified Denomination comprised in the principal amount of the Specified Denomination of such English law Covered Bond. Any Extraordinary Resolution duly passed shall be binding on relevant Bondholders (whether or not they were present at the meeting at which such resolution was passed) and on all relevant Couponholders.

Extraordinary Resolutions sanctioned at a valid meeting must be published in accordance with the provisions set forth in Condition 17.

Each holder of English Law Covered Bonds will have the right, during the fifteen (15)-day period preceding the holding of each meeting, to consult or make a copy of the text of the resolutions which will be proposed and of the reports which will be presented at the meeting, all of which will be available for inspection by the relevant holders of English Law Covered Bonds at the registered office of the Issuer, at the specified offices of any of the Paying Agents and at any other place specified in the notice of the meeting.

The Issuer will pay all expenses relating to the calling and holding of meetings and, more generally, all administrative expenses resolved upon by the meeting, it being expressly stipulated that no expenses may be imputed against interest payable under the English Law Covered Bonds.

The Agency Agreement provides that a resolution in writing signed by or on behalf of all the holders of English Law Covered Bonds who for the time being are entitled to receive notice of a meeting in accordance with the provisions herein contained shall for all purposes be as valid and effectual as an Extraordinary Resolution passed at a meeting of such Bondholders duly convened and held in accordance with the provisions herein contained. Such resolution in writing 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 Bondholders. These Conditions may be amended, modified or varied in relation to any Series of English Law Covered Bonds by the terms of the relevant Final Terms in relation to such Series.

**(b) French Law Covered Bonds**

Holders of French Law Covered Bonds will, in respect of all Tranches in any Series, be grouped automatically for the defence of their common interests in a *masse* (in each case, the "**Masse**").

The Masse will be governed by the provisions of the French Commercial Code (*Code de commerce*) (the "**Code**") with the exception of Articles L. 228-48, L. 228-59, L. 228-71, R.228-63, R.228-67 and R.228-69, subject to the following provisions:

**(i) Legal Personality**

The Masse will be a separate legal entity and will act in part through a representative (the "**Representative**") and in part through a general meeting of the holders of French Law Covered Bonds (the "**General Meeting**").

The Masse alone, to the exclusion of all individual holders of French Law Covered Bonds, shall exercise the common rights, actions and benefits which now or in the future may accrue respectively with respect to the French Law Covered Bonds.

**(ii) Representative**

The office of Representative may be conferred on a person of any nationality. However, the following persons may not be chosen as Representatives:

- (1) the Issuer, the members of its Executive Board (*directoire*) and of its Supervisory Board (*conseil de surveillance*), its general managers (*directeurs généraux*), its statutory auditors, its employees and their ascendants, descendants and spouse; or
- (2) companies guaranteeing all or part of the obligations of the Issuer, their respective managers (*gérants*), general managers (*directeurs généraux*), members of their board of directors, Executive Board or Supervisory Board, their statutory auditors, employees and their ascendants, descendants and spouse; or
- (3) companies holding directly ten per cent. (10%) or more of the share capital of the Issuer or companies having ten per cent. (10%) or more of their share capital held by the Issuer; or
- (4) persons to whom the practice of banker is forbidden or who have been deprived of the right of directing, administering or managing an enterprise in whatever capacity.

The Representative appointed in respect of the first Tranche of the first Series of French Law Covered Bonds will be BNP Paribas Securities Services:

BNP Paribas Securities Services  
Les Grands Moulins de Pantin  
9, rue du Débarcadère  
93500 Pantin  
France

represented by Mr. Sylvain THOMAZO, Head of Corporate Trust Services of BNP Paribas Securities Services.

The Representative appointed in respect of the first Tranche of any Series of French Law Covered Bonds will be the Representative of the single Masse of all Tranches in such Series. The Representative appointed in respect of each Series of French Law Covered Bonds will be the Representative in respect of the first Tranche of the first Series of French Law Covered Bonds. The alternative representative shall be Mr. Frédéric KRANTZ, Head of Sales France & Benelux of BNP Paribas Securities Services, 8 rue de Friscaty, 57100 Thionville, France.

In the event of death, retirement or revocation of appointment of the Representative, such Representative will be replaced by the alternate representative. In the event of the death, retirement or revocation of appointment of the alternate representative, an alternate representative will be elected by the General Meeting.

The Issuer shall pay to the Representative an amount of Euro 1,000 per year so long as any of the French Law Covered Bonds is Outstanding. The alternate representative will only become entitled to the annual remuneration of Euro 1,000 if it exercises the duties of Representative on a permanent basis; such remuneration will accrue from the day on which it assumes such duties.

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

**(iii) Powers of Representative**

The Representative shall (in the absence of any decision to the contrary of the General Meeting) have the power to take all acts of management necessary in order to defend the common interests of the holders of French Law Covered Bonds.

All legal proceedings against the holders of French Law Covered Bonds or initiated by them must be brought by or against the Representative except that, should safeguard procedure (*procédure de sauvegarde*), judicial reorganisation (*redressement judiciaire*) or judicial liquidation (*liquidation judiciaire*) proceedings be commenced against the Issuer, the Specific Controller would file the proof of debt of all creditors (including the Bondholders) of the Issuer benefiting from the *Privilège* pursuant to paragraph 1 of Article L.515-31 of the French Monetary and Financial Code (*Code monétaire et financier*)).

The Representative may not be involved in the management of the affairs of the Issuer.

**(iv) General Meeting**

A General Meeting may be held at any time, on convocation either by the Issuer or by the Representative. One (1) or more holders of French Law Covered Bonds, holding together at least one-thirtieth (1/30) of the principal amount of the French Law Covered Bonds outstanding, may address to the Issuer and the Representative a demand for convocation of the General Meeting. If such General Meeting has not been convened within two (2) months after such demand, the holders of French Law Covered Bonds may commission one (1) of their members to petition a competent court in Paris to appoint an agent (*mandataire*) who will call the General Meeting.

Notice of the date, hour, place and agenda of any General Meeting will be published as provided under Condition 17.

Each holder of a French law Covered Bond has the right to participate in a General Meeting in person or by proxy. Each French law Covered Bond carries the right to one (1) vote or, in the case of French Law Covered Bonds issued with more than one (1) Specified Denomination, one (1) vote in respect of each multiple of the lowest Specified Denomination comprised in the principal amount of the Specified Denomination of such French law Covered Bond.

**(v) Powers of the General Meetings**

The General Meeting is empowered to deliberate on the dismissal and replacement of the Representative and the alternate representative and also may act with respect to any other matter that relates to the common rights, actions and benefits which now or in the future may accrue with respect to the French Law Covered Bonds, including authorising the Representative to act at law as plaintiff or defendant.

The General Meeting may further deliberate on any proposal relating to the modification of the Conditions including any proposal, whether for arbitration or settlement, relating to rights in controversy or which were the subject of judicial decisions, it being specified, however, that the General Meeting may not increase amounts payable by holders of French Law Covered Bonds, nor establish any unequal treatment between the holders of French Law Covered Bonds.

General Meetings may deliberate validly on first convocation only if holders of French Law Covered Bonds present or represented hold at least a fifth (1/5) of the principal amount of the French Law Covered Bonds then outstanding. On second convocation, no quorum shall be required. Decisions at meetings shall be taken by a two-third (2/3) majority of votes cast by holders of French Law Covered Bonds attending such General Meetings or represented thereat.

Decisions of General Meetings must be published in accordance with the provisions set forth in Condition 17.

**(vi) Information to Bondholders**

Each holder of French Law Covered Bonds or Representative thereof will have the right, during the fifteen (15)-day period preceding the holding of each General Meeting, to consult or make a copy of the text of the resolutions which will be proposed and of the reports which will be presented at the General Meeting, all of which will be available for inspection by the relevant holders of French Law Covered Bonds at the registered office of the Issuer, at the specified offices of any of the Paying Agents and at any other place specified in the notice of the General Meeting.

**(vii) Expenses**

The Issuer will pay all expenses relating to the operation of the Masse, including expenses relating to the calling and holding of General Meetings and, more generally, all administrative expenses resolved upon by the General Meeting, it being expressly stipulated that no expenses may be imputed against interest payable under the French Law Covered Bonds.

**(viii) Single Masse**

The holders of French Law Covered Bonds of the same Series, and the holders of French Law Covered Bonds of any other Series which have been consolidated (*assimilées* for the purposes of French law) with the French Law Covered Bonds of such first mentioned Series in accordance with Condition 16, shall, for the defence of their respective common interests, be grouped in a single Masse. The Representative appointed in respect of the first Tranche or Series of French Law Covered Bonds will be the Representative of the single Masse of all such Series.

**13. Replacement of Definitive Materialised Covered Bonds, Receipts, Coupons and Talons**

If, in the case of any Registered English Law Covered Bonds, Bearer English Law Covered Bonds or Materialised Covered Bonds, a Certificate, Bearer English law Covered Bond, Definitive Materialised Covered Bond, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and Regulated Market regulations, at the specified office of the Fiscal Agent and in the case of Registered English Law Covered Bonds, of the Registrar, or in each case, such other Paying Agent as may from time to time be designated by the Issuer for this purpose and notice of whose designation is given to Bondholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Certificate, Bearer English law Covered Bond, Definitive Materialised Covered Bond, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Certificates, Bearer English Law Covered Bonds, Definitive Materialised Covered Bonds, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Certificates, Bearer English Law Covered Bonds, Definitive Materialised Covered Bonds, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

**14. Limited recourse, Non petition***Limited recourse*

By subscribing to any Covered Bond, each Bondholder will be automatically deemed to have agreed:

- (a) not to seek recourse under any obligation, covenant or agreement of the Issuer under the Covered Bonds and these Conditions against any shareholder, member of the board of directors (*conseil d'administration*), managing directors (*directeurs généraux*) or agent of the Issuer, by the enforcement of any assessment or by any proceeding, by virtue of any statute or otherwise; it being expressly agreed and understood that any obligation of the Issuer under the Covered Bonds and these Conditions is a corporate obligation of the Issuer, and that no personal liability shall be attached to, or be incurred by, any shareholder, member of the board of directors (*conseil d'administration*), managing director (*directeur général*) or agent of the Issuer, as such, or any of them under or by reason of any of the obligations, covenants or agreements of the Issuer contained in these Conditions or implied therefrom

and, as a condition of and in consideration for the issuing by the Issuer of any Covered Bond, to waive any and all personal liability of every such shareholder, member of the board of directors (*conseil d'administration*), managing directors (*directeurs généraux*) or agent of the Issuer for breaches by the Issuer of any of its obligations, covenants or agreements under the Covered Bonds and these Conditions;

- (b) to limit its recourse against the Issuer under the Covered Bonds and these Conditions to amounts payable or expressed to be payable to it by the Issuer on, under or in respect of its obligations and liabilities under the Covered Bonds and these Conditions (and, for the avoidance of doubt, to the exclusion of any damage for breach of contract or other penalties not expressed as being payable by the Issuer under the Covered Bonds and these Conditions) and in accordance with the then applicable Priority Payment Order;
- (c) that amounts payable or expressed to be payable by the Issuer on, under or in respect of its obligations and liabilities under the Covered Bonds and/or these Conditions shall be recoverable only from and to the extent of the amount of the Available Funds, as calculated on the relevant Interest Payment Date or (as applicable) on the relevant Final Maturity Date of each relevant Series of Covered Bonds (provided that, in the event that no Available Funds exist at the relevant date, the Issuer shall not be liable to make payment of the aforementioned amounts and provided further that, in the event that the Available Funds at the relevant date are insufficient to pay in full all amounts whatsoever due to it and all other claims ranking *pari passu* to its claims, then its claims against the Issuer shall be satisfied only up to a certain percentage of such Available Funds (as determined in accordance with the then applicable Priority Payment Order) and, after payment of such percentage, the obligations of the Issuer with respect to such amounts owed on the relevant date shall be discharged in full);
- (d) that, in accordance with paragraph 2 of Article L. 515-19 of the French Monetary and Financial Code (*Code monétaire et financier*), in the event of a conciliation (*conciliation*), safeguard (*sauvegarde*), judicial reorganisation (*redressement judiciaire*) or judicial liquidation (*liquidation judiciaire*) of the Issuer, the amounts due by the Issuer from time to time under the *obligations de financement de l'habitat* (including the Covered Bonds) and any other resources or liabilities benefiting from the *Privilège* shall be paid on their contractual due date, and in priority to all other Issuer's debts, whether or not preferred or secured, including interest resulting from agreements whatever their duration. Accordingly, until all creditors benefiting from the *Privilège* have been paid in full, no other creditor of the Issuer may exercise any right over the assets and rights of the Issuer;
- (e) that, in accordance with paragraph 3 of Article L. 515-19 of the French Monetary and Financial Code (*Code monétaire et financier*), the Covered Bonds and the other debt benefiting from the *Privilège* shall not become due and payable as a result of the judicial liquidation (*liquidation judiciaire*) of the Issuer; and
- (f) that, in accordance with Article L. 515-37 of the French Monetary and Financial Code (*Code monétaire et financier*), the provisions of Article L. 632-2 of the French Commercial Code (*Code de commerce*) (*nullités de la période suspecte*) shall not apply to payments made by the Issuer in application of the Programme Documents.

German Law Covered Bonds are subject to the particular limited recourse provisions specified in the terms and conditions of the German law Covered Bonds included in the Agency Agreement.

#### *Non-petition*

By subscribing to any Covered Bond, each Bondholder will also be automatically deemed to have agreed that prior to the date which is eighteen (18) months and one (1) day after the earlier of (i) the Final Maturity Date of the last Series issued by the Issuer under the Programme, or (ii) the date of payment of any sums outstanding and owing under the latest outstanding Covered Bond:

- (a) it will not take any corporate action or other steps or legal proceedings for the winding-up, dissolution or organisation or for the appointment of a receiver, administrator, administrative receiver, trustee, liquidator, examiner, sequestrator or similar officer of the Issuer or of any or all of the Issuer's revenues and assets; and

- (b) it will not have any right to take steps for the purpose of obtaining payment of any amounts payable to it under the Covered Bonds by the Issuer and shall not until such time take any step to recover any debts whatsoever owing to it by the Issuer otherwise than in accordance with, and subject to, the Conditions.

The above undertakings by each relevant Bondholder shall survive the payment of all sums owing under any Covered Bond and/or these Conditions.

German Law Covered Bonds are not subject to non-petition provisions.

*No risk of Issuer consolidation upon insolvency of the Group*

Despite the fact that the Issuer is almost entirely owned by BNP Paribas, pursuant to the provisions of Article L. 515-27 of the French Monetary and Financial Code (*Code monétaire et financier*), the safeguard procedure, judicial reorganisation or liquidation (*procédure de sauvegarde, de redressement ou de liquidation judiciaires*) of BNP Paribas shall not be extended to the Issuer.

## 15. Priority Payment Orders

Any and all sums due by the Issuer under the Programme (including principal and interest under the Covered Bonds) will be paid within the limit of the Available Funds of the Issuer at the time of such payment and according to the relevant Priority Payment Order described under the section "**Cash Flow**" of the Base Prospectus. As a consequence, the payment of certain sums will be subordinated to the full payment of other sums. Bondholders are deemed to have notice of the provisions of the section "**Cash Flow**" of the Base Prospectus.

## 16. Further Issues and Consolidation

### (a) Further Issues

Unless otherwise provided in the relevant Final Terms, the Issuer may from time to time without the consent of the Bondholders, Receiptholders or Couponholders create and issue further Covered Bonds to be consolidated with the Covered Bonds provided such Covered Bonds and the further Covered Bonds carry rights identical in all respects (or identical in all respects save as to the principal amount thereof and the first payment of interest as specified in the relevant Final Terms) and that the terms of such Covered Bonds provide for such consolidation, and references in these Conditions to "**Covered Bonds**" shall be construed accordingly, provided that in order for any such consolidated series of Covered Bonds to have the same identification number as the original Covered Bonds, any such consolidated series must be fungible with the original Covered Bonds for US federal income tax purposes.

### (b) Consolidation

Unless otherwise provided in the relevant Final Terms, the Issuer, with the prior approval of the Fiscal Agent (which shall not be unreasonably withheld), may from time to time on any Interest Payment Date occurring on or after the Redenomination Date on giving not less than thirty (30) days' prior notice to the Bondholders in accordance with Condition 17, without the consent of the Bondholders, Receiptholders or Couponholders, consolidate the Covered Bonds of one (1) Series denominated in Euro with the Covered Bonds of one (1) or more other Series issued by it, whether or not originally issued in one (1) of the European national currencies or in Euro, provided such other Covered Bonds have been redenominated in Euro (if not originally denominated in Euro) and which otherwise have, in respect of all periods subsequent to such consolidation, the same terms and conditions as the Covered Bonds, provided that in order for any such consolidated series of Covered Bonds to have the same identification number as the original Covered Bonds, any such consolidated series must be fungible with the original Covered Bonds for US federal income tax purposes.

## 17. Notices

- (a) Notices to the holders of Dematerialised Covered Bonds in registered form (*au nominatif*) shall be valid if either, (i) they are mailed to them at their respective addresses, in which case they will be

- deemed to have been given on the fourth (4<sup>th</sup>) weekday (being a day other than a Saturday or a Sunday) after the mailing, or at the option of the Issuer (ii) they are published in a leading daily financial newspaper of general circulation in Europe (which is expected to be the *Financial Times*) provided that, so long as such Covered Bonds are admitted to trading on any Regulated Market and the applicable rules of such Regulated Market so require, notices will only be deemed to be valid if they are published on the website of any relevant regulatory authority, in a leading daily financial newspaper with general circulation in the city/ies where the Regulated Market on which such Covered Bonds are admitted to trading, which in the case of Euronext Paris is expected to be *La Tribune* or *Les Echos*, or as otherwise required by the rules applicable to that Regulated Market, as the case may be.
- (b) Notices to the holders of Bearer English Law Covered Bonds, Materialised Covered Bonds and Dematerialised Covered Bonds in bearer form (*au porteur*) shall be valid if published in a leading daily financial newspaper of general circulation in Europe (which is expected to be the *Financial Times*) and, so long as such Covered Bonds are admitted to trading on any Regulated Market and the applicable rules of such Regulated Market so require, in a leading daily financial newspaper with general circulation in the city/ies where the Regulated Market on which such Covered Bonds are admitted to trading, which in the case of Euronext Paris is expected to be *La Tribune* or *Les Echos*, or as otherwise required by the rules applicable to that Regulated Market, as the case may be.
- (c) Notices required to be given to the holders of Dematerialised Covered Bonds (whether in registered or in bearer form) (*au porteur* or *au nominatif*) pursuant to these Conditions may be given by delivery of the relevant notice to Euroclear France, Euroclear, Clearstream, Luxembourg and any other clearing system through which the Covered Bonds are for the time being cleared in substitution for the mailing and publication as required by Conditions 17(a) and (b), above; provided that (i) so long as such Covered Bonds are admitted to trading on any Regulated Market and the rules of that Regulated Market so require, notices shall also be published in a leading daily financial newspaper with general circulation in the city/ies where the Regulated Market on which such Covered Bonds are admitted to trading, which in the case of Euronext Paris is expected to be *La Tribune* or *Les Echos*, or as otherwise required by the rules applicable to that Regulated Market, as the case may be.
- (d) Notices to the holders of Registered English Law Covered Bonds shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. For English law Covered Bond interests held by a Custodian on behalf of DTC, notice to holders shall be presumed to have been received upon delivery to DTC. In addition, so long as any Registered English Law Covered Bonds are listed on any Regulated Market and the rules of that exchange so require, notices to the holders of such Registered English Law Covered Bonds will be valid if placed in a daily newspaper with general circulation in the city/ies where the Regulated Market on which such Covered Bonds are admitted to trading, which in the case of Euronext Paris is expected to be *La Tribune* or *Les Echos*, or as otherwise required by the rules applicable to that Regulated Market, as the case may be.
- (e) If any such publication is not practicable, notice shall be validly given if published in another leading daily financial newspaper with general circulation in Europe, provided that so long as such Covered Bonds are admitted to trading on any Regulated Market, notices shall be published as otherwise required by the rules applicable to that Regulated Market, as the case may be. 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 date of the first publication as provided above. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer English Law Covered Bonds and Materialised Covered Bonds in accordance with this Condition.
- (f) Notices to be given by any Bondholder shall be in writing and given by lodging the same, together (in the case of any Covered Bonds in definitive form) with the relative Covered Bonds or Covered Bonds, with the Paying Agent (in the case of Bearer English Law Covered Bonds and Materialised Covered Bonds) or the Registrar (in the case of Registered English Law Covered Bonds).

## 18. Contracts (Rights of Third Parties) Act 1999

In respect of English Law Covered Bonds only, no person shall have the right to enforce any term or condition of these English Law Covered Bonds under the Contracts (Rights of Third Parties) Act 1999.

## 19. Governing Law and Jurisdiction

### (a) English Law Covered Bonds

#### (i) Governing Law

The English Law Covered Bonds and related Receipts, Coupons and Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law, except for the *Privilège*, which is governed by French law.

#### (ii) Jurisdiction

The High Court of Justice in England is to have jurisdiction to settle any disputes which may arise out of or in connection with any English Law Covered Bonds and related Receipts, Coupons or Talons and accordingly any legal action or proceedings arising out of or in connection with any English Law Covered Bonds and related Receipts, Coupons or Talons ("**Proceedings**") may be brought in such court. The Issuer and the US Guarantor irrevocably submit to the jurisdiction of such court and waives any objection to Proceedings in such court on the ground that the Proceedings have been brought in an inconvenient forum or otherwise. This submission is made for the benefit of each of the holders of the English Law Covered Bonds and related Receipts, Coupons and Talons and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

#### (iii) Service of Process

The Issuer and the US Guarantor irrevocably appoint BNP Paribas, London Branch as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Issuer or the US Guarantor). If for any reason the Issuer or US Guarantor cease to have a London branch or such process agent ceases to be able to act as such the Issuer and the US Guarantor irrevocably agree to appoint a suitable process agent and shall immediately notify holders of English Law Covered Bonds of such appointment in accordance with Condition 17. Nothing shall affect the right to serve process in any manner permitted by law.

### (b) French Law Covered Bonds

#### (i) Governing Law

The French Law Covered Bonds, Receipts, Coupons and Talons are governed by, and shall be construed in accordance with, French law.

#### (ii) Jurisdiction

Any claim against the Issuer in connection with any Covered Bonds, Receipts, Coupons or Talons may be brought before any competent court in Paris.

## 20. Subscription by the Issuer of Covered Bonds as eligible collateral with the *Banque de France*

Pursuant to Article L. 515-32-1 of the French Monetary and Financial Code (*Code monétaire et financier*), the Issuer as *société de financement de l'habitat (SFH)* may subscribe to its own Covered Bonds (the "**Auto-held Covered Bonds**") for the sole purpose of granting them as eligible collateral with the *Banque de France* in accordance with the rules of the Eurosystem, provided that the Issuer's liquidity needs cannot be funded otherwise. Such recognition as eligible collateral will depend upon satisfaction of the Eurosystem eligibility criteria as specified by the European Central Bank. The Covered Bonds thus subscribed by the Issuer must meet the following conditions:

- the outstanding principal amount of the Auto-held Covered Bonds does not exceed 10 per cent. of the outstanding principal amount of any liabilities of the Issuer benefiting from the *Privilège* on the subscription date of the Auto-held Covered Bonds by the Issuer;



- the Auto-held Covered Bonds are deprived of the rights provided for under Articles L. 228-46 to L. 228-89 of the French Commercial Code (*Code de commerce*) for so long as they are held by the Issuer;
- the Auto-held Covered Bonds are granted as collateral to the French central bank (*Banque de France*) or they are cancelled within the eight (8) days from their settlement date or from the date they are no more granted as collateral, as applicable; and
- the Auto-held Covered Bonds cannot be subscribed by a third party.

The Specific Controller certifies these conditions are met in a report delivered to the *Autorité de contrôle prudentiel (ACP)*.

## SUMMARY OF PROVISIONS RELATING TO THE ENGLISH LAW COVERED BONDS WHILE IN GLOBAL FORM

### Initial Issue of English Law Covered Bonds

If the English Law Covered Bonds are stated in the applicable Final Terms to be issued in either NGN form or under the NSS they are intended to be eligible collateral for Eurosystem monetary policy and the Global Note or Global Certificate will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper (and in the case of a Registered English law Covered Bond issued under the NSS, registered in the name of a nominee for the Common Safekeeper). Depositing the Global Note or Global Certificate with the Common Safekeeper does not necessarily mean that the English Law Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

If the English law Covered Bond is in CGN form, upon the initial deposit of a Global Note with a common depositary for Euroclear and Clearstream, Luxembourg (the "**Common Depositary**") or registration of Registered English Law Covered Bonds in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the relative Global Certificate to the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of English Law Covered Bonds equal to the nominal amount thereof for which it has subscribed and paid.

In the case of English Law Covered Bonds held through Euroclear France, the intermédiaires financiers habilités (French banks or brokers authorised to maintain securities accounts on behalf of their clients) (each an "**Approved Intermediary**") who are entitled to such English Law Covered Bonds according to the records of Euroclear France will likewise credit each subscriber with a nominal amount of English Law Covered Bonds equal to the nominal amount thereof for which it has subscribed and paid.

Each Tranche of Bearer English Law Covered Bonds having an original maturity of more than one year will initially be represented by a Temporary Global Note and each Tranche of Bearer English Law Covered Bonds having an original maturity of one year or less will be represented by a Permanent Global Note, in each case, in bearer form without Coupons, Receipts or a Talon attached. No interest will be payable in respect of a Temporary Global Note, except as provided below. Upon deposit of the Temporary Global Note(s) with the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of English Law Covered Bonds equal to the nominal amount thereof for which it has subscribed and paid. Registered English Law Covered Bonds issued will be issued in definitive form.

Upon the initial deposit of a Global Certificate in respect of, and registration, if relevant, of Registered English Law Covered Bonds in the name of a nominee for DTC and delivery of the relevant Global Certificate to the custodian for DTC (the "Custodian"), DTC will credit each subscriber with a nominal amount of English Law Covered Bonds equal to the nominal amount thereof for which it has subscribed and paid.

If the relevant Final Terms indicate that the Global Note is an NGN, the nominal amount of the English Law Covered Bonds shall be the aggregate amount from time to time entered in the records of both Euroclear or Clearstream, Luxembourg. The records of such clearing systems shall be conclusive evidence of the nominal amount of English Law Covered Bonds represented by the Global Note and, for these purposes, a statement issued by such clearing system stating the nominal amount of the English Law Covered Bonds represented by the Global Note at any time shall be conclusive evidence of the records of the relevant clearing system at that time.

English Law Covered Bonds that are initially deposited with the Common Depositary may (if indicated in the relevant Final Terms) also be credited to the accounts of subscribers with Approved Intermediaries or (if indicated in the relevant Final Terms) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by Euroclear France or other clearing systems. Conversely, English Law Covered Bonds that are initially deposited with Euroclear France or any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems (or Approved Intermediaries), in all cases subject to the rules of such clearing systems from time to time.

***Relationship of Accountholders with Clearing Systems***

Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg, DTC or such Approved Intermediary as the holder of an English Law Covered Bonds represented by a Global Note or a Global Certificate deposited with the Common Depositary must look solely to Euroclear or Clearstream, Luxembourg, DTC or such Approved Intermediary (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered English Law Covered Bonds, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, DTC or Euroclear France (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the English Law Covered Bonds for so long as the English Law Covered Bonds are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered English Law Covered Bonds, as the case may be, in respect of each amount so paid.

***Exchange***

***Temporary Global Notes***

Each Temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date (defined below):

(i) if the relevant Final Terms indicate that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see "Overview of the Programme- Selling Restrictions"), in whole, but not in part, for the Definitive English Law Covered Bonds defined and described below; and

(ii) otherwise in whole or in part upon certification as required under U.S. Treasury regulation section 1.163-5(c)(2)(i)(D)(3) as to non-U.S. beneficial ownership in the form set out in the Agency Agreement or promptly after the Issue Date in the case of Registered English Law Covered Bonds, for interests in a Permanent Global Note or, if so provided in the relevant Final Terms, for Definitive English Law Covered Bonds in bearer form. Each Temporary Global Note that is also an Exchangeable Bearer Bond will be exchangeable for Registered English Law Covered Bonds in accordance with the Conditions in addition to any Permanent Global Note or Definitive English Law Covered Bonds for which it may be exchangeable and, before its Exchange Date, will also be exchangeable in whole or in part for Registered English Law Covered Bonds only.

In the case of Bearer English Law Covered Bonds with an initial maturity of more than 365 days (and that are not relying on the TEFRA C Rules), the Temporary Global Note shall bear the following legend:

ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES FEDERAL INCOME TAX LAWS INCLUDING THE LIMITATION PROVIDED IN SECTIONS 165(j) AND 1287 (a) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED.

***Permanent Global Notes***

Each Permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under "Partial Exchange of Permanent Global Notes and Global Certificates" below, in part for Definitive English Law Covered Bonds or, in the case of the paragraph (ii) below, Registered English Law Covered Bonds:

(i) if the relevant Final Terms provide that a Global Note is exchangeable for Definitive English Law Covered Bonds and at the request of the holder, by such holder giving notice to the Fiscal Agent of its election for such exchange;

(ii) if the Permanent Global Note is an Exchangeable Bearer Bond, by the holder giving notice to the Fiscal Agent of its election to exchange the whole or part of such Permanent Global Note for Registered English Law Covered Bonds; and

(iii) otherwise, (1) if the Permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or Euroclear France or any other clearing system (an "Alternative Clearing System") and any such clearing system

is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so or (2) if principal in respect of any English Law Covered Bonds is not paid when due, by the holder giving notice to the Fiscal Agent of its election for such exchange.

In the event that a Global Note is exchanged for Definitive English Law Covered Bonds, such Definitive English Law Covered Bonds shall be issued in Specified Denomination(s) only. A holder of English Law Covered Bonds who holds a nominal amount of less than the minimum Specified Denomination will not receive a Definitive English Law Covered Bond in respect of such holding and would need to purchase a nominal amount of English Law Covered Bonds such that it holds an amount equal to one or more Specified Denominations.

### ***Unrestricted Global Certificates***

If the Final Terms states that the English Law Covered Bonds are to be represented by an Unrestricted Global Certificate on issue, transfers of the holding of English Law Covered Bonds represented by any Unrestricted Global Certificate may only be made in whole but not in part:

- (i) if the English Law Covered Bonds represented by the Unrestricted Global Certificates are held on behalf of Euroclear, Clearstream, Luxembourg or Euroclear France or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- (ii) if the principal in respect of any English Law Covered Bonds is not paid when due; or
- (iii) with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to (i) above, the holder of the English Law Covered Bonds has given the Registrar not less than 30 days' notice at its specified office of the holder's intention to effect such transfer.

### ***Restricted Global Certificates and 3(a)(2) Global Certificates***

Each Restricted Global Certificate and 3(a)(2) Global Certificate will be exchangeable, free of charge to the holder, on or after its Exchange Date (as defined below) in whole but not, except as provided under "Partial Exchange of Permanent Global Notes and Global Certificates", in part, for individual Certificates:

- (i) if the English Law Covered Bonds represented by the Global Certificate are held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System (except for DTC) and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- (ii) if the English Law Covered Bonds represented by the Global Certificate are held on behalf of a Custodian for DTC and if DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the relevant Global Certificate or DTC ceases to be a "clearing agency" registered under the US Securities Exchange Act of 1934 (the "**Exchange Act**") or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC; or
- (iii) if the principal in respect of any English Law Covered Bonds is not paid when due; or
- (iv) with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to (i) or (ii) above, the holder of the English Law Covered Bonds has given the Registrar not less than 30 days' notice at its specified office of the holder's intention to effect such transfer. Individual Certificates issued in exchange for a beneficial interest in the Restricted Global Certificate shall bear the legend applicable to such English Law Covered Bonds as set out under "Transfer Restrictions".

### ***Partial Exchange of Permanent Global Notes and Global Certificates***

For so long as a Permanent Global Note or Global Certificate is held on behalf of a clearing system and the rules of that clearing system permit, such Permanent Global Note or Global Certificate will be exchangeable in part on one or more occasions (1) for Registered English Law Covered Bonds if the Permanent Global Note is an Exchangeable Bearer Bond and the part submitted for exchange is to be exchanged for Registered English Law Covered Bonds, or (2) for Definitive English Law Covered Bonds or Certificates, as applicable (i) if the principal in respect of any English Law Covered Bonds is not paid when due or (ii) if so provided in, and in accordance with, the Conditions (which will be set out in the relevant Final Terms) relating to partly paid English Law Covered Bonds.

### ***Delivery of Notes***

If the Global Note is a CGN, on or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Fiscal Agent. In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a Temporary Global Note exchangeable for a Permanent Global Note, deliver, or procure the delivery of, a Permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a Temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a Permanent Global Note to reflect such exchange or (ii) in the case of a Temporary or Permanent Global Note exchangeable for Definitive English Law Covered Bonds or Registered English Law Covered Bonds, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive English Law Covered Bonds or Certificates in bearer or registered form, as the case may be or (iii) if the Global Note is a NGN, procure that details of such exchange be entered pro rata in the records of the relevant clearing system. In this Base Prospectus, "Definitive English Law Covered Bonds" means, in relation to any Global Note, the definitive Bearer English Law Covered Bonds for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon), Definitive English Law Covered Bonds will be security printed and Certificates will be printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Agency Agreement. On exchange in full of each Permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive English Law Covered Bonds.

### ***Exchange Date***

"Exchange Date" means, in relation to a Temporary Global Note, the day falling after the expiry of 40 days after its issue date, and, in relation to a Permanent Global Note, a day falling not less than 60 days, or in the case of an exchange for Registered English Law Covered Bonds, five Business Days, or in the case of exchange following the failure to pay principal in respect of any English Law Covered Bonds, 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Fiscal Agent is located and in the city in which the relevant clearing system is located.

Each Restricted Global Certificate and each individual Certificate issued in exchange for a beneficial interest in a Restricted Global Certificate will bear a legend applicable to purchasers who purchase the Registered English Law Covered Bonds pursuant to Rule 144A as described under "Transfer Restrictions".

### ***Amendment to Conditions***

The Temporary Global Notes, Permanent Global Notes and Global Certificates contain provisions that apply to the Covered Bonds that they represent, some of which modify the effect of the terms and conditions of the Covered Bonds set out in this Base Prospectus. The following is a summary of certain of those provisions:

### ***Payments***

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a Permanent Global Note, Definitive English law Covered Bond or Registered English law Covered Bond is improperly withheld or refused. Payments on any Temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S.

beneficial ownership in the form set out in the Agency Agreement (or such other form as the Issuer may approve).

All payments in respect of Covered Bonds represented by a Global Note in CGN form will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Covered Bonds, surrender of that Global Note to or to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Bondholders for such purpose. If the Global Note is in CGN form, a record of each payment so made will be endorsed on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Covered Bonds. Condition 9 (b) (iv) will apply to Definitive English Law Covered Bonds only. If the Global Note is in NGN form or a Global Certificate is issued under the NSS, the Issuer shall procure that details of each such payment shall be entered *pro rata* in the records of the relevant clearing system and in the case of payments of principal, the nominal amount of the Covered Bonds recorded in the records of the relevant clearing system and represented by the Global Note/Global Certificate will be reduced accordingly. Payments in relation to a Global Note in NGN form or Global Certificate issued under the NSS, will be made to its holder. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure by the relevant clearing systems to make the corresponding entries in the records of the relevant clearing system shall not affect such discharge.

### ***Prescription***

Claims against the Issuer in respect of Covered Bonds that are represented by a Permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 6).

### ***Meetings***

The holder of a Permanent Global Note or of the Covered Bonds represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Covered Bond) be treated as being two persons for the purposes of any quorum requirements of a meeting of Bondholders and, at any such meeting, the holder of a Permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Covered Bond. All holders of Registered English Law Covered Bonds are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Covered Bond comprising such Bondholder's holding, whether or not represented by a Global Certificate.

### ***Cancellation***

Cancellation of any Covered Bond represented by a Permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant Permanent Global Note or its presentation to or to the order of the Fiscal Agent for endorsement in the relevant schedule of such Permanent Global Note or in the case of a Global Certificate, by reduction in the aggregate principal amount of the Certificates in the relevant register, whereupon the principal amount thereof shall be reduced for all purposes by the amount so cancelled and endorsed.

### ***Purchase***

Covered Bonds represented by a Permanent Global Note may only be purchased by the Issuer or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

### ***Issuer's Option***

Any option of the Issuer provided for in the Conditions of any Covered Bonds while such Covered Bonds are represented by a Permanent Global Note shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Covered Bonds drawn in the case of a partial exercise of an option and accordingly no drawing of Covered Bonds shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Covered Bonds of any Series, the rights of account holders with a clearing system in respect of the Covered Bonds will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg (to be reflected in the records of Euroclear or Clearstream, Luxembourg as either a

pool factor or a reduction in nominal amount, at their discretion), DTC or any other clearing system (as the case may be).

### ***Bondholders' Options***

Any option of the Bondholders provided for in the Conditions of any Covered Bonds while such Covered Bonds are represented by a Permanent Global Note may be exercised by the holder of the Permanent Global Note giving notice to the Fiscal Agent within the time limits relating to the deposit of Covered Bonds with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Covered Bonds in respect of which the option has been exercised, and stating the nominal amount of Covered Bonds in respect of which the option is exercised and at the same time where the Permanent Global Note is in CGN form, presenting the Permanent Global Note to the Fiscal Agent, or to a Paying Agent acting on behalf of the Fiscal Agent, for notation.

### ***Nominal Amount***

Where the Global Note is in NGN form or the Global Certificate is issued under the NSS, the Issuer shall procure that any exchange, payment, cancellation, exercise of any option or any right under the Covered Bonds, as the case may be, in addition to the circumstances set out above shall be entered in the records of the relevant clearing systems and upon any such entry being made, in respect of payments of principal, the nominal amount of the Covered Bonds represented by the Global Note shall be adjusted accordingly.

### ***Events of Default***

Each Global Note or Registered English law Covered Bond represented by a Global Certificate provides that the holder may cause such Global Note, or a portion of it, or one or more Registered English Law Covered Bonds to become due and repayable in the circumstances described in Condition 10 by stating in the Issuer Enforcement Notice to the Fiscal Agent the nominal amount of such Global Note or Registered English Law Covered Bonds that is/are becoming due and repayable. Following the giving of the Issuer Enforcement Notice, the holder of a Global Note or Registered English law Covered Bond represented by a Global Certificate may elect for direct enforcement rights against the Issuer under the terms of a Deed of Covenant executed as a deed by the Issuer on 27 July 2010 to come into effect in relation to the whole or a part of such Global Note or one or more Registered English Law Covered Bonds in favour of the persons entitled to such part of such Global Note or such Registered English Law Covered Bonds, as the case may be, as accountholders with a clearing system. Following any such acquisition of direct rights, the Global Note or, as the case may be, the Global Certificate and the corresponding entry in the register kept by the Registrar will become void as to the specified portion or Registered English Law Covered Bonds, as the case may be. However, no such election may be made in respect of Covered Bond represented by a Global Certificate unless the transfer of the whole or a part of the holding of Covered Bond represented by the Global Certificate shall have been improperly withheld or refused.

### ***Notices***

So long as any Covered Bonds are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of a clearing system, notices to the Bondholders of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note, except that so long as such Covered Bonds are admitted to trading on any Regulated Market and the applicable rules of such Regulated Market so require, in a leading daily financial newspaper with general circulation in the city/ies where the Regulated Market on which such Covered Bonds are admitted to trading, which in the case of Euronext Paris is expected to be *La Tribune* or *Les Echos*, or as otherwise required by the rules applicable to that Regulated Market, as the case may be.

### ***Redenomination and Consolidation***

A Global Note may be amended or replaced by the Issuer (in such manner as it considers necessary) for the purposes of taking into account the redenomination and/or consolidation of the Covered Bonds pursuant to Conditions 2 and/or 16, provided that such amendment or replacement could not reasonably be expected to be prejudicial to the interests of the Bondholders. Any consolidation may, in such circumstances, require a change in the relevant common depository or central depository or custodian or nominee, as the case may be.

***Partly Paid Covered Bonds***

The provisions relating to Partly Paid Covered Bonds are not set out in this Base Prospectus, but will be contained in the relevant Final Terms and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly Paid Covered Bonds are overdue, no interest in a Global Note representing such Covered Bonds may be exchanged for an interest in a permanent Global Note or for Definitive English Law Covered Bonds (as the case may be). If any Bondholder fails to pay any instalment due on any Partly Paid Covered Bonds within the time specified, the Issuer may forfeit such Covered Bonds and shall have no further obligation to their holder in respect of them.



## **TEMPORARY GLOBAL CERTIFICATES IN RESPECT OF FRENCH LAW COVERED BONDS WHICH ARE MATERIALISED COVERED BONDS**

*The following description is only applicable to French Law Covered Bonds.*

### **Temporary Global Certificates**

A Temporary Global Certificate without interest coupons (a "**Temporary Global Certificate**") will initially be issued in connection with each Tranche of Materialised Covered Bonds, which will be delivered on or prior to the issue date of the Tranche with a common depository (the "**Common Depository**") for Euroclear Bank S.A./N.V. ("**Euroclear**") and for Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"). Upon the delivery of such Temporary Global Certificate with a Common Depository, Euroclear and Clearstream, Luxembourg will credit each subscriber with a nominal amount of Covered Bonds equal to the nominal amount thereof for which it has subscribed and paid.

The Common Depository may also credit with a nominal amount of Covered Bonds the accounts of subscribers with (if indicated in the relevant Final Terms) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, a nominal amount of Covered Bonds that is initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg, or other clearing systems.

### **Exchange**

Each Temporary Global Certificate issued in respect of Materialised Covered Bonds will be exchangeable, free of charge to the holder, on or after its Exchange Date (as defined below):

- (i) if the relevant Final Terms indicates that such Temporary Global Certificate is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see "General Description of the Programme-Selling Restrictions"), in whole, but not in part, for Definitive Materialised Covered Bonds and
- (ii) otherwise, in whole but not in part, upon certification as required under U.S. Treasury Regulation section 1.163-5 (c)(2)(i)(D)(3) as to non-U.S. beneficial ownership for Definitive Materialised Covered Bonds.

While any Materialised Covered Bond is represented by a Temporary Global Certificate, any payment payable in respect of such Materialised Covered Bonds prior to the Exchange Date (as defined below) will be made only to the extent that the certification described in (ii) above has been received by Euroclear and/or Clearstream, Luxembourg, and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certification received) to the relevant Paying Agent. The holder of a Temporary Global Certificate will not be entitled to collect any payment due thereon on or after the Exchange Date unless, upon due certification as described above, exchange of the Temporary Global Certificate for an interest in Definitive Materialised Covered Bonds is improperly refused or withheld.

### **Delivery of Definitive Materialised Covered Bonds**

On or after its Exchange Date, the holder of a Temporary Global Certificate may surrender such Temporary Global Certificate to, or to the order of, the Fiscal Agent. In exchange for any Temporary Global Certificate, the Issuer will deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Materialised Covered Bonds. In this Base Prospectus, "**Definitive Materialised Covered Bonds**" means, in relation to any Temporary Global Certificate, the Definitive Materialised Covered Bonds for which such Temporary Global Certificate may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Temporary Global Certificate and a Talon). Definitive Materialised Covered Bonds will be security printed in accordance with any applicable legal and stock exchange requirement.

**Exchange Date**

"**Exchange Date**" means, in relation to a Temporary Global Certificate in respect of any Materialised Covered Bonds, the day falling after the expiry of forty (40) days after its issue date, provided that in the event any further Materialised Covered Bonds which are to be assimilated (*assimilables* for the purposes of French law) with such first mentioned Materialised Covered Bonds are issued prior to such day pursuant to Condition 16(a), the Exchange Date may, at the option of the Issuer, be postponed to the day falling after the expiry of forty (40) days after the issue date of such further Materialised Covered Bonds.

In the case of Materialised Covered Bonds with an initial maturity of more than 365 days (and that are not relying on the TEFRA C Rules), the Temporary Global Certificate shall bear the following legend:

ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES FEDERAL INCOME TAX LAWS INCLUDING THE LIMITATION PROVIDED IN SECTIONS 165(j) AND 1287 (a) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED.

## **CLEARING AND SETTLEMENT IN RESPECT OF ENGLISH LAW COVERED BONDS**

### **Book-Entry Ownership**

#### **Bearer English Law Covered Bonds**

The Issuer may make applications to Euroclear France, Clearstream, Luxembourg and Euroclear for acceptance in their respective book-entry systems in respect of any Series of Bearer English Law Covered Bonds. In respect of Bearer English Law Covered Bonds in CGN form, a Temporary Global Note and/or a Permanent Global Note in bearer form without coupons may be deposited with a common depository for Clearstream, Luxembourg, Euroclear or with Euroclear France acting as central depository, and in NGN form with a Common Safekeeper for Euroclear and Clearstream, Luxembourg. Transfers of interests in such Temporary Global Notes or Permanent Global Notes will be made in accordance with the normal Euromarket debt securities operating procedures of Clearstream, Luxembourg and Euroclear and, if appropriate, Euroclear France.

#### **Registered English Law Covered Bonds**

The Issuer may make applications to Clearstream, Luxembourg and Euroclear for acceptance in their respective book-entry systems in respect of the English Law Covered Bonds to be represented by an Unrestricted Global Certificate or a Restricted Global Certificate. Each Unrestricted Global Certificate or Restricted Global Certificate deposited with a nominee for Clearstream, Luxembourg and/or Euroclear or a Common Safekeeper for Clearstream, Luxembourg and/or Euroclear, will have an ISIN and a Common Code.

The Issuer and a relevant US agent appointed for such purpose that is an eligible DTC participant may make application to DTC for acceptance in its book-entry settlement system of the Registered English Law Covered Bonds represented by a Restricted Global Certificate or a 3(a)(2) Global Certificate. Each such Global Certificate will have a CUSIP number. Each Restricted Global Certificate will be subject to restrictions on transfer contained in a legend appearing on the front of such Global Certificate, as set out under "Transfer Restrictions". In certain circumstances, as described below in "Transfers of Registered English Law Covered Bonds", transfers of interests in a Restricted Global Certificate may be made, as a result of which such legend may no longer be required.

In the case of a Tranche of Registered English Law Covered Bonds to be cleared through the facilities of DTC, the Custodian, with whom the Global Certificates are deposited, and DTC will electronically record the nominal amount of the Registered English Law Covered Bonds held within the DTC system. Investors in Registered English Law Covered Bonds of such Tranche may hold their interests in an Unrestricted Global Certificate only through Clearstream, Luxembourg or Euroclear. Investors may hold their interests in a Restricted Global Certificate or a 3(a)(2) Global Certificate directly through DTC if they are participants in the DTC system, or indirectly through organisations which are participants in such system.

Payments of the principal of, and interest on, each Restricted Global Certificate or 3(a)(2) Global Certificate registered in the name of DTC's nominee will be to or to the order of its nominee as the registered owner of such Global Certificate. The Issuer expects that the nominee, upon receipt of any such payment, will immediately credit DTC participants' accounts with payments in amounts proportionate to their respective beneficial interests in the nominal amount of the relevant Global Certificate as shown on the records of DTC or the nominee. The Issuer also expects that payments by DTC participants to owners of beneficial interests in such a Global Certificate held through such DTC participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the name of nominees for such customers. Such payments will be the responsibility of such DTC participants. None of the Issuer, any Paying Agent or any Transfer Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the Restricted Global Certificates or 3(a)(2) Global Certificates or for maintaining, supervising or reviewing any records relating to such ownership interests.

All Registered English Law Covered Bonds will initially be in the form of a 3(a)(2) Global Certificate, an Unrestricted Global Certificate and/or a Restricted Global Certificate. Definitive Registered English Law Covered Bonds in the form of individual Certificates will only be available, in the case of English Law Covered Bonds initially represented by an Unrestricted Global Certificate, in amounts specified in the applicable Final Terms, and, in the case of English Law Covered Bonds initially represented by a Restricted Global Certificate, in

amounts of U.S.\$ equivalent to €100,000 (or its equivalent in other currencies rounded upwards as agreed between the Issuer and the relevant Dealer(s)), or higher integral multiples of U.S.\$1,000 (or its equivalent in other currencies), in certain limited circumstances described in "Summary of Provisions Relating to English Law Covered Bonds While in Global Form".

### **Transfers of Registered English Law Covered Bonds**

Transfers of interests in Global Certificates within DTC, Clearstream, Luxembourg and Euroclear will be in accordance with the usual rules and operating procedures of the relevant clearing system. The laws of some states in the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer interests in a Restricted Global Certificate or a 3(a)(2) Global Certificate to such persons may be limited. Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Restricted Global Certificate or a 3(a)(2) Global Certificate to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

In the case of Registered English Law Covered Bonds to be cleared through Euroclear, Clearstream, Luxembourg and/or DTC, transfers may be made at any time by a holder of an interest in an Unrestricted Global Certificate to a transferee who wishes to take delivery of such interest through the Restricted Global Certificate for the same Series of English Law Covered Bonds provided that any such transfer made on or prior to the expiration of any distribution compliance period relating to the English Law Covered Bonds represented by such Unrestricted Global Certificate will only be made upon receipt by the Registrar or any Transfer Agent of a written certificate from Euroclear or Clearstream, Luxembourg, as the case may be, (based on a written certificate from the transferor of such interest) to the effect that such transfer is being made to a person whom the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities law of any state of the United States or any other jurisdiction. Any such transfer made thereafter of an interest in the English Law Covered Bonds represented by such Unrestricted Global Certificate will only be made upon request, through Clearstream, Luxembourg or Euroclear, by the holder of an interest in the Unrestricted Global Certificate to the Fiscal Agent and receipt by the Fiscal Agent of details of that account at either Euroclear or Clearstream, Luxembourg or DTC to be credited with the relevant interest in the Restricted Global Certificate. Transfers at any time by a holder of any interest in the Restricted Global Certificate to a transferee who takes delivery of such interest through an Unrestricted Global Certificate will only be made upon delivery to the Registrar or any Transfer Agent of a certificate setting forth compliance with the provisions of Regulation S and giving details of the accounts at Euroclear or Clearstream, Luxembourg, as the case may be, and/or DTC to be credited and debited, respectively, with an interest in the relevant Global Certificates.

Subject to compliance with the transfer restrictions applicable to the Registered English Law Covered Bonds described above, cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Custodian, the Registrar and the Fiscal Agent.

On or after the Issue Date for any Series, transfers of English Law Covered Bonds of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of English Law Covered Bonds of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Global Certificates will be effected through the Fiscal Agent, the Custodian and the Registrar receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Transfers will be effected on the later of (i) three business days after the trade date for the disposal of the interest in the relevant Global Certificate resulting in such transfer and (ii) two business days after receipt by the Fiscal Agent or the Registrar, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC will take any action permitted to be taken by a holder of Registered English Law Covered Bonds (including, without limitation, the presentation of Global Certificates for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in Global Certificates are credited and only in respect of such portion of the aggregate nominal amount of the relevant Global Certificates as to which such participant or participants has or have given such direction. However, in the circumstances described in "Summary of Provisions Relating to English Law Covered Bonds While in Global Form", DTC will surrender the relevant Restricted Global Certificates or a 3(a)(2) Global Certificates for exchange for individual Certificates (which will, in the case of Restricted Global Certificates, bear the legend applicable to transfers pursuant to Rule 144A).

The Issuer has been advised that DTC is a limited purpose trust company organised under the laws of the State of New York, a "banking organisation" under the laws of the State of New York, a member of the US Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic computerised book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC direct participant, either directly or indirectly.

Although DTC, Clearstream, Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in the Global Certificates among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Paying Agents or the Transfer Agents will have any responsibility for the performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

While a Restricted Global Certificate or a 3(a)(2) Global Certificate is lodged with DTC or the Custodian, the relevant Registered English Law Covered Bonds represented by individual Certificates will not be eligible for clearing or settlement through DTC, Clearstream, Luxembourg or Euroclear.

#### **Pre-issue Trades Settlement**

It is expected that delivery of English Law Covered Bonds will be made against payment therefor on the relevant Issue Date, which could be more than three business days following the date of pricing. Under Rule 15c6-1 of the US Securities and Exchange Commission under the Exchange Act, trades in the United States secondary market generally are required to settle within three business days (T+3), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Registered English Law Covered Bonds in the United States on the date of pricing or the next succeeding business days until the relevant Issue Date will be required, by virtue of the fact that such English Law Covered Bonds initially will settle beyond T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of English Law Covered Bonds may be affected by such local settlement practices and purchasers of English Law Covered Bonds who wish to trade English Law Covered Bonds between the date of pricing and the relevant Issue Date should consult their own adviser.

## THE ISSUER

*For the avoidance of doubt, it is specified that the expression "Covered Bonds" will include English Law Covered Bonds, German Law Covered Bonds and French Law Covered Bonds and the expression "Bondholders" includes any holder of such Covered Bonds, in the following section.*

### General

The Issuer was incorporated on 22 June 2004, as a French "*Société anonyme*". Its term of existence is ninety-nine (99) years from the date of its incorporation. The legal name of the Issuer is BNP Paribas Home Loan SFH and its commercial name is "BNP Paribas Home Loan SFH" (formerly BNP Paribas Home Loan Covered Bonds). The Issuer is registered with the French *Registre du commerce et des sociétés de Paris* under number 454 084 211. The Issuer adopted the name "BNP Paribas Home Loan Covered Bonds" and the legal form of a French "*Société anonyme à directoire et conseil de surveillance*" on 18 September 2006. From the date of its incorporation and until 18 September 2006, the Issuer was a dormant entity owned by BNP Paribas and did not engage in any business activity. The Issuer adopted its current legal and commercial name, i.e. "BNP Paribas Home Loan SFH" and the legal form of a French "*Société anonyme à conseil d'administration*" on or prior to the date hereof, following the adoption of the status of *société de financement de l'habitat*.

The Issuer is governed by:

- (a) the French Commercial Code (*Code de commerce*); and
- (b) the French Monetary and Financial Code (*Code monétaire et financier*).

The Issuer's registered office and principal place of business is located at 1 Boulevard Haussmann, 75009 Paris, France. The telephone number of the Issuer's registered office is: + 33 1 40 14 85 75.

At the date of this Base Prospectus, the Issuer is an entirely owned subsidiary of BNP Paribas. For further information relating to BNP Paribas, including risk factors and a description of its activity and results of operations and financial condition, investors are directed to the Information Statement, the BNPP 2010 Financial Statements and the BNPP 2009 Financial Statements which are incorporated by reference herein.

The Issuer was a special purpose entity, with separate legal capacity and existence, which was first licensed by the French banking regulator (the *Comité des établissements de crédit et des entreprises d'investissement*, an institution now merged into the *Autorité de contrôle prudentiel (ACP)*) as a credit institution (*établissement de crédit*), with the status of a financial company (*société financière*) and with limited and exclusive purpose, on 30 November 2006. Following the enactment of Law n°2010-1249 dated 22 October 2010 on banking and financial regulation (the "**SFH Law**") and of Decree n° 2011-205 date 23 February 2011, establishing the new status of "*société de financement de l'habitat (SFH)*", and in accordance with the provisions of Article 74 of the SFH Law, the Issuer has opted for the regime of *société de financement de l'habitat (SFH)*. On 1<sup>st</sup> April 2011, the Issuer was granted the status of *société de financement de l'habitat (SFH)* by the *Autorité de contrôle prudentiel (ACP)*, which is the new legal and commercial name of the Issuer. As a consequence, the Issuer is now governed by the SFH legal Framework, as described below. See "The Legal Framework").

The Issuer's exclusive corporate purpose set out in Article 2 of the Issuer's by-laws is to finance home loans (*prêts à l'habitat*) and other financial assets which are eligible under the SFH legal Framework.

Therefore, in compliance with its license as *société de financement de l'habitat*, but subject to the limitations set forth in its by-laws (*statuts*), the Issuer may:

- (a) grant or finance home loans (*prêts à l'habitat*) and hold eligible securities and instruments;
- (b) grant to any credit institutions (including BNP Paribas S.A.) loans guaranteed by the remittance, the transfer or the pledge of the receivables arising from home loans;
- (c) acquire promissory notes (*billets à ordre*) issued by credit institutions which represent receivables arising from home loans;

- (d) issue *obligations de financement de l'habitat* (such as the Covered Bonds) and raise other sources of financing which benefit from the *Privilège* in order to finance these assets;
- (e) issue ordinary bonds or raise other sources of financing which do not benefit from the *Privilège* (See "Issuer Financial Elements"), including promissory notes (*billets à ordre*) which represent receivables arising from home loans;
- (f) carry out temporary transfers of securities, pledge a securities account and pledge or transfer all or part of the receivables held by it in accordance with the applicable provisions of the French Monetary and Financial Code (*Code monétaire et financier*). The receivables or securities thus transferred or pledged are not included in the cover pool defined in Article L. 515-19 of the French Monetary and Financial Code (*assiette du Privilège*) and are not taken into account for the calculation of the Collateralisation Ratio;
- (g) in order to hedge its interest and currency risks on loans, exposures, *obligations de financement de l'habitat* and other sources of financing benefiting from the *Privilège*, or to manage or hedge the global risk on its assets, liabilities and off balance sheet exposures, use derivative instruments as defined in Article L. 211-1 of the French Monetary and Financial Code (*Code monétaire et financier*). Any amounts payable pursuant to these financial instruments, after applicable netting, benefit from the *Privilège*.

The Issuer may not hold equity participations or other forms of equity interest issued by other companies.

#### **Issuer's Activities**

The sole activity of the Issuer is to issue Covered Bonds from time to time that benefit from the *Privilège*, as described in the Base Prospectus, and to use the proceeds thereof to fund advances (each, a "**Borrower Advance**"), as lender (in such capacity the "**Lender**"), to BNP Paribas S.A., as borrower (in such capacity, the "**Borrower**") under a credit facility agreement (the "**Borrower Facility Agreement**"). See "The Borrower and the Borrower Facility Agreement".

#### *Special purpose entity and restrictions on object and powers*

The Issuer's objects and powers are to the extent possible restricted to those activities necessary to carry out its obligations under the Programme Documents.

The Issuer does not have and will not have any employees, nor will it own or lease any premises. The management of its operations is, and will be, entrusted to another credit institution or credit institutions in accordance with the provisions of Article L. 515-22 of the French Monetary and Financial Code (*Code monétaire et financier*). On the Programme Date, the management of the administrative operations of the Issuer is carried out by BNP Paribas in its capacity as Administrator of the Issuer in accordance with the Administrative Agreement and the risk management of the Issuer is carried out by the relevant departments of BNP Paribas in accordance with the provisions of the *Convention d'Externalisation et de Prestations de Services* entered into between the Issuer and BNP Paribas.

The Issuer has undertaken pursuant to the Administrative Agreement and its articles of association not to engage in unrelated business activities or incur any material liabilities other than those contemplated in the Programme Documents.

#### *Limitations on indebtedness*

Pursuant to the Conditions, the Issuer is restricted from incurring additional indebtedness (other than as contemplated by the Programme Documents) unless:

- (a) such indebtedness is fully subordinated to any amounts (whether privileged or not privileged) incurred in relation to Covered Bonds; or
- (b) prior Rating Affirmation has been delivered in relation to such indebtedness.

*Limited recourse*

Each party to any Programme Document will agree:

- (a) not to seek recourse under any obligation, covenant or agreement of the Issuer under any Programme Document against any shareholder, member of the board of directors (*conseil d'administration*), managing directors (*directeurs généraux*) or agent of the Issuer, by the enforcement of any assessment or by any proceeding, by virtue of any statute or otherwise; it being expressly agreed and understood that any obligation of the Issuer under any Programme Document is a corporate obligation of the Issuer, and that no personal liability shall be attached to, or be incurred by, any shareholder, member of the board of directors (*conseil d'administration*), managing directors (*directeurs généraux*) or agent of the Issuer, as such, or any of them under or by reason of any of the obligations, covenants or agreements of the Issuer contained in any Programme Document or implied therein and to waive any and all personal liability of every such shareholder, member of the board of directors (*conseil d'administration*), managing director (*directeurs généraux*) or agent of the Issuer for breaches by the Issuer of any of its obligations, covenants or agreements under any Programme Document;
- (b) to limit its recourse against the Issuer under any Programme Document to amounts payable or expressed to be payable to it by the Issuer on, under or in respect of its obligations and liabilities under any Programme Document (and, for the avoidance of doubt, to the exclusion of any damage for breach of contract or other penalties not expressed as being payable by the Issuer under any Programme Document) and in accordance with the then applicable Priority Payment Order;
- (c) that amounts payable or expressed to be payable by the Issuer on, under or in respect of its obligations and liabilities under any Programme Document shall be recoverable only from and to the extent of the amount of the Available Funds, as calculated on the relevant payment date (provided that, in the event that no Available Funds exist at the relevant date, the Issuer shall not be liable to make payment of the aforementioned amounts and provided further that, in the event that the Available Funds at the relevant date are insufficient to pay in full all amounts whatsoever due under any claim of any party under any Programme Document and all other claims ranking *pari passu* to any such claim, then the claim of such party against the Issuer shall be satisfied only up to a certain percentage of such Available Funds (as determined in accordance with the then applicable Priority Payment Order) and, after payment of such percentage, the obligations of the Issuer with respect to any amount owed on the relevant date to such party shall be discharged in full);
- (d) that, in accordance with paragraph 2 of Article L. 515-19 of the French Monetary and Financial Code (*Code monétaire et financier*), in the event of a conciliation (*conciliation*), safeguard (*sauvegarde*), judicial reorganisation (*redressement judiciaire*) or judicial liquidation (*liquidation judiciaire*) of the Issuer, the amounts due by the Issuer from time to time under the *obligations de financement de l'habitat* (including the Covered Bonds) and any other resources or liabilities benefiting from the *Privilège* shall be paid on their contractual due date, and in priority to all other Issuer's debts, whether or not preferred or secured, including interest resulting from agreements whatever their duration. Accordingly, until all creditors benefiting from the *Privilège* have been paid in full, no other creditor of the Issuer may exercise any right over the assets and rights of the Issuer;
- (e) that, in accordance with paragraph 3 of Article L. 515-19 of the French Monetary and Financial Code (*Code monétaire et financier*), the Covered Bonds and the other debt benefiting from the *Privilège* shall not become due and payable as a result of the judicial liquidation (*liquidation judiciaire*) of the Issuer; and
- (f) that, in accordance with Article L. 515-37 of the French Monetary and Financial Code (*Code monétaire et financier*), the provisions of Article L. 632-2 of the French Commercial Code (*Code de commerce*) (*nullités de la période suspecte*) shall not apply to payments made by the Issuer in application of the Programme Documents.

German Law Covered Bonds are subject to the particular limited recourse provisions specified in the terms and conditions of the German law Covered Bonds included in the Agency Agreement.



*Non-petition*

Each party to any Programme Document will also agree that prior to the date which is eighteen (18) months and one (1) day after the earlier of (i) the Final Maturity Date of the last Series issued by the Issuer under the Programme, or (ii) the date of payment of any sums outstanding and owing under the latest outstanding Covered Bond:

- (a) it will not take any corporate action or other steps or legal proceedings for the winding-up, dissolution or organisation or for the appointment of a receiver, administrator, administrative receiver, trustee, liquidator, examiner, sequestrator or similar officer of the Issuer or of any or all of the Issuer's revenues and assets; and
- (b) it will not have any right to take steps for the purpose of obtaining payment of any amounts payable to it under any Programme Document by the Issuer and shall not until such time take any step to recover any debts whatsoever owing to it by the Issuer otherwise than in accordance with, and subject to, the Conditions.

The above undertakings by each relevant party shall survive the termination of any Programme Document and the payment of all sums owing under any such Programme Document.

German Law Covered Bonds are not subject to non-petition provisions.

*No risk of Issuer consolidation upon insolvency of the Group*

The Issuer is a ring-fenced, bankruptcy remote entity. Pursuant to the provisions of Article L.515-27 of the French Monetary and Financial Code (*Code monétaire et financier*), the safeguard procedure, judicial reorganisation or liquidation (*procédures de sauvegarde, de redressement ou de liquidation judiciaires*) of BNP Paribas S.A. will not be extended to the Issuer.

*Restrictions on mergers or reorganisations*

The Issuer has undertaken in the Conditions not to enter into any merger, re-organisation or similar transaction without prior Representative Consent and Rating Affirmation (of S&P and Fitch) and notification (of Moody's).

**The SFH legal Framework**

The legal and regulatory regime applicable to the Issuer as *société de financement de l'habitat (SFH)* results from the following provisions (the "**SFH legal Framework**") and any other regulatory provisions, as such provision may be amended, varied and/or completed from time to time:

- Articles L. 515-14, L. 515-16, L. 515-17 to L. 515-32-1 and L. 515-34 to L. 515-39 of the French Monetary and Financial Code, such application resulting from enactment of Law no. 2010-1249 dated 22 October 2010 on banking and financial regulation;
- Articles R. 515-2, R. 515-4, R. 515-5, R. 515-7 to R. 515-11, R. 515-12 to R.515-14 and R. 515-15 to R. 515-17 of the French Monetary and Financial Code, such application resulting from enactment of Decree no. 2011-205 dated 23 February 2011;
- Regulation (*réglement*) no. 99-10 dated 9 July 1999, as amended, issued by the *Comité de la Réglementation Bancaire et Financière* (Banking and Financial Regulation Committee);
- Regulation (*instruction*) no. 2000-04 and Regulation (*instruction*) no. 2008-05, both as amended, issued by the *Autorité de contrôle prudentiel (ACP)* (formerly the *Commission Bancaire* (Banking Authority)).

*Legislation relating to sociétés de financement de l'habitat*

Pursuant to Articles L. 515-34 to L. 515-36 of the French Monetary and Financial Code (*Code monétaire et financier*), *sociétés de financement de l'habitat (SFH)* may (i) grant or finance home loans (*prêts à l'habitat*) and hold eligible securities and instruments, (ii) grant to any credit institution loans guaranteed by the remittance, the transfer or the pledge of the receivables arising from home loans, (iii) acquire promissory notes issued by credit

institutions which represent receivables arising from home loans and (iv) issue *obligations de financement de l'habitat* (or incur other forms of borrowings benefiting from the *Privilège*) in order to finance these assets.

*Sociétés de financement de l'habitat (SFH)* may also issue ordinary bonds or raise other sources of financing which do not benefit from the *Privilège*, including promissory notes (*billets à ordre*) which represent receivables arising from home loans.

*Sociétés de financement de l'habitat* may carry out temporary transfers of securities, pledge a securities account and pledge or transfer all or part of the receivables held by them in accordance with the applicable provisions of the French Monetary and Financial Code (*Code monétaire et financier*). The receivables or securities thus transferred or pledged are not included in the cover pool defined in Article L. 515-19 of the French Monetary and Financial Code (*assiette du Privilège*) and are not taken into account for the calculation of the Collateralisation Ratio.

In order to hedge their interest and currency risks on loans, exposures, *obligations de financement de l'habitat* and other sources of financing benefiting from the *Privilège*, or to manage or hedge the global risk on their assets, liabilities and off balance sheet exposures, *sociétés de financement de l'habitat* may use derivative instruments as defined in Article L. 211-1 of the French Monetary and Financial Code (*Code monétaire et financier*). Any amounts payable pursuant to these financial instruments, after applicable netting, benefit from the *Privilège*.

A *société de financement de l'habitat* may not hold equity participations or other forms of equity interest issued by other companies.

In addition:

- the provisions on bankruptcy which permit preference payments made during the applicable preference period preceding the bankruptcy to be declared void, do not apply to *sociétés de financement de l'habitat*;
- the bankruptcy proceedings (*procédure de sauvegarde, de redressement ou de liquidation judiciaires*) of a shareholder of a *société de financement de l'habitat* cannot be extended to the *société de financement de l'habitat* itself;
- any service/loan agreement pursuant to which a *société de financement de l'habitat* has delegated to another credit institution the management or the recovery of loans, exposures, assimilated receivables, securities, instruments and bonds or other sources of financing referred to in Article L. 515-13 of the French Monetary and Financial Code (*Code monétaire et financier*) may be immediately terminated upon the opening of bankruptcy proceedings (*procédure de sauvegarde, de redressement ou de liquidation judiciaires*) affecting that credit institution; and
- in case of bankruptcy proceedings (*procédure de sauvegarde, de redressement ou de liquidation judiciaires*) of a *société de financement de l'habitat*, the Specific Controller will be responsible for filing claims on behalf of creditors benefiting from the *Privilège*.

#### *SFH eligible assets*

Pursuant to the SFH legal Framework, the eligible assets of a *société de financement de l'habitat (SFH)* comprise, *inter alia*:

- (i) home loans (*prêts à l'habitat*) which are secured by a first-ranking mortgage or other real estate security interests that are equivalent to a first-ranking mortgage (within the meaning of Article R. 515-5 of the French Monetary and Financial Code (*Code monétaire et financier*) or that are guaranteed by a credit institution or an insurance company. The property must be located in France or in any other Member State of the European Union or the EEA or in a State benefiting from the highest level of credit quality (*meilleur échelon de qualité de crédit*) given by an external rating agency recognised by the *Autorité de contrôle prudentiel (ACP)* as provided in Article L. 511-44 of the French Monetary and Financial Code (*Code monétaire et financier*);
- (ii) loans granted to any credit institutions which are secured by the remittance, the transfer or the pledge of the receivables arising from the home loans referred to in (i) above;

- (iii) units or notes (other than subordinated units or subordinated notes) issued by *organismes de titrisation*, which are French securitisation vehicles, or other similar vehicles governed by the laws of a Member State of the European Union or the EEA (or governed by the laws of the United States, Switzerland, Japan, Canada, Australia or New Zealand if their assets do not include home loans referred to in Article L. 515-14 of the French Monetary and Financial Code (*Code monétaire et financier*)) if (i) their assets comprise at least 90% of home loans referred to in (i) above or other receivables benefiting from the same level of guarantees; and (ii) such units or notes benefit from the highest level of credit assessment (*meilleur échelon de qualité de crédit*) assigned by an external rating agency recognised by the French *Autorité de contrôle prudentiel* pursuant to Article L. 511-44 of the French Monetary and Financial Code (*Code monétaire et financier*), provided that, in accordance with Article R. 515-4 of the French Monetary and Financial Code (*Code monétaire et financier*), the total amount of units or notes issued by *organismes de titrisation* or other similar vehicles that the Issuer is holding does not exceed 10% of the total outstanding nominal amount of its privileged liabilities;
- (iv) promissory note (*billets à ordre*) governed by Article L. 313-42 *et seq.* of the French Monetary and Financial Code (*Code monétaire et financier*) and which represent receivables arising from the secured home loans referred to in (i) above.

In the case of the Issuer, the eligible assets are comprised of the Borrower Advances which are loans referred to in (ii) above until enforcement of the Borrower Collateral Security following the enforcement of a Borrower Event of Default. After such enforcement, the eligible assets are comprised of the Borrower Advances and the Home Loan Receivables which are receivables arising from home loans referred to in (i) above.

While the Issuer does not intend to acquire eligible assets which are units or notes referred to in (iii) above or promissory notes referred to in (iv) above, it is not precluded from holding any such assets and reserves the right to acquire such assets in the future provided that such assets are originated by entities of the Group. In particular, the Issuer may acquire any such assets in the future in a view to grant (x) financing to entities of the Group and/or (y) such assets as collateral with the *Banque de France* in accordance with the rules of the Eurosystem.

The *sociétés de financement de l'habitat (SFH)* are not allowed to make any other investments, except investments in securities, instruments or deposits which are sufficiently secure and liquid to be held as so-called substitution assets (*valeurs de remplacement*), as defined in Articles R. 515-7 and R. 515-16 of the French Monetary and Financial Code (*Code monétaire et financier*). Such assets (the "**Legal Substitution Assets**") include:

- (i) debts due or guaranteed by credit institutions or investment companies benefiting from the highest level of credit quality (*meilleur échelon de qualité de crédit*) established by an external rating agency recognized by the *Autorité de contrôle prudentiel (ACP)* meaning the following ratings: AAA to AA- for Fitch, Aaa to Aa3 for Moody's or AAA to AA- for S&P, or, after the date hereof, any other rating levels required by applicable law and regulations or as per the most recently public available rating criteria methodology reports published by the Rating Agencies;
- (ii) debt with a maturity of less than 100 days due or guaranteed by credit institutions or investment companies of a Member State of the European Union or the EEA benefiting from the second highest level of credit quality (*second meilleur échelon de qualité de crédit*) established by an external rating agency recognized by the *Autorité de contrôle prudentiel (ACP)*, meaning the following ratings: A+ to A- for Fitch, A1 to A3 for Moody's or A+ to A- for S&P or, after the date hereof, any other rating levels required by applicable law and regulations or as per the most recently public available rating criteria methodology reports published by the Rating Agencies; and
- (iii) debt securities (*titres de créances*) issued or guaranteed by public sector entities referred to in paragraph I, 1 to 5, of Article L. 515-15 of the French Monetary and Financial Code (*Code monétaire et financier*).

The total amount of such substitution assets (*valeurs de remplacement*) that a *société de financement de l'habitat* may hold is limited to 15% of the sum of (i) the total outstanding nominal amount of the *obligations de financement de l'habitat* issued by such *société de financement de l'habitat* and (ii) the amount of the other sources of financing of such *société de financement de l'habitat* benefiting from the *Privilège*. See "**The Maximum Legal Substitution Assets Percentage**".

With respect to the Issuer, such substitution assets (*valeurs de remplacement*) are comprised of the Substitution Assets which are Legal Substitution Assets. See "**The Maximum Legal Substitution Assets Percentage**".

Pursuant to Article R. 515-14 of the French Monetary and Financial Code (*Code monétaire et financier*), *sociétés de financement de l'habitat* must keep the record of all loans made available by it or acquired by it. This record must specify the type and value of the security and guarantees attached to such loans and the type and amount of the liabilities benefiting from the *Privilège*. Pursuant to Regulation (*règlement*) no. 99-10 dated 9 July 1999, as amended, issued by the *Comité de la Réglementation Bancaire et Financière* (Banking and Financial Regulation Committee), *sociétés de financement de l'habitat* must send to the *Autorité de contrôle prudentiel*, no later than on 10 June of each year, information relating to the quality of the assets they are financing. This report is published within 45 days of the general meeting approving the financial statements of the year then ended. In particular, the characteristics, details of the distribution of home loans and guarantees, the total of any unpaid amounts, the distribution of debts by amount and by category of debtors, the proportion of early repayments, and the level and sensitivity of the position of interest rates are required to be included as part of the latter report. *Sociétés de financement de l'habitat* must also publish the same information within 45 days of the end of each quarter. The Issuer will comply with all the foregoing regulations.

#### *The Privilège (Statutory Priority in Right of Payment)*

*Obligations de financement de l'habitat* are specialized covered bonds products that can only be issued by credit institutions licensed and regulated in France as *sociétés de financement de l'habitat*. *Obligations de financement de l'habitat* benefit from the legal *Privilège* under French law which provides a priority in right of payment over all the assets and revenues of the *société de financement de l'habitat* to the Bondholders and other privileged debt.

The principal and interest of the Covered Bonds will benefit from the *privilège* (statutory priority in right of payment) created by Article L. 515-19 of the French Monetary and Financial Code (*Code monétaire et financier*) (the "**Privilège**").

Accordingly, notwithstanding any legal provisions to the contrary (including Livre VI of the French Commercial Code (*Code de Commerce*) on insolvency proceedings), pursuant to article L. 515-19 of the French Monetary and Financial Code (*Code monétaire et financier*):

- (i) all amounts payable to the Issuer in respect of loans or assimilated receivables, exposures and securities referred to in articles L.515-14 to L.515-17 of the French Monetary and Financial Code (*Code monétaire et financier*) and forward financial instruments referred to in article L.515-18 of the French Monetary and Financial Code (*Code monétaire et financier*), in each case after any applicable set-off, together with the claims in respect of deposits made by the Issuer with credit institutions, shall be allocated in priority to the payment of any sums due in respect of *obligations de financement de l'habitat* (such as the Covered Bonds) and any other resources raised by the Issuer and benefiting from the *Privilège*;
- (ii) in case of conciliation (*conciliation*), safeguard (*sauvegarde*), judicial reorganisation (*redressement judiciaire*) and judicial liquidation (*liquidation judiciaire*) of the Issuer, the amounts due from time to time under the *obligations de financement de l'habitat* (including the Covered Bonds) or any other resources or liabilities benefiting from the *Privilège*, are to be paid on their contractual due date, and in priority to all other debts, whether or not preferred or secured, including interest resulting from agreements whatever their duration. Accordingly, until all creditors benefiting from the *Privilège* (including the Bondholders) have been paid in full, no other creditor of the Issuer may exercise any right over the assets and rights of the Issuer; and
- (iii) the judicial liquidation (*liquidation judiciaire*) of the Issuer will not result in the *obligations de financement de l'habitat* (such as the Covered Bonds) and the other debt benefiting from the *Privilège* becoming due and payable.

In order to maintain the *Privilège* granted to holders of *obligations de financement de l'habitat* and other privileged debts, a *société de financement de l'habitat* can not have any employees. A *société de financement de l'habitat* must, therefore, entrust the management of its operations to another credit institution or credit institutions with which it has signed an agreement.

With respect to the Issuer, the liabilities benefiting from the *Privilège* comprise the Hedging Costs, amounts due under the Covered Bonds, the Hedging Termination Costs, amounts due to the Cash Collateral Provider under the Cash Collateral Agreement and certain amounts of fees and expenses due to the Administrator under the Administrative Agreement.

#### *Minimum Legal Collateralisation Ratio*

Pursuant to Articles L. 515-20 and R. 515-7-2 of the French Monetary and Financial Code (*Code monétaire et financier*), a *société de financement de l'habitat* must at all times maintain a cover ratio between its eligible assets (including so-called substitution assets (*valeurs de remplacement*)) and its liabilities benefiting from the *Privilège* of at least 102 per cent (102%).

*Société de financement de l'habitat* must submit their Collateralisation Ratio to the *Autorité de contrôle prudentiel (ACP)* on 30 June and 31 December of each year.

#### *Liquidity needs*

Pursuant to Articles L. 515-17-1 and R. 515-7-1 of the French Monetary and Financial Code (*Code monétaire et financier*), *sociétés de financement de l'habitat* must ensure, at all times, the coverage of their cash requirements for the next 180 days, by acquiring so-called substitution assets (*valeurs de remplacement*) or other eligible assets to be granted as collateral with the *Banque de France* in accordance with the rules of the Eurosystem, or by entering into refinancing agreements with credit institutions benefiting from the highest level of short term credit quality (*meilleur échelon de qualité de crédit à court terme*) established by an external rating agency recognized by the *Autorité de contrôle prudentiel (ACP)* or guaranteed by other legal entities benefiting from the same level of short term credit quality.

*Subscription by the société de financement de l'habitat of its own obligations de financement de l'habitat as eligible collateral with the Banque de France*

Pursuant to Article L. 515-32-1 of the French Monetary and Financial Code (*Code monétaire et financier*), a *société de financement de l'habitat* may subscribe to its own *obligations de financement de l'habitat* for the sole purpose of granting them as eligible collateral with the *Banque de France* in accordance with the rules of the Eurosystem, provided that the liquidity needs of the *société de financement de l'habitat* cannot be funded otherwise. Such recognition as eligible collateral will depend upon satisfaction of the Eurosystem eligibility criteria as specified by the European Central Bank. The *obligations de financement de l'habitat* thus subscribed by the *société de financement de l'habitat* must meet the following conditions:

- their outstanding principal amount does not exceed 10 per cent. of the outstanding principal amount of any liabilities of the *société de financement de l'habitat* benefiting from the *Privilège* on the subscription date of the *obligations de financement de l'habitat* by the *société de financement de l'habitat*;
- they are deprived of the rights provided for under Articles L. 228-46 to L. 228-89 of the French Commercial Code (*Code de commerce*) for so long as they are held by the *société de financement de l'habitat*;
- they are granted as collateral to the French central bank (*Banque de France*) or they are cancelled within the eight (8) days from their settlement date or from the date they are no more granted as collateral, as applicable; and
- they cannot be subscribed by a third party.

The Specific Controller certifies these conditions are met in a report delivered to the *Autorité de contrôle prudentiel (ACP)*.

#### **Issuer Risk Management**

Pursuant to the terms of the Administrative Agreement and of the *Convention de mise à disposition de moyens*, as amended from time to time, the risk management of the Issuer is delegated to BNP Paribas. BNP Paribas will

not benefit from the *Privilège* for the payment of its fees or any other amounts that might be due by the Issuer under the Administrative Agreement and the *Convention d'Externalisation et de Prestations de Services*.

*Ongoing and periodic internal control system*

The Issuer's internal control system is based on a three (3) level system and makes a clear distinction between its ongoing and its periodic internal controls in accordance with the Règlement 97-02 of the French *Comité de la réglementation bancaire et financière* relating to the internal control of credit institutions and investment companies as amended on 14 January 2009.

*Ongoing internal control system (contrôle permanent)*

The Issuer has set up an internal control system which takes into account the Issuer's own legal form as a French limited company, with a Supervisory Board and an Executive Board (*société anonyme à directoire et conseil de surveillance*), and also its "lack of own means" status.

The Issuer is integrated into BNP Paribas's ongoing internal control system. BNP Paribas's overall ongoing control procedures are applied according to a Department's organisational structure within BNP Paribas.

These procedures rest in the first instance on Level 1 and Level 2 ongoing controls which are carried out by BNP Paribas Operations Teams: Front Office, Middle Office, and Back Office.

Level 2 controls comprise both hierarchic controls as performed by team leaders and management, as well as departmental controls. Other transversal departments, again internal to BNP Paribas, strengthen this mechanism (Group Risk Management, Finance, Compliance).

The ongoing internal control (*contrôle interne permanent*) of the Issuer is conducted by the internal control officer (*responsable du contrôle interne permanent*), currently Mr Joseph Ros, expressly mandated in this capacity by the Chairman of the Executive Board of the Issuer and of the investment services' compliance officer (*responsable de la conformité des services d'investissement*), currently Mr Fabrice Moly.

*Periodic internal control system (contrôle périodique)*

The Issuer's internal control system, Level 3, is under the supervision of independent control committees.

The Audit team of the Corporate and Investment Banking division of BNP Paribas (CIB) carries out the Issuer's audit. The Audit team reports since 1 January 2006 to the General Investigation Service of BNP Paribas (*Inspection Générale*).

The Issuer's internal control system, Level 3, is under the supervision of independent control committees.

The Issuer is included in the Corporate and Investment Banking division of BNP Paribas (CIB)'s audit remit and is audited according to the principles, norms and standards in force for the Group as a whole and more specifically for the activities and entities of CIB.

The internal audit charter of the Group is applicable to the Issuer. The General Investigation Service's norms as are specified in accordance with the Issuer's scope of activity in accordance with the Group's internal audit guidelines and international audit standards.

BNP Paribas in accordance with the provisions of

The *Convention d'Externalisation et de Prestations de Services* entered into between the Issuer and BNP Paribas determines the terms and conditions of the management of the control activities of the Issuer which will be carried out by the audit team of the General Investigation Service.

### *Performance of internal control*

The Level 1 ongoing internal controls are carried out by all of the agents and employees of BNP Paribas acting on behalf of the Issuer in the context of the performance of the accounting, administrative, regulatory and computing procedures and in accordance with the relevant terms of the Administrative Agreement and of the Convention de mise à disposition de moyens, as amended from time to time. These Level 1 ongoing internal controls can be carried out automatically once they are integrated in the computer system. In addition, they allow the provision of information to the system of internal control. The Level 1 ongoing internal controls and the responsibilities of the operating employees are provided for in the internal control procedures of BNP Paribas accessible in the form of a "procedure handbook". The control of the compliance of (i) the transactions, (ii) the level of risk actually involved and (iii) the compliance with the procedures is carried out by agents and employees of BNP Paribas acting on behalf of the Issuer.

### *System of the problems management*

The internal control officer is responsible for the system of management and follow-up of the problems arising out from time to time. Given the size of the Issuer, the exercise of the function of compliance control is carried out by the investment services' compliance officer, currently Mr Fabrice Moly. This person is completely independent from the operational functions of the Issuer. The compliance control procedures are accessible in the form of a "procedure handbook" and, in particular, render compulsory in accordance with article 11 of the *Règlement 97-02* of the French *Comité de la réglementation bancaire et financière* relating to the internal control of credit institutions and investment companies, the prior approval of the officer in charge of the compliance of new terms and conditions for the entering into agreements relating to the provision of banking and investment services by the Issuer as well as the control procedures carried out.

### *Accounting*

In the context of the Administrative Agreement and of the Convention de mise à disposition de moyens, as amended from time to time, the general accounting, the consolidation of periodical financial statements and regulatory statements are carried out by the service "Reporting Filiales" of the BNP Paribas department named Finance Développement Groupe.

### *IT systems*

All of the procedures described below are carried out through the use of various programs. The general accounting and the provision of financial statements are carried out through the tool BAC-SAR (accounting package) and Business Object (annex maker) which Finances Développement Groupe uses for its numerous branches of BNP Paribas. The preparation and provision of regulatory and prudential statements are carried out through the tools EVOLAN REPORT by SOPRA. All of the accounting records are carried out in accordance with the standards of the Group and updated in the event of any modification of the applicable regulations. Finally, all of the preparation and electronic processing tasks relating to the accounting information systems of the Issuer are carried out by specialised teams of Finances Développement Groupe which have expertise in this domain and benefit from a backup site. The framework is based on general accounts managed by BNP Paribas – service "Reporting Filiales". The Advances made available by BNP Paribas Home Loan SFH, as Lender under the Borrower Facility Agreement and the issue of the Covered Bonds are followed up by the back offices of BNP Paribas which transmit the information (by way of a confirmation slip) to the service FDG Reporting Filiales in order to ensure the book entry and which initiate the cash flows. The entire process is validated on a monthly basis by the follow-up of the back accounts and inventories (balance sheet and financial review) which are edited by the back office tools of BNP Paribas.

### *Internal control reporting*

In the context of the *Convention d'Externalisation et de Prestations de Services*, each of the relevant department of BNP Paribas prepare, on a yearly basis, on behalf of the Issuer, a reporting relating to the conditions under which the periodic and ongoing internal control are performed. At least once a year, the Supervisory Board shall review the activity and the results of the periodic and ongoing internal controls, and in particular, the latter shall verify the compliance control on the basis of information provided by both the Executive Board and the internal control officer.

*Information procedures of the Supervisory Board*

The Executive Board shall keep the Supervisory Board informed of the economic and financial situation of the Issuer and shall communicate any and all measures consisting of the system of the internal control as well as the main items and results which have been observed with respect to the risks to which the Issuer is exposed.

*Procedures handbook*

In the context of the Administrative Agreement, each of the relevant department of BNP Paribas is entrusted with the duties to update the procedures handbook relating to its activity. The procedures handbook notably sets out the conditions under which the recording, the management, the administration and the reporting of the information are performed as well as the accounting schemes and commitment procedures of the transactions.

*Internal control documentation*

In the context of the Administrative Agreement and of the Convention de mise à disposition de moyens, as amended from time to time, each of the relevant department of BNP Paribas is entrusted with the duties to update the documentation setting out the means which allow the performance of the periodical and ongoing internal controls. This documentation is structured in order to be provided upon request to the Executive Board, the Supervisory Board, the auditors or the *Autorité de contrôle prudentiel* (ACP).

*Duty of care on money laundering transactions*

Pursuant to the provisions of the French Monetary and Financial Code (*Code monétaire et financier*) relating to anti-money laundering, the Issuer shall exercise the utmost care with respect to its "know your customers" procedures and selection of clients and in any case clients which are companies or entities of the Group duly incorporated either in France or in European Economic Area. Pursuant to the provisions of the Administrative Agreement and of the *Convention de mise à disposition de moyens*, as amended from time to time, the Issuer shall benefit from the anti-money laundering procedures of the Group. The Managing Director (*Directeur Général*), Mr. Alain DEFORGE, shall be the TRACFIN representative in charge of performing the above-mentioned tasks.

**Issuer Financial Elements**

The financial year of the Issuer runs from 1 January to 31 December. The annual results of the Issuer are the non consolidated accounts. The Issuer does not produce consolidated financial statements.

*Prudential ratios*

The Issuer's prudential ratios are assessed at the Issuer level.

The Issuer's expected capital adequacy ratios for any period are 5.4% for Tier 1 (including 4% for Core Tier 1) and 8% total. The information provided in this paragraph is forward-looking and reflects the current expectations of the Issuer with respect to future events and financial performance. These forward-looking statements reflect present expectations of future events and speak only as of the date of this Base Prospectus. The Issuer does not intend to release publicly any updates or revisions to any forward-looking statements contained in this paragraph to reflect any change in the Issuer's expectations or any change in events, conditions or circumstances, on which such forward-looking statements are based.

**Issuer Share capital, Covered Bonds, Subordinated Loans and Issuer Majority Shareholder's undertakings***Share capital*

At the date of this Base Prospectus, the Issuer's issued share capital is € 175 million, made up of 17,500,000 ordinary shares with a par value of € 10 each (the "**Issuer Share Capital**").

The share capital may be increased or decreased in accordance with legal provisions. New shares can be issued either at par value or at a premium.



A capital increase can only be approved by an extraordinary general meeting of shareholders, on the basis of a report by the Executive Board.

An extraordinary general meeting of shareholders can delegate the necessary powers to the Executive Board to increase the share capital on one (1) or more occasions, to establish the terms of the increase, to certify that such terms have been carried out and to amend the Issuer's articles of association accordingly.

A reduction in capital can be decided by an extraordinary general meeting of shareholders, which may delegate to the Executive Board all the necessary powers to carry out such a reduction.

#### *Covered Bonds*

Since 31 December 2010, the Issuer has issued 5 series of Covered Bonds in Euro, for a total nominal amount of Euro 1,926,000,000 and 1 series of Covered Bonds in CHF for a nominal amount of CHF 150,000,000.

#### *Subordinated Loans and Super Subordinated Bonds Issue*

The Issuer also benefits from € 90,000,000 subordinated shareholder's loans (the "**Subordinated Loans**") and from a € 25,000,000 super subordinated bond issue with a perpetual maturity (the "**Super Subordinated Bonds Issue**"), both granted or subscribed by BNP Paribas to the Issuer.

The Subordinated Loan Agreements and Super Subordinated Bonds Subscription Agreement provide that all amounts to be paid by the Issuer under those Subordinated Loan Agreements and Super Subordinated Bonds Subscription Agreement will be paid according to the relevant Priority Payment Order, as described in Condition 15 of the Terms and Conditions.

The Subordinated Loan Agreements and Super Subordinated Bonds Subscription Agreement include "Limited Recourse" and "Non petition" provisions, as described in "**Issuer's Activities – Limited Recourse**" and "**Issuer's Activities - Non-Petition**".

No amendment, modification, alteration or supplement shall be made to the Subordinated Loan Agreements and Super Subordinated Bonds Subscription Agreement without prior Rating Affirmation if the same materially and adversely affects the interest of the Issuer or the Bondholders.

For the avoidance of doubt, the Subordinated Loan Agreements and Super Subordinated Bonds Subscription Agreement may be amended, modified, altered or supplemented without prior Rating Affirmation:

- (a) to cure any ambiguity, omission, defect or inconsistency;
- (b) to evidence or effect the transition of any party to the Subordinated Loan Agreements and Super Subordinated Bonds Subscription Agreement to any successor;
- (c) to add to the undertakings and other obligations of BNP Paribas under the Subordinated Loan Agreements and Super Subordinated Bonds Subscription Agreement; or
- (d) to comply with any mandatory requirements of applicable laws and regulations.

The Subordinated Loan Agreements and Super Subordinated Bonds Subscription Agreement shall be governed by, and construed in accordance with, French law. The Issuer and BNP Paribas, as lender, have agreed to submit any dispute that may arise in connection with the Subordinated Loan Agreements and Super Subordinated Bonds Subscription Agreement to the jurisdiction of the competent court of Paris.

#### *Shareholder Letter of Undertaking*

As the majority shareholder of the Issuer and pursuant to a letter of undertaking (the "**Shareholder Letter of Undertaking**"), BNP Paribas undertakes in favour of the Bondholders of Covered Bonds of all Series to be issued, represented by their respective Representative:

- (a) not to take or participate in any corporate action or other steps or legal proceedings for the voluntary winding-up, dissolution or organisation of the Issuer or of any or all of the Issuer's revenues and assets;

- (b) not to take or participate in any corporate action or other steps or legal proceedings for the voluntary appointment of a receiver, administrator, administrative receiver, trustee, liquidator, examiner, sequestrator or similar officer with respect to the Issuer or of any or all of the Issuer's revenues and assets;
- (c) not to amend the constitutional documents (and in particular the articles of association) of the Issuer other than as expressly contemplated under the Programme Documents or without a prior Representative Consent and Rating Affirmation;
- (d) unless if required by any administrative or regulatory authorities or under any applicable law or regulation (as the same shall have been notified by the Issuer and/or BNP Paribas to the Rating Agencies) or unless approved by BNP Paribas subject to prior Rating Affirmation, that BNP Paribas will procure that the Issuer will at all times comply with its undertakings and other obligations as set forth in the banking license of the Issuer or in the related application form (*dossier d'agrément*) filed with the *Autorité de Contrôle Prudentiel* (ACP) and maintain its SFH status;
- (e) not to permit any amendments to the Programme Documents other than as expressly permitted or contemplated under the Programme Documents or without the prior Representative Consent and prior Rating Affirmation;
- (f) not to permit that the Issuer ceases to be consolidated within the tax group formed under the *régime d'intégration fiscale* provided by articles 223 A *et seq.* of the French General Tax Code (*Code général des impôts*), with BNP Paribas as head of that tax group and not to amend the tax consolidation agreement (*convention d'intégration fiscale*) in force at the date hereof between BNP Paribas and the Issuer without prior Rating Affirmation;
- (g) not to create or permit to subsist any encumbrance over the whole or any part of the shares of the Issuer it owns;
- (h) not to sell, transfer, lease out or otherwise dispose of, by one (1) or more transactions or series of transactions (whether or not related), whether voluntarily or involuntarily, the whole or any part of the shares of the Issuer it owns;
- (i) to take any necessary steps to remain majority shareholder of the Issuer.

### **Issuer Management bodies**

#### *The Chairman and Managing Director*

Mrs. Valérie BRUNERIE, Chief Executive Officer (*Président-Directeur Général*), Mr. Alain Deforge and Mr. Jean Clamon (both also Managing Directors (*Directeur Général Délégué*)) are liable for the conduct of the Issuer's activities vis à vis the *Autorité de contrôle prudentie* (ACP) in accordance with Article L. 511-13 of the French Monetary and Financial Code (Code monétaire et financier).

In accordance with French applicable corporate laws, the Chief Executive Officer represents the Issuer *vis-à-vis* third parties. The Chief Executive Officer ensures the efficient functioning of the Executive Board and the provision of constant and complete information to the Executive Board.

#### *Board of directors*

The board of directors consists of a minimum of three (3) members and a maximum of eighteen (18) members. The term of office is six (6) years.

*Members of the board of directors*

On the Programme Date, the board of directors of the Issuer consists of eight (8) members.

<b>Name</b>	<b>Position</b>	<b>Date of appointment</b>
<b>Valérie BRUNERIE</b>	President of the Board of Directors	1 April 2011
<b>Alain DEFORGE</b>	Director	1 April 2011
<b>Jean CLAMON</b>	Director	1 April 2011
<b>Michel EYDOUX</b>	Director	1 April 2011
<b>BNP Paribas S.A</b>	Director	1 April 2011
<b>Emmanuel BUTTIN</b>	Director	1 April 2011
<b>Véronique FLOXOLI</b>	Director	1 April 2011
<b>Albert BOSSUET</b>	Independent Director	1 April 2011

The members of the board of directors have their business addresses at the registered office of the Issuer.

Mrs. Valérie BRUNERIE is the head of the Funding and Securitisation Group Asset and Liability Management (ALM Treasury group) within the Group.

Mr. Alain DEFORGE is a member of the *Medium and Long Term Funding* (ALM Treasury group) within the Group.

Mr. Jean CLAMON is the head of the *Compliance and Internal Control* within the Group.

Mr. Michel EYDOUX is the head of the ALM Treasury group within the Group.

BNP Paribas is represented by Mr. Jean-Louis GODARD, who is head of the Group's ALM.

Mr. Emmanuel BUTTIN is Chief Accountant within the Group.

Mrs. Véronique FLOXOLI is a member of the *Medium and Long Term Funding* (ALM Treasury group) within the Group.

Mr. Albert BOSSUET is the Issuer Independent Director.

There are no conflicts of interests between any duties to the Issuer of any member of the board of directors and their private interests and/or other duties.

*Rights and duties of the Board of Directors*

The general management of the Issuer is performed by the managing director. The managing director has extensive powers to act on behalf of the Issuer in all circumstances, but must exercise its powers subject to those that the law allocates explicitly to shareholders' meetings and to the board of directors.

With regard to the shareholders, the by-laws of the Issuer provides that some actions may not be taken by the board of directors, nor by the chairman nor by the managing director, nor by any substitute managing director (*directeur général délégué*) whatsoever, without the prior consent of the shareholders' general meeting. Such

provisions of the by-laws of the Issuer restricting the actions the board of directors, the chairman, the managing director or the deputy managing directors may take are not enforceable against third parties.

The board of directors must ensure that the contracting parties of any contracts and commitments concluded by the Issuer for an amount greater or equal to €500,000 have, irrevocably and unconditionally, (a) waived any rights that they may have to initiate any recourse, whether contractual or otherwise, against the Issuer and (b) waived any right to initiate any proceedings against the Issuer, the purpose of which is the commencement of any Insolvency Proceeding against the Issuer.

#### *The Issuer Independent Director*

According to the articles of association of the Issuer, the Supervisory Board will, at any time, include an independent member (the "**Issuer Independent Director**"), i.e. a member have no relationship with the Issuer, its shareholders or its management, which may compromise the independence of judgement by such member, as further described and detailed in the articles of association of the Issuer. On the Programme Date, Mr. Albert BOSSUET is the Issuer Independent Director.

Certain action, determination or appointment by the Issuer or the shareholders of the Issuer (such as specified under the Terms and Conditions and/or any other Programme Documents) may not be taken or made without written confirmation consent of the Issuer Independent Director.

#### **Issuer Statutory Auditors**

The statutory auditors of the Issuer are:

- (a) PricewaterhouseCoopers Audit, 63, rue de Villiers, 92208 Neuilly-sur-Seine Cedex, France, acting as principal statutory auditor represented by Mr. Patrice Morot and Mr. Pierre Coll as alternate statutory auditor;
- (b) Mazars, Tour Exaltis, 61, rue Henri Regnault, 92400 Courbevoie, France, acting as principal statutory auditor represented by Mr. Guillaume Potel and Mr. Barbet Massin as alternate statutory auditor.

#### **External Supervision and oversight of the Issuer**

##### *The Autorité de contrôle prudentiel (ACP)*

As credit institutions (*établissements de crédit*), *sociétés de financement de l'habitat* are supervised by the *Autorité de contrôle prudentiel (ACP)*, an independent supervisory and control authority of banking and insurance activities in France, integrated within the framework of the *Banque de France*. The *Autorité de contrôle prudentiel* is notably composed of the Governor of the *Banque de France* and various experts chosen for their expertise in banking and financial matters and is responsible for monitoring observance of the laws and regulations applicable to credit institutions as well as the soundness of their financial position. *Sociétés de financement de l'habitat* must submit to the *Autorité de contrôle prudentiel* their Collateralisation Ratio on 30 June and 31 December of each year.

The Issuer is subject to off-site monitoring and on-site inspections by the *Autorité de contrôle prudentiel*. Off-site monitoring by the *Autorité de contrôle prudentiel* consists of the examination of the Issuer's prudential and accounting records as well as regular contacts with the Issuer's board of directors and statutory auditors. The Issuer is required to submit to the *Autorité de contrôle prudentiel* an Registration Document on internal control procedures and the assessment and supervision of risk procedures and bi-Registration Documents setting forth its Collateralisation Ratio (pursuant to its status as a *société de financement de l'habitat*). In addition, statutory auditors are required to advise the *Autorité de contrôle prudentiel* of any fact or decision that may constitute a breach of existing regulations and that is likely to have a significant effect on the financial situation, the profits or the asset composition of the Issuer or cause the statutory auditors to issue a qualified or adverse opinion.

Through on-site inspections, the *Autorité de contrôle prudentiel* ascertains that the information disclosed by the Issuer accurately reflects its financial condition. The *Autorité de contrôle prudentiel* may decide to make a recommendation, issue an injunction or institute disciplinary proceedings if it determines that the Issuer has contravened a law or regulation relating to its activity as a *société de financement de l'habitat*.

## The Specific Controller

The Issuer has appointed, in accordance with Article L.515-30 of the French Monetary and Financial Code (*Code monétaire et financier*) a Specific Controller (*Contrôleur spécifique*), and a Substitute Specific Controller (*Contrôleur Spécifique Suppléant*), who are selected from the official list of auditors and are appointed by the board of directors of the Issuer with the approval of the *Autorité de contrôle prudentiel (ACP)*.

The principal Specific Controller of the Issuer is Fides Audit, 37, avenue de Friedland, 75008 Paris, France, represented by Mr. Stéphane Massa and the Substitute Specific Controller of the Issuer is M.B.V. & Associés, 39, avenue de Friedland, 75008 Paris, France represented by Mrs Martine Leconte.

The Specific Controller ensures that the Issuer complies with the SFH legal Framework (in particular, verifying the quality and the eligibility of the assets and the Minimum Legal Collateralisation Ratio). He also monitors the balance between the Issuer's assets and liabilities in terms of rates and maturity (cash flow adequacy) and notifies the board of directors, the managing director (*directeur général*) of the Issuer and the *Autorité de contrôle prudentiel (ACP)* if he considers such balance to be unsatisfactory.

The Specific Controller carries out various audits in cooperation with the Issuer's statutory auditors and is completely independent of the Issuer. In particular, the Specific Controller must control the valuation procedures of the real estate properties securing the Home Loan Receivables that are granted as Collateral Security.

For the performance of its duties, the Specific Controller has access to all information from management, internal control data, and internal audit data. The Specific Controller is entitled to undertake, at any time, any necessary control of the Issuer that it deems appropriate and to review the Issuer's books and records. In addition, the Specific Controller is entitled to request information from third parties who have entered into transactions on behalf of the Issuer. It may request copies of relevant agreements and documents from any credit institution entrusted with the management or the recovery of loans, bonds or other sources of financing of the Issuer pursuant to Article L. 515-22 of the French Monetary and Financial Code (*Code monétaire et financier*) and copies of the home loan agreements, mortgage registration certificates and any other documents relating to the Home Loan Receivables that are granted as Collateral Security it may consider relevant in order to carry out its duties.

The Specific Controller certifies, on a quarterly basis, compliance with legal and regulatory standards concerning the Collateralisation Ratio in connection with the issuance program of the Issuer and for any issue of resources of more than €500 million which benefit from the *Privilège*. Additionally, the Specific Controller certifies that documents the Issuer sends to the *Autorité de contrôle prudentiel* meet legal and regulatory requirements. The Specific Controller submits a Registration Document on its activity to the board of directors of the Issuer, and a copy is forwarded to the *Autorité de contrôle prudentiel*.

The *Autorité de contrôle prudentiel* can require information relating to the activity and the financial situation of the Issuer from the Specific Controller. The Specific Controller is required to disclose to the *Autorité de contrôle prudentiel* any decision taken by the *société de financement de l'habitat* or its parent company, which constitute a violation of legal provisions and affect its financial situation, the continuity of the company or the certification of accounts. The Specific Controller is also required to advise the *Autorité de contrôle prudentiel* of any fact or decision that could jeopardize the situation of the *société de financement de l'habitat* as a going concern.

The Specific Controller cannot conduct any activities that could undermine its independence and take, receive or retain any interest in the Issuer or BNP Paribas S.A. The Specific Controller is prevented from providing services exceeding the scope of its control to the Issuer or to BNP Paribas S.A.

The Specific Controller is liable for any error or negligence committed in the exercise of its functions.

Managers may be sanctioned if the Specific Controller is not appointed, not invited to attend shareholders' meetings, prevented from conducting its control or not provided with useful documents that he has requested. The Specific Controller attends all meetings of the shareholders of the Issuer and, on his request, may be heard by the board of directors (*conseil d'administration*) of the Issuer.

## The Administrative Agreement

This section sets out the main material terms of the Administrative Agreement.

### *Background*

The "**Administrative Agreement**" refers to the agreement dated on or prior to the Programme Date and entered into between BNP Paribas Home Loan SFH, as Issuer and BNP Paribas, as "Administrator" (the "**Administrator**").

### *Purpose*

Under the Administrative Agreement, BNP Paribas Home Loan SFH, as Issuer, appoints BNP Paribas as its servicer for the rendering of administrative services to the Issuer (including all necessary advice, assistance and know-how, whether technical or not, day to day management and corporate administration services). The Administrator will always act in the best and exclusive interest of BNP Paribas Home Loan SFH.

### *Administrator's duties*

Pursuant to the Administrative Agreement, the Administrator will *inter alia*:

- (a) advise and assist the Issuer in all accounting and tax matters;
- (b) advise and assist the Issuer in all legal and administrative matters;
- (c) ensure that the Issuer will exercise each of its rights and perform each of its obligations under the Programme Documents;
- (d) provide the Issuer with all necessary assistance and know-how, whether technical or other, to exercise and perform all of its rights and obligations under the Programme Documents;
- (e) assist the Issuer in operating its bank accounts, the management and investment of its available cash in Permitted Investments in accordance with the relevant Permitted Investments rules, and any other matters in relation to the management of its bank accounts and funds so as to ensure that the Issuer will at all times comply with the provisions of the Programme Documents;
- (f) act as custodian of any and all other documents that any corporate company similar to the Issuer shall keep on file under any applicable laws, until the Service Termination Date (as defined below);
- (g) until no Borrower Event of Default has occurred, perform the management and servicing of the Borrower Advances made available to the Borrower under the Borrower Facility Agreement and the Affiliate Advances made available to any Affiliate under any Affiliate Facility Agreement;
- (h) upon a Borrower Enforcement Notice or an Affiliate Enforcement Notice being served under the Borrower Facility Agreement or the Affiliate Facility Agreement (respectively), assist the Issuer within the enforcement process of the Borrower Collateral Security and/or the Affiliate Collateral Security;
- (i) upon enforcement of the Borrower Collateral Security and of the Affiliate Collateral Security following the occurrence of a Borrower Event of Default and upon the Issuer taking title to the Borrower Collateral Security Assets and the Affiliate Collateral Security Assets, perform the servicing of such assets or if the servicing of such assets is transferred to a substitute servicer procure that the servicing of such assets shall be performed by such substitute servicer pursuant to a servicing agreement to be entered into by the Issuer and such substitute servicer in accordance with Article L. 515-22 of the French Monetary and Financial Code (*Code monétaire et financier*), and promptly notify the debtors for the direct payment to the Issuer of the amounts due under the relevant Home Loan Receivables;
- (j) perform the management and servicing of the Covered Bonds and of the other resources of the Issuer mentioned in Article L. 515-36 of the French Monetary and Financial Code (*Code monétaire et financier*); and
- (k) notify the Rating Agencies of the cancellation of any Auto-held Covered Bond by the Issuer.

*Administrator's duties regarding the refinancing of the Transferred Assets*

After title to the Home Loans Receivables granted Borrower Collateral Security and Affiliate Collateral Security and the related Home Loan Security has been transferred to the Issuer upon enforcement of the Borrower Collateral Security and of the Affiliate Collateral Security following the occurrence of a Borrower Event of Default (the "**Transferred Assets**"), the Administrator will sell or refinance such Home Loan Receivables and related Home Loan Security in order for the Issuer to receive sufficient Available Funds to make payments when due under the relevant Series of Covered Bonds (after taking into account all payments to be made in priority thereto according to the relevant Priority Payment Order and the relevant payment dates and Final Maturity Date under each relevant Series of Covered Bonds).

The Administrator shall ensure that the Transferred Assets which are proposed for sale or refinancing (the "**Selected Assets**") at any relevant date (the "**SARA Relevant Date**") will be selected on a random basis, provided that (i) no more Selected Assets will be selected than are necessary for the estimated sale or refinancing proceeds to equal the Adjusted Required Redemption Amount, and (ii) the aggregate outstanding principal amount or value (and interest accrued thereon) of such Selected Assets shall not exceed the "**Selected Assets Required Amount (SARA)**", which is calculated as follows:

$$\text{SARA} = \text{Adjusted Required Redemption Amount} * \text{A/B}$$

where:

"**Adjusted Required Redemption Amount**" means an amount equal to the Euro equivalent of the outstanding principal amount (together with Interest Amount accrued thereon) of the first Series of Covered Bonds maturing after the SARA Relevant Date less amounts standing to the credit of the Issuer Accounts (excluding all amounts to be applied on the first Payment Date following the SARA Relevant Date to repay higher ranking amounts in the relevant Priority Payment Order and those amounts that are required to repay any Series which mature prior to or on the same date as the relevant Series);

"**A**" means the Euro equivalent of the aggregate of the outstanding principal amount or value (together with interest accrued thereon) of all Transferred Assets; and

"**B**" means the Euro equivalent of the outstanding principal amount (together with Interest Amount accrued thereon) in respect of all Series of Covered Bonds then outstanding.

The Administrator (or the Substitute Administrator) acting on behalf of the Issuer will offer the Selected Assets for sale to potential buyers for the best price reasonably available but in any event for an amount not less than the Adjusted Required Redemption Amount.

If the Selected Assets have not been sold or refinanced (in whole or in part) in an amount equal to the Adjusted Required Redemption Amount by the date which is six (6) months prior to the Final Maturity Date of the Series of Covered Bonds maturing after the SARA Relevant Date (after taking into account all payments, provisions and credits to be made in priority thereto), then the Administrator will (i) organise the offer for sale of the Selected Assets by the Issuer for the best price reasonably available, or (ii) seek a refinancing of the Selected Assets by the Issuer on the best terms reasonably available, even if the price obtained in this case for the Selected Assets is less than the Adjusted Required Redemption Amount.

For the purpose hereof, the Administrator may through a tender process select a portfolio manager of recognised standing which shall be appointed by the Issuer to advise it in relation to the sale or refinancing of the Transferred Assets. This portfolio manager can be appointed by the Issuer on terms intended to incite the portfolio manager to achieve the best price for the sale or refinancing of the Transferred Assets (if such terms are commercially available in the market).

In respect of any sale or refinancing of the Selected Assets, the Administrator shall use all reasonable endeavours to procure that the same are sold as quickly as reasonably practicable (in accordance, as the case may be, with the recommendations of the portfolio manager) taking into account the market conditions at that time.

For the purpose of investment by the Administrator of the Issuer's available cash in Permitted Investments as mentioned in paragraph (e) above, "**Permitted Investments**" shall mean:

- (a) Euro denominated government securities, Euro demand or time deposits, certificates of deposit and short term debt obligations (including commercial paper) provided that in all cases such investments have a remaining maturity date of thirty (30) days or less and mature on or before the next following Payment Date and the short term or, as applicable, long term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made are rated at least A-1 (short term) or A+ (long term) by S&P, F1 (short term) and A (long term) by Fitch and P-1 (short term) by Moody's;
- (b) Euro denominated government securities, Euro demand or time deposits, certificates of deposit and debt obligations (including commercial paper) provided that in all cases such investments have a remaining maturity date of three hundred sixty-four (364) days or less, and the short term or, as applicable, long term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made are rated at least A1+ (short term) or AA- (long term) by S&P, F1+ (short term) and AA- (long term) by Fitch and P-1 by Moody's; and
- (c) Euro denominated government securities, Euro demand or time deposits, certificates of deposit which have a remaining maturity date of more than three hundred sixty-four (364) days and the long term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made are rated at least AAA by S&P, AAA by Fitch and Aaa by Moody's.

#### *Substitution and Agency*

The Administrator may not assign its rights and obligations under the Administrative Agreement but will have the right to be assisted by, to appoint or to substitute for itself any third party in the performance of certain or all its tasks under the Administrative Agreement provided that:

- (a) the Administrator has given written notice of the exercise of that right to the Issuer;
- (b) the Administrator remains liable to the Issuer for the proper performance of those tasks and, with respect to the Issuer only, the relevant third party has expressly waived any right to any contractual claim against the Issuer; and
- (c) the relevant third party has undertaken to comply with all obligations binding upon the Administrator under the Administrative Agreement.

#### *Fees*

In consideration of the services provided by the Administrator to the Issuer under the Administrative Agreement, the Issuer will pay to the Administrator an administration fee computed subject to, and in accordance with, the provisions of the Administrative Agreement.

The Administrator will benefit from the *Privilège* for the payment of that portion of its fees or the other amounts that might be owed to it by the Issuer under the Administrative Agreement which corresponds to the management and servicing of the assets and liabilities of the Issuer in accordance with Article L. 515-22 of the French Monetary and Financial Code (*Code monétaire et financier*).

#### *Representations, warranties and undertakings*

The Administrator has made the customary representations and warranties and undertakings to the Issuer, the representations and warranties being given on the execution date of the Administrative Agreement and continuing until the Service Termination Date.

#### *Indemnities*

Pursuant to the Administrative Agreement, the Administrator undertakes to hold harmless and fully and effectively indemnify the Issuer against all actions, proceedings, demands, damages, costs, expenses (including legal fees), claims, losses, prejudice or other liability, which the Issuer may sustain or incur as a consequence of



the occurrence of any default by the Administrator in its performance of any of its obligations under the Administrative Agreement.

#### *Resignation of the Administrator*

The Administrator will not resign from the duties and obligations imposed on it as Administrator pursuant to the Administrative Agreement, except:

- (a) upon a determination that the performance of its duties under the Administrative Agreement will no longer be permissible under applicable law; and
- (b) in the case where the Issuer does not comply with any of its material obligations under the Administrative Agreement and fails to remedy the situation within one hundred and eighty days (180) days from the receipt by the Issuer of a notice from the Administrator.

Such resignation shall however be effective upon replacement of the Administrator.

#### *Administrator's Defaults*

Each of the following events shall constitute an Administrator's Default:

- (a) any material representation or warranty made by the Administrator is or proves to have been incorrect or misleading in any material respect when made, and the same is not remedied (if capable of remedy) within sixty (60) Business Days after the Issuer has given notice thereof to the Administrator or (if sooner) the Administrator has knowledge of the same, provided that the Issuer, at its discretion, certifies that it is prejudicial to the interests of the holders of the relevant Covered Bonds;
- (b) the Administrator fails to comply with any of its material obligations under the Administrative Agreement unless such breach is capable of remedy and is remedied within sixty (60) Business Days after the Issuer has given notice thereof to the Administrator or (if sooner) the Administrator has knowledge of the same, provided that the Issuer, at its discretion, certifies that it is prejudicial to the interests of the holders of the relevant Covered Bonds;
- (c) an Insolvency Event occurs in respect of the Administrator; or
- (d) at any time it is or becomes unlawful for the Administrator to perform or comply with any or all of its material obligations under the Administrative Agreement or any or all of its material obligations under the Administrative Agreement are not, or cease to be, legal, valid and binding.

For such purposes, "**Insolvency Event**" means the occurrence of any of the following events:

- (a) the relevant entity is, or is deemed or declared for the purposes of any law to be, unable to pay its debts as they fall due or to be insolvent, including without limitation, *en état de cessation des paiements*, or admits in writing its inability to pay its debts as they fall due;
- (b) the relevant entity by reason of financial difficulties, begins formal negotiations with one (1) or more of its creditors with a view to the general readjustment or rescheduling of any of its indebtedness or applies for or is subject to an amicable settlement or a *procédure de conciliation* pursuant to Articles L. 611-1 *et seq.* of the French Commercial Code (*Code de commerce*);
- (c) a meeting of the shareholders of the relevant entity is convened for the purpose of considering any resolution for (or to petition for) its winding-up or its administration or any such resolution is passed;
- (d) any person presents a petition for the winding-up or for the administration or for the bankruptcy of the relevant entity and the petition is not discharged within thirty (30) days;
- (e) any order for the winding-up or administration of the relevant entity is issued;
- (f) a judgment is issued for the judicial liquidation ("*liquidation judiciaire*"), the safeguard procedure of the relevant entity ("*procédure de sauvegarde*"), the rescheduling of the debt of the relevant entity ("*redressement judiciaire*") or the transfer of the whole or part of the business of the relevant entity ("*cession de l'entreprise*") pursuant to Articles L. 620-1 *et seq.* of the French Commercial Code (*Code de commerce*); or

- (g) any liquidator, trustee in bankruptcy, receiver, administrative receiver, administrator or the like (including, without limitation, any "*mandataire ad hoc*", "*administrateur judiciaire*", "*administrateur provisoire*", "*conciliateur*" or "*mandataire liquidateur*") is appointed in respect of the relevant entity or any substantial or material part of the assets or the directors of the relevant entity request such appointment.

#### *Administrator Rating Trigger Event*

If an Administrator Rating Trigger Event occurs, the Administrator will notify the Issuer in writing of the occurrence of the Administrator Rating Trigger Event within five (5) Business Days from the date upon which it becomes aware of such event and this will constitute an Administrator Termination Event under the Administrative Agreement.

For such purposes, "**Administrator Rating Trigger Event**" means the event in which the long-term senior unsecured, unsubordinated and unguaranteed debt obligations of the Administrator become rated below BBB by S&P, or Baa2 by Moody's or BBB by Fitch or, after the date hereof, any other rating levels as per the most recently public available rating criteria methodology reports published by the Rating Agencies.

#### *Termination*

"**Administrator Termination Events**" under the Administrative Agreement will include the following events:

- (a) the occurrence of any Administrator's Default;
- (b) the occurrence of the Administrator Rating Trigger Event; or
- (c) the occurrence of a Borrower Event of Default.

If an Administrator Termination Event occurs, the Issuer shall terminate the appointment of the Administrator under the Administrative Agreement by delivery of a written termination notice to the Administrator (the "**Notice of Termination**"). Upon receipt by the Administrator of the Notice of Termination, the appointment of the Administrator under the Administrative Agreement will terminate with effect:

- not earlier than twenty (20) Business Days as from the receipt by the Administrator of the Notice of Termination, if such Notice of Termination is served due to the occurrence of a Borrower Event of Default or of an Administrator Rating Trigger Event;
- not earlier than twenty (20) Business Days as from the receipt by the Administrator of the Notice of Termination or at any other date that the Issuer may have specified in the Notice of Termination, if such Notice of Termination is served due to any other reason,

and save for any continuing obligations of the Administrator contained in the Administrative Agreement.

Upon the resignation of the Administrator, or termination of its appointment as Administrator in accordance with the terms of the Administrative Agreement, the Issuer shall replace BNP Paribas, as Administrator, by any legal entity, which is a financial institution (*établissement de crédit*) within the meaning of Article L. 515-22 of the French Monetary and Financial Code (*Code monétaire et financier*) (the "**Substitute Administrator**"), the choice of which being subject to prior Rating Affirmation.

Notwithstanding the resignation of the Administrator or the termination of its appointment as Administrator, the Administrator will continue to be bound by all its obligations under the Administrative Agreement until the earlier of (i) its replacement as Administrator in accordance with the Administrative Agreement, or (ii) the termination of the Administrative Agreement in accordance with the terms thereof (the "**Service Termination Date**"). The Administrator undertakes to act in good faith to assist any Substitute Administrator.

#### *Term and Termination of the Administrative Agreement*

The Administrative Agreement shall remain in effect for an initial period of ten (10) years and shall be automatically renewed for additional ten-year periods unless a party thereto notifies to the others its intention to terminate the Administrative Agreement three (3) months prior to the end of the initial period or the additional

periods, as the case may be in which case the Administrative Agreement shall terminate at the end of such three-month period.

Without prejudice to the other terms of the Administrative Agreement, the Administrative Agreement shall terminate:

- (a) on its term as defined above;
- (b) if earlier than its term as defined above, if the Issuer and any Substitute Administrator replacing (i) BNP Paribas as Administrator or (ii) a previous Administrator having replaced BNP Paribas as Administrator agree in writing to cease to be bound by the Administrative Agreement and execute another agreement for the performance of the services contemplated by the Administrative Agreement; or
- (c) if earlier than its term as defined above and upon failure to replace the Administrator (i) the last day of the ninety (90) calendar days period starting on the date of resignation of the Administrator, or (ii) the last day of the sixty (60) calendar days period starting on the date a Notice of Termination is delivered to the Administrator.

The termination of the Administrative Agreement in accordance with its terms shall trigger the termination of the appointment of BNP Paribas as Administrator thereunder on the relevant termination date of the Administrative Agreement. *Limited Recourse – Non Petition*

The Administrative Agreement includes "Limited Recourse" and "Non petition" provisions, as described in "**Issuer's Activities – Limited Recourse**" and "**Issuer's Activities - Non-Petition**".

#### *Amendments*

No amendment, modification, alteration or supplement shall be made to the Administrative Agreement without prior Rating Affirmation if the same materially and adversely affects the interest of the Issuer or the Bondholders.

For the avoidance of doubt, the Administrative Agreement may be amended, modified, altered or supplemented without prior Rating Affirmation:

- (a) to cure any ambiguity, omission, defect or inconsistency;
- (b) to evidence or effect the transition of any party to the Administrative Agreement to any successor;
- (c) to add to the undertakings and other obligations of the Administrator under the Administrative Agreement; or
- (d) to comply with any mandatory requirements of applicable laws and regulations.

#### *Governing Law – Jurisdiction*

The Administrative Agreement shall be governed by, and construed in accordance with, French law. The Issuer Calculation Agent and the Administrator have agreed for the benefit of the Issuer to submit any dispute that may arise in connection with the Administrative Agreement to the jurisdiction of the competent court of Paris.

### **The Issuer Accounts Agreement**

This section sets out the main material terms of the Issuer Accounts Agreement pursuant to which the Issuer Accounts are opened in the books of the Issuer Accounts Bank.

#### *Background*

The Issuer Accounts Agreement refers to the agreement dated on or prior to the Programme Date and entered into between BNP Paribas Home Loan SFH, as Issuer and BNP Paribas, as "Issuer Accounts Bank" (the "**Issuer Accounts Bank**") (the "**Issuer Accounts Agreement**").

### *Purpose*

Under the Issuer Accounts Agreement, BNP Paribas Home Loan SFH, as Issuer, appoints BNP Paribas as its account bank for the opening and operation of its bank accounts (the "**Issuer Accounts**"). The Issuer Accounts Bank will always act in the best and exclusive interest of BNP Paribas Home Loan SFH.

### *Issuer Accounts*

The Issuer Accounts opened in the name of the Issuer in the books of the Issuer Accounts Bank include:

- (a) the "**Issuer Cash Accounts**", including the Issuer General Account (denominated in Euro), the Cash Collateral Account (denominated in Euro), the Share Capital Proceeds Account (denominated in Euro), the Affiliate Debt Commingling Account and the Collection Loss Reserve Account; and
- (b) the "**Issuer Securities Accounts**", which are securities account (*comptes d'instruments financiers*) opened in relation to each Issuer Cash Account,

it being provided that, according to the Administrative Agreement, the Administrator may open within the books of the Issuer Accounts Bank, any new bank cash account in the name of the Issuer which may be necessary or advisable for the performance by the Issuer of its rights and obligations under any Programme Document, and notably in case of issuance of Covered Bonds denominated in a Specified Currency other than Euro provided that an Issuer Securities Account (*compte de titres financiers*) is opened in relation to each such Issuer Cash Account.

### *Funds Allocation*

Each of the Issuer Bank Accounts shall be exclusively allocated to the operation of the Issuer.

All sums standing to the credit balance of the Issuer Cash Accounts may be invested from time to time in Permitted Investments by the Administrator (see "The Issuer - The Administrative Agreement").

### *Operation*

The Issuer Cash Accounts shall not be operated by the Issuer Accounts Bank otherwise than in accordance with the provisions of the Issuer Accounts Agreement and the Administrative Agreement and, in particular, the Issuer Accounts Bank shall be entitled to refuse to, without being liable for any such refusal:

- (a) deliver credit cards or other means of payment with respect to the Issuer Cash Accounts or make any transfer from any of the Issuer Cash Accounts upon instructions of the Administrator other than by bank transfer or any such other means as is agreed with the Issuer;
- (b) debit any of the Issuer Cash Accounts upon instructions of any person other than the Issuer or the Administrator;
- (c) debit any of the Issuer Cash Accounts upon instructions of the Administrator, if the Issuer Accounts Bank is aware that such instructions may cause a debit balance of the relevant Issuer Cash Accounts (in which case the Issuer Accounts Bank will promptly inform the Administrator and the Issuer and postpone the performance of the relevant instructions until it has received the relevant renewed written instructions of the same); or
- (d) implement any instruction from the Issuer (or the Administrator acting on its behalf) in connection with the Issuer Accounts if it is aware that an implementation of such instruction would constitute a breach of any provision of the Issuer Accounts Agreement.

### *Issuer General Account*

As from the Programme Date and on any relevant date thereafter, the Issuer General Account shall be credited or debited by the Issuer Accounts Bank, acting upon the instructions of the Issuer (or the Administrator acting on its behalf), with any and all amounts which are not specified to be credited or debited to any other Issuer Cash Accounts (the "**Issuer General Account**").

*Cash Collateral Account*

The Cash Collateral Account shall be credited and debited only subject to, and in accordance with, the Cash Collateral Agreement as described in "**Asset Monitoring - The Pre-Maturity Test - Legal Liquidity Test**" (the "**Cash Collateral Account**").

Upon the occurrence of a Borrower Event of Default which is enforced subject to, and in accordance with, the relevant terms of the Borrower Facility Agreement, the Issuer (or the Administrator acting on its behalf) will give the appropriate instructions in order to ensure that the balance of the Cash Collateral Account be allocated in accordance with the applicable Priority Payment Order.

*Share Capital Proceeds Account*

On or prior to the Programme Date and upon instruction of the Issuer (or the Administrator acting on its behalf), the Share Capital Proceeds Account shall be credited with the amount of the Issuer Share Capital, the Issuer Subordinated Loans and the Super Subordinated Bonds Issue (the "**Share Capital Proceeds Account**").

The funds standing to the Share Capital Proceeds Account shall be invested from time to time in Permitted Investments. Such funds and the proceeds from the relevant Permitted Investments shall be included in the Issuer's available funds and allocated to the payments due by the Issuer in accordance with the applicable Priority Payment Order.

*Representations, warranties and undertakings*

The Issuer Accounts Bank has made the customary representations and warranties and undertakings to the Issuer, the representations and warranties being given on the execution date of the Issuer Accounts Agreement and continuing until the Service Termination Date.

*Indemnities*

Pursuant to the Issuer Accounts Agreement, the Issuer Accounts Bank undertakes to hold harmless and fully and effectively indemnify the Issuer against all actions, proceedings, demands, damages, costs, expenses (including legal fees), claims, losses, prejudice or other liability, which the Issuer may sustain or incur as a consequence of the occurrence of any default by the Issuer Accounts Bank in its performance of any of its obligations under the Issuer Accounts Agreement.

*Fees*

In consideration of the services provided by the Issuer Accounts Bank to the Issuer under the Issuer Accounts Agreement, the Issuer (or the Administrator acting on its behalf) will pay to the Issuer Accounts Bank a fee to be computed subject to, and in accordance with, the provisions of the Issuer Accounts Agreement.

The Issuer Accounts Bank will not benefit from the *Privilège* for the payment of its fees or any other amounts that might be due by the Issuer under the Issuer Accounts Agreement.

*Resignation of Issuer Accounts Bank*

The Issuer Accounts Bank will not resign from the duties and obligations imposed on it as Issuer Accounts Bank pursuant to the Issuer Accounts Agreement, except as follows:

- (a) upon a determination that the performance of its duties under the Issuer Accounts Agreement will no longer be permissible under applicable law; and
- (b) in the case where the Issuer does not comply with any of its material obligations under the Issuer Accounts Agreement and fails to remedy the situation within one hundred and eighty (180) days from the receipt by the Issuer of a notice from the Issuer Accounts Bank (with copy to the Administrator).

Such resignation shall become effective upon replacement of the Issuer Calculation Agent.

*Issuer Accounts Bank's Defaults*

Each of the following events shall constitute an Issuer Accounts Bank's Default (an "**Issuer Accounts Bank's Default**"):

- (a) any material representation or warranty made by the Issuer Accounts Bank is or proves to have been incorrect or misleading in any material respect when made, and the same is not remedied (if capable of remedy) within sixty (60) Business Days after the Issuer has given notice thereof to the Issuer Accounts Bank or (if sooner) the Issuer Accounts Bank has knowledge of the same, provided that the Issuer, at its discretion, certifies that it is prejudicial to the interests of the holders of the relevant Covered Bonds;
- (b) the Issuer Accounts Bank fails to comply with any of its material obligations under the Issuer Accounts Agreement unless such breach is capable of remedy and is remedied within sixty (60) Business Days after the Issuer has given notice thereof to the Issuer Accounts Bank or (if sooner) the Issuer Accounts Bank has knowledge of the same, provided that the Issuer, at its discretion, certifies that it is prejudicial to the interests of the holders of the relevant Covered Bonds;
- (c) an Insolvency Event occurs in respect of the Issuer Accounts Bank; or
- (d) at any time it is or becomes unlawful for the Issuer Accounts Bank to perform or comply with any or all of its material obligations under the Issuer Accounts Agreement or any or all of its material obligations under the Issuer Accounts Agreement are not, or cease to be, legal, valid and binding.

If an Issuer Accounts Bank's Default occurs, the Issuer Accounts Bank shall notify the Issuer (or the Administrator) of such occurrence promptly after becoming aware of the same.

*Issuer Accounts Bank Rating Trigger Event*

If an Issuer Accounts Bank Rating Trigger Event occurs, the Issuer Accounts Bank will promptly notify the Issuer in writing of the occurrence of such event. Within thirty (30) calendar days of the occurrence of an Issuer Accounts Bank Rating Trigger Event:

- (a) the Issuer (or the Administrator acting on its behalf) shall have closed the then existing Issuer Bank Accounts and opened new accounts in its name under the terms of a new Issuer Accounts Agreement substantially on the same terms as the Issuer Accounts Agreement, with another financial institution whose (i) unsecured, unsubordinated and unguaranteed debt obligations are rated at least A-1 (short term) and A(long term) by S&P, (ii) short term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least P-1 by Moody's and (iii) issuer default rating (IDR) is rated at least F1 (short term) and at least A (long term) by Fitch or, after the date hereof, any other rating levels required by applicable law and regulations or as per the most recently public available rating criteria methodology reports published by the Rating Agencies; or
- (b) subject to prior Rating Affirmation, the Issuer Accounts Bank has obtained a guarantee of its obligations under the Issuer Accounts Agreement on terms acceptable to the Issuer, acting reasonably, from a financial institution whose (i) unsecured, unsubordinated and unguaranteed debt obligations are rated at least A (short term) and A-1 (long term) by S&P, (ii) short term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least P- 1 by Moody's and (iii) issuer default rating (IDR) is rated at least F1 (short term) and A (long term) by Fitch or, after the date hereof, any other rating levels required by applicable law and regulations or as per the most recently public available rating criteria methodology reports published by the Rating Agencies,

provided that failure to comply with the provisions of paragraph (a) or paragraph (b) above (each, a "**Remedy to an Issuer Accounts Bank Rating Trigger Event**") within the relevant 30 calendar day-period shall constitute an Issuer Accounts Bank Termination Event within the meaning of the Issuer Accounts Agreement.

For the purpose of the above, "**Issuer Accounts Bank Rating Trigger Event**" means the event in which (i) the unsecured, unsubordinated and unguaranteed debt obligations of the then appointed Issuer Accounts Bank become rated below A (short term) and A-1 (long term) by S&P or, after the date hereof, any other rating levels required by applicable law and regulations or as per the most recently public available rating criteria methodology reports published by the Rating Agencies, or (ii) the short-term senior unsecured, unsubordinated and unguaranteed debt obligations of the then appointed Issuer Accounts Bank become rated below P-1 by

Moody's or (iii) issuer default rating (IDR) of the then Issuer Accounts Bank become rated below F1 (short term) or A (long term) by Fitch, as relevant, or, after the date hereof, any other rating levels required by applicable law and regulations or as per the most recently public available rating criteria methodology reports published by the Rating Agencies.

The same provisions will apply each time an Issuer Accounts Bank Rating Trigger Event occurs in relation to any substitute financial institution appointed in replacement of an Issuer Accounts Bank.

#### *Termination*

"**Issuer Accounts Bank Termination Events**" under the Issuer Accounts Agreement will include the following events:

- (a) the occurrence of any Issuer Accounts Bank's Default;
- (b) the failure to comply with one or the other remedies to an Issuer Accounts Bank Rating Trigger Event within the relevant 30 calendar day-period; or
- (c) the occurrence of a Borrower Event of Default.

If an Issuer Accounts Bank Termination Event occurs, the Issuer shall terminate the appointment of the Issuer Accounts Banks under the Issuer Accounts Agreement by delivery of a written termination notice to the Issuer Accounts Bank (the "**Notice of Termination**"). Upon receipt by the Issuer Accounts Bank of the Notice of Termination, the appointment of the Issuer Accounts Bank under the Issuer Accounts Agreement will terminate with effect not earlier than twenty (20) Business Days as from the receipt by the Issuer Accounts Bank of the Notice of Termination or at any other date that the Issuer may have specified in the Notice of Termination, save for any continuing obligations of the Issuer Accounts Bank contained in the Issuer Accounts Agreement.

Upon the resignation of the Issuer Accounts Bank or termination of its appointment as Issuer Accounts Bank hereunder in accordance with the terms of the Issuer Accounts Agreement, the Issuer shall replace BNP Paribas, as Issuer Accounts Bank, at the costs of BNP Paribas, by any legal entity (the "**Substitute Issuer Accounts Bank**"), the choice of which being subject to prior Rating Affirmation. Upon its appointment and unless otherwise agreed with the Issuer (but subject to prior Rating Affirmation), the Substitute Issuer Accounts Bank shall:

- (a) provide the Issuer with all necessary advice and assistance and know-how, whether technical or other, including in connection with the opening, maintaining and operation of the Issuer Accounts and the Programme Documents and, in particular, as described under the Issuer Accounts Agreement;
- (b) together with the Issuer Accounts Bank, take all steps necessary to replace the Issuer Accounts Bank in all rights and obligations arisen from the Programme Documents to which the Issuer Accounts Bank is a party and, for such purposes, become a party, as Issuer Accounts Bank, to any relevant Programme Documents to which the Issuer Accounts Bank is a party;

Notwithstanding its resignation or the termination of its appointment as Issuer Accounts Bank in accordance with the terms of the Issuer Accounts Agreement and notwithstanding any other provision of the Issuer Accounts Agreement, the duties of the Issuer Accounts Bank under the Issuer Accounts Agreement shall continue and the Issuer Accounts Bank shall continue to be bound by all its obligations under the Issuer Accounts Agreement until the earlier of (i) its replacement as Issuer Accounts Bank, or (ii) the termination of the Issuer Accounts Bank Agreement in accordance with its terms (the "**Service Termination Date**").

*Term and Termination of the Issuer Accounts Bank Agreement*

The Issuer Accounts Bank Agreement shall remain in effect for an initial period of ten (10) years and shall be automatically renewed for additional ten-year periods unless a party thereto notifies to the others its intention to terminate the Issuer Accounts Bank Agreement three (3) months prior to the end of the initial period or the additional periods, as the case may be in which case the Issuer Accounts Agreement shall terminate at the end of such three-month period.

Without prejudice to the other terms of the Issuer Accounts Bank Agreement, the Issuer Accounts Bank Agreement shall terminate:

- (a) on its term as defined above;
- (b) if earlier than its term as defined above, if the Issuer and any Substitute Issuer Accounts Bank replacing (i) BNP Paribas as Issuer Accounts Bank or (ii) a previous Issuer Accounts Bank having replaced BNP Paribas as Issuer Accounts Bank agree in writing to cease to be bound by the Issuer Accounts Bank Agreement and execute another agreement for the performance of the services contemplated by the Issuer Accounts Agreement; or
- (c) if earlier than its term as defined above and upon failure to replace the Issuer Accounts Bank (i) the last day of the ninety (90) calendar days period starting on the date of resignation of the Issuer Accounts Bank, or (ii) the last day of the sixty (60) calendar days period starting on the date a Notice of Termination is delivered to the Issuer Accounts Bank.

The termination of the Issuer Accounts Agreement in accordance with its terms shall trigger the termination of the appointment of BNP Paribas as Issuer Accounts Bank thereunder on the relevant termination date of the Issuer Accounts Agreement.

*Limited Recourse – Non Petition*

The Issuer Accounts Agreement includes "Limited Recourse" and "Non petition" provisions, as described in "**Issuer's Activities – Limited Recourse**" and "**Issuer's Activities - Non-Petition**".

*Amendments*

No amendment, modification, alteration or supplement shall be made to the Issuer Accounts Agreement without prior Rating Affirmation if the same materially and adversely affects the interest of the Issuer or the Bondholders.

For the avoidance of doubt, the Issuer Accounts Agreement may be amended, modified, altered or supplemented without prior Rating Affirmation:

- (a) to cure any ambiguity, omission, defect or inconsistency;
- (b) to evidence or effect the transition of any party to the Issuer Accounts Agreement to any successor;
- (c) to add to the undertakings and other obligations of the Issuer Accounts Bank under the Issuer Accounts Agreement; or
- (d) to comply with any mandatory requirements of applicable laws and regulations.

*Governing Law – Jurisdiction*

The Issuer Accounts Agreement shall be governed by, and construed in accordance with, French law. The Parties have agreed for the benefit of the Issuer to submit any dispute that may arise in connection with the Issuer Accounts Agreement to the jurisdiction of the competent court of Paris.



## THE BORROWER AND THE BORROWER FACILITY AGREEMENT

*For the avoidance of doubt, it is specified that the expression "Covered Bonds" will include English Law Covered Bonds, German Law Covered Bonds and French Law Covered Bonds and the expression "Bondholders" includes any holder of such Covered Bonds, in the following section.*

### The Borrower

The borrower under the Borrower Facility Agreement (the "**Borrower**") is BNP Paribas.

#### *General information relating to BNP Paribas*

BNP Paribas is a French *société anonyme* incorporated in France and registered with the *Registre du Commerce et des Sociétés* in Paris under number 662 042 449 (APE business identifier code: 651 C), licensed to conduct banking operations under the French Monetary and Financial Code, Book V, Section 1 (*Code Monétaire et Financier, Livre V, Titre 1<sup>er</sup>*). BNP Paribas is domiciled in France; its registered office is located at 16, boulevard des Italiens - 75009 Paris, France (telephone number: (+) 33 1 40 14 45 46). BNP Paribas is governed by the specific rules relating to its status as an establishment in the banking sector (Book V, Section 1 of the French Monetary and Financial Code - *Code Monétaire et Financier, Livre V, Titre 1er*), the provisions of the French Commercial Code (*Code de Commerce*) concerning commercial companies and by its Articles of association. The Bank's purpose (Article 3 of the Articles of association) is to provide and conduct the following services with any individual or legal entity, in France and abroad, subject to compliance with the French laws and regulations applicable to credit institutions licensed by the Credit Institutions and Investment Firms Committee (*Comité des Etablissements de Crédit et des Entreprises d'Investissement*): any and all investment services, any and all services related to investment activities, any and all banking transactions, any and all services related to banking transactions, any and all equity investments, as defined in the French Monetary and Financial Code Book III – Section 1 (*Code Monétaire et Financier, Livre III, Titre 1er*) governing banking transactions and Section II (Titre II) governing investment services and related services. The Bank's legal life was extended on 17 September 1993 for a period of 99 years. Each financial year begins on 1 January and ends on 31 December.

#### *Share Capital*

The shares of BNP Paribas are listed on Euronext Paris. The shares are also traded on the European Quoting Service in London and on the Frankfurt Stock Exchange, as well as on the MTA International Exchange in Milan. For a detailed information relating to BNP Paribas, including risk factors and a description of its business and results of operations and financial condition, investors are directed to the Information Statement, the BNPP 2010 Financial Statements and the BNPP 2009 Financial Statements which are incorporated by reference therein.

At the date of this Base Prospectus, BNP Paribas' share capital stands at 2,397,320,312 euros divided into 1,198,660,156 fully paid-up shares with a nominal value of 2 euros each. These shares are held in registered or bearer form at the shareholders' discretion, subject to compliance with the relevant legal provisions. None of BNP Paribas' shares carry double voting rights.

#### *Business Overview*

The Group is a leading provider in Europe of banking and financial services and has four domestic retail banking markets in Europe, namely in Belgium, France, Italy and Luxembourg. It has operations in over 80 countries and has more than 200,000 employees, including over 160,000 in Europe. BNP Paribas holds key positions in its three activities:

- Retail Banking, which includes the following operating entities:

- French Retail Banking (FRB),
- BNL banca commerciale (BNL bc), Italian retail banking,
- BeLux Retail Banking,
- European-Mediterranean,

- BancWest,
- Personal Finance,
- Equipment Solutions,
- Investment Solutions;
- Corporate and Investment Banking (CIB).

At 31 December 2010, the Group had consolidated assets of €1,998.2 billion (compared to €2,057.7 billion at 31 December 2009), consolidated loans and receivables due from customers of €684.7 billion (compared to €678.8 billion at 31 December 2009), consolidated items due to customers of €580.9 billion (compared to €604.9 billion at 31 December 2009) and shareholders' equity (Group share) of €74.6 billion (compared to €69.5 billion at 31 December 2009).

Pre-tax income at 31 December 2010 was €13.0 billion (compared to €9.0 billion at 31 December 2009). Net income, attributable to equity holders, at 31 December 2010 was €7.8 billion (compared to €5.8 billion at 31 December 2009).

#### *Main Shareholders of BNP Paribas*

As of December 31, 2010, the SFPI (Société Fédérale de Participation et d'Investissement) a public-interest société anonyme (public limited company) acting on behalf of the Belgian government held 10.7% of the Bank's share capital and the Grand Duchy of Luxembourg held 1.1% of the share capital of BNP Paribas. At December 31, 2010, AXA held 5.1% of the share capital, or approximately 61.63 million shares, of BNP Paribas (5.2% of voting rights). The Bank has also long been a shareholder of AXA, a French société anonyme (corporation). At December 31, 2010, the Bank held 5.21% of the share capital and 8.16% of the voting rights, or approximately 120.8million shares, of AXA.

On August 5, 2010, and after authorization by the AXA Board of Directors on August 3, 2010, the AXA Group and the BNP Paribas Group entered into an agreement that replaces a prior agreement between them dated December 15, 2005. The 2010 agreement maintains the option for each party to repurchase its shares in the event of a hostile change of control of the other party. In force for a period of three years starting from August 5, 2010, this agreement is renewable automatically for successive periods of one year thereafter, unless one of the two parties decides to terminate the agreement earlier, in which case the terminating party is required to give three months notice prior to the next renewal date. The agreement was made public by the AMF on August 9, 2010.

As of December 31, 2010, to the knowledge of the Board of Directors of BNP Paribas, no shareholder other than SFPI or AXA owns more than 5% of the share capital or voting rights of BNP Paribas.

#### *Management and administration*

Pursuant to the articles of association of BNP Paribas, the business affairs of BNP Paribas are administered by the board of directors, which is composed of a total of not less than nine (9) nor more than eighteen (18) directors (excluding directors elected by employees). The board of directors currently comprises fourteen (14) directors, plus two (2) additional directors elected, in accordance with the terms of the Articles of association, by employees of BNP Paribas. In accordance with French law, the directors of BNP Paribas may be removed at any time, with or without cause. Each director is elected or appointed for a term of three (3) years. The board of directors elects a chairman from among its members and also establishes the term of the appointment of the chairman that may not exceed the period or remaining period, as the case may be, of the chairman's appointment as a member of the board of directors.

#### *Control*

As a regulated bank, BNP Paribas is subject to oversight by the French financial regulators (*Autorité de Contrôle Prudentiel, Comité de la Réglementation Bancaire, Banque de France, Autorité des Marchés Financiers*, etc.).

### *Accounting regulations and methods*

BNP Paribas presents its accounts according to the provisions in use in all private industrial and commercial companies and is subject to tax in the same way as any commercial entity.

The annual consolidated financial statements of of BNP Paribas are audited by Deloitte & Associés, PricewaterhouseCoopers Audit and Mazars, the statutory auditors (commissaires aux comptes) of BNP Paribas who were appointed for a period of six (6) years, expiring at the close of the ordinary general meeting to be called in 2012 to approve the financial statements for the year ending 31 December 2011, as of 23 May 2006. The financial statements of BNP Paribas must be approved by its board of directors and, within six (6) months following the end of each financial year, are submitted, together with the statutory auditors' report, for examination by the shareholders meeting of BNP Paribas.

## **The Borrower Facility Agreement**

### *Background*

The proceeds from the issuance of the Covered Bonds under the Programme will be used by BNP Paribas Home Loan SFH, as lender (in such capacity, the "**Lender**") to fund advances to be made available to BNP Paribas, as borrower (in such capacity, the "**Borrower**").

The Lender and the Borrower have agreed to enter into a borrower facility agreement (the "**Borrower Facility Agreement**") in order to determine the terms and conditions according to which the Lender shall grant the Borrower with advances under the Borrower Facility Agreement (each, a "**Borrower Advance**").

### *The Borrower Advances*

The Borrower Advances shall be made available to the Borrower in an aggregate maximum amount equal to € 30,000,000,000 (the "**Borrower Facility Commitment**") for the purpose of financing the general financial needs of the Borrower and, in particular, any Affiliate Advance (as described in "The Affiliates, the Affiliate Facility Agreements and the Affiliate Collateral Security") under any Affiliate Facility Agreement (as described in "**The Affiliates, the Affiliate Facility Agreements and the Affiliate Collateral Security**").

Pursuant to the Borrower Facility Agreement, the Borrower shall send to the Administrator (with a copy to the Issuer acting as the Lender under the Borrower Facility Agreement) a duly completed drawdown request (a "**Drawdown Request**") in respect of the Borrower Advance to be made available under the Borrower Facility Agreement. Upon receipt of a Drawdown Request by the Administrator (with copy to the Lender), the Lender, together with the Administrator, shall elaborate (i) corresponding Final Terms of the Covered Bonds to be issued to fund such Drawdown Request, and (ii) final terms of Borrower Advance ("**Final Terms of Borrower Advance**") reflecting the terms and conditions of such corresponding Final Terms of the Covered Bonds.

The Borrower may (i) accept the terms and conditions of the Final Terms of Borrower Advance proposed by the Administrator and the Lender, in which case such Final Terms of Borrower Advance shall be definitive between the Borrower and the Lender and a Borrower Advance shall be made available according to such Final Terms of Borrower Advance, or (ii) refuse the terms and conditions of such Final Terms of Borrower Advance, in which case such Final Terms of Borrower Advance and the relevant Drawdown Request shall be considered as null and void between the Borrower and the Lender.

### *Principal and interest amounts*

The terms and conditions regarding the calculation and the payment of principal and interest under a Borrower Advance shall mirror the equivalent terms and conditions of the Corresponding Final Terms of Covered Bonds, it being provided that, as a principle, the interest to be paid by the Borrower under a Borrower Advance shall be the financing costs of the Lender under the Covered Bonds funding such Borrower Advance. The terms and conditions regarding the calculation and the payment of principal and interest under a Borrower Advance shall be further described hereunder and in the relevant Final Terms of Borrower Advance. Any amounts repaid or prepaid under any Borrower Advance shall not be re-borrowed.

*Representations, warranties and undertakings*

The Borrower has made customary representations and warranties and undertakings to the Lender, the representations and warranties being given on the execution date of the Borrower Facility Agreement and continuing until all sums due by the Borrower under the Borrower Facility Agreement shall have been repaid in full.

*Main other terms*

The Borrower Facility Agreement also provides for:

- (a) (i) customary tax gross-up provisions relating to payments to be made by the Borrower to the Lender under the Borrower Facility Agreement and (ii) corresponding tax gross-up provision relating to payments to be made by the Issuer pursuant to Condition 9(b) of the Covered Bonds;
- (b) customary tax indemnity provisions relating to any payment to be made by the Lender on account of tax on or in relation to any sum received or receivable under the Borrower Facility Agreement by the Lender from the Borrower or any liability in respect of any such payment is asserted, imposed, levied or assessed against the Lender;
- (c) customary "increased costs" provisions;
- (d) general financial information covenants and other customary covenants of the Borrower.

The Borrower Facility Agreement will provide for the payment by the Borrower to the Issuer of commissions covering all the costs and expenses related to the structuring and the updating of the Programme, all the costs and expenses related to the issuance of Covered Bonds and taxes of the Issuer during the Programme.

*Borrower Events of Default*

Each of the following events constitutes the occurrence of an event of default under the Borrower Facility Agreement (each, a "**Borrower Event of Default**"):

- (a) the Borrower fails to pay any sum due under the Borrower Facility Agreement when due, in the currency and in the manner specified herein; provided, however, that where such non-payment is due to an administrative error or the failure of continuing external payment systems or clearing systems reasonably used by the Borrower and such payment is made by the Borrower within three (3) Business Days of such non-payment, such non-payment shall not constitute a Borrower Event of Default;
- (b) a Breach of Pre-Maturity Test occurs;
- (c) a Breach of Asset Cover Test occurs;
- (d) a Breach of Collection Loss Reserve Funding Requirement occurs;
- (e) any material representation or warranty made by the Borrower, in the Borrower Facility Agreement or in any notice or other document, certificate or statement delivered by it pursuant hereto or in connection herewith is or proves to have been incorrect or misleading in any material respect when made, and the same is not remedied (if capable of remedy) within sixty (60) Business Days after the Administrator or the Issuer has given notice thereof to the Borrower or (if sooner) the Borrower has knowledge of the same, provided that the Issuer, at its discretion, certifies that it is prejudicial to the interests of the holders of the relevant Covered Bonds;
- (f) the Borrower fails to comply with any of its material obligations under the Borrower Facility Agreement unless such breach is capable of remedy and is remedied within sixty (60) Business Days after the Administrator or the Issuer has given notice thereof to the Borrower or (if sooner) the Borrower has knowledge of the same, provided that the Issuer, at its discretion, certifies that it is prejudicial to the interests of the holders of the relevant Covered Bonds;
- (g) as regards the Borrower, an Insolvency Event occurs;
- (h) any effect, event or matter (regardless of its nature, cause or origin and in particular the commencement of any legal, administrative or other proceedings against the Borrower) occurs which is or could be reasonably expected to be materially adverse to (i) the financial or legal situation,

- assets, business or operations of the Borrower and (ii) the ability of the Borrower to perform its payment obligations or the financial covenants under any of the Programme Documents;
- (i) at any time it is or becomes unlawful for the Borrower to perform or comply with any or all of its material obligations under the Borrower Facility Agreement or any of the material obligations of the Borrower under the Borrower Facility Agreement are not or cease to be legal, valid and binding; or
  - (j) upon the occurrence of a Hedging Rating Trigger Event (as defined in section "The Hedging Strategy" of this Base Prospectus), (i) the Issuer (or the Administrator on its behalf) fails to enter into any Issuer Hedging Agreement (as defined in section "The Hedging Strategy" of this Base Prospectus) with any relevant Eligible Hedging Provider (as defined in section "The Hedging Strategy" of this Base Prospectus) within thirty (30) calendar days from the occurrence date of such Hedging Rating Trigger Event, as described under the Hedging Strategy (as defined in section "The Hedging Strategy" of this Base Prospectus) or (ii) the Issuer (or the Administrator on its behalf) or the Borrower fails to enter into any Borrower Hedging Agreement (as defined in section "The Hedging Strategy" of this Base Prospectus) within thirty (30) calendar days from the occurrence date of such Hedging Rating Trigger Event, as described under the Hedging Strategy (as defined in section "The Hedging Strategy" of this Base Prospectus); or
  - (k) a Breach of Maximum Legal Substitution Assets Limit has occurred and is continuing and the license of the Issuer as a *société de financement de l'habitat* has been withdrawn following such breach.

Upon the occurrence of a Borrower Event of Default, the Issuer (represented by the Administrator or the Issuer Independent Representative) shall, by written notice (such notice to constitute a *mise en demeure*) to the Borrower (with copy to (ii) the Issuer Independent Representative (if the Borrower Enforcement Notice is delivered by the Administrator), (ii) the Administrator (if the Borrower Enforcement Notice is delivered by the Issuer Independent Representative) and (iii) (in each instance) the Rating Agencies), (x) declare that (i) no further Borrower Advances shall be available under the Borrower Facility Agreement, and (ii) the then outstanding Borrower Advances are immediately due and payable and (y) enforce the rights of the Lender under the Borrower Collateral Security Agreement and the Cash Collateral Agreement for the repayment of any sum due by the Borrower under the Borrower Facility Agreement and not paid by the Borrower (whether at its contractual due date or upon acceleration) (a "**Borrower Enforcement Notice**").

#### *Borrower's indemnities*

Under the Borrower Facility Agreement, the Borrower undertakes to indemnify the Lender against:

- (a) any cost, claim, loss, expense (including legal fees) or liability (other than reasonable consequential losses including loss of profit), which it may (acting reasonably) sustain or incur as a consequence of the occurrence of any Borrower Event of Default or any default by the Borrower in the performance of any of the obligations expressed to be assumed by it in the Borrower Facility Agreement; and
- (b) (other than by reason of negligence or default by the Lender) any loss it may suffer or incur as a result of its funding or making arrangements to fund a Borrower Advance requested by the Borrower under the Borrower Facility Agreement but not made by reason of the operation of any one or more of the provisions of the Borrower Facility Agreement,

In addition, the Borrower undertakes to hold the Issuer harmless against any liabilities that the Issuer may incur in connection with its funding or making arrangements to fund, through the issuance of Covered Bonds or otherwise, any Borrower Advance made available to the Borrower under the Borrower Facility Agreement (including but not limited to any indemnity payable by the Lender (in its capacity as Issuer) to any party under any Programme Documents and any termination costs due and payable by the Lender under any Hedging Agreement which would not be subordinated to the full and final redemption of the then outstanding Covered Bonds).

#### *Guarantee*

Subject to customary legal limitation under French law, the Borrower, as guarantor (in such capacity, the "**Guarantor**") irrevocably and unconditionally, (i) jointly and severally guarantees (*caution solidaire*) to the Lender the due and punctual observance and performance of the terms, conditions and covenants under each Affiliate Facility Agreement (as described in "The Affiliates, the Affiliate Facility Agreements and the Affiliate

Collateral Security") on the part of each relevant Affiliate (as described in "The Affiliates, the Affiliate Facility Agreements and the Affiliate Collateral Security") (other than an Excluded Affiliate), including the payment of the Guaranteed Liabilities, and agrees to pay from time to time on demand of the Administrator any and every sum or sums of money which is at any time payable to the Lender in respect of the Guaranteed Liabilities, and (ii) agrees as a primary obligation to indemnify the Lender from time to time on demand of the Administrator from and against any loss incurred by the Lender as a result of any of the obligations of any Affiliate (other than an Excluded Affiliate) under or pursuant to the Programme Documents being or becoming void, voidable, unenforceable or ineffective as against such Affiliate for any reason whatsoever, whether or not known to the Lender or any other person, the amount of such loss being the amount which the Lender would otherwise have been entitled to recover from such Affiliate.

For such purposes,

**"Guaranteed Liabilities"** means all present and future payment obligations (whether actual or contingent and whether owed jointly or severally or in any other capacity whatsoever) of each and any Affiliate under each and any Affiliate Facility Agreement; and

**"Excluded Affiliate"** means any of the Affiliates which the Borrower and the Lender agree in writing to designate as such.

*Broken Funding Indemnity*

If, as a consequence of the occurrence of a Borrower Event of Default, the Lender receives or recovers all or any part of a Borrower Advance otherwise than as described or scheduled under the relevant Finals Terms of Borrower Advance, the Borrower shall pay to the Lender on demand an amount equal to the amount (if any) of the difference (if positive) between (x) the additional interest which would have been payable on the amount so received or recovered had such Borrower Event of Default not occurred, and (y) the amount of interest which the Lender reasonably determines would have been payable to the Lender on the last day of the term thereof in respect of a deposit equal to the amount so received or recovered placed by it with a prime bank for a period starting on the third (3<sup>rd</sup>) Business Day following the date of such receipt or recovery and ending on the last day of the term thereof.

*Limited Recourse – Non Petition*

The Borrower Facility Agreement includes "Limited Recourse" and "Non petition" provisions, as described in **"Issuer's Activities – Limited Recourse" and "Issuer's Activities - Non-Petition"**.

*Amendments*

No amendment, modification, alteration or supplement shall be made to the Borrower Facility Agreement without prior Rating Affirmation if the same materially and adversely affects the interest of the Issuer or the Bondholders.

For the avoidance of doubt, the Borrower Facility Agreement may be amended, modified, altered or supplemented without prior Rating Affirmation:

- (a) to cure any ambiguity, omission, defect or inconsistency;
- (b) to evidence or effect the transition of any party to the Borrower Facility Agreement to any successor;
- (c) *to add to the undertakings and other obligations of the Borrower under the Borrower Facility Agreement; or*
- (d) to comply with any mandatory requirements of applicable laws and regulations.

*Governing Law – Jurisdiction*

The Borrower Facility Agreement shall be governed by, and construed in accordance with, French law. The Borrower has agreed for the benefit of the Issuer, the Administrator and the Issuer Calculation Agent to submit any dispute that may arise in connection with the Borrower Facility Agreement to the jurisdiction of the competent court of Paris.

## THE BORROWER COLLATERAL SECURITY

*For the avoidance of doubt, it is specified that the expression "Covered Bonds" will include English Law Covered Bonds, German Law Covered Bonds and French Law Covered Bonds and the expression "Bondholders" includes any holder of such Covered Bonds, in the following section.*

### The Borrower Collateral Security Agreement

#### *Background*

The Borrower Collateral Security Agreement refers to the agreement dated on or prior to the Programme Date and made between (i) the Issuer, in its capacity as "Lender", and (ii) BNP Paribas, in its respective capacity as "Borrower", "Administrator" and "Issuer Calculation Agent" (the "**Borrower Collateral Security Agreement**").

#### *Borrower Secured Liabilities*

The Borrower Collateral Security Agreement sets forth the terms and conditions upon which the Borrower shall grant financial assets (the "**Eligible Assets**") as collateral security (*remise en garantie financière à titre de sûreté*) pursuant to Articles L. 211-36 to L. 211-40 of the French Monetary and Financial Code (Code monétaire et financier) (the "**Borrower Collateral Security**") in favour of the Issuer (acting as Lender under the Borrower Facility Agreement) in order to secure, as they become due and payable, the payments of all and any amounts owed by the Borrower under the Borrower Facility Agreement, whether present or future and whether in its capacity as "Borrower" or "Guarantor" (the "**Borrower Secured Liabilities**").

The title to the Eligible Assets granted as Borrower Collateral Security shall not be transferred in favour of the Issuer until perfection of the Borrower Collateral Security. The Issuer shall be vested in the title to such Eligible Assets only upon enforcement of the Borrower Collateral Security, if any such enforcement occurs in accordance with the terms of the Borrower Collateral Security Agreement.

#### *Eligible Assets*

For the purposes of the Borrower Collateral Security Agreement, an "**Eligible Asset**" means any Home Loan Receivable that meets the requirements of the SFH legal framework and complies or whose underlying Home Loan complies (each, a "**relevant Home Loan**") with all the following eligibility criteria (the "**Home Loan Eligibility Criteria**"):

- (a) prior to the date upon which the relevant Home Loan has been made available to the borrower thereof, all scoring, lending criteria and conditions precedent as applied by the originator of such relevant Home Loan pursuant to its customary lending procedures were satisfied;
- (b) the underlying property is located in the jurisdiction of the originator of the relevant Home Loan;
- (c) the relevant Home Loan is governed by the law of the jurisdiction where the originator of the relevant Home Loan is located;
- (d) the relevant Home Loan is denominated in Euro or in a Specified Currency;
- (e) all sums due under the relevant Home Loan (including interest and costs) are secured by a fully effective Home Loan Security;
- (f) on the date on which the Borrower notifies the other parties that the relevant Home Loan is effectively granted as Borrower Collateral Security (the "**Selection Date**"), the current principal balance of such Home Loan is no more than Euro 1,000,000 or its equivalent in the Specified Currency;
- (g) the Loan-To-Value of the relevant Home Loan is no more than one hundred per cent. (100%);
- (h) on the relevant Selection Date, the remaining term for the relevant Home Loan is less than thirty (30) years;

- (i) on the relevant Selection Date, the borrower under the relevant Home Loan has paid at least one (1) instalment (in principal and/or interest) in respect of the Home Loan, and to the best of the knowledge of the Borrower or any Affiliate, the borrower under the Home Loan is not subject to a recovery plan within the framework of a reconciliation carried out by a commission for the examination of the over-indebtedness of individuals (*commission de surendettement des particuliers*) or of a jurisdiction, whether pursuant to the provisions of Title III of Book III of the French Consumer Code (*Code de la consommation*) or of Article 1244-1 of the French Civil Code (*Code civil*), including any conservatory measures or forced execution measures which the borrower under the Home Loan may apply, as the case may be, on the financed or charged residential real estate property;
- (j) the borrower under the relevant Home Loan is an individual or individuals through a *société civile immobilière* who is not an employee of the originator of such relevant Home Loan;
- (k) the relevant Home Loan is current (i.e. does not present any arrears) as at the Selection Date;
- (l) the borrower under the relevant Home Loan does not benefit from a contractual right of setoff;
- (m) the opening by the borrower under the relevant Home Loan of a bank account dedicated to payments due under such relevant Home Loan is not provided for in the relevant contractual arrangements as a condition precedent to the originator of such relevant Home Loan making such relevant Home Loan available to the borrower under such relevant Home Loan; and
- (n) except where prior Rating Affirmation has been obtained, no amount drawn under the relevant Home Loan is capable of being redrawn by the borrower thereof (i.e. the Home Loan is not flexible).

If it is confirmed that a relevant Home Loan ceases to comply with any of the Home Loan Eligibility Criteria (each, an "**Ineligible Home Loan**"), any Home Loan Receivables granted as Borrower Collateral Security under such Ineligible Home Loan shall account for zero for the purpose of calculation of the Asset Cover Test on the relevant Asset Cover Test Date (see "**Asset Monitoring - Asset Cover Test**"). In addition, the Borrower may request that such Ineligible Home Loan Receivables be released from the scope of the Borrower Collateral Security.

The Home Loan Eligibility Criteria may be amended from time to time subject to prior Rating Affirmation.

For the purpose hereof:

"**Construction**" means any residential property, provided that the construction itself has been terminated on the Selection Date.

"**Home Loan**" means each and any loan originated by the Borrower or any Affiliate financing (i) the Construction or the acquisition of a residential real estate property, and/or (ii) the acquisition of land for Construction and the cost of works for the Construction of a residential real estate property, and/or (iii) the cost of works carried out for the Construction or transformation of a surface, by way of extension or renovation, with a view of creating or expanding a residential real estate property, and/or (iv) debt consolidation of loans including only the three categories as described in (i), (ii), (iii) above (excluding any debt consolidation of consumer loans).

"**Home Loan Receivable**" means each and any loan receivable arising from any Home Loan.

"**Home Loan Security**" means together the Mortgages or the Home Loan Guarantees.

"**Home Loan Guarantee**" means (i) each and any joint and several guarantee or other type of guarantee provided by a credit institution of the EEA specialised in the guaranteeing of loans financing the acquisition of residential real estate property and guaranteeing the Home Loans; or (ii) each and any financial guarantee or other type of guarantee provided by insurance companies or mutual insurance companies and guaranteeing the Home Loans.

"**Loan-to-Value**" means in respect of a Home Loan, the ratio between the outstanding principal amount of a Home Loan Receivable at the relevant Selection Date and the valuation amount of the financed or charged residential real estate property as at the origination date of such Home Loan.



**"Mortgage"** means each duly registered first ranking mortgage (and in particular in respect of Home Loans governed by French law, any *hypothèque*) or similar first ranking legal privilege (and in particular in respect of Home Loans governed by French law, any *privilège de prêteur de deniers*) securing the repayment of any given Home Loan and applying to the residential real estate property financed by the relevant Home Loan.

#### *Borrower Collateral Security Assets*

Eligible Assets shall be validly granted as Borrower Collateral Security and shall qualify as "**Borrower Collateral Security Assets**" for the purposes of the Borrower Collateral Security Agreement only upon satisfaction of numerous conditions precedents, including in particular that the same shall have been duly identified in the Borrower's IT systems.

#### *Creation and Perfection*

The Borrower Collateral Security shall be created in accordance with Articles L. 211-36 *et seq.* of the French Monetary and Financial Code (*Code monétaire et financier*). The Borrower Collateral Security shall not entail any transfer of title with respect to the relevant Eligible Assets until enforcement.

The Borrower Collateral Security shall be perfected pursuant to paragraphs I and II, 1°) and II, 2°) of Article L. 211-38 of the French Monetary and Financial Code (*Code monétaire et financier*).

The perfection of each security shall not be conditional upon any formality other than the identification of the assets subject to the Borrower Collateral Security.

#### *Controlling Rights and Covenants*

The Borrower Collateral Security Agreement provides that the Issuer benefits from controlling rights and covenants (the "**Controlling Rights and Covenants**") which should give it sufficient "control" over the Borrower Collateral Security Assets as required by Article L. 211-38 of the French Monetary and Financial Code (*Code monétaire et financier*).

The Controlling Rights and Covenants include the following undertakings from the Borrower to the benefit of the Issuer: (i) to maintain the Borrower Collateral Security Assets free from any encumbrance or any option to purchase or similar rights, except as contemplated under the Borrower Collateral Security Agreement; (ii) not to transfer, assign, pledge, delegate or in any way encumber any of the Borrower Collateral Security Assets other than pursuant to, or as permitted under, the Borrower Collateral Security Agreement; (iii) not to permit that similar restrictions apply which may materially affect the security created under the Borrower Collateral Security Agreement; (iv) to perform the servicing of the relevant Borrower Collateral Security Assets in accordance with applicable laws and its customary servicing procedures (the "**Servicing Procedures**"); (v) not to materially alter the Servicing Procedures without the prior consent of the Issuer (such consent not to be unreasonably withheld); (vi) not to agree any renegotiation, restructuring or amendment of the terms, conditions and main financial characteristics of the Borrower Collateral Security Assets which may materially and adversely affect the value of the Borrower Collateral Security Assets or the rights of the creditor thereunder without the prior consent of the Issuer; and (vii) for the purpose of satisfying itself whether the Borrower Collateral Security Assets remain Eligible Assets or controlling the information contained in the relevant asset reports, to grant (at reasonable times and intervals and upon reasonable notice) the Issuer (or any agent acting on its behalf) access to the Borrower's premises or to premises where the relevant asset records are located, in order to inspect or audit such asset records (such right of inspection or audit including taking copies of all or any document or data).

#### *Asset Monitoring and Asset Cover Test*

The Borrower shall monitor the Borrower Collateral Security Assets so as to at all times comply with the Asset Cover Test (as further described in "Asset Monitoring – The Asset Cover Test").

In particular, the Borrower may at any time add, substitute or release Borrower Collateral Security Assets (including Home Loan Receivables arising from Ineligible Home Loans) from the scope of the Borrower Collateral Security. However, any such addition, substitution and/or release shall be effective only subject to confirmation by the Issuer Calculation Agent that a Non Compliance with Asset Cover Test (as defined below) would not occur as a result of such addition, substitution and/or release. For such purpose, the Issuer Calculation Agent shall re calculate the Asset Percentage (as defined in "**Asset Monitoring – The Asset Cover Test**") that

would be applicable following such addition, substitution and/or release each time any such addition, substitution or release is requested by the Borrower.

Upon non compliance with the Asset Cover Test on any applicable test date, the Borrower shall cure such non compliance by:

- (a) granting sufficient additional or substitute Eligible Assets as Borrower Collateral Security (or cause the Affiliates to grant additional or substitute Eligible Assets as Affiliate Collateral Security pursuant to the relevant terms of the relevant Affiliate Collateral Security Agreement); and/or
- (b) requesting that sufficient Borrower Collateral Security Assets be released from the scope of the Borrower Collateral Security (or cause the Affiliates to release Affiliate Collateral Security Assets from the Affiliate Collateral Security pursuant to the relevant terms of the relevant Affiliate Collateral Security Agreement),

A failure to cure a non compliance with the Asset Cover Test which has occurred on any Asset Cover Test Date prior to the next following Asset Cover Test Date shall constitute a "**Breach of Asset Cover Test**" under the Borrower Collateral Security Agreement. Any Breach of Asset Cover Test shall be deemed the occurrence of a "Borrower Event of Default" under the Borrower Facility Agreement.

#### *Asset Servicing*

The Borrower shall perform the servicing of the Borrower Collateral Security Assets in accordance with applicable laws and its customary servicing procedures (the "**Servicing Procedures**"), using the degree of skill, care and attention as for the servicing of its assets for its own account, without interfering with the Issuer's material rights under the Borrower Collateral Security Agreement.

The Borrower shall provide the Issuer with: (i) on each Asset Cover Test Date, an asset report (the "**Asset Report**") up-to-date as at the last Business Day of the calendar month immediately preceding such Asset Cover Test Date, and (if different from an Asset Cover Test Date) on each date upon which a Borrower Collateral Security Assets is selected by the Borrower for inclusion in the scope of the Borrower Collateral Security. Each Asset Report shall include the relevant data and information with respect to the relevant assets.

The Borrower shall furthermore, in accordance with the Servicing Procedures, establish, maintain or cause to be maintained and furthermore administer at all times accurate, complete and up-to-date records with respect to the Borrower Collateral Security Assets.

For the purpose of satisfying itself as to whether the Borrower Collateral Security Assets remain Eligible Assets or control Asset Reports, the Issuer (or any agent acting on its behalf) is granted the access to the Borrower's premises or to premises where the Asset Records are located, in order to inspect or audit such Asset Records (such right of inspection or audit including taking copies of all or any document or data).

If a Servicing Rating Trigger Event occurs, the Administrator will notify the Issuer in writing of the occurrence of such event and then within 30 Business Days of such occurrence, the Issuer and the Borrower will, in accordance with provisions of Article L.515-22 of the French Monetary and Financial Code (*Code monétaire et financier*) and an undertaking letter issued by the Issuer (the "**Issuer Letter of Undertaking**"), use reasonable endeavours to appoint a new servicer (whose (i) long-term senior unsecured, unsubordinated and unguaranteed debt obligations (if rated) are rated at least BBB by S&P or (ii) Baa2 by Moody's or (iii) long-term senior issuer default rating (IDR) (if rated) is rated at least BBB- by Fitch), for the servicing of the Collateral Security Assets granted by the Affiliates and the Borrower.

For such purposes, "**Servicing Rating Trigger Event**" means the event in which (i) the long-term senior unsecured, unsubordinated and unguaranteed debt obligations of the Borrower become rated below BBB by S&P or (ii) Baa2 by Moody's or (iii) the long-term senior issuer default rating (IDR) of the Borrower becomes rated below BBB- by Fitch (or, after the date hereof, any other rating levels as per the most recently public available rating criteria methodology reports published by the Rating Agencies).

For the purpose hereof:

"**Asset Records**" means

- (a) the computer and manual records, files, internal data, books and all other information (including information stored in information systems) related to the Borrower Collateral Security Assets or the Affiliate Collateral Security Assets, together with the underlying contracts and other documents evidencing title of the relevant entity to such assets (including, with respect to Home Loans, the related Home Loan Security); and
- (b) the records, files, internal data, computer systems and all other information related to the Collection Accounts and the operation of the same.

"**Collection Accounts**" means any and all bank accounts opened in the name of the Borrower and the Affiliates to collect interest and principal paid under the Home Loan Receivables granted as Borrower Collateral Security or (as appropriate) Affiliate Collateral Security, as specified from time to time to the Issuer Calculation Agent pursuant to the relevant terms of the Borrower Collateral Security Agreement or (as appropriate) the Affiliate Collateral Security Agreement.

*Representations, warranties and undertakings*

The Borrower has made customary representations, warranties and undertakings in favour of the Issuer, such representations and warranties being given on the execution date of the Borrower Collateral Security Agreement and continuing until satisfaction in full of the Borrower Secured Liabilities.

*Affiliate Debt Commingling Trigger Event*

Upon downgrading of the credit rating of the Borrower below A-1 (S&P) or F1 (short-term) or A (long term) (Fitch) or P-1 (Moody's) (or, after the date hereof, any other rating levels as per the most recently public available rating criteria methodology reports published by the Rating Agencies) (the "**Affiliate Debt Commingling Trigger Event**") and within sixty (60) Business Days from the occurrence of such Affiliate Debt Commingling Trigger Event:

- (a) the Borrower and each relevant Affiliate shall take all necessary steps so that all and any amounts owed by any Affiliates under any Affiliate Facility, are paid into the credit of a single dedicated bank account to be opened within such period in the name and in the books of the Borrower (the "**Affiliate Debt Commingling Account**"); and
- (b) the Borrower shall grant any cash amount standing on the credit of the Affiliate Debt Commingling Account as Cash Collateral (*gage-espèces*) for the benefit of the Issuer so as to secure as they become due and payable the payments of the Borrower Secured Liabilities.

*Enforcement*

Upon the service of a Borrower Enforcement Notice subject to, and in accordance with, the relevant terms of the Borrower Facility Agreement following the occurrence of a Borrower Event of, the Issuer (represented by the Issuer Independent Director or by the Administrator) shall be entitled to exercise all rights, actions and privileges with respect to the Borrower Collateral Security Assets as granted to a secured creditor in accordance with paragraph II, 3° of Article L. 211-38 of the French Monetary and Financial Code (*Code monétaire et financier*). In particular, with immediate effect as from the service to the Borrower of a Borrower Enforcement Notice in respect of the Borrower Collateral Security Assets:

- (a) the Borrower shall no longer be entitled to service the Borrower Collateral Security Assets and shall refrain from taking any action whatsoever in connection with the Borrower Collateral Security Assets or vis à vis the debtors, except upon the written prior instructions of the Issuer or the Administrator, or any of its representative, agent or expert acting on the Issuer's or the Administrator's behalf;
- (b) the Issuer shall be vested in all the rights of title, all discretions, benefits and all other rights of the Borrower with respect to the Borrower Collateral Security Assets, related Asset Records and related documents, including, without formality whatsoever, all rights of title, all discretions, benefits and all other rights in relation to any right, privilege, guarantee or security interest (*droit accessoire, privilège, garantie ou sûreté*) ancillary or as the case may be attached to the Borrower Collateral Security Assets (and, in particular, any and all relevant Home Loan Security); and

- (c) the Issuer (represented by the Administrator (or the Substitute Administrator) or any of its representative, agent or expert acting on its behalf) shall:
- take whatever action required in order to perfect, or any other action which it deems necessary for the purpose of perfecting, the Issuer's rights of title, discretions, privileges, remedies and other rights with respect to any or all Borrower Collateral Security Assets and any related rights, privileges, guarantees and security interest ancillary or attached to any or all Borrower Collateral Security Assets; and/or
  - exercise all the Issuer's rights, discretions, privileges and remedies under any or all Borrower Collateral Security Assets or any related documents; and/or
  - enforce all the Issuer's rights, discretions, privileges and remedies under any or all Home Loan Security and the other guarantees and security interest ancillary or attached to any or all Borrower Collateral Security Assets; and/or
  - serve a notice to any or all the debtors and all other relevant entities under any or all Borrower Collateral Security Assets, mentioning the new payment instructions to be observed by the same with respect to the payment of sums due under the Borrower Collateral Security Assets and/or the related Asset Contractual Documentation (as defined below).

After transfer of title with respect to the Borrower Collateral Security Assets, the Issuer (represented by the Administrator or any representative, agent or expert acting on its behalf) may dispose of, transfer, sale or cause to be sold, any or all the Borrower Collateral Security Assets to any third party or refinance the same (by way of securitisation or otherwise).

For the purpose hereof:

**"Asset Contractual Documentation"** means, in relation to any and all Borrower Collateral Security Assets or Affiliate Collateral Security Assets, all originals or executive or true copies (*copies exécutoires*) of any contract, instrument or other document (such as riders, waivers and amendments) providing for the terms and conditions of, and/or evidencing title and benefit to, such Borrower Collateral Security Assets or Affiliate Collateral Security Assets and any right, privilege, guarantee or security interest (*droit accessoire, privilège, garantie ou sûreté*) ancillary or as the case may be attached thereto (and, in particular, any and all relevant Home Loan Security).

#### *Conditions of enforcement*

Enforcement of the Borrower Collateral Security following delivery of the Borrower Enforcement Notice shall not require the Issuer observing or undertaking, in the exercise of its rights as a secured party under the Borrower Collateral Security Agreement, any formality whatsoever (including the necessity to obtain a court order or conduct an auction), any notification requirements nor any other procedures (provided that, in order to direct payments due under the Borrower Collateral Security Assets to the Issuer, a notice shall be served by the Administrator to any or all the debtors and all other relevant entities under the Borrower Collateral Security Assets, mentioning the new payment instructions to be observed by the same with respect to the payment of sums due under the Borrower Collateral Security Assets and/or the related Asset Contractual Documentation).

No right of the Issuer to enforce its rights under the Borrower Collateral Security Agreement shall be in any manner affected or limited by any Insolvency Event with respect to the Borrower.

#### *Borrower's obligations upon enforcement*

With immediate effect as from the service to the Borrower of a Borrower Enforcement Notice and upon the instructions of the Issuer, the Administrator (or the Substitute Administrator) or any of its representative, agent or expert acting on its behalf (each, an **"Enforcing Party"**), the Borrower shall:

- (a) execute any document, take whatever action and do all such things required in order to perfect, or any other action that the Enforcing Party deems necessary for the purpose of perfecting, the Issuer's rights of title, discretions, privileges, remedies and other rights in relation to any or all Borrower Collateral Security Assets and any related rights, privileges, guarantees and security interest ancillary or attached thereto;

- (b) deliver such Asset Records and related documents to the Enforcing Party to such place as the same may reasonably designate;
- (c) allow to the Enforcing Party reasonable access to its facilities, premises, computer and/or software systems;
- (d) take all steps and do all things and cooperate in good faith to enable any entity which shall have been appointed as Substitute Administrator in replacement of the Administrator to take over its duties in such capacity;
- (e) take all steps and do all things and cooperate in good faith to permit enforcement of the Affiliate Collateral Security under any and all the Affiliate Collateral Security Agreements and transfer of title of any and all Affiliate Collateral Security Assets thereunder.

#### *Application of proceeds*

Once the Issuer shall have been vested in all rights of title, discretions, benefits and other rights with respect to any and all the Borrower Collateral Security Assets and Affiliate Collateral Security Assets following enforcement of both the Affiliate Collateral Security and the Borrower Collateral Security, any principal and interest payments, distributions, sale or liquidation proceeds and other sums (together, the "**Enforcement Proceeds**") received by the Issuer thereunder shall be held by the Issuer as cash collateral (*gage-espèces*) for the satisfaction in full of the Borrower Secured Liabilities.

Subject to the discharge in full of all the Borrower Secured Liabilities, the Borrower shall have the right to claim against the Issuer for repayment (*créance de restitution*) of the portion of the Enforcement Proceeds received by the Issuer and not applied to the satisfaction of the Borrower Secured Liabilities. Such repayment by the Issuer to the Borrower shall be made as soon as reasonably practicable following the day upon which all sums due under any and all the Tranches and Series of Covered Bonds shall have been repaid in full.

#### *Limited Recourse – Non Petition*

The Borrower Collateral Security Agreement includes "Limited Recourse" and "Non petition" provisions, as described in "Issuer's Activities – Limited Recourse" and "Issuer's Activities - Non-Petition".

#### *Amendments*

No amendment, modification, alteration or supplement shall be made to the Borrower Collateral Security Agreement without prior Rating Affirmation if the same materially and adversely affects the interest of the Issuer or the Bondholders.

For the avoidance of doubt, the Borrower Collateral Security Agreement may be amended, modified, altered or supplemented without prior Rating Affirmation:

- (a) to cure any ambiguity, omission, defect or inconsistency;
- (b) to evidence or effect the transition of any party to the Borrower Collateral Security Agreement to any successor;
- (c) *to add to the undertakings and other obligations of the Borrower under the Borrower Collateral Security Agreement; or*
- (d) to comply with any mandatory requirements of applicable laws and regulations.

The Rating Agencies shall be informed in advance of any amendment, modification, alteration of or supplement to the Borrower Collateral Security Agreement.

#### *Governing Law – Jurisdiction*

The Borrower Collateral Security Agreement shall be governed by, and construed in accordance with, French law. The Borrower have agreed for the benefit of the Issuer, the Administrator and the Issuer Calculation Agent to submit any dispute that may arise in connection with the Borrower Collateral Security Agreement to the jurisdiction of the competent court of Paris.

## The Cash Collateral Agreement

### *Background*

The Cash Collateral Agreement refers to the agreement dated on or prior to the Programme Date and made between (i) the Issuer in its capacity as "Lender", and (ii) BNP Paribas in its capacity as "Cash Collateral Provider" (the "**Cash Collateral Provider**"), "Administrator" and "Calculation Agent" (the "**Cash Collateral Agreement**").

### *Borrower Secured Liabilities*

The Cash Collateral Agreement sets forth the terms and conditions upon which the Cash Collateral Provider shall fund certain amounts as cash collateral (*gage espèces*) (each, a "**Cash Collateral**") into the Cash Collateral Account, the Collection Loss Reserve Account and the Affiliate Debt Commingling Account so as to secure the Borrower Secured Liabilities.

### *Creation and Perfection*

Any Cash Collateral shall be created upon credit of the corresponding sums into the Cash Collateral Account, the Collection Loss Reserve Account and the Affiliate Debt Commingling Account.

The perfection of each Cash Collateral shall not be conditional upon any formality. Each Cash Collateral shall entail the transfer of title in favour of the Issuer with respect to the relevant cash funded into the Cash Collateral Account, the Collection Loss Reserve Account and the Affiliate Debt Commingling Account.

The positive balance from time to time outstanding on the the Cash Collateral Account, the Collection Loss Reserve Account and the Affiliate Debt Commingling Account shall at all times be kept and vested with the Issuer, form part of the Issuer's assets and be applied to the repayment of the Secured Liabilities.

Any such balance at any time standing to the credit of the Cash Collateral Account, the Collection Loss Reserve Account and the Affiliate Debt Commingling Account may be invested only in Permitted Investments whose maturity is earlier than the Final Maturity Date of the relevant Series of Covered Bonds (which is not a Series of Soft Bullet Covered Bonds). For the purpose of each Cash Collateral to be created hereunder, the Issuer shall be hereby entitled not to segregate the funds credited to the Cash Collateral Account, the Collection Loss Reserve Account and the Affiliate Debt Commingling Account from its other assets.

### *Pre-Maturity Test and Legal Liquidity Test*

The contractual liquidity test of the Issuer (the "**Pre-Maturity Test**") shall be deemed complied with for so long as, in relation to any and each Series of Covered Bonds, (i) no Pre-Maturity Rating Downgrade Event has occurred during any Pre-Maturity Test Period, or (ii) if, to the contrary, a Pre-Maturity Rating Downgrade Event has occurred during any Pre-Maturity Test Period, the Cash Collateral Provider has duly funded the Cash Collateral Account with the relevant Cash Collateral, up to the relevant amount within thirty (30) calendar days from the receipt of the relevant Cash Collateral Funding Notice.

The legal liquidity test of the Issuer (the "**Legal Liquidity Test**") shall be deemed complied with for so long as, in relation to all the Liabilities of the Issuer, (i) no Legal Liquidity Rating Downgrade Event has occurred, or (ii) if, to the contrary, a Legal Liquidity Rating Downgrade Event has occurred, the Cash Collateral Provider (x) has duly funded the Cash Collateral Account with the relevant Cash Collateral, up to the relevant amount following the receipt of the relevant Cash Collateral Funding Notice, and (y) on each day following the initial funding of the Cash Collateral as mentioned above (each, a "**CCRFA Funding Date**"), the Cash Collateral Provider has maintain in the Cash Collateral Account an amount sufficient to ensure that the balance of the Cash Collateral Account shall be at least equal to the CCRFA, as determined pursuant to the Cash Collateral Agreement, computed as of such CCRFA Funding Date.

The Cash Collateral Provider shall be requested to fund the Cash Collateral Account with the relevant Cash Collateral, up to the relevant amount, upon the occurrence of (i) the downgrading, during any Pre-Maturity Test Period (as defined below), of the then applicable ratings of the Borrower below one (1) or more of the Pre-Maturity Rating Required Levels (as defined below) (each, a "**Pre-Maturity Rating Downgrade Event**"),

and/or (ii) the downgrading at any time of the then applicable ratings of the Borrower below (cumulatively) all three (3) Liquidity Rating Required Levels (as defined below) (each, a "**Legal Liquidity Rating Downgrade Event**"). The occurrence of a Pre-Maturity Rating Downgrade Event and/or a Legal Liquidity Rating Downgrade Event does not constitute the occurrence of a Borrower Event of Default or an Issuer Event of Default.

The following credit ratings with respect to the Borrower are defined as the "**Pre-Maturity Rating Required Levels**" for the purposes of the Cash Collateral Agreement: A-1+ (short-term) (S&P), F1 + (short-term) (Fitch) and P-1 (short-term) (Moody's), or, after the date hereof, any other rating levels as may be required by law and regulations and/or as per the most recently public available rating criteria methodology reports published by the Rating Agencies.

The following credit ratings with respect to the Borrower are defined as the "**Liquidity Rating Required Levels**" for the purposes of the Cash Collateral Agreement: A-1 (short-term) (S&P), F1 (short-term) (Fitch) and P-1 (short-term) (Moody's), or, after the date hereof, any other rating levels as may be required by law and regulations and/or as per the most recently public available rating criteria methodology reports published by the Rating Agencies.

Upon the occurrence of a Pre-Maturity Rating Downgrade Event and/or a Legal Liquidity Rating Downgrade Event, the Issuer Calculation Agent shall inform the Cash Collateral Provider of the same within three (3) Business Days from such occurrence by written notice (the "**Cash Collateral Funding Notice**") delivered to the Cash Collateral Provider (with a copy to the Issuer, the Administrator and the Rating Agencies).

If a Cash Collateral Funding Notice is received by the Cash Collateral Provider, the Cash Collateral Provider shall fund the Cash Collateral Account up to an amount (the "**Cash Collateral Required Funding Amount (CCRFA)**") calculated by the Issuer Calculation Agent as being equal to:

- (a) in the event of a Pre-Maturity Rating Downgrade Event occurring while no Legal Liquidity Rating Downgrade Event has occurred and is continuing:  $CCRFA = \max(A ; B)$ ;

With:

A = (Pre-Maturity Covered Bond Principal Amount in relation to the relevant Series of Covered Bonds + Pre-Maturity Costs in relation to the relevant Series of Covered Bonds)

B = (15% \* Aggregate Covered Bond Outstanding Principal Amount)

- (b) in the event of a Legal Liquidity Rating Downgrade Event occurring while no Pre-Maturity Rating Downgrade Event has occurred and is continuing:  $CCRFA = \text{Liabilities} - \text{Revenues}$ ; and
- (c) in the event of both a Pre-Maturity Rating Downgrade Event and a Legal Liquidity Rating Downgrade Event occurring at the same time, the CCRFA shall be equal to the greater of:
- (i)  $CCRFA = \max(A ; B)$ ; and
- (ii)  $CCRFA = \text{Liabilities} - \text{Revenues}$ ;

whereby:

"**Pre-Maturity Costs**" means the aggregate amount of fees, costs, expenses, taxes and other ancillary sums (excluding interest and principal amounts) scheduled to be paid by the Issuer on any Series of Covered Bonds within the relevant Pre-Maturity Test Period.

"**Pre-Maturity Covered Bond Principal Amount**" means the aggregate amount of principal of Covered Bonds (in Euro or Euro equivalent with respect to Covered Bonds denominated in a Specified Currency), scheduled to be redeemed at the Final Maturity Date of which falls during the relevant Pre-Maturity Test Period.

"**Pre-Maturity Test Period**" means with respect to any Series of Covered Bonds (which is not a Series of Soft Bullet Covered Bonds), the period starting from, and excluding, the twelve (12) months preceding the Final Maturity Date of that Series and ending on, and including, such Final Maturity Date.

**"Liabilities"** means, on any given date, the liabilities that are due by the Issuer to all its creditors within the Legal Liquidity Cover Period starting on, and excluding, such date (including principal and interest due by the Issuer under the then outstanding Covered Bonds).

**"Revenues"** means, on any given date, all the sums that are due to the Issuer by all its debtors within the Legal Liquidity Cover Period starting on, and including, such date (excluding the sums due to the Issuer under the Borrower Facility Agreement, but including the sums due by the relevant debtors under the Collateral Security Assets and the net amount due to the Issuer under the Hedging Agreements).

**"Legal Liquidity Cover Period"** means a period of one hundred and eighty (180) calendar days as from the CCRFA Funding Date, the first applicable Legal Liquidity Cover Period beginning upon the occurrence of a Legal Liquidity Rating Downgrade Event.

The failure by the Cash Collateral Provider to fund into the Cash Collateral Account the relevant amount within thirty (30) calendar days from the receipt of a Cash Collateral Funding Notice shall constitute a **"Breach of Pre-Maturity Test"**. A Breach of Pre-Maturity Test constitutes the occurrence of a Borrower Event of Default.

The failure by the Cash Collateral Provider to fund any required Cash Collateral following the receipt of a Cash Collateral Funding Notice or maintain the relevant amount in the Cash Collateral Account at any time during any Legal Liquidity Cover Period in accordance with the relevant terms of the Cash Collateral Agreement constitutes a **"Breach of Liquidity Test"**. A Breach of Liquidity Test does not constitute the occurrence of a Borrower Event of Default or an Issuer Event of Default.

*Collection Loss Trigger Event*

Upon downgrading of the credit rating of the Borrower below A-1 (short-term) (S&P) or F1 (short-term) / A (long term) (Fitch) or P-1 (Moody's) (or, after the date hereof, any other rating levels as per the most recently public available rating criteria methodology reports published by the Rating Agencies) (the **"Collection Loss Trigger Event"**) and within ten (10) Business Days from the occurrence of such Collection Loss Trigger Event, the Cash Collateral Provider shall be required to pay into the credit of a bank account to be opened by the Administrator in accordance with the Administrative Agreement within such period in the Issuer's name and in the books of the Issuer Accounts Bank (the **"Collection Loss Reserve Account"**), an amount equal to the higher of (i) the Interest Amount due, on a rolling basis, during the three (3) calendar months following the occurrence date of the Collection Loss Trigger Event, and (ii) the collections received by the Borrower and the Affiliates under the under the Home Loans Receivables granted as Borrower Collateral Security and Affiliate Collateral Security during the three (3) calendar months preceding the occurrence date of the Collection Loss Trigger Event, as such amount shall be reported to the Issuer, the Administrator and the Issuer Calculation Agent (with a copy to the Rating Agencies) within the above mentioned ten (10) Business Day-period.

All cash credited to the Collection Loss Reserve Account as described above shall be granted as Cash Collateral subject to, and in accordance with, the relevant terms of the Cash Collateral Agreement and shall secure the Borrower Secured Liabilities as they become due and payable.

Failure by the Cash Collateral Provider to fund the Collection Loss Reserve Account up to the required amount within the required period following the occurrence date of the Collection Loss Trigger Event shall constitute a **"Breach of Collection Loss Reserve Funding Requirement"** within the meaning of the Cash Collateral Agreement. A Breach of Collection Loss Reserve Funding Requirement constitutes the occurrence of a Borrower Event of Default.

Any other solution that prevents the rating of the Covered Bonds to be adversely impacted may also be implemented upon Collection Loss Trigger Event.

*Affiliate Debt Commingling Trigger Event*

Upon downgrading of the credit rating of the Borrower below A-1 (S&P) or F1 (short-term) or A (long term) (Fitch) or P-1 (Moody's) (or, after the date hereof, any other rating levels as per the most recently public available rating criteria methodology reports published by the Rating Agencies) (the **"Affiliate Debt Commingling Trigger Event"**) and within sixty (60) Business Days from the occurrence of such Affiliate Debt Commingling Trigger Event:



- (a) the Borrower and each relevant Affiliate shall take all necessary steps so that all and any amounts owed by any Affiliates under any Affiliate Facility, are paid into the credit of a single dedicated bank account to be opened within such period in the name and in the books of the Borrower (the "**Affiliate Debt Commingling Account**"); and
- (b) the Borrower shall grant any cash amount standing on the credit of the Affiliate Debt Commingling Account as Cash Collateral (*gage-espèces*) for the benefit of the Issuer so as to secure as they become due and payable the payments of the Borrower Secured Liabilities.

All cash credited to the Affiliate Debt Commingling Account as described above shall be granted as Cash Collateral subject to, and in accordance with, the relevant terms of the Cash Collateral Agreement and shall secure the Borrower Secured Liabilities as they become due and payable.

Failure by the Borrower to fund the Affiliate Debt Commingling Account up to the required amount within the required period following the occurrence date of the Affiliate Debt Commingling Trigger Event shall constitute a "**Breach of Debt Commingling Funding Requirement**" within the meaning of the Cash Collateral Agreement. A Breach of Debt Commingling Funding Requirement constitutes the occurrence of a Borrower Event of Default.

#### *Remuneration*

The Issuer shall pay interest (each, an "**Interest Payment**") to the Cash Collateral Provider in respect of the principal amount of each of the Cash Collateral funded subject to, and in accordance with, the terms of the Cash Collateral Agreement. Each Interest Payment will accrue daily on each of such Cash Collateral at the Interest Rate. Each Interest Payment will be calculated for each Interest Period on each relevant Interest Payment Date for the Interest Period.

For the purposes hereof:

"**Interest Rate**" means the lesser of (i) EONIA flat, or (ii) the remuneration received by the Issuer in investing the cash standing to the credit of (as applicable) Cash Collateral Account, the Collection Loss Reserve Account and the Affiliate Debt Commingling Account during the relevant Interest Period.

"**Business Day**" means a day on which the banks are open for business in Paris and in London (excluding in any event Saturday and Sunday).

"**Interest Payment Date**" means the last day of each Interest Period. If an Interest Payment Date falls on a day other than a Business Day, the Interest Payment Date shall be postponed on the next Business Day.

"**Interest Period**" means, with respect to each Cash Collateral, a period of three (3) calendar months. The first Interest Period with respect to each Cash Collateral will start from and including any date upon which such Cash Collateral is funded subject to, and in accordance with, the relevant terms hereof, and will end on but excluding the last day of the three-month period following such date. Each following Interest Period with respect to such Cash Collateral will be the period from, and including, the preceding Interest Payment Date to, but excluding, the next Interest Payment Date.

The Interest Payments due with respect to each Cash Collateral shall accrue on a day-to-day basis and shall be credited on each Interest Payment Date to (as applicable) Cash Collateral Account, the Collection Reserve Account and the Affiliate Debt Commingling Account. Each Interest Payment shall be compounded with the relevant Cash Collateral where the said Interest Payment has accrued for at least one year. Each Interest Payment shall be part of the Cash Collateral (*gage-espèces*) and, accordingly, be held by the Issuer and applied to the repayment of the Secured Liabilities.

#### *Representations, warranties and undertakings*

The Cash Collateral Provider has made customary representations and warranties and undertakings to the Issuer, the representations and warranties being given on the execution date of the Cash Collateral Agreement and continuing until satisfaction in full of the Borrower Secured Liabilities.

### *Enforcement*

Upon the service by the Issuer (represented by the Issuer Independent Representative or by the Administrator) to the Borrower of a Borrower Enforcement Notice subject to, and in accordance with, the relevant terms of the Borrower Facility Agreement following the occurrence of a Borrower Event of Default, the Issuer (represented by the Issuer Independent Representative or by the Administrator) shall be entitled to apply to the repayment of the Secured Liabilities (i) all sums standing to the credit of the Cash Collateral Account and (ii) all sums standing to the credit of the Collection Loss Reserve Account and the Affiliate Debt Commingling Account.

Any sum remaining to the credit of the Cash Collateral Account, the Collection Loss Reserve Account and the Affiliate Debt Commingling Account after satisfaction in full of the Secured Liabilities shall be promptly repaid to the Cash Collateral Provider.

The Cash Collateral Provider will benefit from the *Privilège* for the repayment of any amounts constituting any Cash Collateral. The Cash Collateral Provider will thus be qualified as a Privileged Creditor.

With immediate effect as from the service of a Borrower Enforcement Notice and upon the instructions of each of the Issuer, the Administrator or any of its representative, agent or expert acting on its behalf (each, an "**Enforcing Party**"), the Cash Collateral Provider shall:

- (a) execute any document, take whatever action and do all such things required in order to perfect, or any other action that the Enforcing Party deems necessary for the purpose of perfecting, the Issuer's rights hereunder; and
- (b) take all steps and do all things and cooperate in good faith to enable any entity which shall have been appointed as Substitute Administrator in replacement of the Administrator to take over its duties in such capacity.

### *Conditions of enforcement*

Enforcement requires no other formality whatsoever (including the necessity to obtain a court order or conduct an auction), any notification requirements (to the Borrower, the Cash Collateral Provider or any other person) nor any other procedures.

No right of the Issuer to enforce its rights under the Cash Collateral Agreement shall be in any manner affected or limited by any insolvency proceedings with respect to the Borrower.

### *Release without discharge*

In respect of each Cash Collateral funded pursuant to the terms of the Cash Collateral Agreement, the Cash Collateral Provider shall have the right to request from the Issuer the release of such Cash Collateral under the following circumstances (each, a "**Release Without Discharge Event**"):

- (a) while such Cash Collateral has been funded upon a Pre-Maturity Rating Downgrade Event, the Borrower regains the Pre-Maturity Rating Required Levels;
- (b) while such Cash Collateral has been funded upon a Legal Liquidity Rating Downgrade Event, the Borrower regains the Legal Liquidity Rating Required Levels;
- (c) if, on a given date, (i) the amount of Cash Collateral standing to the credit of the Cash Collateral Account exceeds the applicable CCRFA or (ii) the amount of Cash Collateral standing to the credit of each of the Collection Loss Reserve Account and the Affiliate Debt Commingling Account exceeds the amount that must be funded in each such accounts pursuant to the relevant terms hereof (each, a "**Cash Collateral Excess**");
- (d) if the ratings of the Covered Bonds are not adversely affected or if another solution is found allowing such release.

Upon any release request by the Cash Collateral Provider following the occurrence of a Release Without Discharge Event, the Issuer shall release the relevant Cash Collateral and repay to the Cash Collateral Provider (i) the full amount thereof if the release is given following a Release Without Discharge Event mentioned in

paragraphs (a), (b) or (c) above, or (ii) an amount equal to the Cash Collateral Excess if the release is given following a Release Without Discharge Event mentioned in paragraph (d) above. Any release and repayment made as mentioned above shall not be deemed a discharge of the Cash Collateral Provider with respect to its obligations to fund further Cash Collateral pursuant to the terms of the Cash Collateral Agreement.

*Final release and discharge*

The Issuer shall, at the request and cost of the Cash Collateral Provider, give final release with respect to all Cash Collateral, cancel the security created under the Cash Collateral Agreement and discharge the Cash Collateral Provider from all its obligations to fund any further Cash Collateral pursuant to the terms of the Cash Collateral Agreement when all sums due under any and all the Tranches and Series of Covered Bonds shall have been repaid in full and the Secured Liabilities have been entirely and definitively discharged in full (independently of any intermediate or partial discharges).

In connection with the final release and cancellation described above, the Issuer shall do all such acts and things, at the cost of the Cash Collateral Provider, as are reasonably requested by the Cash Collateral Provider in order to release and cancel the security created under the Cash Collateral Agreement and discharge the Cash Collateral Provider from all its obligations to fund any further Cash Collateral pursuant to the terms of the Cash Collateral Agreement.

Limited Recourse – Non Petition

The Cash Collateral Agreement includes "Limited Recourse" and "Non petition" provisions, as described in "Issuer's Activities – Limited Recourse" and "Issuer's Activities - Non-Petition".

*Amendments*

No amendment, modification, alteration or supplement shall be made to the Cash Collateral Agreement without prior Rating Affirmation if the same materially and adversely affects the interest of the Issuer or the Bondholders.

For the avoidance of doubt, the Cash Collateral Agreement may be amended, modified, altered or supplemented without prior Rating Affirmation:

- (a) to cure any ambiguity, omission, defect or inconsistency;
- (b) to evidence or effect the transition of any party to the Cash Collateral Agreement to any successor;
- (c) *to add to the undertakings and other obligations of the Cash Collateral Provider under the Cash Collateral Agreement; or*
- (d) to comply with any mandatory requirements of applicable laws and regulations.

*Governing Law – Jurisdiction*

The Cash Collateral Agreement shall be governed by, and construed in accordance with, French law. The Cash Collateral Provider has agreed for the benefit of the Issuer, the Administrator and the Issuer Calculation Agent to submit any dispute that may arise in connection with the Cash Collateral Agreement to the jurisdiction of the competent court of Paris.

## THE AFFILIATES, THE AFFILIATE FACILITY AGREEMENTS AND THE AFFILIATE COLLATERAL SECURITY

*For the avoidance of doubt, it is specified that the expression "Covered Bonds" will include English Law Covered Bonds, German Law Covered Bonds and French Law Covered Bonds and the expression "Bondholders" includes any holder of such Covered Bonds, in the following section.*

### **The Affiliates**

Any Affiliate may access the Programme subject to the satisfaction of the following conditions precedent:

- (a) the Affiliate is an entity controlled by BNP Paribas within the meaning of Article L. 233-3 of the French Commercial Code (*Code de commerce*);
- (b) the Affiliate is a French legal entity located in France;
- (c) the Affiliate is licensed as credit institution (*établissement de crédit*) by the French *Autorité de Contrôle Prudentiel* (ACP);
- (d) the Affiliate has duly concluded an Affiliate Facility Agreement with the Borrower and the execution of such Affiliate Facility Agreement has been approved by the general meeting of the shareholders of the Issuer;
- (e) the Affiliate has duly concluded an Affiliate Collateral Security Agreement with the Borrower and the execution of such Affiliate Collateral Security Agreement has been approved by the general meeting of the shareholders of the Issuer;
- (f) the accession to the Programme of such Affiliate has obtained prior Rating Affirmation;
- (g) no Borrower Event of Default has occurred and is continuing and the accession of the Affiliate to the Programme will not or is not likely to trigger the occurrence of a Borrower Event of Default; and
- (h) no Issuer Event of Default has occurred and is continuing and the accession of the Affiliate will not or is not likely to trigger the occurrence of an Issuer Event of Default.

### **The Affiliate Facility Agreements**

#### *Background*

Prior to its accession to the Programme, each relevant Affiliate enters into an affiliate facility agreement (each, an "**Affiliate Facility Agreement**") with BNP Paribas, as "Affiliate Lender" (the "**Affiliate Lender**") in order to determine the terms and conditions according to which the Affiliate Lender shall grant such Affiliate with advances under an Affiliate Facility (each, an "**Affiliate Advance**").

The Affiliate Lender may fund each Affiliate advance to be made available to the relevant Affiliate (i) with the proceeds of a Borrower Advance made available under the Borrower Facility or (ii) out of its own resources.

#### *Affiliate Facility*

Each Affiliate Facility shall be made available to the Affiliate in an aggregate maximum amount to be determined by the relevant Affiliate and the Affiliate Lender (the "**Affiliate Facility Commitment**"), it being provided that the aggregated amounts of all the Affiliate Facility Commitments shall not exceed € 30,000,000,000. Each Affiliate Facility shall be made available for the purpose of financing the general financial needs of the relevant Affiliate.

#### *Principal and interest amounts*

The terms and conditions of an Affiliate Advance may not mirror those of the Borrower Advance funding such Affiliate Advance. Any amounts repaid or prepaid under any Affiliate Advance may be re-borrowed.

*Representations, warranties and undertakings*

The relevant Affiliate has made the customary representations and warranties and undertakings to the Affiliate Lender, the representations and warranties being given on the execution date of the relevant Affiliate Facility Agreement and continuing until all sums due by the Affiliate under the relevant Affiliate Facility Agreement shall have been repaid in full.

*Main other terms*

Each Affiliate Facility Agreement also provides for:

- (a) customary tax gross-up provisions relating to payments to be made by the Affiliate to the Affiliate Lender under the relevant Affiliate Facility Agreement;
- (b) customary tax indemnity provisions relating to any payment to be made by the Affiliate Lender on account of tax on or in relation to any sum received or receivable under the relevant Affiliate Facility Agreement by the Affiliate Lender from the Affiliate or any liability in respect of any such payment is asserted, imposed, levied or assessed against the Affiliate Lender;
- (c) customary "increased costs" provisions;
- (d) general financial information covenants and other customary covenants of the Affiliate.

*Affiliate Event of Default*

Each of the following events constitutes the occurrence of an event of default under the relevant Affiliate Facility Agreement (each, an "**Affiliate Event of Default**"):

- (a) the relevant Affiliate fails to pay any sum due under the Affiliate Facility Agreement when due, in the currency and in the manner specified herein; provided, however, that where such non-payment is due to an administrative error or the failure of continuing external payment systems or clearing systems reasonably used by the Affiliate and such payment is made by the Affiliate within three (3) Business Days of such non-payment, such non-payment shall not constitute an Affiliate Event of Default;
- (b) any material representation or warranty made by the Affiliate, in the relevant Affiliate Facility Agreement or in any notice or other document, certificate or statement delivered by it pursuant hereto or in connection herewith is or proves to have been incorrect or misleading in any material respect when made, and the same is not remedied (if capable of remedy) within sixty (60) Business Days after the Affiliate Lender has given notice thereof to the Affiliate or (if sooner) the Affiliate has knowledge of the same;
- (c) the Affiliate fails to comply with any of its material obligations under the Affiliate Facility Agreement unless such breach is capable of remedy and is remedied within sixty (60) Business Days after the earlier of (i) the date on which the Affiliate Lender has given notice thereof to the Affiliate or (ii) the date on which the Affiliate has knowledge of the same;
- (d) as regards the Affiliate, an Insolvency Event occurs;
- (e) any effect, event or matter (regardless of its nature, cause or origin and in particular the commencement of any legal, administrative or other proceedings against the Affiliate) occurs which is or could be reasonably expected to be materially adverse to (i) the financial or legal situation, assets, business or operations of the Affiliate and (ii) the ability of the Affiliate to perform its payment obligations or the financial covenants under any of the Programme Documents; or
- (f) at any time it is or becomes unlawful for the Affiliate to perform or comply with any or all of its material obligations under the Affiliate Facility Agreement or any of the material obligations of the Affiliate under the Affiliate Facility Agreement are not or cease to be legal, valid and binding.

Upon the occurrence of an Affiliate Event of Default, the Affiliate Lender may, by written notice (such notice to constitute a *mise en demeure*) to the relevant Affiliate declare that (i) no further Affiliate Advances shall be available under the relevant Affiliate Facility, Agreement and (ii) the relevant Affiliate Advances become immediately become due and payable and enforce its rights under the relevant Affiliate Collateral Security Agreement (an "**Affiliate Enforcement Notice**").

Upon the occurrence of an Affiliate Event of Default, the Affiliate Lender shall, by written notice (such notice to constitute a *mise en demeure*) to the Affiliate (with copy to the Issuer Independent Representative, the Administrator and the Rating Agencies), (x) declare that (i) no further Affiliate Advances shall be available under the Affiliate Facility Agreement, and (ii) the then outstanding Affiliate Advances are immediately due and payable and (y) enforce the rights of the Affiliate Lender under the Affiliate Collateral Security Agreement for the repayment of any sum due by the Affiliate under the Affiliate Borrower Facility Agreement and not paid by the Affiliate (whether at its contractual due date or upon acceleration) (a "**Affiliate Enforcement Notice**").

#### *Affiliate Facility early amortisation upon Borrower Event of Default*

Any Affiliate Facility will be accelerated upon the occurrence of a Borrower Event of Default. For such purposes, upon the occurrence of a Borrower Event of Default, the Administrator, duly mandated by the Affiliate Lender for such purposes, shall, by written notice (such notice to constitute a *mise en demeure*) to the relevant Affiliate, (i) declare that no more Affiliate Advances shall be made under the relevant Affiliate Facility, (ii) declare that the Affiliate Facility shall be cancelled, and (iii) declare that the Affiliate Advances shall immediately become due and payable and enforce its rights under the relevant Affiliate Collateral Security Agreement (a "**Cross-Acceleration Enforcement Notice**").

#### *Guarantee*

Subject to customary legal limitations under French law and up to the maximum amount that may be owed by each Affiliate under the relevant Affiliate Facility Agreement, each Affiliate, as guarantor (in such capacity, the "**Affiliate Guarantor**") irrevocably and unconditionally and jointly and severally:

- (i) guarantees to the Lender the due and punctual observance and performance of the terms, conditions and covenants under the Borrower Facility Agreement (as described in "**The Borrower and the Borrower Facility Agreement**") on the part of the Borrower, including the payment of the Guaranteed Liabilities (as defined herein), and agrees to pay from time to time on demand of the Administrator any and every sum or sums of money which is at any time payable to the Lender in respect of the Guaranteed Liabilities (as defined herein); and
- (ii) agrees as a primary obligation to indemnify the Lender from time to time on demand of the Administrator from and against any loss incurred by the Lender as a result of any of the obligations of the Borrower under or pursuant to the Programme Documents being or becoming void, voidable, unenforceable or ineffective as against the Borrower for any reason whatsoever, whether or not known to the Lender or any other person, the amount of such loss being the amount which the Lender would otherwise have been entitled to recover from the Borrower.

For such purposes,

"**Guaranteed Liabilities**" means all present and future payment obligations (whether actual or contingent and whether owed jointly or severally or in any other capacity whatsoever) of the Borrower under the Borrower Facility Agreement.

#### *Limited Recourse – Non Petition*

Any Affiliate Facility Agreement includes "Limited Recourse" and "Non petition" provisions, as described in "Issuer's Activities – Limited Recourse" and "Issuer's Activities - Non-Petition".

#### *Amendments*

No amendment, modification, alteration or supplement shall be made to any Affiliate Facility Agreement without prior Rating Affirmation if the same materially and adversely affects the interest of the Issuer or the Bondholders.

For the avoidance of doubt, any Affiliate Facility Agreement may be amended, modified, altered or supplemented without prior Rating Affirmation:

- (a) to cure any ambiguity, omission, defect or inconsistency;
- (b) to evidence or effect the transition of any party to such Affiliate Facility Agreement to any successor;

- (c) *to add to the undertakings and other obligations of the relevant Affiliate under such Affiliate Facility Agreement; or*
- (d) to comply with any mandatory requirements of applicable laws and regulations.

#### *Governing Law – Jurisdiction*

The Affiliate Facility Agreement shall be governed by, and construed in accordance with, French law. The Affiliate has agreed for the benefit of the Affiliate Lender, the Administrator and the Issuer Calculation Agent to submit any dispute that may arise in connection with the Affiliate Facility Agreement to the jurisdiction of the competent court of Paris.

#### *Affiliate not incorporated in France*

Variations to the above described terms of any Affiliate Facility Agreement may be agreed between the Affiliate Lender and any Affiliate not incorporated in France if required under the law of the jurisdiction where the relevant Affiliate is incorporated or the law governing the Home Loans and/or the Affiliate Collateral Security. Other variations to the above described terms of any Affiliate Facility Agreement can only be agreed subject to prior Rating Affirmation.

### **The Affiliate Collateral Security Agreements**

#### *Background*

An Affiliate Collateral Security Agreement refers to any agreement made between (i) any Affiliate which has concluded an Affiliate Facility Agreement, and (ii) BNP Paribas in its capacity as "Affiliate Lender", "Administrator" and "Issuer Calculation Agent" (each an "**Affiliate Collateral Security Agreement**").

#### *Affiliate Secured Liabilities*

Each Affiliate Collateral Security Agreement sets forth the terms and conditions upon which the relevant Affiliate grants financial assets (the "Eligible Assets" as collateral security (*remise en garantie financière à titre de sûreté*) pursuant to Articles L. 211-to L. 211-40 of the French Monetary and Financial Code (*Code monétaire et financier*) (the "**Affiliate Collateral Security**") in favour of the Affiliate Lender so as to secure as they become due and payable the payments of all and any amounts owed by the Affiliate under the relevant Affiliate Facility Agreement, whether present or future and whether in its capacity as "Affiliate" or "Affiliate Guarantor" (the "**Affiliate Secured Liabilities**").

The title to the Eligible Assets granted as Affiliate Collateral Security shall not be transferred in favour of the Issuer until perfection of the Affiliate Collateral Security. The Issuer shall be vested in the title to such Eligible Assets only upon enforcement of the Affiliate Collateral Security, if any such enforcement occurs in accordance with the terms of the Affiliate Collateral Security Agreement.

#### *Eligible Assets*

For the purposes of each Affiliate Collateral Security Agreement, an "**Eligible Asset**" means any Home Loans Receivable that meets the requirements of the SFH legal framework and complies or whose underlying Home Loan complies with all the Home Loans Eligibility Criteria.

The "Home Loans Eligibility Criteria" are those described in "The Borrower Collateral Security – the Borrower Collateral Security Agreement".

#### *Affiliate Collateral Security Assets*

Eligible Assets shall be validly granted as Affiliate Collateral Security and shall qualify as "**Affiliate Collateral Security Assets**" for the purposes of the relevant Affiliate Collateral Security Agreement only upon satisfaction of numerous conditions precedents, including in particular that the same shall have been duly identified in the Affiliate's IT systems.

### *Creation and Perfection*

The creation and perfection of each Affiliate Collateral Security with respect to each Affiliate which is incorporated in France shall be created and perfected subject to the same requirements as that applicable to the creation and perfection of the Borrower Collateral Security.

The creation and perfection of each Affiliate Collateral Security with respect to each Affiliate which is not incorporated in France will depend on the applicable law and will be subject to prior Rating Affirmation.

### *Controlling Rights and Covenants*

The Affiliate Collateral Security Agreement provides that the Issuer benefits from controlling rights and covenants (the "**Controlling Rights and Covenants**") which should give it sufficient "control" over the Affiliate Collateral Security Assets as required by Article L. 211-38 of the French Monetary and Financial Code (*Code monétaire et financier*).

The Controlling Rights and Covenants include the following undertakings from each Affiliate: (i) to maintain the Affiliate Collateral Security Assets free from any encumbrance or any option to purchase or similar rights, except as contemplated under the Affiliate Collateral Security Agreement; (ii) not to transfer, assign, pledge, delegate or in any way encumber any of the Affiliate Collateral Security Assets other than pursuant to, or as permitted under, the Affiliate Collateral Security Agreement; (iii) not to permit that similar restrictions apply which may materially affect the security created under the Affiliate Collateral Security Agreement; (iv) to perform the servicing of the relevant Affiliate Collateral Security Assets in accordance with applicable laws and its customary servicing procedures (the "**Servicing Procedures**"); (v) not to materially alter the Servicing Procedures without the prior consent of the Issuer (such consent not to be unreasonably withheld); (vi) not to agree any renegotiation, restructuring or amendment of the terms, conditions and main financial characteristics of the Affiliate Collateral Security Assets which may materially and adversely affect the value of the Affiliate Collateral Security Assets or the rights of the creditor thereunder without the prior consent of the Issuer; and (vii) for the purpose of satisfying itself whether the Affiliate Collateral Security Assets remain Eligible Assets or controlling the information contained in the relevant asset reports, to grant (at reasonable times and intervals and upon reasonable notice) the Issuer (or any agent acting on its behalf) access to each Affiliate's premises or to premises where the relevant asset records are located, in order to inspect or audit such asset records (such right of inspection or audit including taking copies of all or any document or data).

### *Top up requirements*

Under each Affiliate Security Agreement and in order to preserve the value of its security thereunder, the Affiliate Lender will have the discretion to request from the relevant Affiliate to grant additional or substitute Eligible Assets as Affiliate Collateral Security upon conditions to be agreed on a case by case basis.

The Affiliate Lender will have also the right to accept or refuse any release from the scope of an Affiliate Collateral Security that may have been requested by the relevant Affiliate.

### *Asset Servicing*

Each Affiliate shall perform the servicing of the Affiliate Collateral Security Assets in accordance with applicable laws, its customary servicing procedures, using the degree of skill, care and attention as for servicing of its assets for its own account.

Each Affiliate shall regularly provide the Affiliate Lender with an asset report on terms to be agreed between each Affiliate and the Affiliate Lender.

Each Affiliate shall furthermore, in accordance with its servicing procedures, establish, maintain or cause to be maintained and furthermore administer at all times accurate, complete and up-to-date records with respect to the relevant Affiliate Collateral Security Assets.

For the purpose of satisfying itself as to whether such Affiliate Collateral Security Assets remain Eligible Assets or control assets reports, the Affiliate Lender is granted the access to each Affiliate's premises or to premises where the asset records are located, in order to inspect, audit such assets records (including taking copies of all or



any document or data). In addition, the Affiliate Lender shall cause each Affiliate to grant access to each Affiliate's premises to the Issuer (or any agent acting on its behalf).

If an Affiliate Servicing Rating Trigger Event occurs, the Administrator will notify the Issuer in writing of the occurrence of such event and then within 30 Business Days of such occurrence, the Issuer, the Borrower and the relevant Affiliate, in accordance with provisions of Article L.515-22 of the French Monetary and Financial Code (*Code monétaire et financier*) and an undertaking letter issued by the Issuer (the "**Issuer Letter of Undertaking**"), use reasonable endeavours to appoint a new servicer (whose (i) long-term senior unsecured, unsubordinated and unguaranteed debt obligations (if rated) are rated at least BBB by S&P or (ii) Baa2 by Moody's or (iii) long-term senior issuer default rating (IDR) (if rated) is rated at least BBB- by Fitch), or, after the date hereof, any other rating levels as per the most recently public available rating criteria methodology reports published by the Rating Agencies, for the servicing of the relevant Affiliate Collateral Security Assets.

For such purposes, "**Affiliate Servicing Rating Trigger Event**" means, as regards an Affiliate, the event in which (i) the long-term senior unsecured, unsubordinated and unguaranteed debt obligations of this Affiliate (or if long-term senior unsecured, unsubordinated and unguaranteed debt obligations of this Affiliate are not rated, the long-term senior unsecured, unsubordinated and unguaranteed debt obligations of the Borrower) become rated below BBB by S&P or (ii) Baa2 by Moody's or (iii) the long-term senior issuer default rating (IDR) of this Affiliate (or if long-term senior issuer default rating (IDR) of this Affiliate is not rated, the long-term senior issuer default rating (IDR) of the Borrower) becomes rated below BBB- by Fitch or, after the date hereof, any other rating levels as per the most recently public available rating criteria methodology reports published by the Rating Agencies.

#### *Representations, warranties and undertakings*

Each Affiliate shall make the customary representations and warranties and undertakings to the Affiliate Lender, the representations and warranties being given on the execution date of the Affiliate Collateral Security Agreement and continuing until satisfaction in full of the relevant Affiliate Secured Liabilities.

#### *Enforcement*

Upon the service of an Affiliate Enforcement Notice subject to, and in accordance with, the relevant terms of the relevant Affiliate Facility Agreement following the occurrence of an Affiliate Event of Default which is continuing unremedied, the Affiliate Lender shall be entitled to, at its discretion, exercise all rights, actions and privileges on the Affiliate Collateral Security Assets as granted to a secured creditor in accordance with applicable laws. Upon enforcement of an Affiliate Collateral Security pursuant to the terms of the relevant Affiliate Collateral Security Agreement, the Affiliate Lender undertakes to grant the relevant Affiliate Collateral Security Assets, title to which will have then been transferred to it, as Borrower Collateral Security in accordance with the relevant terms of the Borrower Collateral Security Agreement.

#### *Conditions of enforcement*

Conditions of enforcement of an Affiliate Collateral Security granted by an Affiliate which is incorporated in France will be those applicable to the enforcement of the Borrower Collateral Security.

Conditions of enforcement of an Affiliate Collateral Security granted by an Affiliate which is not incorporated in France will be those applicable under the relevant local laws.

#### *Amendments*

No amendment, modification, alteration or supplement shall be made to any Affiliate Collateral Security Agreement without prior Rating Affirmation if the same materially and adversely affects the interest of the Issuer or the Bondholders.

For the avoidance of doubt, any Affiliate Collateral Security Agreement may be amended, modified, altered or supplemented without prior Rating Affirmation:

- (a) to cure any ambiguity, omission, defect or inconsistency;
- (b) to evidence or effect the transition of any party to such Affiliate Collateral Security Agreement to any successor;
- (c) to add to the undertakings and other obligations of the relevant Affiliate under such Affiliate Collateral Security Agreement; or
- (d) to comply with any mandatory requirements of applicable laws and regulations.

*Governing Law – Jurisdiction*

The Affiliate Collateral Security Agreement shall be governed by, and construed in accordance with, French law. The Affiliate and the Affiliate Lender have agreed for the benefit of the Issuer, to submit any dispute that may arise in connection with the Affiliate Collateral Security Agreement to the jurisdiction of the competent court of Paris.

*Affiliate not incorporated in France*

Variations to the above described terms of any Affiliate Collateral Security Agreement may be agreed between the Affiliate Lender and any Affiliate not incorporated in France if required under the law of the jurisdiction where the relevant Affiliate is incorporated or the law governing the Home Loans and/or the Affiliate Collateral Security. Other variations to the above described terms of any Affiliate Facility Agreement can only be agreed subject to prior Rating Affirmation.

## ASSET MONITORING

*For the avoidance of doubt, it is specified that the expression "Covered Bonds" will include English Law Covered Bonds, German Law Covered Bonds and French Law Covered Bonds and the expression "Bondholders" includes any holder of such Covered Bonds, in the following section.*

Under the Borrower Collateral Security Agreement and for so long as no Borrower Event of Default has occurred and been enforced subject to, and in accordance with, the relevant terms of the Borrower Facility Agreement, the Borrower shall monitor the Borrower Collateral Security Assets and cause each Affiliate to monitor the relevant Affiliate Collateral Security Assets so as to ensure compliance with an asset cover test (the "**Asset Cover Test**").

Under the SFH legal Framework, the Specific Controller shall monitor the Collateral Security Assets so as to ensure compliance with a Minimum Legal Collateralisation Ratio (the "**Minimum Legal Collateralisation Ratio**") and a maximum percentage of Legal Substitution Assets (the "**Maximum Legal Substitution Assets Percentage**").

Under the Cash Collateral Agreement and for so long as no Borrower Event of Default has occurred and been enforced subject to, and in accordance with, the relevant terms of the Borrower Facility Agreement, the Borrower, as Cash Collateral Provider, shall fund the Cash Collateral Account up to an amount determined in accordance with the Cash Collateral Agreement.

Under Condition 5(f) and following the enforcement of a Borrower Event of Default subject to, and in accordance with, the relevant terms of the Borrower Facility Agreement, the Issuer shall ensure compliance with an amortisation test (the "**Amortisation Test**").

### The Asset Cover Test

The following terms shall have the following definitions:

"**Asset Cover Test Date**" means the twentieth (20<sup>th</sup>) day of each calendar month and each issuance date of a Series or a Tranche of Covered Bonds. The first Asset Cover Test Date was on 20 December 2006.

"**Asset Cover Test Calculation Period**" means, in relation to any Asset Cover Test Date, each period starting on, and including, the immediately preceding Asset Cover Test Date, and ending on, and excluding such Asset Cover Test Date.

Compliance with the Asset Cover Test requires compliance with the asset cover ratio R specified below (the "**Asset Cover Ratio**"). Such compliance is tested by the Issuer Calculation Agent from time to time subject to, and in accordance with, the relevant terms of the Borrower Collateral Security Agreement and the Calculation Services Agreement.

*The Asset Cover Ratio (R)*

"**R**" means the following ratio which shall be at least equal to one (1) at each Asset Cover Test Date:

$$R = \left[ \frac{\text{Adjusted Aggregate Asset Amount (AAAA)}}{\text{Aggregate Covered Bond Outstanding Principal Amount}} \right]$$

whereby:

"**Aggregate Covered Bond Outstanding Principal Amount**" means, at any Asset Cover Test Date, the aggregate amount of principal (in Euro or Euro equivalent with respect to Covered Bonds denominated in a Specified Currency) outstanding at such date under all Covered Bonds.

"**Adjusted Aggregate Asset Amount (AAAA)**" means, at any Asset Cover Test Date:

$$(AAAA) = A + B + C + D - Y$$

whereby:

"A" means the lower of "A1" and "A2".

"A1" is equal to the sum of all Adjusted Home Loan Outstanding Principal Amounts of all Relevant Home Loans (see "**The Borrower Collateral Security**" for a description of the Home Loans Eligibility Criteria) during the applicable Asset Cover Test Calculation Period (the "**Relevant Home Loans**"), as such Adjusted Home Loan Outstanding Principal Amounts under Borrower Facility will be calculated on the relevant Asset Cover Test Date, whereby:

"**Adjusted Home Loan Outstanding Principal Amount**" means, with respect to each Relevant Home Loan granted as Borrower Collateral Security or Affiliate Collateral Security, the lower of:

- (i) the Home Loan Outstanding Principal Amount of such Relevant Home Loan minus the Applicable Deemed Reductions; and
- (ii) the LTV Cut-Off Percentage of the Indexed Valuation relating to such Relevant Home Loan minus the Applicable Deemed Reductions;

it being provided that the "Adjusted Home Loan Outstanding Principal" of each Home Loan granted as Affiliate Collateral Security by any Affiliate shall account for zero if the Borrower, at its discretion, elects not to enforce such Affiliate Collateral Security in its favour following the service by it of an Affiliate Enforcement Notice to such Affiliate in accordance with the relevant terms of the relevant Affiliate Facility Agreement.

"**Applicable Deemed Reductions**" means the aggregate sum of the financial losses incurred by the Borrower or (as appropriate) any Affiliate with respect to the Relevant Home Loans to the extent that such financial losses have been incurred as a direct result of a material breach of the Servicing Procedures by the Borrower or (as appropriate) such Affiliate during the applicable Asset Cover Test Calculation Period (see "The Borrower Collateral Security Agreement – Asset Servicing" for a description of the Servicing Procedures).

"**Home Loan Outstanding Principal Amount**" means, with respect to each Relevant Home Loan, the amount of principal outstanding at the relevant Asset Cover Test Date under such Relevant Home Loan.

"**Index**" means the index of increases of house prices issued by INSEE in relation to residential properties in France.

"**Indexed Valuation**" means at any date in relation to any Relevant Home Loan secured over any property:

- (i) where the Original Market Value of that property is equal to or greater than the Price Indexed Valuation as at that date, the Price Indexed Valuation; or
- (ii) where the Original Market Value of that property is less than the Price Indexed Valuation as at that date, the Original Market Value plus eighty per cent. (80%) of the difference between the Price Indexed Valuation and the Original Market Value.

"**LTV Cut-Off Percentage**" means:

- (i) eighty per cent. (80%) for each Relevant Home Loan secured by a Mortgage;
- (ii) eighty per cent. (80%) for each Relevant Home Loan secured by a Home Loan Guarantee issued by *Crédit Logement*;
- (iii) a percentage which will be agreed with the Rating Agencies from time to time for each Relevant Home Loan that has the benefit of an insurance policy with an acceptable insurer or guarantee with an acceptable financial institution, insuring the credit risk under such Relevant Home Loan; and
- (iv) a percentage which will be determined in accordance with the methodologies published by S&P and Fitch from time to time for each Relevant Home Loan not mentioned under (i) to (iii) above.

**"Original Market Value"** in relation to any property means the purchase price of such property or (as applicable) the most recent valuation of such property, as disclosed to the Borrower or the relevant Affiliate by the relevant debtor under the related Relevant Home Loan.

**"Price Indexed Valuation"** in relation to any property at any date means the Original Market Value of that property increased or decreased as appropriate by the increase or decrease in the Index since the date of the Original Market Value.

**"Relevant Home Loan"** means, with respect to a given Asset Cover Test Date, any Home Loan from which Home Loan Receivables have been granted as Borrower Collateral Security or Affiliate Collateral Security, excluding Home Loans which do not comply any more with the applicable Home Loan Eligibility Criteria.

**"A2"** is equal to the sum of all unadjusted "Home Loan Outstanding Principal Amounts" of all Relevant Home Loans minus the Applicable Deemed Reductions (as defined above) multiplied by the applicable Asset Percentage, whereby:

**"Asset Percentage"** means (i) 92.5 per cent. (92.5%) or (ii) such percentage figure as is determined on quarterly basis by the Issuer Calculation Agent pursuant to the relevant terms of the Borrower Collateral Security Agreement.

For the purpose of the calculation of the Asset Percentage referred to in (ii) above, the Issuer Calculation Agent will calculate, on a quarterly basis (subject to below), the WARR, the WAFF, and the WALs (and/or such figures calculated by the Issuer Calculation Agent in accordance with any relevant alternative methodologies published by S&P and Fitch) for all Relevant Home Loans or for a random sample of the same. The WARR, WAFF and WALs (or other relevant figures) so calculated will be incorporated by the Issuer Calculation Agent into one (1) or more cash flow models designed by the Issuer Calculation Agent in accordance with the methodologies published by S&P and Fitch. Such models, which test the credit enhancement required in various cash flow scenarios, will indicate, on the basis of the latest WARR, WAFF and WALs figures (or other relevant figures), the Asset Percentage needed in order to provide credit enhancement to cover all such cash flow scenarios. Save where otherwise determined in accordance with the methodologies published by S&P and Fitch, the Asset Percentage will be adjusted in accordance with the various methodologies published by S&P and Fitch provided that the Asset Percentage may not, at any time, exceed ninety two point five per cent. (92.5%).

**"B"** is equal to the aggregate amount of cash standing to the credit of the Cash Collateral Account, as reported by the Borrower in the relevant Asset Report.

**"C"** is equal to the aggregate value outstanding under all Eligible Substitution Assets held by the Issuer (the **"Aggregate Eligible Substitution Asset Amount (AESAA)"**) provided that, the amount of the Aggregate Eligible Substitution Asset Amount (AESAA) (whatever such amount is at any Asset Cover Test Date) shall in any event account only for up to twenty per cent. (20%) of the Adjusted Aggregate Asset Amount (AAAA) for the purposes hereof. The Aggregate Eligible Substitution Asset Amount (AESAA) shall be reported by the Borrower in the relevant Asset Report. Eligible Substitution Assets will be valued on the last Business Day of the calendar month immediately preceding each Asset Cover Test Date and be taken into account for their mark-to-market value at a discount based on a methodology published by the Rating Agencies.

For the purposes of the above calculation, an **"Eligible Substitution Asset"** is:

- (a) any Legal Substitution Asset (other than a Permitted Investment) which is a Euro or another Specified Currency demand or time deposit, certificate of deposit, long-term debt obligation or short-term debt obligation (including commercial paper) provided that in all cases such investment has a remaining period to maturity of one (1) year or less and the short-term unsecured, unguaranteed and unsubordinated debt obligations or, as applicable, the long-term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposit is made (being duly licensed for such purposes) are rated at least P-1/Aa3 by Moody's, A1+/AA- by S&P and AA- and F1+ by Fitch (or, after the date hereof, any other rating levels as per the most recently public available rating criteria methodology reports published by the Rating Agencies); or
- (b) any Legal Substitution Asset (other than a Permitted Investment) which is a Euro or another Specified Currency denominated government and public securities, provided that such investment has a

remaining maturity of one (1) year or less and is rated at least Aaa by Moody's, AAA by S&P and AAA by Fitch (or, after the date hereof, any other rating levels as per the most recently public available rating criteria methodology reports published by the Rating Agencies); or

- (c) any substitution assets which are eligible for an investment by a *société de financement à l'habitat* and which comply with the then applicable criteria determined in accordance with the methodologies published by the Rating Agencies.

"D" is equal to the aggregate value outstanding under all Permitted Investments, as determined by the Issuer Accounts Bank (or the Administrator on its behalf) and reported to the Issuer Calculation Agent pursuant to the Issuer Accounts Bank Agreement. Permitted Investments will be valued on the last Business Day of the calendar month immediately preceding each Asset Cover Test Date and be taken into account for their mark-to-market value at a discount based on a methodology published by the Rating Agencies.

"Y" is equal to (i) zero before any Issuer Hedging Agreement shall be entered into by the Issuer subject to, and in accordance with, the Hedging Strategy and (ii) otherwise, an amount equal to the payments due under the Issuer Hedging Agreements (plus interest thereon) within the period of  $\alpha$  plus two (2) months preceding the relevant Asset Cover Test Date where  $\alpha$  means the period between two (2) interest payment dates (first day of such period included and last day of such period excluded) under the relevant Issuer Hedging Agreements.

#### *Calculation of the Asset Cover Ratio (R)*

On each Asset Cover Test Date, the Asset Cover Ratio (R) shall be calculated by the Issuer Calculation Agent according to the terms, definitions and calculation formula set forth above.

No later than three (3) Business Days following any Asset Cover Test Date, the Issuer Calculation Agent shall inform the Issuer and the Borrower (with a copy to the Rating Agencies and to the Asset Monitor) of its calculation of the Asset Cover Ratio (R).

#### *Non Compliance with Asset Cover Test*

Non compliance with the Asset Cover Test (the "**Non Compliance with Asset Cover Test**") would result from the Asset Cover Test Ratio (R) being less than one (1).

#### *Remedies*

Upon Non Compliance with Asset Cover Test on any Asset Cover Test Date, the Borrower shall (or, at its sole discretion and subject to the relevant terms of, the Affiliate Collateral Security Agreements, shall procure that the Affiliates):

- (i) grant additional or Eligible Assets as Borrower Collateral Security or (as appropriate) as Affiliate Collateral Security; and/or
- (ii) request a release of Eligible Assets from the Borrower Collateral Security or (as appropriate) the relevant Affiliate Collateral Security;

in each case, as necessary to cure such Non Compliance with Asset Cover Test.

A Non Compliance with Asset Cover Test does not constitute the occurrence of an Issuer Event of Default or a Borrower Event of Default. However, it will prevent the Issuer from issuing any further Series as long as it remains unremedied.

#### *Breach of Asset Cover Test*

The failure by the Borrower to cure a Non Compliance with Asset Cover Test occurred on any Asset Cover Test Date prior to the next following Asset Cover Test Date shall constitute a "**Breach of Asset Cover Test**" within the meaning of the Borrower Collateral Security Agreement. The Issuer Calculation Agent will inform promptly the Issuer and the Borrower (with a copy to the Rating Agencies and to the Asset Monitor) of its calculation of the Asset Cover Ratio and, if applicable, the occurrence of a Breach of Asset Cover Test.

A Breach of Asset Cover Test constitutes the occurrence of a Borrower Event of Default.

A Breach of Asset Cover Test will not be the occurrence of an Issuer Event of Default but will prevent the Issuer from issuing any further Series, except for the purposes of subscription by the Issuer of Auto-held Covered Bonds in accordance with Condition 20.

### **The Minimum Legal Collateralisation Ratio**

The Issuer, as a *société de financement de l'habitat*, must at all times maintain a cover ratio between its eligible assets (including so-called substitution assets (*valeurs de remplacement*)) and its liabilities benefiting from the *Privilège* (the "**Collateralisation Ratio**"). In accordance with the French SFH legal Framework on the date hereof, and in particular pursuant to Articles L. 515-20 and R. 515-7-2 of the French Monetary and Financial Code (*Code monétaire et financier*), the *sociétés de financement de l'habitat* (SFH) such as the Issuer must at all times maintain a collateralisation ratio equal to at least one hundred and two per cent. (102%) (the "**Minimum Legal Collateralisation Ratio**").

Regulation no. 99-10 dated 9 July 1999, as amended, issued by the *Comité de la Réglementation Bancaire et Financière* (Banking and Financial Regulation Committee) defines the way the Collateralisation Ratio is calculated.

In the case of the Issuer, the ratio's denominator (Article 8) is comprised of the Covered Bonds and the other resources benefiting from the *Privilège*, including any amount due under the agreement referred to in Article L. 515-22 of the French Monetary and Financial Code (*Code monétaire et financier*) or derivative instruments benefiting from the *Privilège*. The ratio's numerator (Article 9) is made up of the Issuer's assets (weighted to reflect their category) and, in accordance with Article R. 515-7-2 of the French Monetary and Financial Code (*Code monétaire et financier*), shall take into account the Home Loan Receivables granted as Collateral Security.

The Specific Controller ensures that the Minimum Legal Collateralisation Ratio is complied with.

To carry out its duties, the Specific Controller will be given access by the Issuer to any information that allows confirmation of compliance with the Minimum Legal Collateralisation Ratio.

The Issuer must publish the calculation of its actual Collateralisation Ratio twice a year, on each 30 June and 31 December.

Non-compliance by the Issuer with the Minimum Legal Collateralisation Ratio shall constitute a "**Breach of Minimum Legal Collateralisation Ratio**". The Specific Controller is legally responsible for notifying promptly the Issuer and the *Autorité de contrôle prudentiel (ACP)* of the occurrence of a Breach of Minimum Legal Collateralisation Ratio. Upon such notification, the Issuer shall then notify the Borrower, the Rating Agencies, the Asset Monitor and the Issuer Calculation Agent of the same.

### **The Maximum Legal Substitution Assets Percentage**

Pursuant to Articles L. 515-17 and R. 515-7 of the French Monetary and Financial Code (*Code monétaire et financier*), the Legal Substitution Assets of the Issuer shall not exceed at any time a percentage equal to fifteen per cent. (15%) of the total amount of its liabilities which benefit from the *Privilège* (the "**Maximum Legal Substitution Assets Percentage**").

With respect to the Issuer and for the purpose of the calculation of the Maximum Legal Substitution Assets Percentage, the Legal Substitution Assets are comprised of such debt, securities, deposits and other investment products that are deemed eligible as the so-called substitution assets (*valeurs de remplacement*) within the meaning of Articles L. 515-17, R. 515-7 and R. 515-16 of the French Monetary and Financial Code (*Code monétaire et financier*) (including any Permitted Investment and any Cash Collateral made available to the Issuer by the Cash Collateral Provider in accordance with the Cash Collateral Agreement) and which are held by the Issuer from time to time.

The Specific Controller ensures that the Maximum Legal Substitution Assets Percentage is not exceeded by the Issuer.

Upon the Legal Substitution Assets of the Issuer exceeding the Maximum Legal Substitution Assets Percentage, this shall constitute a "**Breach of Maximum Legal Substitution Assets Limit**" by the Issuer. The Specific Controller ensures the Issuer and the *Autorité de contrôle prudentiel (ACP)* are promptly notified of the occurrence of a Breach of Maximum Legal Substitution Assets Limit. Upon receipt of such notice, the Issuer will then notify the Borrower, the Rating Agencies, the Asset Monitor and the Issuer Calculation Agent of the same.

### **The Pre-Maturity Test and the Legal Liquidity Test**

#### *Downgrading below the Pre-Maturity Rating Required Levels and/or the Liquidity Rating Required Levels*

The Cash Collateral Provider shall be requested to fund the Cash Collateral Account with the relevant Cash Collateral, up to the relevant amount, upon the occurrence of (i) the downgrading, during any Pre-Maturity Test Period (as defined below), of the then applicable ratings of the Borrower below one (1) or more of the Pre-Maturity Rating Required Levels (as defined below) (each, a "**Pre-Maturity Rating Downgrade Event**"), and/or (ii) the downgrading at any time of the then applicable ratings of the Borrower below (cumulatively) all three (3) Liquidity Rating Required Levels (as defined below) (each, a "**Legal Liquidity Rating Downgrade Event**"). The occurrence of a Pre-Maturity Rating Downgrade Event and/or a Legal Liquidity Rating Downgrade Event does not constitute the occurrence of a Borrower Event of Default or an Issuer Event of Default.

Upon the occurrence of a Pre-Maturity Rating Downgrade Event and/or a Legal Liquidity Rating Downgrade Event, the Issuer Calculation Agent shall inform the Cash Collateral Provider of the same within three (3) Business Days from such occurrence by written notice (the "**Cash Collateral Funding Notice**") delivered to the Cash Collateral Provider (with a copy to the Issuer, the Administrator and the Rating Agencies).

#### *Remedies*

If a Cash Collateral Funding Notice is received by the Cash Collateral Provider, the Cash Collateral Provider shall fund the Cash Collateral Account up to an amount (the "**Cash Collateral Required Funding Amount (CCRFA)**") calculated by the Issuer Calculation Agent as being equal to:

- (a) in the event of a Pre-Maturity Rating Downgrade Event occurring while no Legal Liquidity Rating Downgrade Event has occurred and is continuing:  $CCRFA = \max(A ; B)$ ;

With:

A = (Pre-Maturity Covered Bond Principal Amount in relation to the relevant Series of Covered Bonds + Pre-Maturity Costs in relation to the relevant Series of Covered Bonds)

B = (15% \* Aggregate Covered Bond Outstanding Principal Amount)

- (b) in the event of a Legal Liquidity Rating Downgrade Event occurring while no Pre-Maturity Rating Downgrade Event has occurred and is continuing:  $CCRFA = \text{Liabilities} - \text{Revenues}$ ; and

- (c) in the event of both a Pre-Maturity Rating Downgrade Event and a Legal Liquidity Rating Downgrade Event occurring at the same time, the CCRFA shall be equal to the greater of:

(i)  $CCRFA = \max(A ; B)$ ; and

(ii)  $CCRFA = \text{Liabilities} - \text{Revenues}$ ;

whereby:

"**Pre-Maturity Costs**" means the aggregate amount of fees, costs, expenses, taxes and other ancillary sums (excluding interest and principal amounts) scheduled to be paid by the Issuer on any Series of Covered Bonds within the relevant Pre-Maturity Test Period.

"**Pre-Maturity Covered Bond Principal Amount**" means the aggregate amount of principal of Covered Bonds (in Euro or Euro equivalent with respect to Covered Bonds denominated in a Specified Currency), scheduled to be redeemed at the Final Maturity Date of which falls during the relevant Pre-Maturity Test Period.



**"Pre-Maturity Test Period"** means with respect to any Series of Covered Bonds (which is not a Series of Soft Bullet Covered Bonds), the period starting from, and including, twelve (12) months preceding the Final Maturity Date of that Series and ending on, and including, such Final Maturity Date.

**"Liabilities"** means, on any given date, the liabilities that are due by the Issuer to all its creditors within the Legal Liquidity Cover Period starting on, and including, such date (including principal and interest due by the Issuer under the then outstanding Covered Bonds).

**"Revenues"** means, on any given date, all the sums that are due to the Issuer by all its debtors within the Legal Liquidity Cover Period starting on, and including, such date (excluding the sums due to the Issuer under the Borrower Facility Agreement, but including the sums due by the relevant debtors under the Collateral Security Assets and the net amount due to the Issuer under the Hedging Agreements).

**"Legal Liquidity Cover Period"** means a period of one hundred and eighty (180) calendar as from each CCRFA Funding Date, the first applicable Legal Liquidity Cover Period beginning upon the occurrence of a Legal Liquidity Rating Downgrade Event.

*Breach of Pre-Maturity Test and Breach of Legal Liquidity Test*

The failure by the Cash Collateral Provider to fund into the Cash Collateral Account the relevant amount within thirty (30) calendar days from the receipt of a Cash Collateral Funding Notice shall constitute a **"Breach of Pre-Maturity Test"**. A Breach of Pre-Maturity Test constitutes the occurrence of a Borrower Event of Default.

The failure by the Cash Collateral Provider to fund any required Cash Collateral following the receipt of a Cash Collateral Funding Notice or maintain the relevant amount in the Cash Collateral Account at any time during any Legal Liquidity Cover Period in accordance with the Cash Collateral Agreement constitutes a **"Breach of Liquidity Test"**. A Breach of Liquidity Test does not constitute the occurrence of a Borrower Event of Default or an Issuer Event of Default.

**The Amortisation Test**

Following the enforcement of a Borrower Event of Default subject to, and in accordance with, the relevant terms of the Borrower Facility Agreement, the Issuer undertakes to comply with the Amortisation Test in accordance with Condition 5 (f) of the Terms and Conditions of the Covered Bonds.

For the purpose of the determination of the Amortisation Ratio, the following terms shall have the following definitions:

**"Amortisation Test Date"** means the twentieth (20<sup>th</sup>) day of each calendar month following the enforcement of a Borrower Event of Default.

**"Amortisation Test Calculation Period"** means, in relation to any Amortisation Test Date, each period starting on, and including, the immediately preceding Amortisation Test Date, and ending on, and excluding such Amortisation Test Date.

Compliance with the Amortisation Test requires compliance with the amortisation ratio RA specified below (the **"Amortisation Ratio (RA)"**). Such compliance is tested by the Issuer Calculation Agent from time to time throughout the period following the enforcement of a Borrower Event of Default subject to, and in accordance with the Condition 5(f) of the Terms and Conditions of the Covered Bonds and the Calculation Services Agreement.

The Amortisation Ratio

**"RA"** means the following ratio which shall be at least equal to one (1) at each Amortisation Test Date:

$$RA = \left[ \frac{TAAA'}{ACBOPA} \right]$$

whereby:

**"Aggregate Covered Bond Outstanding Principal Amount (ACBOPA)"** means, at any Amortisation Test Date, the aggregate amount of principal (in Euro or Euro equivalent with respect to Covered Bonds denominated in a Specified Currency) outstanding at such date under all Covered Bonds.

**"Transferred Aggregate Asset Amount (TAAA')"** means, at any Amortisation Test Date:

$$(TAAA') = A' + B + C + D + E$$

whereby:

**"A"** is equal to the sum of all "Transferred Home Loan Outstanding Principal Amounts" of all Home Loans title to which has been transferred to the Issuer upon enforcement of the Borrower Collateral Security and the Affiliate Collateral Security following the enforcement of a Borrower Event of Default (each, a **"Relevant Home Loan"**), as such "Adjusted Home Loan Outstanding Principal Amounts" will be calculated on the relevant Amortisation Test Date, whereby:

**"Home Loan Outstanding Principal Amount"** means, with respect to each Relevant Transferred Home Loan, the amount of principal outstanding at the relevant Amortisation Test Date under such Relevant Transferred Home Loan.

**"Relevant Transferred Home Loan"** means, with respect to a given Amortisation Test Date, any Home Loan from which Home Loan Receivables have been granted as Borrower Collateral Security and Affiliate Collateral Security provided that title to such Home Loan Receivables has been transferred to the Issuer upon enforcement of the Borrower Collateral Security and Affiliate Collateral Security following the enforcement of a Borrower Event of Default; and

**"Transferred Home Loan Outstanding Principal Amount"** means, with respect to each Relevant Transferred Home Loan, the Home Loan Outstanding Principal Amount of such Relevant Transferred Home Loan (in Euro or Euro equivalent with respect to Home Loans denominated in a Specified Currency) multiplied by M, where for all the Relevant Transferred Home Loans that are less than three (3) months in arrears,  $M = 1$  and for all the Relevant Transferred Home Loans that are three (3) months or more in arrears,  $M = 0.7$ .

**"B"**, **"C"** and **"D"** have the meaning ascribed to such terms, and shall be determined, on each relevant Amortisation Test Date, subject to, and in accordance with, the terms and formula described in **"The Asset Cover Test"** above.

**"E"** is equal to the aggregate amount of principal and interest payments, distributions, indemnities, insurance and other proceeds, payments under any Home Loan Security and other sums received during the applicable Amortisation Test Calculation Period by the Issuer from the debtors or other relevant entities under the Borrower Collateral Security Assets and Affiliate Collateral Security Assets whose title has been transferred to the Issuer following enforcement of the Borrower Collateral Security and each Affiliate Collateral Security, as the same shall be reported by the Issuer Calculation Agent on each Amortisation Test Date subject to, and in accordance with, the relevant terms of the Calculation Services Agreement.

#### *Calculation of the Amortisation Ratio*

On each Amortisation Test Date, the Amortisation Ratio (RA) shall be calculated by the Issuer Calculation Agent according to the terms, definitions and calculation formula set forth above.

No later than three (3) Business Days following any Amortisation Test Date, the Issuer Calculation Agent shall inform the Issuer (with a copy to the Rating Agencies, to the Asset Monitor and to the Specific Controller) of its calculation of the Amortisation Ratio (RA).

### *Non Compliance with Amortisation Test*

A "**Non Compliance with Amortisation Test**" will result from the Amortisation Ratio (RA) being less than one (1).

A Non Compliance with Amortisation Test will not constitute an Issuer Event of Default. However, it will prevent the Issuer from issuing any further Series, except for the purposes of subscription by the Issuer of Auto-held Covered Bonds in accordance with Condition 20.

### *Breach of Amortisation Test*

The failure by the Issuer to cure a Non Compliance with Amortisation Test occurred on any Amortisation Test Date prior to the next following Amortisation Test Date shall constitute a "**Breach of Amortisation Test**". The Issuer Calculation Agent will inform promptly the Issuer, each relevant Representative (with a copy to the Rating Agencies, to the Asset Monitor and to the Specific Controller) of the occurrence of a Breach of Amortisation Test.

A Breach of Amortisation Test constitutes the occurrence of an Issuer Event of Default.

## **The Calculation Services Agreement**

This section sets out the main material terms of the Calculation Services Agreement.

### *Background*

The "**Calculation Services Agreement**" refers to the agreement dated on or prior to the Programme Date and entered into between (i) BNP Paribas Home Loan SFH, in its capacity as "Lender" and (ii) BNP Paribas, in its capacity as "Issuer Calculation Agent" (the "**Issuer Calculation Agent**").

### *Purpose*

Under the Calculation Services Agreement, BNP Paribas Home Loan SFH, as Issuer, appoints BNP Paribas as its servicer for the purposes of any calculation and determinations to be made under the Programme Documents (but excluding all calculation and determinations to be made with respect to the Series of Covered Bonds, such calculation and determinations to be made on behalf of the Issuer by the Calculation Agent under the Issuer Agency Agreement). The Issuer Calculation Agent will always act in the best and exclusive interest of BNP Paribas Home Loan SFH.

### *Duties of the Issuer Calculation Agent*

Pursuant to the Calculation Services Agreement, the Issuer Calculation Agent will inter alia undertake:

- (a) any and all calculation in relation to the Borrower Facility Agreement and the Affiliate Facility Agreement, including, but not limited to, any interest and principal amounts and the effective global rate (*taux effectif global*);
- (b) any and all calculation in relation to the Borrower Collateral Security Agreement and the Affiliate Collateral Security Agreement, including, but not limited to, the Asset Cover Test (see "Asset Monitoring");
- (c) any and all calculation in relation to the Cash Collateral Agreement, including, but not limited to, the Pre-Maturity Test and the Legal Liquidity Test, Cash Collateral Account, the Collection Loss Reserve Account and the Affiliate Debt Commingling Account (see "Asset Monitoring");
- (d) any and all calculation in relation to the Amortisation Test (see "Asset Monitoring").

### *Substitution and Agency*

The Issuer Calculation Agent may not assign its rights and obligations under the Calculation Services Agreement but will have the right to be assisted by, to appoint or to substitute for itself any third party in the performance of certain or all its tasks under the Calculation Services Agreement provided that:

- (a) the Issuer Calculation Agent remains liable to the Issuer for the proper performance of those tasks and, with respect to the Issuer only, the relevant third party has expressly waived any right to any contractual claim against the Issuer; and
- (b) the relevant third party has undertaken to comply with all obligations binding upon the Issuer Calculation Agent under the Calculation Services Agreement.

#### *Fees*

In consideration of the services provided by the Issuer Calculation Agent to the Issuer under the Calculation Services Agreement, the Issuer will pay to the Issuer Calculation Agent a servicing fee computed subject to, and in accordance with, the provisions of the Calculation Services Agreement.

Issuer Calculation Agent will not benefit from the *Privilège* for the payment of its fees or any other amounts that might be due to it by the Issuer under the Calculation Services Agreement.

#### *Representations, warranties and undertakings*

The Issuer Calculation Agent has made the customary representations and warranties and undertakings to the Issuer, the representations and warranties being given on the execution date of the Calculation Services Agreement and continuing until the Service Termination Date.

#### *Indemnities*

Pursuant to the Calculation Services Agreement, the Issuer Calculation Agent undertakes to hold harmless and fully and effectively indemnify the Issuer against all actions, proceedings, demands, damages, costs, expenses (including legal fees), claims, losses, prejudice or other liability, which the Issuer may sustain or incur as a consequence of the occurrence of any default by the Issuer Calculation Agent in its performance of any of its obligations under the Calculation Services Agreement.

#### *Resignation of the Issuer Calculation Agent*

The Issuer Calculation Agent will not resign from the duties and obligations imposed on it as Issuer Calculation Agent pursuant to the Calculation Services Agreement, except:

- (a) upon a determination that the performance of its duties under the Calculation Services Agreement will no longer be permissible under applicable law; and
- (b) in the case where the Issuer does not comply with any of its material obligations under the Calculation Services Agreement and fails to remedy the situation within one hundred and eighty days (180) from the receipt by the Issuer of a notice from the Issuer Calculation Agent.

Such resignation shall however be effective upon replacement of the Issuer Calculation Agent.

#### *Issuer Calculation Agent's Defaults*

Issuer Calculation Agent's Defaults will occur upon the occurrence of the following events:

- (a) any material representation or warranty made by the Issuer Calculation Agent is or proves to have been incorrect or misleading in any material respect when made, and the same is not remedied (if capable of remedy) within sixty (60) Business Days after the Issuer has given notice thereof to the Issuer Calculation Agent or (if sooner) the Issuer Calculation Agent has knowledge of the same, provided that the Issuer, at its discretion, certifies that it is prejudicial to the interests of the holders of the relevant Covered Bonds;
- (b) the Issuer Calculation Agent fails to comply with any of its material obligations under the Calculation Services Agreement unless such breach is capable of remedy and is remedied within sixty (60) Business Days after the Issuer has given notice thereof to the Issuer Calculation Agent or (if sooner) the Issuer Calculation Agent has knowledge of the same, provided that the Issuer, at its discretion, certifies that it is prejudicial to the interests of the holders of the relevant Covered Bonds;

- (c) an Insolvency Event occurs in respect of the Issuer Calculation Agent; or
- (d) at any time it is or becomes unlawful for the Issuer Calculation Agent to perform or comply with any or all of its material obligations under the Calculation Services Agreement or any or all of its material obligations under the Calculation Services Agreement are not, or cease to be, legal, valid and binding.

If an Issuer Calculation Agent's Default has occurred, the Issuer Calculation Agent shall notify the Issuer of such occurrence promptly after becoming aware of it.

*Issuer Calculation Agent Rating Trigger Event*

If an Issuer Calculation Agent Rating Trigger Event occurs, the Issuer Calculation Agent will notify the Issuer in writing of the occurrence of the Issuer Calculation Agent Rating Trigger Event within five (5) Business Days from the date upon which it becomes aware of such event and this will constitute a termination event under the Calculation Services Agreement.

For such purposes, "**Issuer Calculation Agent Rating Trigger Event**" means the event in which (i) the long-term senior unsecured, unsubordinated and unguaranteed debt obligations of the Issuer Calculation Agent become rated below BBB by S&P, or (ii) its long-term senior unsecured, unsubordinated and unguaranteed debt obligations become rated below Baa2 by Moody's; or (iii) its senior long-term issuer default rating (IDR) becomes rated below BBB by Fitch (or, after the date hereof, any other rating levels as per the most recently public available rating criteria methodology reports published by the Rating Agencies).

*Termination*

"**Issuer Calculation Agent Termination Events**" under the Calculation Services Agreement will include the following events:

- (a) the occurrence of any Issuer Calculation Agent's Default;
- (b) the occurrence of the Issuer Calculation Agent Rating Trigger Event; or
- (c) the occurrence of a Borrower Event of Default.

If an Issuer Calculation Agent Termination Event occurs, the Issuer shall terminate the appointment of the Issuer Calculation Agent under the Issuer Calculation Services Agreement by delivery of a written termination notice to the Issuer Calculation Agent (the "**Notice of Termination**"). Upon receipt by the Issuer Calculation Agent of the Notice of Termination, the appointment of the Issuer Calculation Agent under the Issuer Calculation Services Agreement will terminate with effect:

- (a) not earlier than twenty (20) Business Days as from the receipt by the Issuer Calculation Agent of the Notice of Termination, if such Notice of Termination is served due to the occurrence of an Issuer Calculation Agent Rating Trigger Event;
- (b) not earlier than twenty (20) Business Days as from the receipt by the Issuer Calculation Agent of the Notice of Termination or at any other date that the Issuer may have specified in the Notice of Termination, if such Notice of Termination is served due to any other reason,

and save for any continuing obligations of the Issuer Calculation Agent contained in the Calculation Services Agreement.

Upon the resignation of the Issuer Calculation Agent or termination of its appointment as Issuer Calculation Agent hereunder in accordance with the terms of the Issuer Calculation Services Agreement, the Issuer shall replace BNP Paribas, as Issuer Calculation Agent, by any legal entity (the "**Substitute Issuer Calculation Agent**"), the choice of which being subject to prior Rating Affirmation. Upon its appointment and unless otherwise agreed with the Issuer (but subject to prior Rating Affirmation), the Substitute Issuer Calculation Agent shall:

- (a) provide the Issuer with all necessary assistance and know-how, whether technical or other, as described under this Calculation Services Agreement;

- (b) together with the Issuer Calculation Agent, take all steps necessary to replace the Issuer Calculation Agent in all rights and obligations arisen from the Programme Documents to which the Issuer Calculation Agent is a party and, for such purposes, become a party, as Issuer Calculation Agent, to any relevant Programme Documents to which the Issuer Calculation Agent is a party;

Notwithstanding its resignation or the termination of its appointment in accordance with the terms of the Issuer Calculation Services Agreement and notwithstanding any other provision of the Issuer Calculation Services Agreement, the duties of the Issuer Calculation Agent under the Issuer Calculation Services Agreement shall continue and the Issuer Calculation Agent shall continue to be bound by all its obligations hereunder until the earlier of (i) its replacement as Issuer Calculation Agent and (ii) the termination of the Issuer Calculation Services Agreement in accordance with its terms (the "**Service Termination Date**").

*Term and Termination of the Issuer Calculation Services Agreement*

The Issuer Calculation Services Agreement shall remain in effect for an initial period of ten (10) years and shall be automatically renewed for additional ten-year periods unless a party thereto notifies to the others its intention to terminate the Issuer Calculation Services Agreement three (3) months prior to the end of the initial period or the additional periods, as the case may be in which case this Calculation Services Agreement shall terminate at the end of such three-month period.

Without prejudice to the other terms of the Issuer Calculation Services Agreement, the Issuer Calculation Services Agreement shall terminate:

- (a) on its term as defined above;
- (b) if earlier than its term as defined above, if the Issuer and any Substitute Issuer Calculation Agent replacing (i) BNP Paribas as Issuer Calculation Agent or (ii) a previous Issuer Calculation Agent having replaced BNP Paribas as Issuer Calculation Agent agree in writing to cease to be bound by the Issuer Calculation Services Agreement and execute another agreement for the performance of the services contemplated by the Issuer Calculation Services Agreement; or
- (c) if earlier than its term defined above and upon failure to replace the Issuer Calculation Agent (i) the last day of the ninety (90) calendar days period starting on the date of resignation of the Issuer Calculation Agent, or (ii) the last day of the sixty (60) calendar days period starting on the date a Notice of Termination is delivered to the Issuer Calculation Agent.

The termination of the Issuer Calculation Services Agreement in accordance with its terms shall trigger the termination of the appointment of BNP Paribas as Issuer Calculation Agent thereunder on the relevant termination date of the Issuer Calculation Services Agreement.

*Limited Recourse – Non Petition*

The Calculation Services Agreement includes "Limited Recourse" and "Non petition" provisions, as described in "Issuer's Activities – Limited Recourse" and "Issuer's Activities - Non-Petition".

*Amendments*

No amendment, modification, alteration or supplement shall be made to the Calculation Services Agreement without prior Rating Affirmation if the same materially and adversely affects the interest of the Issuer or the Bondholders.

For the avoidance of doubt, the Calculation Services Agreement may be amended, modified, altered or supplemented without prior Rating Affirmation:

- (a) to cure any ambiguity, omission, defect or inconsistency;
- (b) to evidence or effect the transition of any party to the Calculation Services Agreement to any successor;
- (c) *to add to the undertakings and other obligations of the Issuer Calculation Agent under the Calculation Services Agreement; or*
- (d) to comply with any mandatory requirements of applicable laws and regulations.

#### *Governing Law – Jurisdiction*

The Calculation Services Agreement shall be governed by, and construed in accordance with, French law. The Administrator and the Issuer Calculation Agent have agreed for the benefit of the Issuer to submit any dispute that may arise in connection with the Calculation Services Agreement to the jurisdiction of the competent court of Paris.

#### **The Asset Monitor Agreement**

##### *Background*

The "**Asset Monitor Agreement**" refers to the agreement dated on or prior to the Programme Date and made between (i) the Issuer, (ii) BNP PARIBAS as the "Issuer Calculation Agent" or, as the applicable, the "Administrator" and (iii) KPMG LLP as Asset Monitor (the "**Asset Monitor**").

Under the Asset Monitor Agreement, KPMG LLP has been appointed as Asset Monitor by the Issuer to carry out, subject to due receipt of the information to be provided by the Issuer Calculation Agent to the Asset Monitor, various testing and notification duties in relation to the calculations performed by the Calculation Agent in relation to the Asset Cover Test and the Amortisation Test subject to and in accordance with the terms of the Asset Monitor Agreement.

##### **Services of the Asset Monitor**

If the Asset Cover Test Date immediately preceding an anniversary of the Programme Date falls prior to the occurrence of a Borrower Event of Default, and subject to receipt of the information to be provided to it by the Issuer Calculation Agent in relation to the calculations performed by the Issuer Calculation Agent regarding the relevant Asset Cover Test, the Asset Monitor will test the arithmetic accuracy of the calculations performed by the Issuer Calculation Agent in relation to the Asset Cover Test on the Asset Cover Test Date immediately preceding an anniversary of the Programme Date, as applicable, with a view to reporting on the arithmetic accuracy or otherwise of such calculations.

On each Amortisation Test Date (it being provided that the first Amortisation Test Date shall be the 20<sup>th</sup> day of the calendar month immediately following the enforcement of a Borrower Event of Default) and subject to receipt of the information to be provided to it by the Issuer Calculation Agent in relation to the calculations performed by the Issuer Calculation Agent regarding the relevant Amortisation Test, the Asset Monitor will test the arithmetic accuracy of the calculations performed by the Issuer Calculation Agent in relation to the Amortisation Test on the relevant Amortisation Test Date, with a view to reporting on the arithmetic accuracy or otherwise of such calculations.

Upon the occurrence of a Calculation Monitoring Rating Trigger Event and for so long as such Calculation Monitoring Rating Trigger Event is continuing, or, if the Asset Monitor has been notified of the occurrence of a Non-Compliance with Asset Cover Test or of a Non-Compliance with Amortisation Test (see "Asset Monitoring"), and subject to receipt of the information to be provided to the Asset Monitor, the Asset Monitor shall conduct the tests of the Issuer Calculation Agent's calculations referred to above, as applicable, in respect of every Asset Cover Test Date or Amortisation Test Date, as applicable.

For the purposes of this section "**Calculation Monitoring Rating Trigger Event**" means the event in which (i) the long-term senior unsecured, unsubordinated and unguaranteed debt obligations of BNP Paribas become rated below BBB by S&P or (ii) Baa2 by Moody's or (iii) the long-term senior issuer default rating (IDR) becomes rated below BBB by Fitch (or, after the date hereof, any other rating levels as per the most recently public available rating criteria methodology reports published by the Rating Agencies).

If the tests conducted by the Asset Monitor in accordance the provisions above, reveal arithmetic errors in the relevant calculations performed by the Issuer Calculation Agent such that:

- the Asset Cover Test had been failed on the relevant Asset Cover Test Date (where the Issuer Calculation Agent had recorded it as being satisfied); or
- the Amortisation Test had been failed on the relevant Amortisation Test Date (where the Issuer Calculation Agent had recorded it as being satisfied);

and subject to receipt of the information to be provided to the Asset Monitor, for a period of six (6) months thereafter, the Asset Monitor shall conduct the tests of the Issuer Calculation Agent's calculations referred to above, in respect of every Asset Cover Test Date or Amortisation Test Date, as applicable, occurring during such six (6) month period.

The Asset Monitor shall notify, on a confidential basis, the parties to the Asset Monitor Agreement (with copy to the Rating Agencies), in writing, of the relevant calculations performed by the Issuer Calculation Agent and of the results of its tests of the accuracy of the Issuer Calculation Agent's calculations. If the calculations performed by the Issuer Calculation Agent have not been performed correctly, the Asset Monitor will report the correct calculation of the Asset Cover Test or Amortisation Test, as applicable.

The Asset Monitor is entitled, in the absence of manifest error, to assume that all information provided to it is true and correct and is complete and not misleading and is not required to conduct an audit or other similar examination in respect of or otherwise take steps to verify the accuracy or completeness of such information.

### **Termination**

The Issuer may, at any time, terminate the appointment of the Asset Monitor hereunder upon providing the Asset Monitor with sixty (60) days' prior written notice, provided that such termination may not be effected unless and until a replacement has been found by the Issuer which agrees to perform the duties (or substantially similar duties) of the Asset Monitor set out in the Asset Monitor Agreement.

The Asset Monitor may, at any time, resign from its appointment under the Asset Monitor Agreement upon providing the Issuer (copied to the Rating Agencies) with sixty (60) days' prior written notice, provided that such resignation shall not be effected unless and until a replacement, which agrees to perform the duties (or substantially similar duties) of the Asset Monitor set out in the Asset Monitor Agreement has been found by the Issuer.

### *Fees*

Under the terms of the Asset Monitor Agreement, the Issuer will pay to the Asset Monitor a fee for the tests to be performed by the Asset Monitor.

The Asset Monitor will not benefit from the *Privilège* for the payment of its fees or any other amounts that might be due to it by the Issuer under the Asset Monitor Agreement.

### *Limited Recourse – Non Petition*

The Asset Monitor Agreement includes "Limited Recourse" and "Non petition" provisions, as described in "Issuer's Activities – Limited Recourse" and "Issuer's Activities - Non-Petition".

### *Amendments*

Except as further described under the Asset Monitor Agreement, any material amendment to the Asset Monitor Agreement is subject to the Rating Affirmation.

### *Governing Law – Jurisdiction*

The Asset Monitor Agreement shall be governed by, and construed in accordance with, English law. Each party to the Asset Monitor Agreement (including the Asset Monitor) irrevocably submits to the exclusive jurisdiction



of the English courts in any action or proceeding arising out of or relating to the Asset Monitor Agreement, and hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined by such courts.

## CASH FLOW

*For the avoidance of doubt, it is specified that the expression "Covered Bonds" will include English Law Covered Bonds, German Law Covered Bonds and French Law Covered Bonds and the expression "Bondholders" includes any holder of such Covered Bonds, in the following section.*

### **Cash management**

Pursuant to the Administrative Agreement, the Administrator will assist the Issuer in operating its bank accounts, the management and investment of its available cash in Permitted Investments in accordance with the relevant Permitted Investments rules, and any other matters in relation to the management of its bank accounts and funds so as to ensure that the Issuer will at all times comply with the provisions of the Programme Documents.

Pursuant to the Administrative Agreement and, subject to and, in accordance with the Terms and Conditions, the Administrator will invest any cash standing from time to time to the credit of the Issuer Cash Accounts pending application in accordance with the Priority Payment Orders (see "Cash Flow - Priority Payment Orders"), in instruments which qualify as "Permitted Investments" (as defined in "The Issuer – The Administrative Agreement").

### **Issuer Accounts**

Available Funds of the Issuer will be from time to time credited and debited by the Administrator on behalf of the Issuer into the Issuer Cash Accounts opened in the books of the Issuer Accounts Bank (see "The Issuer – The Issuer Accounts Bank Agreement" for a further description of the Issuer Accounts).

For the purposes hereof:

**"Available Funds"** means:

- (a) in the absence of service of a Borrower Enforcement Notice (and whether an Issuer Enforcement Notice has been served to the Fiscal Agent (with copy to the Issuer and to the Rating Agencies) or not):
  - (i) payment proceeds from the Borrower under the Borrower Facility Agreement;
  - (ii) cash standing to the credit of the Issuer General Account or the Share Capital Proceeds Account (including proceeds from Permitted Investments invested with such cash (if any));
  - (iii) any Cash Collateral (if any) standing to the credit of the Cash Collateral Account, the Collection Loss Reserve Account and the Affiliate Debt Commingling Account (including proceeds from Permitted Investments invested with any such Cash Collateral (if any)); and
  - (iv) payment proceeds from the Issuer Hedging Agreements and Borrower Hedging Agreements (if any).
- (b) following the service of a Borrower Enforcement Notice and enforcement of the Borrower Collateral Security and Affiliate Collateral Security (and whether an Issuer Enforcement Notice has been served to the Fiscal Agent (with copy to the Issuer and to the Rating Agencies) or not):
  - (i) payment proceeds, whether in interest, principal or otherwise, received by the Issuer following service of a notice to any or all debtors under the Home Loans mentioning the new payment instructions to be observed by the same with respect to the payment of sums due under the Home Loans and/or the related Asset Contractual Documentation and standing to the credit of the Issuer General Account;
  - (ii) insurance proceeds and other proceeds (other than that proceeds mentioned in (i)) above received entities by the Issuer under the Home Loans and standing to the credit of the Issuer General Account;

- (iii) payment proceeds, whether in interest, principal or otherwise, received by the Issuer from the debtors under the Legal Substitution Assets and standing to the credit of the Issuer General Account;
- (iv) proceeds from disposal of, transfer, sale or refinancing (by way of securitisation or otherwise) of the Home Loans and standing to the credit of the Issuer General Account;
- (v) proceeds from the enforcement of any Home Loan Security (if any) and standing to the credit of the Issuer General Account;
- (vi) cash from Permitted Investments (if any) standing to the credit of the Issuer General Account;
- (vii) cash standing to the credit of the Cash Collateral Account, the Collection Loss Reserve Account and the Affiliate Debt Commingling Account;
- (viii) payment proceeds from the Issuer Hedging Agreements and Borrower Hedging Agreements (if any);
- (ix) cash standing to the credit of the Share Capital Proceeds Account; and
- (x) proceeds from disposal of, transfer, sale or refinancing (by way of securitisation or otherwise) of all other eligible assets of the Issuer and standing to the credit of the Issuer General Account.

### Priority Payment Orders

#### *Pre-Enforcement Priority Payment Order*

In the absence of service by the Issuer (represented by the Issuer Independent Representative or by the Administrator) to the Borrower of a Borrower Enforcement Notice and in the absence of service of an Issuer Enforcement Notice, on any Payment Date and (as applicable) Final Maturity Date of each relevant Series of Covered Bonds, the Administrator (on behalf of the Issuer) will give the appropriate instructions to the Issuer Accounts Bank to debit the relevant Issuer Cash Accounts and (as the case may be) the relevant Issuer Securities Accounts (other than the Issuer General Account) from the cash that shall constitute the Available Funds of the Issuer on such date and shall credit the same into the Issuer General Account. The Administrator (on behalf of the Issuer) shall then give the appropriate instructions on such date to the Issuer Accounts Bank and the Paying Agent to apply the Available Funds of the Issuer to the following payments owed by the Issuer on such date, in the following Pre-Enforcement Priority Payment Order:

- (i) **first**, in or towards payment or discharge *pari passu* and *pro rata* of any and all amounts then due and payable by the Issuer, if any, under the Issuer Hedging Agreements and the Borrower Hedging Agreement(s) (other than Hedging Termination Costs) (together, the "**Hedging Costs**");
- (ii) **secondly**, in or towards payment or discharge *pari passu* and *pro rata* of any and all Interest Amounts then due and payable by the Issuer under the relevant series of Covered Bonds;
- (iii) **thirdly**, in or towards payment or discharge *pari passu* and *pro rata* of any and all principal amounts then due and payable by the Issuer under the relevant series of Covered Bonds;
- (iv) **fourthly**, in or towards payment or discharge *pari passu* and *pro rata* of any and all amounts then due and payable by the Issuer, if any, in respect of any payments to be made by the Issuer following an early termination of the Issuer Hedging Agreements or Borrower Hedging Agreement(s) as a result of an event of default under the same in respect of which the relevant hedge counterparty of the Issuer is the defaulting party or following a termination event of the same in respect of which the hedge counterparty of the Issuer is the affected party (together, the "**Hedging Termination Costs**");
- (v) **fifthly**, in or towards payment or discharge *pari passu* and *pro rata* of the amounts then due and payable by the Issuer to (a) the Administrator under Clauses 8, 9 and 10 of the Administrative Agreement, if any, and (b) the servicer under the servicing agreement pursuant to which the servicing

of the Collateral Security Assets would be carried out by this new servicer in accordance with Article L. 515-22 of the French Monetary and Financial Code (*Code monétaire et financier*), as the case may be;

- (vi) **sixthly**, in or towards payment or discharge *pari passu* and *pro rata* of any and all amounts then due and payable by the Issuer to the Cash Collateral Provider under the Cash Collateral Agreement;
- (vii) **seventhly**, only after and subject to the payment of any due and payable amounts due to the Issuer's creditors under item (i) to item (vi) hereabove (the "**Privileged Creditors**"), (a) the Issuer's liability, if any, to taxation, and (b) any costs, expenses, fees, remuneration and indemnity payments (if any) and any other amounts payable by the Issuer to any relevant entity in connection with the holding of any meeting of holders of Covered Bonds, to any stock exchange and other listing entities where the Covered Bonds are listed, any clearing systems entities where the Covered Bonds are cleared, BNP Paribas (with respect to any insurance premium, regulatory, professional and legal fees, costs and other expenses paid by BNP Paribas on behalf of the Issuer and to be repaid by the Issuer to BNP Paribas subject to, and in accordance with, the relevant terms of the *Convention d'externalisation et de prestations de services*), the Administrator, the Issuer Calculation Agent, the Asset Monitor, the Issuer Accounts Bank, the Paying Agent(s), the Permanent Dealers, the Dealers, the Fiscal Agent(s), the Calculation Agent(s), the Australian Registrar(s), the Issuer's Auditors, the Specific Controller, the Substitute Specific Controller, the Representatives and the Rating Agencies in respect of the monitoring fees (together, the "**Administrative and Tax Costs**"); and
- (viii) **eighthly**, in or towards payment *pari passu* and *pro rata* of any and all amounts then due and payable by the Issuer with respect to (i) any dividend to be then distributed to the Issuer's shareholders, and (ii) interest, principal and other payments then due and payable under the Subordinated Loans; and
- (ix) **ninety**, in or towards payment *pari passu* and *pro rata* of any and all amounts then due and payable by the Issuer with respect to (i) any dividend to be then distributed to the Issuer's shareholders, and (ii) interest, principal and other payments then due and payable under the Super Subordinated Bonds Issue.

#### *Controlled Post-Enforcement Priority Payment Order*

In the event of service by the Issuer (represented by the Issuer Independent Representative or by the Administrator) to the Borrower of a Borrower Enforcement Notice and thereafter unless and until an Issuer Enforcement Notice is served to the Issuer, on any Payment Date and (as applicable) Final Maturity Date of each relevant Series of Covered Bonds, the Administrator (on behalf of the Issuer) will give the appropriate instructions to the Issuer Accounts Bank to debit the relevant Issuer Cash Accounts (and as the case may be) the relevant Issuer Securities Accounts (other than the Issuer General Account) from the cash that shall constitute the Available Funds of the Issuer on such date and shall credit the same into the Issuer General Account. The Administrator (on behalf of the Issuer) shall then give the appropriate instructions on such date to the Issuer Accounts Bank and the Paying Agent to apply the Available Funds of the Issuer to the following payments owed by the Issuer on such date, in the following Controlled Post-Enforcement Priority Payment Order:

- (i) **first**, in or towards payment or discharge *pari passu* and *pro rata* of any and all Hedging Costs then due and payable by the Issuer, if any, under the Issuer Hedging Agreements (other than Hedging Termination Costs); or
- (ii) **secondly**, in or towards payment or discharge *pari passu* and *pro rata* of any and all Interest Amounts then due and payable by the Issuer under the relevant series of Covered Bonds;
- (iii) **thirdly**, in or towards payment or discharge *pari passu* and *pro rata* of any and all principal amounts then due and payable by the Issuer under the relevant series of Covered Bonds;
- (iv) **fourthly**, only after and subject to the full repayment of any outstanding Covered Bonds, in or towards payment or discharge *pari passu* and *pro rata* of any and all Hedging Termination Costs then due and payable by the Issuer, if any;

- (v) **fifthly**, only after and subject to the full repayment of any outstanding Covered Bonds, in or towards payment or discharge *pari passu* and *pro rata* of any amounts then due and payable by the Issuer to (a) the Administrator under Clauses 8, 9 and 10 of the Administrative Agreement, if any, and (b) the servicer under the servicing agreement pursuant to which the servicing of the Collateral Security Assets would be carried out by this new servicer in accordance with Article L. 515-22 of the French Monetary and Financial Code (*Code monétaire et financier*), as the case may be;
- (vi) **sixthly**, only after and subject to the full repayment of any outstanding Covered Bonds, in or towards payment or discharge *pari passu* and *pro rata* of any and all amounts then due and payable by the Issuer to the Cash Collateral Provider under the Cash Collateral Agreement;
- (vii) **seventhly**, only after and subject to the full repayment of any outstanding Covered Bonds, in or towards payment or discharge *pari passu* and *pro rata* of any and all Administrative and Tax Costs then due and payable by the Issuer;
- (viii) **eighthly**, (a) only after and subject to the full repayment of any outstanding Covered Bonds, in or towards payment *pari passu* and *pro rata* of any and all amounts then due and payable by the Issuer with respect to any and all enforcement proceeds surplus amounts remaining after enforcement of the Borrower Collateral Security subject to, and in accordance with, the relevant terms of the Borrower Collateral Security Agreement; (b) only after and subject to the full repayment of any outstanding Covered Bonds and sums referred to in (a) above, in or towards payment *pari passu* and *pro rata* of any and all amounts then due and payable by the Issuer to any third parties (with respect to any dividend already voted and to be then distributed to the Issuer's shareholders, and interest, principal and other payments then due and payable under the Subordinated Loans), and (c) only after and subject to the full repayment of any outstanding Covered Bonds and sums referred to in (a) and (b) above, in or towards payment *pari passu* and *pro rata* of any and all amounts then due and payable by the Issuer under the Super Subordinated Bonds Issue (including any dividend already voted and to be then distributed to the Issuer's shareholders, and interest, principal and other payments then due and payable).

#### *Accelerated Post-Enforcement Priority Payment Order*

In the event of service of an Issuer Enforcement Notice and thereafter (whether a Borrower Enforcement Notice shall have been served to the Borrower or not), the Administrator (on behalf of the Issuer) will promptly and no later than three (3) Business Days after receipt by the Issuer of such Issuer Enforcement Notice give the appropriate instructions to the Issuer Accounts Bank to debit all the Issuer Accounts (other than the Issuer General Account) from the cash that shall constitute the Available Funds of the Issuer on such date and shall credit the same into the Issuer General Account. The Administrator (on behalf of the Issuer) shall then give the appropriate instructions on such date to the Issuer Accounts Bank and the Paying Agent to apply the Available Funds of the Issuer to the following payments owed by the Issuer on such date, in the following Accelerated Post-Enforcement Priority Payment Order:

- (i) **first**, in or towards payment or discharge *pari passu*, *pro rata* and in full of any and all sums then due and payable by the Issuer, if any, under the Issuer Hedging Agreements (other than Hedging Termination Costs) and remaining unpaid at such date;
- (ii) **secondly**, after and subject to the full repayment of any and all sums referred to in (i) above, in or towards payment or discharge *pari passu*, *pro rata* and in full of any and all Interest Amounts then due and payable by the Issuer under the relevant series of Covered Bonds and remaining unpaid at such date;
- (iii) **thirdly**, after and subject to the full repayment of any and all sums referred to in (i) and (ii) above, in or towards payment or discharge *pari passu*, *pro rata* and in full of any and all principal amounts then due and payable by the Issuer under the relevant series of Covered Bonds and remaining unpaid at such date;
- (iv) **fourthly**, after and subject to the full repayment of any and all sums referred to in (i) to (iii) above, in or towards payment or discharge *pari passu*, *pro rata* and in full of any and all Hedging Termination Costs then due and payable by the Issuer and remaining unpaid at such date;

- (v) **fifthly**, after and subject to the full repayment of any and all sums referred to in (i) to (iv) above, in or towards payment or discharge *pari passu* and *pro rata* of any amounts then due and payable by the Issuer (and remaining unpaid at such date) to (a) the Administrator under Clauses [8, 9 and 10] of the Administrative Agreement, if any, and (b) the servicer under the servicing agreement pursuant to which the servicing of the Collateral Security Assets would be carried out by this new servicer in accordance with Article L. 515-22 of the French Monetary and Financial Code (*Code monétaire et financier*), as the case may be;
- (vi) **sixthly**, after and subject to the full repayment of any and all sums referred to in (i) to (v) above, in or towards payment or discharge *pari passu* and *pro rata* of any and all amounts then due and payable by the Issuer to the Cash Collateral Provider under the Cash Collateral Agreement;
- (vii) **seventhly**, after and subject to the full repayment of any and all sums referred to in (i) to (vi) above, in or towards payment or discharge *pari passu* and *pro rata* of the Administrative and Tax Costs; and
- (viii) **eighthly**, (a) after and subject to the full repayment of any and all sums referred to in (i) to (vii) above, in or towards payment *pari passu* and *pro rata* of any and all amounts due by the Issuer with respect to any and all enforcement proceeds surplus amounts remaining after enforcement of the Borrower Collateral Security subject to, and in accordance with, the relevant terms of the Borrower Collateral Security Agreement; (b) after and subject to the full repayment of any and all sums referred to in (i) to (vii) above and any sums referred to in (a) above, in or towards payment *pari passu* and *pro rata* of any and all amounts due by the Issuer to any third parties (with respect to any dividend already voted and to be then distributed to the Issuer's shareholders, and interest, principal and other payments then due and payable under the Subordinated Loans), and (c) after and subject to the full repayment of any and all sums referred to in (i) to (vii) above and any sums referred to in (a) and (b) above, in or towards payment *pari passu* and *pro rata* of any and all amounts due by the Issuer under the Super Subordinated Bonds Issue (including any dividend already voted and to be then distributed to the Issuer's shareholders, and interest, principal and other payments then due and payable).

## ORIGINATION OF THE HOME LOANS

*For the avoidance of doubt, it is specified that the expression "Covered Bonds" will include English Law Covered Bonds, German Law Covered Bonds and French Law Covered Bonds and the expression "Bondholders" includes any holder of such Covered Bonds, in the following section.*

The large majority of home loans originated by salespersons within BNP Paribas are originated pursuant to a so called "Sesame" procedure which makes it possible, in real time and through computerised means, to (i) deal with requests in the client's presence, (ii) register the loan agreement, (iii) validate the technical and back-office aspects of the requests, (iv) open loan accounts and (v) prepare the various documents necessary for the successful completion of the transaction.

For home loans which do not comply with underwriting criteria, a so-called "Non-Sesame" procedure is implemented which, although partially computerised, is essentially manual (see below).

### *Pre Acceptance Controls*

Prior to acceptance of a home loan, information on the client is collected from the French Fichier des Incidents de Remboursement des Crédits aux Particuliers (central administration for consumer loans) and the French Fichier Central des Chèques (central administration for checks). If it appears that the client is registered as a defaulting borrower, the application of such client for a home loan is immediately declined.

Under his sole responsibility, the relevant salesperson shall also collect information from a general information system within BNP Paribas (Système Général d'Information). The salesperson is also responsible for the completion of the loan file and collection of all necessary relevant documents (tax profile of the client, ownership of the property, insurance policies, etc.).

When a home loan guarantee is requested from Crédit Logement, the pre acceptance process is coupled with the acceptance process run by Crédit Logement via an exchange of electronic data system which operates in real time.

### Scoring through the Sesame procedure

Through the Sesame procedure, two (2) scores are established, namely:

- (a) a rating score (*score de taux*) which provides the salesperson with a "recommended rate" based on the client's potential and the risk associated with the application; and
- (b) an acceptance score (*score d'octroi*).

Two (2) scoring matrices have been set up and are used depending on whether or not the home loan is requested by a client of the bank.

The scoring process take account of various criteria such as the existing indebtedness of the client, the valuation of the property, the maximum amount of the home loan, the assets and revenues of the client, the age and profession of the client, etc.

The scoring is a recommendation to the salesperson as to whether the home loan request may be immediately accepted or not.

Under the "Non-Sesame" procedure, no automatic scoring is established and the file form is prepared manually by the relevant salesperson.

### *Acceptance*

Depending on the level of delegated responsibility of the relevant salesperson (in terms of acceptance of maximum amounts, negotiation of margins and fees, etc.), the relevant salesperson will be authorised to accept the home loan request on its own or not. If not, directors take the responsibility for the acceptance. No home loan for a maximum principal amount exceeding one million (1,000,000) euro may be accepted by a salesperson alone but necessarily by directors. Only directors are authorised to accept home loans which have been originated through the Non-Sesame procedure.

### *Pre-Funding Controls*

Once accepted, the home loan request file (in both its electronic and physical format) is transmitted to the one (1) of the eight (8) central agencies which are responsible within BNP Paribas for the commercial support for consumer loans (*Agence de Production et d'Appui Commercial Financement des Particuliers*).

The persons in charge at such agencies check that (i) all of the documents necessary for the funding of the home loan have been provided, (ii) the home loan complies applicable laws and (iii) information provided on the client or the property is consistent. In the event that any documents are missing or are not compliant, the home loan funding process is put on hold.

During this phase, the persons in charge at such agencies are responsible for liaising with all relevant third parties (*Crédit Logement*, notary public, etc.). The home loan offer and home loan documentation may only be issued to the client once all of the required documents have been obtained and the required conditions have been met.

Upon the return of an offer by a client, the persons in charge at such agencies check the validity of the acceptance by the client (annotations, signatures, dates, etc.) and proceed with the funding of the home loan.

### *Servicing*

The servicing of the home loans is carried out by the servicers at the relevant *Agence de Production et d'Appui Commercial Financement des Particuliers*.

Responsibilities of the servicers include in particular:

- (a) acceptance of full or partial early repayment;
- (b) renegotiations of rates;
- (c) rescheduling;
- (d) waivers;
- (e) substitution of borrower or guarantees.

Since the beginning of 2003, home loan files have been archived in one (1) single location. Home Loan files originated between 1999 and 2002 which were formerly archived in the local branches of BNP Paribas have now been moved to this single location.

The archiving is carried out by loan category and by frequency of instalments through electronic systems.

True copies of mortgage agreements (*copies exécutoires*) are filed separately from the corresponding home loan file using a specific electronic system called ARCHIVAL.

The BOOMERANG electronic system makes it possible to request the return of home loan files or of "true copies" recorded in the ARCHIVAL system.

### *Arrears management*

As soon as a client experiences financial difficulties and, at the latest, upon the payment default, a specialised advisor within one (1) of the forty-nine (49) commercial negotiation agencies of BNP Paribas (*Agence de Négociation Commerciale*) becomes responsible of the servicing and collection with respect to the relevant home. This advisor examines all amicable solutions, aiming to avoid possible or further payment defaults.



If an amicable solution cannot be implemented and provided that three months of instalment remains unpaid, the responsibility for the servicing and collection of the home loan is handed over to a collection agency.

As from the third month of non-payment, with respect to a home loan guaranteed by *Crédit Logement*, the guarantee is drawn in favour of BNP Paribas. *Crédit Logement* must start paying the relevant guaranteed amounts within one (1) month of receipt of the relevant drawing notice. Upon payment by *Crédit Logement*, the latter becomes responsible for the servicing of the home loan for a maximum duration of 24 months. *Crédit Logement* shall make its best efforts to reach an amicable solution with the client. During such 24 month period, *Crédit Logement* can opt either to reimburse to BNP Paribas only the guaranteed amounts which are due or immediately accelerate the payment of all guaranteed amounts. *Crédit Logement* is committed to accelerate the payment of all the guaranteed amounts at the end of the above mentioned 24 month period. At this point, it becomes solely responsible for the servicing of the home loan.

Five (5) interregional litigation departments within BNP Paribas (*services contentieux interrégionaux*) are responsible for collecting proceeds by enforcing the mortgages, insurance and other security and guarantees (other than the guarantees from *Crédit Logement*) securing the repayment of the home loan.

## THE HEDGING STRATEGY

*For the avoidance of doubt, it is specified that the expression "Covered Bonds" will include English Law Covered Bonds, German Law Covered Bonds and French Law Covered Bonds and the expression "Bondholders" includes any holder of such Covered Bonds, in the following section.*

The present section describes the hedging strategy (the "**Hedging Strategy**") to be implemented from time to time, by the Issuer upon the occurrence of a Hedging Rating Trigger Event (as defined below) and/or any Borrower Event of Default (as defined under section the "**Borrower Facility Agreement**"), as applicable.

Pursuant to Articles L.515-18 and L.515-19 of the French Monetary and Financial Code (*Code monétaire et financier*), any amounts payable by the Issuer under the derivative transactions described below will benefit, after any applicable netting, from the *Privilège*. Any Hedging Provider(s) will thus be qualified as Privileged Creditor(s).

*Hedging strategy before the occurrence of a Hedging Rating Trigger Event and/or any Borrower Event of Default*

The Covered Bonds issued under the Programme may be Fixed Rate Covered Bonds, Floating Rate Covered Bonds, Index Linked Covered Bonds (but subject to prior Rating Affirmation) or Zero Coupon Covered Bonds. Each Series of Covered Bonds will be denominated in any Specified Currency and may be Dual Currency Covered Bonds (see "Terms and Conditions of the Covered Bonds").

The proceeds from the issuance of the Covered Bonds under the Programme will be used by the Issuer to fund Borrower Advances to be made available to the Borrower under the Borrower Facility. The terms and conditions regarding the calculation and the payment of principal and interest under a Borrower Advance shall mirror the equivalent terms and conditions of the Covered Bonds funding such Borrower Advance, as further described hereunder and in the relevant Final Terms of the Borrower Advance (see "The Borrower Facility Agreement").

The Issuer is therefore not exposed to any risk of an interest rate or currency mismatch arising between the payments received on the Borrower Advances and the payments to be made under the Covered Bonds. As a consequence, in the absence of any Hedging Rating Trigger Event (as defined below) and of any Borrower Event of Default, the Issuer will have no obligation to hedge any interest rate or currency risk.

The determination of the currency and of the interest rate of each Series of Covered Bonds, as specified in each applicable Final Terms, shall be made by the Issuer regardless of the currencies in which the Borrower Collateral Security Assets are denominated and the interest rate conditions applicable, as the case may be, to such Borrower Collateral Security Assets (see "The Borrower Collateral Security").

Before the enforcement of the Borrower Collateral Security, the Borrower retains any interest rate or currency risk linked to the mismatch between the Borrower Collateral Security Assets and the Borrower Debt. Thus until and unless such enforcement occurs, the Borrower will hedge these risks according to its usual and current strategies and practices.

Upon enforcement of the Borrower Collateral Security and of the Affiliate Collateral Security (if any) following the enforcement of a Borrower Event of Default, and the transfer of the title to the Borrower Collateral Security Assets and of the Affiliate Collateral Security Assets to the Issuer, the Issuer would need to have in place appropriate derivative transactions to hedge the currency and interest rate risks arising from such Home Loans and Homes Loans Security.

Hedging Strategy upon the occurrence of a Hedging Rating Trigger Event

Provisions common to the Issuer Hedging Agreements and to the Borrower Hedging Agreements

Upon the issuance of each Series of Notes, the Issuer Calculation Agent shall communicate to the Issuer (with copy to the Borrower, the Administrator and the Rating Agencies) the margin (relative to Euribor (one (1) month)) to be paid by the Borrower when hedging the interest and principal payable by the Issuer under such Series in the relevant Specified Currency, into variable rate flows denominated in Euros and indexed to Euribor (one (1) month) (the "**Notes Hedging Margin**").

At the end of each three (3) calendar months' period as from the Programme Date and before the occurrence of a Hedging Rating Trigger Event, the Issuer Calculation Agent shall communicate to the Issuer (with copy to the Borrower, the Administrator and the Rating Agencies) the average margin (relative to Euribor (one (1) month)) to be received by the Issuer when hedging the interest and principal payable under the Borrower Collateral Security Assets in each relevant currency, into variable rate flows denominated in Euros and indexed to Euribor (one (1) month) (the "**Assets Hedging Margin**").

Upon the occurrence of a Hedging Rating Trigger Event, the Issuer (or the Administrator on its behalf) will enter into:

- (a) derivative agreement(s) with Eligible Hedging Providers (as defined below) (the "**Issuer Hedging Agreement(s)**");
- (b) a back-to-back derivative agreement concluded with BNP Paribas (the "**Borrower Hedging Agreement**" and together with the Issuer Hedging Agreement(s), the "**Hedging Agreements**").

These Hedging Agreements will hedge both:

- the amount of interest and principal payable by the Issuer under the relevant Series, in the relevant Specified Currency; and
- the amount corresponding to the interest and principal payable under the Borrower Collateral Security Assets and the Affiliate Collateral Security Assets, in each relevant currency,

into variable rate flows denominated in Euros and indexed to Euribor (one (1) month) or, subject to prior Rating Affirmation, to any other index (the "**Permitted Index**"). The financial conditions of these Hedging Agreements shall be determined so that (a) the margin payable by the Issuer under the Hedging Agreement related to a Series of Notes is no more than the Notes Hedging Margin calculated for such Series and (b) the margin received by the Issuer under the Hedging Agreement related to the Borrower Collateral Security Assets is at least as much as the last communicated Assets Hedging Margin.

Upon the occurrence of a Hedging Rating Trigger Event, a failure by the Issuer (or the Administrator on its behalf) to enter into any Issuer Hedging Agreement with any relevant Eligible Hedging Provider or into any Borrower Hedging Agreement with BNP Paribas within thirty (30) calendar days from the occurrence date of such Hedging Rating Trigger Event, as described under the Hedging Strategy, will constitute an Issuer Event of Default (see "Terms and Conditions of the Covered Bonds").

Each Hedging Agreement shall be in Approved Form (as defined below).

Each Hedging Agreement will provide that all amounts to be paid by the Issuer under such Hedging Agreement will be paid according to the relevant Priority Payment Order, as described in Condition 15 of the Terms and Conditions.

Any costs and expenses to be born by the Issuer when negotiating and/or entering into any Hedging Agreement (including, in particular, any sums to be paid to allow the Hedging Agreements to be transacted at the Notes Hedging Margin and the Assets Hedging Margin, given the market conditions prevailing at the time the Hedging Agreements are transacted (*soulte*)) shall be paid by BNP Paribas.

In particular, upon the termination of a Hedging Agreement, the Issuer or BNP Paribas or any relevant Eligible Hedging Provider(s), as applicable, may be liable to make a termination payment to the other party in accordance with the provisions of the relevant Hedging Agreement (the "**Hedging Termination Costs**"). Such Hedging Termination Costs, when to be paid by the Issuer and provided that the amount of such costs has not been

reduced to zero (0) in accordance with the provisions of the relevant Hedging Agreement, shall be subordinated to payments under the Covered Bonds, as described in Condition 15 of the Terms and Conditions (see also "Cash Flow – The Issuer Priority Orders of Payments").

Pursuant to the terms of the Hedging Agreements, in the event that the relevant ratings of the Eligible Hedging Provider(s) (or its respective guarantor, as applicable) (the "**Hedging Provider**") is or are downgraded by a Rating Agency below the required ratings specified in the relevant Hedging Agreement and, where applicable, as a result of such downgrade, the then current ratings of any outstanding Covered Bonds would be adversely affected, the relevant Hedging Provider will, in accordance with and pursuant to the terms of the relevant Hedging Agreement, be required to take certain remedial measures which may include one (1) or more of the following: (i) providing collateral for its obligations under the relevant Hedging Agreement; (ii) arranging for its obligations under the relevant Hedging Agreement to be transferred to a replacement hedging provider with the ratings required by the Rating Agencies (as specified in the relevant Hedging Agreement); (iii) procuring another entity with the ratings required by the relevant Rating Agency (as specified in the relevant Hedging Agreement) to become co-obligor in respect of its obligations under the relevant Hedging Agreement; and/or (iv) taking such other actions as the relevant Hedging Provider may agree with the relevant Rating Agency.

#### The Issuer Hedging Agreement(s)

The Issuer Hedging Agreement(s) will be used to hedge mismatches between the Borrower Collateral Security Assets and the Covered Bonds in the following manner.

The interest rate payable by the Issuer with respect to a Series may be calculated in various manners, depending on the type of Covered Bonds (Fixed Rate Covered Bonds, Floating Rate Covered Bonds, Index Linked Covered Bonds or Zero Coupon Covered Bonds). Each Series of Covered Bonds may be denominated in any Specified Currency or may be Dual Currency Covered Bonds. To provide a hedge between:

- the amount of interest and principal payable by the Issuer under the relevant Series, in the relevant Specified Currency; and
- the amount corresponding to the interest and principal payable under the Borrower Collateral Security Assets and the Affiliate Collateral Security Assets, in each relevant currency,

each relevant Eligible Hedging Provider (where applicable with the appropriate collateralisation requirements), and the Issuer will enter into interest rate and/or currency derivative transactions (each, a "**Hedging Transaction**") in relation to each relevant Series in Approved Form and in substance acceptable to the Rating Agencies, upon the occurrence of a Hedging Rating Trigger Event.

Each Issuer Hedging Agreement may be terminated in accordance with certain termination events and events of default. An Issuer Event of Default will not constitute a termination event under any Issuer Hedging Agreement.

#### The Borrower Hedging Agreement

The Borrower Hedging Agreement will be used to hedge mismatches between the Borrower Collateral Security Assets and the Borrower Advances, and as such, the purpose of the Borrower Hedging Agreement will be to transfer to the Borrower the benefit of the Issuer Hedging Agreement(s).

The terms and conditions regarding the calculation and the payment of principal and interest under a Borrower Advance shall mirror the equivalent terms and conditions of the Covered Bonds funding such Borrower Advance. As a consequence, the interest rate payable by the Borrower with respect to a Borrower Advance may be calculated in various manners, depending on the type of Covered Bonds funding such Borrower Advance (Fixed Rate Covered Bonds, Floating Rate Covered Bonds, Index Linked Covered Bonds or Zero Coupon Covered Bonds). Moreover, each Borrower Advance may be denominated in one (1) or two (2) Specified Currencies. To provide a hedge between:

- the amount of interest and principal payable by the Borrower under the relevant Borrower Advance, in the relevant Specified Currencies (which shall be equivalent to the amount of interest and principal payable by the Issuer under the Covered Bonds funding such relevant Borrower Advance); and

- the amount of interest and principal payable to the Borrower under the Borrower Collateral Security Assets and the Affiliate Collateral Security Assets, in each relevant currency,

BNP Paribas and the Issuer will enter into interest rate and/or currency derivative transactions (each, a "**Borrower Hedging Transaction**") in relation to each relevant Series in form and substance acceptable to the Rating Agencies, upon the occurrence of a Hedging Rating Trigger Event.

Each Borrower Hedging Agreement may be terminated in accordance with certain termination events and events of default. In particular, a Borrower Event of Default which is enforced subject to, and in accordance with, the relevant terms of the Borrower Facility Agreement constitutes the occurrence of a termination event under a Borrower Hedging Agreement but does not constitute the occurrence of a termination event under an Issuer Hedging Agreement.

*Hedging Strategy upon the occurrence of a Borrower Event of Default*

Upon the occurrence of a Borrower Event of Default which is enforced subject to, and in accordance with, the relevant terms of the Borrower Facility Agreement, and the subsequent transfer in favour of the Issuer of title to the Home Loan Receivables (and related Home Loans Security) following an enforcement of the Borrower Collateral Security and of the Affiliate Collateral Security (in any):

- (a) the Issuer will maintain its rights and obligations under the existing Issuer Hedging Agreement(s);
- (b) the Issuer will immediately terminate the Borrower Hedging Agreement.

For the purposes of this section:

"**Approved Form**" means a 1992 (Multicurrency - Cross Border) or 2002 ISDA Master Agreement (including its schedule), credit support document and confirmation governed thereby or, as the case may be, a 2001 FBF Master Agreement relating to transactions on forward financial instruments (including its schedule), collateral annex and confirmation governed thereby, in a form agreed by the Issuer and the Borrower pursuant to the Hedging Approved Form Letter, as amended from time to time, or otherwise agreed subject to prior Rating Affirmation.

"**Hedging Rating Trigger Event**" means the event in which (i) the short term senior unsecured, unsubordinated and unguaranteed debt obligations of BNP Paribas become rated below A-1 by S&P or (ii) A1 by Moody's or (iii) the short term senior issuer default rating (IDR) becomes rated below F-1+ (short term) or AA- (long term) by Fitch (or, after the date hereof, any other rating levels as per the most recently public available rating criteria methodology reports published by the Rating Agencies).

"**Eligible Hedging Provider**" means a financial institution which meets the following conditions:

- such financial institution is permitted under any applicable and relevant law to enter into derivative contracts with French residents; and
- (i) the rating of its senior unsecured, unsubordinated and unguaranteed debt obligations or senior issuer default rating (IDR), as the case may be, is at least a Hedging Required Rating, or (ii) the rating of the senior unsecured, unsubordinated and unguaranteed debt obligations of its guarantor or the guarantor's senior issuer default rating (IDR), as the case may be, under the relevant Hedging Agreement is at least a Hedging Required Rating, or (iii) this financial institution has provided collateral for its obligations under the relevant Hedging Agreement and taken any remedial action as required by the relevant Rating Agencies.

**"Hedging Required Rating"** means, as regards any Eligible Hedging Provider or, as applicable, its guarantor under the relevant Hedging Agreement:

- in relation to the hedging of currency risks and other risks, A-1 (short-term) by S&P, and P-1 (short-term) by Moody's and F-1 (short-term)/A (long-term) by Fitch (or, after the date hereof, any other rating levels as per the most recently public available rating criteria methodology reports published by the Rating Agencies); or
- in relation to the hedging of interest risks, A-1 (short-term) by S&P, and P-1 (short-term) by Moody's and F-1 (short-term)/A (long-term) by Fitch (or, after the date hereof, any other rating levels as per the most recently public available rating criteria methodology reports published by the Rating Agencies);

provided that in respect of any rating assigned by Fitch to any entity acting as counterparty of the Issuer under any Hedging Agreements, an entity placed by Fitch on "Rating Watch Negative (RWN)" is deemed to be assigned a rating which is one notch lower than the actual rating assigned by Fitch to such entity.

**"Hedging Approved Form Letter"** means any letter agreement, as amended from time to time dated on or prior to the Programme Date and pursuant to which the Issuer and the Borrower agree on the Approved Form of the Hedging Agreements.

## TAXATION

*For the avoidance of doubt, it is specified that the expression "Covered Bonds" will only include English Law Covered Bonds and French Law Covered Bonds, in the following section*

*The following is a summary limited to certain tax considerations in France relating to the payments made in respect of the Covered Bonds that may be issued under the Programme and 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 as of the date of this Base Prospectus and as applied by the tax authorities, all of which are subject to changes or to different interpretation. It 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 Covered Bonds. Each prospective holder or beneficial owner of Covered Bonds should consult its tax advisor as to the tax consequences of any investment in or ownership and disposal of the Covered Bonds in light of its particular circumstances.*

### EU Savings Directive

On 3 June 2003, the European Union adopted the Directive 2003/48/EC regarding the taxation of savings income in the form of interest payments (the "**Directive**"). The Directive requires Member States as from 1 July 2005 to provide to the tax authorities of other Member States details of payments of interest and other similar income within the meaning of the Directive made by a paying agent within its jurisdiction to (or under circumstances to the benefit of) an individual resident in another Member State, except that Luxembourg and Austria will instead impose a withholding system for a transitional period unless the beneficiary of interest payment elects for the exchange of information.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Covered Bond as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent, the Issuer will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008, the European Commission published a detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the Directive they may amend or broaden the scope of the requirements described above.

### France

#### *French Withholding Tax*

- (a) Following the introduction of the French *loi de finances rectificative pour 2009* no. 3 (n° 2009-1674 dated 30 December 2009) (the "**Law**"), payments of interest and other revenues made by the Issuer with respect to Covered Bonds (other than Covered Bonds (described below) which are assimilated (*assimilables* for the purposes of French law) and form a single series with Covered Bonds issued prior to 1 March 2010 having the benefit of Article 131 *quater* of the French General Tax Code (*Code général des impôts*)) will not be subject to the withholding tax set out under Article 125 A III of the French General Tax Code (*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 General Tax Code (*Code général des impôts*) (a "**Non-Cooperative State**"). If such payments under the Covered Bonds are made in a Non-Cooperative State, a 50 % withholding tax will be applicable (subject to certain exceptions and to the more favourable provisions of any applicable double tax treaty) by virtue of Article 125 A III of the French General Tax Code (*Code général des impôts*).

Furthermore, interest and other revenues on such Covered Bonds are not deductible from the Issuer's taxable income, if they are paid or accrued to persons established in a Non-Cooperative State or paid in such a Non-Cooperative State. Under certain conditions, any such non-deductible interest and other

revenues may be recharacterised as constructive dividends pursuant to Article 109 of the French General Tax Code (*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* of the French General Tax Code (*Code général des impôts*), at a rate of 25% or 50%.

Notwithstanding the foregoing, the Law provides that neither the 50% withholding tax nor the non-deductibility will apply in respect of a particular issue of Covered Bonds if the Issuer can prove that the principal purpose and effect of such issue of Covered Bonds 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 ruling (*rescrit*) no. 2010/11 (FP and FE) of the *Direction générale des impôts* dated 22 February 2010, an issue of Covered Bonds will benefit from the Exception without the Issuer having to provide any proof of the purpose and effect of such issue of Covered Bonds if such Covered Bonds are:

- (i) offered by means of a public offer within the meaning of Article L.411-1 of the French Monetary and Financial Code (*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 clearing and delivery and payments systems operator within the meaning of Article L.561-2 of the French Monetary and Financial Code (*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.
- (b) Payments of interest and other revenues with respect to Covered Bonds which are assimilated (*assimilables* for the purpose of French law) and form a single series with Covered Bonds issued (or deemed issued) outside France as provided under Article 131 quater of the French General Tax Code (*Code général des impôts*), before 1 March 2010, will continue to be exempt from the withholding tax set out under Article 125 A III of the French General Tax Code (*Code général des impôts*).

Covered Bonds issued before 1 March 2010, whether denominated in Euro or in any other currency, and constituting obligations under French law, or titres de créances négociables within the meaning of rulings (*rescrits*) 2007/59 (FP) and 2009/23 (FP) of the *Direction générale des impôts* dated 8 January 2008 and 7 April 2009, respectively, or other debt securities issued under French or foreign law and considered by the French tax authorities as falling into similar categories, are deemed to be issued outside the Republic of France for the purpose of Article 131 quater of the French General Tax Code (*Code général des impôts*), in accordance with Circular 5 I-11-98 of the *Direction générale des impôts* dated 30 September 1998 and the aforementioned rulings (*rescrits*) 2007/59 (FP) and 2009/23 (FP).

In addition, interest and other revenues paid by the Issuer on Covered Bonds which are to be assimilated (*assimilables* for the purposes of French law) and form a single series with Covered Bonds issued before 1 March 2010 will not be subject to the withholding tax set out in Article 119 *bis* of the French General Tax Code (*Code général des impôts*) solely on account of their being paid in a Non-Cooperative State or accrued or paid to persons established or domiciled in a Non-Cooperative State.

#### *Directive*

The Directive has been implemented in French law by Article 242 *ter* of the French General Tax Code (*Code général des impôts*) and Articles 49 I *ter* to 49 I *sexies* of the Schedule III to French General Tax Code (*Code général des impôts*). Article 242 *ter* of the French General Tax Code (*Code général des impôts*), imposes on paying agents based in France an obligation to report to the French tax authorities certain information with respect to interest payments made to beneficial owners domiciled in another Member State, including, among other things, the identity and address of the beneficial owner and a detailed list of the different categories of interest paid to that beneficial owner.



**CERTAIN US FEDERAL INCOME TAX CONSIDERATIONS** *(subject to continued review)***CIRCULAR 230 DISCLOSURE**

**To ensure compliance with Treasury Department Circular 230, each US Holder (defined below) is hereby notified that:**

**(i) the following summary of US federal income tax issues was not intended or written to be used, and it cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer under the US federal income tax laws; (ii) the summary was written to support the promotion or marketing (within the meaning of Circular 230) of the transactions or matters addressed thereby; and (iii) the taxpayer should seek advice from its own tax advisor based on the taxpayer's particular circumstances.**

The following describes certain material US federal income tax ("USFIT") consequences to US Holders (defined below) under current law of the purchase, ownership and disposition of Registered English Law Covered Bonds only. Thus, this summary does not address the material USFIT consequences of every type of Covered Bond that may be issued under the Programme, and the relevant Final Terms will contain additional or modified disclosure concerning the material USFIT consequences relevant to such type of Covered Bond and a specific issue of Covered Bonds as appropriate. This summary applies only to purchasers of Registered English Law Covered Bonds that are US Holders and that will hold such bonds as capital assets.

This discussion is based on the US Internal Revenue Code of 1986, as amended (the "**Code**"), as in effect on the date of this prospectus and on US Treasury regulations in effect or, in some cases, proposed, as of the date of this prospectus, as well as judicial and administrative interpretations thereof available on or before such date. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the USFIT consequences described below.

The following discussion does not address all aspects of USFIT law and does not deal with all tax consequences that may be relevant to any particular investor or to persons in special tax situations such as:

- Certain financial institutions
- Insurance companies
- Dealers in securities
- US expatriates or former long-term residents of the US subject to section 877 of the Code
- Traders that elect to mark to market
- Tax exempt entities
- Real estate investment trusts
- Regulated investment companies
- Persons liable for the alternative minimum tax
- Persons holding Registered English Law Covered Bonds as part of a straddle, hedging, conversion, or integrated transaction
- Persons holding Registered English Law Covered Bonds through partnership or other pass-through entities
- Persons whose "functional currency" is not the US dollar

For the purposes of this summary, a "**US Holder**" is a beneficial owner of Covered Bonds that is, for USFIT purposes: (i) an individual citizen or resident of the United States; (ii) a corporation created or organised in or under the laws of the United States or any state thereof (including the District of Columbia); (iii) an estate the income of which is subject to USFIT regardless of its source; or (iv) a trust if (x) a court within the United States is able to exercise primary supervision over its administration and (y) one or more US persons have the authority to control all of the substantial decisions of such trust. As provided in US Treasury regulations, certain trusts in existence on 20th August, 1996, and treated as United States persons prior to that date that maintain a valid election to continue to be treated as United States persons also are US Holders.

If a partnership holds the Covered Bonds, the USFIT treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. A partner of a partnership holding the Covered Bonds should

consult its tax advisor regarding the tax considerations of investing in the Covered Bonds under its particular situation.

No rulings have been sought from the Internal Revenue Service ("IRS") regarding the matters discussed herein, and there can be no assurance that the IRS or a court will agree with the views expressed herein. This discussion is a general summary and does not cover all tax matters that may be important to a particular investor.

This summary addresses Registered English Law Covered Bonds that will be treated as non-contingent debt for USFIT purposes. If, at the time of issuance, the Issuer believes that the Covered Bonds of a given series of Registered English Law Covered Bonds may not be so treated, the tax treatment of such Covered Bonds will be discussed in the applicable Final Terms.

Bearer English Law Covered Bonds and Materialised Covered Bonds are not being offered to US Holders. A US Holder that comes to hold a Bearer English law Covered Bond or a Materialised Covered Bond may be subject to limitations under USFIT laws, including the limitations provided in sections 165(j) and 1287(a) of the Code.

**PROSPECTIVE INVESTORS SHOULD CONSULT THEIR TAX ADVISORS ABOUT THE APPLICATION OF THE USFIT RULES TO THEIR PARTICULAR CIRCUMSTANCES AS WELL AS THE STATE, LOCAL, NON-US, AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP, AND DISPOSITION OF REGISTERED ENGLISH LAW COVERED BONDS.**

#### Payments of Interest

Payments of "qualified stated interest" (as defined below under the section entitled "-Original Issue Discount") on a Covered Bond (and including any tax withheld on such interest payment) will be taxable to a US Holder as ordinary interest income at the time that such payments are accrued or are received (in accordance with the US Holder's method of tax accounting). Such interest (along with any OID (defined below) on the Covered Bond) will constitute foreign source income for USFIT purposes and will generally constitute "passive category income" or "general category income" for USFIT foreign tax credit limitation purposes. *The rules relating to foreign tax credits are extremely complex and US Holders should consult their own tax advisers with regard to the availability of a foreign tax credit and the application of the foreign tax credit rules to their particular situation.*

If such payments of interest are made in a currency other than US dollars (a "**Foreign Currency Covered Bond**"), the amount of interest income realized by a US Holder that uses the cash method of tax accounting will be the US dollar value of the Specified Currency payment based on the exchange rate in effect on the date of receipt, regardless of whether the payment in fact is converted into US dollars on such date. A US Holder that uses the accrual method of accounting for tax purposes will usually be required to determine its interest income by using one of the following methods. Under the first method, the US Holder will accrue interest income on the Foreign Currency Covered Bond in the relevant foreign currency and translate the amount accrued into US dollars based on the average exchange rate in effect during the interest accrual period (or portion thereof within the US Holder's taxable year). The average exchange rate for an accrual period (or partial period) is the simple average of the spot rates for each business day of such period or other average exchange rate for that period reasonably derived and consistently applied by the U.S. Holder. Under the second method, the US Holder can make an election to translate the accrued interest on the Foreign Currency Covered Bond into US dollars at the spot rate of exchange on the last day of the accrual period (or the last day of the taxable year within such accrual period if the accrual period spans more than one taxable year), or at the spot rate of exchange on the date of receipt if such date is within five business days of the last day of the accrual period. A US Holder that makes such election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the IRS.

A US Holder that uses the accrual method of accounting for USFIT purposes will recognize foreign currency gain or loss, as the case may be, on the receipt of an interest payment made with respect to a Foreign Currency Covered Bond if the exchange rate in effect on the date the payment is received differs from the rate applicable to a previous accrual of that interest income. Any such foreign currency gain or loss will be treated as US source ordinary income or loss but generally will not be treated as an adjustment to interest income received on such Foreign Currency Covered Bond.

A US Holder will have a tax basis in any foreign currency received on a Foreign Currency Covered Bond equal to the US dollar value of such foreign currency, determined at the time of payment. Any gain or loss realized by a US Holder on a sale or other disposition of the foreign currency (including its exchange for US dollars or its use to purchase Foreign Currency Covered Bonds) will be ordinary income or loss, and any gain generally will be from sources within the United States for purposes of computing the foreign tax credit allowable under USFIT law.

### Original Issue Discount

If the Issuer issues Covered Bonds at a discount from their stated redemption price at maturity ("**SRPM**"), defined below, and such discount is equal to or more than the product of (i) one-fourth of one percent (0.25%) of the SRPM of the Covered Bonds and (ii) the number of full years to their maturity, the Covered Bonds will be **OID Bonds**. The difference between the issue price and the SRPM of the Covered Bonds will be the original issue discount ("**OID**"). The issue price will be the first price at which a substantial amount of the Covered Bonds are sold to the public (*i.e.*, excluding sales to underwriters, placement agents, wholesalers, or similar persons). The SRPM will include all payments under the Covered Bonds other than payments of qualified stated interest ("**QSI**," as defined below).

US Holders of OID Bonds generally will be subject to the special tax accounting rules for obligations issued with OID provided under the Code and Treasury regulations (the "**OID Rules**"). US Holders of such Covered Bonds should be aware that, as described in greater detail below, they generally must include OID in ordinary gross income for USFIT purposes as it accrues, in advance of the receipt of cash attributable to that income.

In general, each US Holder of an OID Bond, whether such holder uses the cash or the accrual method of tax accounting, will be required to include in ordinary gross income the sum of the daily portions of OID on the OID Bond for all days during the taxable year that the US Holder owns such Bond. The daily portions of OID on an OID Bond are determined by allocating to each day in any accrual period a ratable portion of the OID allocable to that accrual period. Accrual periods may be any length and may vary in length over the term of an OID Bond, provided that no accrual period is longer than one year and each scheduled payment of principal or interest occurs on either the final day or the first day of an accrual period. In the case of an initial holder, the amount of OID on an OID Bond allocable to each accrual period is determined by (a) multiplying the "adjusted issue price" (as defined below) of the OID Bond at the beginning of the accrual period by the "yield to maturity" of such Bond (appropriately adjusted to reflect the length of the accrual period) and (b) subtracting from that product the amount (if any) of QSI (as defined below) allocable to that accrual period. The yield to maturity is the discount rate that causes the present value of all payments on the OID Bond as of its original issue date to equal the issue price of such Bond. The adjusted issue price of an OID Bond at the beginning of any accrual period will generally be the sum of its issue price and all prior accruals of OID, reduced by the amount of all payments other than payments of QSI (if any) made with respect to such Bond in all prior accrual periods. The term QSI generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually during the entire term of an OID Bond at a single fixed rate of interest or, subject to certain conditions, based on one or more interest indices.

In the case of an OID Bond that is a Floating Rate Covered Bond, both the yield to maturity and QSI generally will be determined for these purposes as though the OID Bond will bear interest in all periods at a fixed rate generally equal to the rate that would be applicable to the interest payments on the Covered Bond on its date of issue or, in the case of certain Floating Rate Covered Bonds, the rate that reflects the yield that is reasonably expected for the Covered Bond. (Additional rules may apply if interest on a Floating Rate Covered Bond is based on more than one interest index.)

A US Holder generally may make an irrevocable election to include in its income its entire return on an OID Bond (*i.e.*, the excess of all remaining payments to be received on the Covered Bond, including payments of QSI, over the amount paid by such US Holder for such Covered Bond) under the constant-yield method described above. If a Covered Bond was purchased at a premium or market discount, a US Holder making such an election will also be deemed to have made the election (discussed below in Premium and Market Discount) to amortize premium or to accrue market discount in income currently on a constant-yield basis.

Where an OID Bond is also a Foreign Currency Covered Bond, a US Holder should determine the US dollar amount includible in income as OID for each accrual period by (a) calculating the amount of OID allocable to each accrual period in the Specified Currency using the constant-yield method described above, and (b) translating the amount of the Specified Currency so derived at the average exchange rate in effect during that

accrual period (or portion thereof within a US Holder's taxable year) or, at the US Holder's election (as described above under Payments of Interest), at the spot rate of exchange on the last day of the accrual period (or the last day of the taxable year within such accrual period if the accrual period spans more than one taxable year), or at the spot rate of exchange on the date of receipt if such date is within five business days of the last day of the accrual period. Because exchange rates may fluctuate, a US Holder of an OID Bond that is also a Foreign Currency Covered Bond may recognize a different amount of OID income in each accrual period than would the holder of an otherwise similar OID Bond denominated in US dollars.

All payments on an OID Bond (other than payments of QSI) will generally be viewed first as payments of previously accrued OID (to the extent thereof, with payments attributed first to the earliest-accrued OID), and then as payments of principal. Upon the receipt of an amount attributable to OID (whether in connection with a payment of an amount that is not QSI or the sale or retirement of the OID Bond), a US Holder of a Foreign Currency Covered Bond will recognize ordinary income or loss measured by the difference between the amount received (translated into US dollars at the exchange rate in effect on the date of receipt or on the date of disposition of the OID Bond, as the case may be) and the amount accrued (using the exchange rate applicable to such previous accrual).

A subsequent US Holder of an OID Bond that purchases such Bond at a cost less than its remaining redemption amount (as defined below), or an initial US Holder that purchases an OID Bond at a price other than such Bond's issue price, also generally will be required to include in gross income the daily portions of OID, calculated as described above. However, if the US Holder acquires the OID Bond at a price greater than its adjusted issue price, such holder may reduce its periodic inclusions of OID income to reflect the premium paid over the adjusted issue price. The remaining redemption amount for an OID Bond is the total of all future payments to be made on such Bond other than payments of QSI.

Floating Rate Covered Bonds are expected to bear interest at a "qualified floating rate" and thus to be treated as variable rate debt instruments ("**VRDIs**") under the OID Rules. Accordingly, the stated interest on a Floating Rate Covered Bond generally will be treated as QSI, and such a Covered Bond will not have OID solely as a result of the fact that it provides for interest at a variable rate.

A Floating Rate Covered Bond will be treated as VRDI if (1) its issue price does not exceed the total non-contingent principal payments due by more than a prescribed *de minimis* amount, (2) it provides for stated interest, paid or compounded at least annually, at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate this a qualified inverse floating rate, and (3) it does not provide for any principal payments that are contingent (other than as described in (1) above).

A "qualified floating rate" for this purpose is any variable rate where variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the bond is denominated. Various limitations apply to rates set as multiples of a qualified floating rate, or rates structured with caps or floors. An "objective rate" is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and which is based on objective financial or economic information. A rate will not qualify as an objective rate if it is based on information that is within the control of or unique to the circumstances of the Issuer (or a related party) (e.g., Issuer's dividends, profits or stock value – although a rate based on the Issuer's credit quality is not disqualified). Other variable interest rates may be treated as objective rates if so designated by the IRS in the future. However, a Floating Rate Covered Bond will not be treated as bearing interest at an objective rate if it is reasonably expected that the average value of the rate during the first half of its term will be either significantly less than or greater than the average value of the rate during the final half of the term. A "qualified inverse floating rate" is any objective rate where the rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. A description of the USFIT considerations relevant to US Holders of Registered English Law Covered Bonds that are issued with OID and are treated as VRDIs will be provided in the applicable Final Terms. *Prospective purchasers are advised to consult their tax advisers with respect to determining the VRDI status of Floating Rate Covered Bonds.*

If a Floating Rate Covered Bond does not qualify as a VRDI, such Covered Bond will be subject to special rules (the CPDI Rules defined and discussed below) that govern the USFIT treatment of debt obligations that provide for contingent payments. A description of the USFIT considerations relevant to US Holders of any such Covered Bonds will be provided in the applicable Final Terms. *Prospective purchasers are advised to consult their tax advisers as to the proper accrual of income with respect to Floating Rate Covered Bonds.*

If certain of the Covered Bonds are subject to special redemption, repayment or interest rate reset features, as indicated in the applicable Final Terms Document, such Covered Bonds (particularly OID Bonds) may be subject to special rules that differ from the general rules discussed above. Purchasers of Covered Bonds with such features should carefully examine the applicable Final Terms and should consult their own tax advisors with respect to such Covered Bonds since the USFIT consequences with respect to such features, and especially with respect to OID, will depend, in part, on the particular terms of the purchased Covered Bonds.

### Purchase, Sale and Retirement

Upon the sale, exchange, retirement or other disposition of a Covered Bond, a US Holder generally will recognize gain or loss equal to the difference between the amount realized on the sale, exchange, retirement or other disposition (less any accrued QSI, which will be taxable as such) and the US Holder's tax basis in such Covered Bond. If a US Holder receives a currency other than the US dollar in respect of the sale, exchange or retirement of a Covered Bond, the amount realized will be the US dollar value of the Specified Currency received, calculated at the exchange rate in effect on the date the instrument is disposed of or retired. In the case of a Foreign Currency Covered Bond that is traded on an established securities market, a cash-basis US Holder and, if it so elects, an accrual-basis US Holder will determine the US dollar value of the amount realized by translating such amount at the spot rate on the settlement date of the sale. This election available to accrual-basis US Holders in respect of the purchase and sale of Foreign Currency Covered Bonds traded on an established securities market must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS.

A US Holder's tax basis in a Covered Bond generally will equal the cost of such Covered Bond to such holder, increased by any amounts includible in income by the holder as OID, and market discount, and reduced by any amortized premium (each as described below) and any payments other than payments of QSI made on such Covered Bond.

In the case of a Foreign Currency Covered Bond, the cost to a US Holder will be the US dollar value of the foreign currency purchase price on the date of purchase. In the case of a Foreign Currency Covered Bond that is traded on an established securities market, a cash-basis US Holder and, if it so elects, an accrual basis US Holder will determine the US dollar value of the cost of such Foreign Currency Covered Bond by translating the amount paid at the spot rate of exchange on the settlement date of the purchase. If an accrual method taxpayer makes such an election, the election must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS. The amount of any subsequent adjustments to a US Holder's tax basis in a Foreign Currency Covered Bond in respect of OID, market discount and premium denominated in the Specified Currency will be determined in the manner described under "Original Issue Discount" (above) and Premium and Market Discount (below). The conversion of US dollars to the Specified Currency and the immediate use of such currency to purchase a Foreign Currency Covered Bond generally will not result in taxable gain or loss for a US Holder.

Except as discussed below with respect to market discount, Short-Term Bonds (as defined below) and foreign currency gain or loss, any gain or loss recognized by a US Holder generally will be long-term capital gain or loss if the US Holder has held the Covered Bond for more than one year at the time of disposition. Long-term capital gains recognized by an individual holder generally are subject to tax at a lower rate than short-term capital gains or ordinary income. The deductibility of capital losses is subject to limitations.

Gain or loss recognized by a US Holder on the sale, exchange or retirement of a Foreign Currency Covered Bond generally will be treated as ordinary income or loss to the extent that the gain or loss is attributable to changes in exchange rates during the period in which the holder held such Foreign Currency Covered Bond. Such foreign currency gain or loss will not be treated as an adjustment to interest income received on the Foreign Currency Covered Bond.

### Premium and Market Discount

#### *Premium*

A US Holder of a Covered Bond that purchases the Covered Bond at a cost greater than its remaining redemption amount (as defined above) will be considered to have purchased the Covered Bond at a premium, and may elect to amortize such premium (as an offset to interest income), using a constant-yield method, over

the remaining term of the Covered Bond. Such election, once made, generally applies to all bonds held or subsequently acquired by the US Holder on or after the first taxable year to which the election applies and may not be revoked without the consent of the IRS. A US Holder that elects to amortize such premium must reduce its tax basis in a Covered Bond by the amount of the premium amortized during its holding period. OID Bonds purchased at a premium will not be subject to the OID rules described above.

In the case of premium in respect of a Foreign Currency Covered Bond, a US Holder should calculate the amortization of such premium in the Specified Currency. Amortization deductions attributable to a period reduce interest payments in respect of that period and therefore are translated into US dollars at the exchange rate used by the US Holder for such interest payments. Exchange gain or loss will be realized with respect to amortized bond premium on such a Covered Bond based on the difference between the exchange rate on the date or dates such premium is recovered through interest payments on the Covered Bond and the exchange rate on the date on which the US Holder acquired the Covered Bond.

With respect to a US Holder that does not elect to amortize bond premium, the amount of bond premium will be included in the US Holder's tax basis when the Covered Bond matures or is disposed of by the US Holder. Therefore, a US Holder that does not elect to amortize such premium and that holds the Covered Bond to maturity generally will be required to treat the premium as capital loss when the Covered Bond matures.

#### *Market Discount*

If a US Holder of a Covered Bond purchases the Covered Bond at a price that is lower than its remaining redemption amount or, in the case of an OID Bond, its adjusted issue price, by at least 0.25% of its remaining redemption amount multiplied by the number of remaining whole years to maturity, the Covered Bond will be considered to have market discount in the hands of such US Holder. In such case, gain realized by the US Holder on the disposition of the Covered Bond generally will be treated as ordinary income to the extent of the market discount that accrued on the Covered Bond while it was held by such US Holder. In addition, the US Holder could be required to defer the deduction of a portion of the interest paid on any indebtedness incurred or maintained to purchase or carry the Covered Bond. In general terms, market discount on a Covered Bond will be treated as accruing ratably over the term of such Covered Bond or, at the election of the holder, under a constant yield method.

Market discount on a Foreign Currency Covered Bond will be accrued by a US Holder in the Specified Currency. The amount includible in income by a US Holder in respect of such accrued market discount will be the US dollar value of the amount accrued, generally calculated at the exchange rate in effect on the date that the Covered Bond is disposed of by the US Holder.

A US Holder may elect to include market discount in income on a current basis as it accrues (on either a rateable or constant-yield basis) in lieu of treating a portion of any gain realized on a sale of a Covered Bond as ordinary income. If a US Holder elects to include market discount on a current basis, the interest deduction deferral rule described above will not apply. Any such election, if made, applies to all market discount bonds acquired by the taxpayer on or after the first day of the first taxable year to which such election applies and is revocable only with the consent of the IRS.

Any accrued market discount on a Foreign Currency Covered Bond that is currently includible in income will be translated into US dollars at the average exchange rate for the accrual period (or portion thereof within the US Holder's taxable year).

#### Short-Term Bonds

The rules set forth above will also generally apply to Covered Bonds having maturities of not more than one year ("**Short-Term Bonds**"), but with certain modifications.

In general, an individual or other cash basis US Holder of a Short-Term Bond is not required to accrue OID (as specially defined below for the purposes of this paragraph) for USFIT purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis US Holders and certain other US Holders are required to accrue OID on Short-Term Bonds on a straight-line basis or, if the US Holder so elects, under the constant-yield method (based on daily compounding). In the case of a US Holder not required and not electing to include OID in income currently, any gain realized on the sale or retirement of the Short-Term Bond will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an

election is made to accrue the OID under the constant-yield method) through the date of sale or retirement. US Holders who are not required and do not elect to accrue OID on Short-Term Covered Bonds will be required to defer deductions for interest on borrowings allocable to Short-Term Bonds in an amount not exceeding the deferred income until the deferred income is realized.

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Bond are included in the Short-Term Covered Bond's SRPM. A US Holder may elect to determine OID on a Short-Term Bond as if the Short-Term Bond had been originally issued to the US Holder at the US Holder's purchase price for the Short-Term Bond. This election shall apply to all obligations with a maturity of one year or less acquired by the US Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

The market discount rules generally will not apply to a Short-Term Bond.

#### Index-Linked Covered Bonds and Other Covered Bonds Providing for Contingent Payments

Covered Bonds may provide for principal payments contingent upon the value of an index (*e.g.*, Index-Linked Covered Bonds) or exchange rate (*e.g.*, Dual Currency Covered Bonds). Such Covered Bonds may be subject to the USFIT rules that govern the tax treatment of contingent payment debt instruments ("**CPDIs**"). Such rules generally require accrual of interest income on a constant-yield basis in respect of such obligations at a yield determined at the time of their issuance, and may require adjustments to such accruals when any contingent payments are made.

If a Covered Bond is treated as a CPDI, the Treasury regulations governing the treatment of a CPDI (the "**CPDI Rules**") would cause the timing and character of income, gain or loss reported on the CPDI to substantially differ from the timing and character of income, gain or loss reported on a noncontingent payment debt obligation under general principles of current USFIT law. The CPDI Rules generally require a U.S. Holder to include future contingent and noncontingent interest payments in income as such interest accrues based upon a projected payment schedule. Moreover, in general, under the CPDI Rules, any gain recognized by a U.S. Holder on the sale, exchange or retirement of a CPDI will be treated as ordinary income and all or a portion of any loss realized could be treated as ordinary loss as opposed to capital loss (depending upon the circumstances).

Under the noncontingent bond method of the CPDI Rules, for each accrual period prior to and including the maturity date of the Covered Bond, the amount of interest that accrues, as OID, equals the product of (i) the "adjusted issue price" and (ii) the "comparable yield" (adjusted for the length of the accrual period). This amount is ratably allocated to each day in the accrual period and is includable as ordinary interest income by an U.S. Holder for each day in the accrual period on which the U.S. Holder holds the Covered Bond. The "adjusted issue price" for this purpose is equal to the Covered Bond's issue price, increased by the interest previously accrued on the Covered Bond. The "comparable yield" is the annual yield that the Issuer would pay, as of the issue date, on a fixed rate debt instrument (non credit linked) with terms equal to that of the Covered Bond. Accrual periods with respect to a Covered Bond may be of any length selected by the U.S. Holder and may vary in length over the term of the Covered Bond as long as (i) no accrual period is longer than one year, and (ii) each scheduled payment of interest or principal on the Covered Bond occurs on either the final or first day of an accrual period. Amounts treated as interest under the foregoing rules are treated as OID for all USFIT purposes.

The noncontingent bond method of the CPDI Rules requires that the Issuer determine a schedule of the projected amounts of payments on the Covered Bond. Such schedule must produce the comparable yield by representing a series of payments the amount and timing of which would produce a yield to maturity on the CPDIs equal to the comparable yield. **NEITHER THE COMPARABLE YIELD NOR THE PROJECTED PAYMENT SCHEDULE CONSTITUTES A REPRESENTATION BY THE ISSUER REGARDING THE ACTUAL AMOUNT THAT THE CPDIs WILL PAY.**

If during any taxable year the sum of any actual payments (including the fair market value of any property received in that year) with respect to the Covered Bond for that taxable year (including, in the case of the taxable year which includes the maturity date of the Covered Bond, the amount of cash received at maturity) exceeds the total amount of the projected payments for that taxable year, the difference will produce a "net positive adjustment", which will be treated as additional interest for the taxable year. If the actual amount received in a taxable year is less than the amount of the projected payments for that taxable year, the difference will produce a "net negative adjustment", which will (i) reduce the U.S. Holder's interest income for that taxable year and (ii) to the extent of any excess after application of (i), give rise to an ordinary loss to the extent of the U.S. Holder's

interest income on the Covered Bond during the prior taxable years (reduced to the extent such interest was offset by prior net negative adjustments). As a result of the classification of a Covered Bond as a CPDI subject to the noncontingent bond method, any gain or loss realised on the sale or exchange of the Covered Bond may be treated as ordinary income or loss, in whole or in part.

If a series of Covered Bonds is subject to the CPDI Rules, the Issuer will provide information regarding the comparable yield and the projected payment schedule for the series. The use of the comparable yield and the calculation of the projected payment schedule is based upon a number of assumptions and estimates and is not a prediction, representation or guarantee of the actual amounts of interest that may be paid to a U.S. Holder or the actual yield of the Covered Bonds. A U.S. Holder will generally be bound by the comparable yield and the projected payment schedule determined by the Issuer, unless the U.S. Holder determines its own comparable yield and projected payment schedule and explicitly discloses and justifies the use of such other schedule to the IRS. The Issuer's determination, however, is not binding on the IRS, and it is possible that the IRS could conclude that some other comparable yield or projected payment schedule should be used instead.

*Prospective purchasers should consult their own tax advisors regarding the applicability and consequences of the CPDI Rules to the Covered Bonds.*

#### Information Reporting and Backup Withholding

In general, payments of interest and accrued OID on, and the proceeds of a sale, redemption or other disposition of, the Covered Bonds, payable to a US Holder by a US paying agent or other US intermediary will be reported to the IRS and to the US Holder as may be required under applicable regulations. Backup withholding will apply to these payments and to accruals of OID if the US Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its USFIT returns.

The amount of any backup withholding from a payment to a US Holder will be allowed as a credit against the US Holder's USFIT liability and may entitle the US Holder to a refund, provided that the required information is timely furnished to the IRS in the manner required.

Certain US Holders (including, among others, corporations) are not subject to the information reporting or backup withholding rules described above. US Holders should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

#### Reportable Transactions

A US taxpayer that participates in a "reportable transaction" will be required to disclose its participation to the IRS. The scope and application of these rules is not entirely clear. A US Holder may be required to treat a foreign currency exchange loss from the Covered Bonds as a reportable transaction if the loss exceeds US\$50,000 in a single taxable year, if the US Holder is an individual or trust, or higher amounts for other non-individual US Holders. Accordingly, if a US Holder realises a loss on any Covered Bond (or, possibly, aggregate losses from the Covered Bonds) satisfying the monetary thresholds discussed above, the US Holder could be required to file an information return with the IRS, and failure to do so may subject the US Holder to penalties. In addition, the Issuer and its advisers may also be required to disclose the transaction to the IRS, and to maintain a list of US Holders, and to furnish this list and certain other information to the IRS upon written request. *Prospective purchasers are urged to consult their tax advisors regarding the application of these rules to the acquisition, holding or disposition of Covered Bonds.*

#### New Legislation

Newly enacted legislation requires certain US Holders who are individuals, estates or trusts to pay a 3.8% tax on, among other things, interest and capital gains from the sale or other disposition of investments such as the Covered Bonds for taxable years beginning after December 31, 2012. In addition, for taxable years beginning after March 18, 2010, new legislation requires certain US Holders that are individuals to report information relating to an interest in instruments such as the Covered Bonds, subject to certain exceptions. US Holders should consult their tax advisors regarding the effect, if any of new USFIT legislation on their ownership and disposition of the Covered Bonds.



The Paying Agent may be required pursuant to the U.S. Foreign Account Tax Compliance rules ("FATCA") to withhold U.S. tax on a portion of payments made after December 31, 2012 on certain types of debt issued by the Issuers after March 18, 2012 to an investor who does not provide information sufficient for the Issuers to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States account" of the Issuers, or to an investor that is a non-U.S. financial institution that is not in compliance with FATCA, as well as under certain other circumstances. The application of these rules to interest or other amounts (including gross proceeds) paid on or with respect to the Covered Bonds is not clear. If an amount of, or in respect of, U.S. withholding tax were to be deducted or withheld from interest or other payments on the Covered Bonds as a result of an investor's failure to comply with these rules, neither the Issuers nor the US Guarantor nor any Paying Agent nor any other person would pursuant to the Conditions be required to pay additional amounts with respect to any Covered Bonds as a result of the deduction or withholding of such tax. Holders should consult their own tax advisors on how these rules may apply to payments they receive under the Covered Bonds.

Non-U.S. holders may be required to comply with applicable certification procedures to establish that they are non-U.S. holders in order to avoid the application of certain information reporting requirements and backup withholding tax.

## CERTAIN ERISA CONSIDERATIONS

### CIRCULAR 230 DISCLOSURE

To ensure compliance with Treasury Department Circular 230, each US Holder (defined below) is hereby notified that:

(i) the following summary of US federal income tax issues was not intended or written to be used, and it cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer under the US federal income tax laws; (ii) the summary was written to support the promotion or marketing (within the meaning of Circular 230) of the transactions or matters addressed thereby; and (iii) the taxpayer should seek advice from its own tax advisor based on the taxpayer's particular circumstances.

The following is a summary of material considerations arising under the United States Employee Retirement Income Security Act of 1974, as amended ("**ERISA**") and the Code, and the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code that may be relevant to a prospective purchaser of the Covered Bonds that is an employee benefit plan (as defined in Section 3(3) of ERISA) that is subject to the provisions of part 4 of subtitle B of Title I of ERISA, or other plans and arrangements, including individual retirement accounts and annuities, and Keogh plans subject to section 4975 of the Code, and certain collective investment funds and insurance company general or separate accounts in which such plans, accounts, or arrangements are invested, or an entity whose underlying assets include plan assets of any such plan by reason of a plan's investment in such entity (collectively, "**Plans**"). The discussion does not purport to address all aspects of ERISA or Code Section 4975 or other laws or regulations that may be relevant to particular Plans or other employee benefit plans in light of their particular circumstances. Any further ERISA considerations with respect to Covered Bonds may be found in the relevant Final Terms Document

*Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt Prohibited Transactions (as defined below), prior to making an investment in the Covered Bonds, prospective investors that are Plans and other employee benefit plans subject to provisions under applicable federal, state, local, non-U.S. or other laws or regulations that are similar to the provisions of Section 406 of ERISA or Section 4975 of the Code ("**Similar Laws**") should consult with their legal advisors concerning the impact of ERISA, the Code and Similar Laws on such an investment with respect to their specific circumstances.*

This discussion is based on the current provisions of ERISA and the Code, existing and currently proposed regulations under ERISA and the Code, the legislative history of ERISA and the Code, existing administrative rulings of the United States Department of Labor ("**DOL**") and reported judicial decisions. No assurance can be given that legislative, judicial, or administrative changes will not affect the accuracy of any statements herein with respect to transactions entered into or contemplated prior to the effective date of such changes.

### General

Investments by Plans covered by ERISA are subject to general fiduciary requirements pursuant to ERISA, including the requirement of investment prudence and diversification, requirements respecting delegation of investment authority and the requirement that a Plan's investments be made in accordance with the Plan's governing documents. A fiduciary (as defined in Section 3(21)(A) of ERISA) of such a Plan who proposes to cause such a Plan to purchase Covered Bonds should determine whether, under the general fiduciary standards of ERISA or other applicable law, an investment in the Covered Bonds is appropriate for such Plan. In determining whether a particular investment is appropriate for such a Plan, fiduciaries of a Plan are required by DOL regulations to give appropriate consideration to (among other things) the role that the investment plays in the Plan's portfolio, taking into consideration (i) whether the investment is designed reasonably to further the Plan's purpose, (ii) an examination of the risk and return factors, (iii) the portfolio's composition with regard to diversification, (iv) the liquidity and current return of the total portfolio relative to the anticipated cash flow needs of the Plan and (v) the projected return of the total portfolio relative to the Plan's funding objectives. Before investing the assets of such a Plan in the Covered Bonds, a fiduciary should determine whether such an

investment is consistent with the foregoing regulations and its fiduciary responsibilities, including, without limitation, any specific restrictions to which such fiduciary may be subject.

### **Prohibited transaction rules**

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions ("**Prohibited Transactions**") involving the assets of a Plan and certain persons (referred to as "parties in interest" under ERISA or "disqualified persons" under the Code) having certain relationships to such Plan, unless an exemption is available. For example, fiduciaries and service providers of Plans are "parties in interest" and "disqualified persons" of those Plans for purposes of the Prohibited Transaction rules. A party in interest or a disqualified person who engages in a Prohibited Transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code, and, unless an exemption applies, the transaction may have to be rescinded. Furthermore, a fiduciary that permits a Plan to engage in a transaction that the fiduciary knows or should know is a Prohibited Transaction may be liable to the Plan for any losses realized by the Plan or any profits realized by the fiduciary in the transaction. Consequently, a fiduciary considering a purchase of Covered Bonds on behalf of, or with the assets of, a Plan should consider whether such an investment might constitute or give rise to a Prohibited Transaction under ERISA or the Code.

If the Covered Bonds are acquired by a Plan with respect to which the Issuer, the Arranger, the Dealer, any of their respective affiliates, or any other party to the Covered Bond transaction is a party in interest or a disqualified person, such acquisition could give rise to a Prohibited Transaction unless a specific exemption applies (subject, however, to the discussion below, with respect to any acquisition by a sponsor of, or investment advisor with respect to, such Plan). Certain exemptions from the Prohibited Transaction rules may apply depending on the type of Plan fiduciary making the decision to acquire the Covered Bonds and the circumstances under which the decision is made. Among these exemptions, each of which contains several conditions which must be satisfied before exemption applies, are the statutory exemption for certain transactions between Plans and non-fiduciary service providers as described in Section 408(b)(17) of ERISA and Code Section 4975(d)(20), and Prohibited Transaction Class Exemption ("**PTCE**") 96-23 (relating to transactions directed by an "in house" asset manager); PTCE 95-60 (relating to transactions involving insurance company general accounts); PTCE 91-38 (relating to investments by bank collective investment funds); PTCE 84-14 (amended effective August 23, 2005) (relating to transactions effected by qualified professional asset managers); and PTCE 90-1 (relating to investments involving insurance company pooled separate accounts). However, there is no assurance that any of these class or statutory exemptions or any other exemption will be available with respect to any particular transaction involving the Covered Bonds.

Sponsors of or investment advisers to Plans may receive certain benefits in connection with the sale to such Plans of instruments such as Covered Bonds. If the Issuer, the Arranger, or their respective affiliates had any such sponsorship of or investment authority over the assets of Plans purchasing Covered Bonds the purchase might be deemed to be a violation of the Prohibited Transaction rules of ERISA and/or Section 4975 of the Code for which no exemption may be available. Accordingly, the Covered Bonds may not be purchased using the assets of any Plan if any of the Issuer, the Arranger, or their respective affiliates has investment authority with respect to such assets.

Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA), while generally not subject to the requirements of ERISA or Section 4975 of the Code, may be subject to Similar Laws.

### **Review by plan fiduciaries**

As a result of the foregoing, the Covered Bonds, and any interest therein, may not be purchased or held by any Plan, any employee benefit plan subject to Similar Laws, or any person investing assets of either unless the purchase, holding or disposition of the Covered Bonds would not constitute a nonexempt Prohibited Transaction under ERISA and/or the Code or a violation of any applicable Similar Law.

Each purchaser and subsequent transferee of any Covered Bond will be deemed by such purchase or acquisition of any such Covered Bond to have represented and warranted, on each day from the date on which the purchaser or transferee acquires such Covered Bond through and including the date on which the purchaser or transferee disposes of such Covered Bond, either that:

- (a) it is not, and is not acting on behalf of (and for so long as it holds any such Covered Bond or interest therein will not be, and will not be acting on behalf of) a Plan or an entity whose underlying assets include the assets of any Plan or a governmental, church or non-U.S. plan which is subject to any federal, state or local law of the United States that is substantially similar to the provisions of section 406 of ERISA or section 4975 of the Code, or
- (b) (i) its purchase, holding and disposition of a Covered Bond or interest therein will not result in a prohibited transaction under section 406 of ERISA or section 4975 of the Code (or, in the case of a governmental, church or non-U.S. plan, any substantially similar federal, state or local law of the United States) for which an exemption is not available, (ii) none of the Issuer, the Arranger, the Dealer or their affiliates is a sponsor of or a fiduciary (within the meaning of ERISA or any Similar Laws) with respect to the purchaser or transferee in connection with its purchase or holding of such Covered Bond, and (iii) no advice provided by the Issuer or any of its affiliates has formed a primary basis for any investment or other decision by or on behalf of the purchaser or holder in connection with the Covered Bonds.

Any further ERISA considerations with respect to Covered Bonds may be found in the relevant Final Terms Document.

*The sale of any Covered Bonds to a Plan is in no respect a representation by the Issuer, the Arranger, the Dealer or any other party to the transactions that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.*

## TRANSFER RESTRICTIONS

### Covered Bonds sold pursuant to Rule 144A

Each purchaser of 144A Covered Bonds within the United States, by accepting delivery of this Base Prospectus, will be deemed to have represented, agreed and acknowledged that:

- (a) it is (a) qualified institutional buyer within the meaning of Rule 144A ("**QIB**"), (b) acquiring such Covered Bonds for its own account or for the account of a QIB and (c) aware, and each beneficial owner of such Covered Bonds has been advised, that the sale of such Covered Bonds to it is being made in reliance on Rule 144A;
- (b) it understands that such Covered Bonds have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States;
- (c) it understands that such Covered Bonds, unless otherwise determined by the Issuer in accordance with applicable law, will bear a legend to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US 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 ACCORDINGLY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLE BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER OR (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR REALES OF THIS NOTE;

- (d) it understands that the Issuer and the Dealers and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements and agrees that, if any of the acknowledgements, representations, warranties and agreements deemed to have been made upon its purchase of such Covered Bonds is no longer accurate, it shall promptly notify the Issuer and the Dealers. If it is acquiring any Covered Bonds for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such investor account, and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account; and
- (e) it understands that registered Covered Bonds offered in reliance on Rule 144A will be represented by the Restricted Global Certificate. Before any interest in the Restricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Certificate, it will be required to provide a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.
- (f) (1) it is not, and is not acting on behalf of (and for so long as it holds any such Covered Bond or interest therein will not be, and will not be acting on behalf of) a Plan or an entity whose underlying assets include the assets of any Plan or a governmental, church or non-U.S. plan which is subject to any federal, state or local law of the United States that is substantially similar to the provisions of section 406 of ERISA or section 4975 of the Code, or

(2) (i) its purchase, holding and disposition of a Covered Bond or interest therein will not result in a prohibited transaction under section 406 of ERISA or section 4975 of the Code (or, in the case of a governmental, church or non-U.S. plan, any substantially similar federal, state or local law of the United States) for which an exemption is not available, (ii) none of the Issuer, the Arranger, the Dealer or their affiliates is a sponsor of or a fiduciary (within the meaning of ERISA or any Similar Laws) with respect to the purchaser or transferee in connection with its purchase or holding of such Covered Bond, and (iii) no advice provided by the Issuer or any of its affiliates has formed a primary basis for any investment or other decision by or on behalf of the purchaser or holder in connection with the Covered Bonds.

**Prospective purchasers are hereby notified that sellers of 144A Covered Bonds may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.**

#### **Covered Bonds sold pursuant to Regulation S**

Each purchaser of Covered Bonds outside the United States pursuant to Regulation S and each subsequent purchaser of such Covered Bonds in resales prior to the expiration of any distribution compliance period, by accepting delivery of this Base Prospectus and the Covered Bonds, will be deemed to have represented, agreed and acknowledged that:

- (a) it is, or at the time such Covered Bonds are purchased will be, the beneficial owner of such Covered Bonds and (a) it is not a US person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate;
- (b) it understands that such Covered Bonds have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period it will not offer, sell, pledge or otherwise transfer such Covered Bonds except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or the account of a QIB or, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States;
- (c) it understands that such Covered Bonds, unless otherwise determined by the Issuer in accordance with applicable law, will bear a legend to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US 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, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT;

- (d) it understands that in the case of registered Covered Bonds only, such Covered Bonds offered in reliance on Regulation S will be represented by the Unrestricted Global Certificate. Prior to the expiration of the distribution compliance period, before any interest in the Unrestricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Restricted Global Certificate, it will be required to provide a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws; and
- (e) it understands that the Issuer and the Dealers and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements and agrees that, if any of the acknowledgements, representations, warranties and agreements deemed to have been made upon its purchase of the Covered Bonds is no longer accurate, it shall promptly notify the Issuer and the Dealers.

## PLAN OF DISTRIBUTION

*For the avoidance of doubt, it is specified that the expression "Covered Bonds" will only include English Law Covered Bonds and French Law Covered Bonds and the expression "Bondholders" includes any holder of such English Law Covered Bonds and French Law Covered Bonds, in the following section.*

Subject to the terms and on the conditions contained in an amended and restated dealer agreement dated on or around 15 June 2011 between the Issuer, the Arranger and the Permanent Dealer (the "**Dealer Agreement**"), the Covered Bonds will be offered by the Issuer to the Permanent Dealer. However, the Issuer has reserved the right to sell Covered Bonds directly on its own behalf to Dealers that are not Permanent Dealers. The Covered Bonds may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Covered Bonds may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Covered Bonds to be issued in syndicated Tranches that are jointly and severally underwritten by two (2) or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Covered Bonds subscribed by it. The Issuer has agreed to reimburse the Arranger for their expenses incurred in connection with the Programme and the Dealers for certain of their activities in connection with the Programme.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Covered Bonds. The Dealers have agreed to indemnify the Issuer against certain liabilities in connection with the offer and sale of the Covered Bonds. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Covered Bonds in certain circumstances prior to payment for such Covered Bonds being made to the Issuer.

### **Selling Restrictions**

#### **General**

These selling restrictions may be modified by the agreement of the Issuer and the Dealers in particular following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Covered Bonds to which it relates or in a supplement to this Base Prospectus.

Each Dealer shall, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Covered Bonds or has in its possession or distributes the Base Prospectus, any other offering material or any Final Terms and neither the Issuer nor any other Dealer shall have responsibility therefore.

#### **United States of America**

The 3(a)(2) Covered Bonds and the US Guarantee have not been, and are not required to be, registered under the Securities Act.

The Covered Bonds have not been and will not be registered under the Securities Act, 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 the case of the 3(a)(2) Covered Bonds and, in certain limited circumstances, the 144A Covered Bonds, and in transactions exempt from or not subject to the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Materialised Covered Bonds and English Law Covered Bonds in bearer form having a maturity of more than 365 days are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended and regulations thereunder.

Each Dealer has represented that it will not offer or sell 144A Covered Bonds within the United States except in compliance with Rule 144A to persons it reasonably believes to be "qualified institutional buyers" within the meaning thereof and that in connection with each such sale, it has taken or will take reasonable steps to ensure

that the purchaser of such 144A Covered Bonds is aware that such sale is being made in reliance on Rule 144A. Accordingly, neither such Dealer, its affiliates nor any person acting on its behalf have engaged or will engage in any general solicitation or general advertising with respect to the 144A Covered Bonds.

Other than with respect to 3(a)(2) Covered Bonds and 144A Covered Bonds, each Dealer has further represented and agreed that it has not and will not offer, sell or, in the case of Materialised Covered Bonds and English Law Covered Bonds in bearer form, deliver the Covered Bonds of any identifiable Tranche, (i) as part of their distribution at any time, or (ii) otherwise until 40 days after the completion of the distribution of such Tranche as determined, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Covered Bonds during this period a confirmation or other notice setting forth the restrictions on offers and sales of the Covered Bonds within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further represented that neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to Covered Bonds sold pursuant to Regulation S.

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

The Issuer and the Dealers reserve the right to reject any offer to purchase the Covered Bonds, in whole or in part, for any reason. This Base Prospectus does not constitute an offer to any person in the United States, other than with respect to any (i) 3(a)(2) Covered Bonds or (ii) any 144A Covered Bonds, if to a qualified institutional buyer within the meaning of Rule 144A to whom an offer relating to such Covered Bonds has been made directly by one of the Dealers or its U.S. broker-dealer affiliate. Distribution of this Base Prospectus to any U.S. person or to any other person within the United States, other than as provided for herein, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, is prohibited.

Any distribution of the 3(a)(2) Covered Bonds offered hereby will be made in compliance with applicable provisions of Rule 5121 of the Financial Industry Regulatory Authority, Inc. ("**FINRA**"), which provides that, among other things, when a FINRA member participates in such an offering, it may not execute transactions in any discretionary account without the prior specific written approval of the customer.

## **Japan**

The Covered Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended, the "**FIEA**") and each of the Dealers has represented and agreed that it will not, directly or indirectly, offer or sell any Covered Bonds in Japan or to, or for the benefit of, any resident in Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act No. 228 of 1949, as amended), or to others for re-offering or resale, directly or indirectly in Japan or to a resident in Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

## **European Economic Area**

In relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a **Relevant Member State**), each of the Dealers and the Issuer have represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of French Law Covered Bonds which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such French Law Covered Bonds to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined under the Prospectus Directive;
- (b) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified



investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of French Law Covered Bonds referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of French Law Covered Bonds to the public**" in relation to any French Law Covered Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the French Law Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe the French Law Covered Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC of 4 November 2009 (and the amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU of 24 November 2010.

With regard to any German law Covered Bond, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of German Law Covered Bonds to the public in any relevant jurisdiction, except for offerings in compliance with all laws, regulations and directives applicable to the offering of the German Law Covered Bonds in the relevant jurisdiction which may differ from the laws, regulations and directives applicable to the offering of securities in such jurisdiction.

### **France**

Each of the Dealers and the Issuer has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, any Covered Bonds 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 Base Prospectus, the relevant Final Terms or any other offering material relating to the Covered Bonds and such offers, sales and distributions have been and will be made in France only to (a) providers of 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*), all as defined in, and in accordance with, articles L. 411-1, L. 411-2 and D. 411-1 to D. 411-3 of the French Monetary and Financial Code (*Code monétaire et financier*).

### **Germany**

No Base Prospectus nor any prospectus within the meaning of the German Sales Prospectus Act (*Verkaufsprospektgesetz*) has been, nor will be, published in Germany or filed with the German Federal Financial Services Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) with regard to any Covered Bond.

Further to no. 3 above, any Covered Bond may not be offered, sold or delivered, and will not be offered, sold or delivered, directly or indirectly to the public in Germany, except in compliance with all applicable laws, in the case of German Law Covered Bonds in particular the exemptions from the prospectus requirement under Section 8f (1) of the German Sales Prospectus Act.

### **United Kingdom**

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

- (a) in relation to any Covered Bonds which have a maturity of less than one (1) year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Covered Bonds other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their

businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Covered Bonds would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the "FSMA") by the Issuer;

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

### **The Netherlands**

Each Dealer represents and agrees that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell in the Netherlands any Covered Bonds other than to persons who trade or invest in securities in the conduct of a profession or business which includes banks, stock brokers, insurance companies, pension funds, other institutional investors and finance companies and treasury departments of large enterprises.

### **Italy**

This Base Prospectus has not been, nor will be, published in the Republic of Italy in connection with the offering of Covered Bonds and such offering of Covered Bonds has not been registered with the *Commissione Nazionale per le Società e la Borsa* ("Consob") in the Republic of Italy pursuant to Legislative Decree no. 58 of 24 February 1998 as amended (the "Financial Services Act") and to Consob Regulation no. 11971 of 14 May 1999, as amended (the "Issuers Regulation") and, accordingly, no Covered Bond may be offered, sold or delivered, and will not be offered, sold or delivered, directly or indirectly, in the Republic of Italy in an offer to the public, nor may, or will, copies of this Base Prospectus or of any other document relating to the Covered Bonds be distributed in the Republic of Italy, except:

- (a) to qualified investors (*investitori qualificati*), as defined in Article 34-ter, paragraph 1(b) of the Issuers Regulation; or
- (b) in other circumstances which are exempted from the rules on offers to the public pursuant to, and in compliance with, the conditions set out in Article 100 of the Financial Services Act and its implementing regulations, including Article 34-ter, first paragraph, of the Issuers Regulation.

Any offer, sale or delivery of Covered Bonds or distribution of copies of this Base Prospectus or any other document relating to the Covered Bonds in the Republic of Italy under (a) or (b) above must, and will, be effected in accordance with all relevant Italian securities, tax and exchange control and other applicable laws and regulations and, in particular, will be made:

- (a) by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, Consob Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the "**Banking Act**"); and
- (b) in compliance with any other applicable laws and regulations or requirement and limitation which may be, from time to time, imposed by Consob, the Bank of Italy and/or any other Italian authority.

Any investor purchasing Covered Bonds in the offering is solely responsible for ensuring that any offer or resale of Covered Bonds it purchased in the offering occurs in compliance with applicable Italian laws and regulations. No person resident or located in the Republic of Italy other than the original addressees of this Base Prospectus may rely on this Base Prospectus or its content.

*(This form of Final Terms will only apply to the English Law Covered Bonds and the French Law Covered Bonds, as applicable. The form of the final terms applicable to German Law Covered Bonds is included in the Agency Agreement)*

**FORM OF FINAL TERMS**

**Final Terms dated [ ● ]**  
[LOGO, if document is printed]

**BNP PARIBAS HOME LOAN SFH**  
Issue of [Aggregate Nominal Amount of Tranche] [Title of Covered Bonds]  
under the € 30,000,000,000  
Covered Bond Programme

Issue Price: [ ● ] per cent.

[Name(s) of Dealer(s)]

## PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the "**Conditions**") set forth in the Base Prospectus dated 15 June 2011 which received visa No. 11-221 from the *Autorité des marchés financiers* (the "**AMF**") on 15 June 2011 [and the supplement(s) to the Base Prospectus dated [●] which received visa No. [●] from the AMF on [●]], which [together] constitute[s] a base prospectus for the purposes of article 5.4 of the Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 [as amended by Directive 2010/73/UE] (the "**Prospectus Directive**").

This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer and the Covered Bonds is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [, the supplement to the Base Prospectus] and these Final Terms are available for viewing on the websites of the Issuer ([www.http://invest.bnpparibas.com/](http://www.invest.bnpparibas.com/) - heading "bnpparibasdebt") and of the AMF ([www.amf-france.org](http://www.amf-france.org)), and during normal business hours at the registered office of the Issuer and at the specified office of the Paying Agent(s) where copies may be obtained. [In addition<sup>1</sup> the Base Prospectus [, the supplement to the Base Prospectus] and these Final Terms are available for viewing [on/at] [●].]

*The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date*

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the "**Conditions**") set forth in the Base Prospectus dated [●] [which received visa No. [●] from the *Autorité des marchés financiers* (the "**AMF**") on [●]] [and the supplements thereto [which received visa No. [●] from the AMF]] ([together] the "**Original Base Prospectus**"). This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of article 5.4 of the Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 [as amended by Directive 2010/73/UE] (the "**Prospectus Directive**") and must be read in conjunction with the Base Prospectus dated 15 June 2011 which received visa No. 11-221 from the AMF on 15 June 2011 [and the supplements thereto which received visa No. [●] from the AMF], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the "**Current Base Prospectus**"), save in respect of the Conditions which are extracted from the Original Base Prospectus and are attached hereto. Full information on the Issuer and the Covered Bonds is only available on the basis of the combination of these Final Terms, the Original Base Prospectus and the Current Base Prospectus. The [Original Base Prospectus, the] Current Base Prospectus and these Final Terms are available for viewing on the websites of the Issuer ([www.http://invest.bnpparibas.com/](http://www.invest.bnpparibas.com/) - heading "bnpparibasdebt") and of the AMF ([www.amf-france.org](http://www.amf-france.org)), and during normal business hours at the registered office of the Issuer and at the specified office of the Paying Agent(s) where copies may be obtained. [In addition<sup>2</sup>, the Original Base Prospectus, the Current Base Prospectus and these Final Terms are available for viewing [on/at] [●].]

*[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]*

*[When completing final terms or adding any other final terms or information consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under article 16 of the Prospectus Directive, the publication of which would in turn trigger the investors' right to withdraw their acceptances within a 48-hour time period.]*

- |    |                                   |  |
|----|-----------------------------------|--|
| 1. | <b>Issuer:</b>                    | BNP Paribas Home Loan SFH                        |
|    | <b>[US Guarantor<sup>3</sup>:</b> | BNP Paribas, acting through its New York Branch] |
| 2. | <b>[(i)] Series Number:</b>       | [●]  |

<sup>1</sup> If the Covered Bonds are admitted to trading on a Regulated Market other than Euronext Paris.

<sup>2</sup> If the Covered Bonds are admitted to trading on a Regulated Market other than Euronext Paris.

<sup>3</sup> For 3(a)(2) Covered Bonds only.

- [(ii) Tranche Number:** [●]  
If fungible with an existing Series, details of that Series, including the date on which the Covered Bonds become fungible).]
- 3. Specified Currency or Currencies:** [●]
- 4. Aggregate Nominal Amount of Covered Bonds:** [●]  
[(i) Series: [●]  
[(ii) Tranche: [●]]
- 5. Issue Price:** [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
- 6. Specified Denominations:** [●] (*one (1) denomination only for Dematerialised Covered Bonds*) (*Not less than €100,000 or its equivalent in other currency at the Issue Date, when the Covered Bonds are admitted to trading on a Regulated Market of the European Union in circumstances which require the publication of a prospectus under the Prospectus Directive*)<sup>4</sup>
- 7. (i) Issue Date:** [●]  
**(ii) Interest Commencement Date:** [*Specify*]/Issue Date/Not Applicable]
- 8. Final Maturity Date:** [*Specify date or (for Floating Rate Covered Bonds) Interest Payment Date falling in or nearest to the relevant month and year*]
- 9. Interest Basis:** [[●] per cent. Fixed Rate]  
[[*EURIBOR, EONIA, LIBOR, CMS, TEC or other*] +/- [●] per cent. Floating Rate]  
[Zero Coupon]  
[Index Linked Interest]  
[Other (*specify*)]  
(*further particulars specified below*)
- 10. Redemption/Payment Basis:** [Redemption at par]<sup>5</sup>  
[Index Linked Redemption]  
[Dual Currency]  
[Partly Paid]  
[Instalment]  
[Other (*specify*)]  
(*further particulars specified below*)
- 11. Change of Interest or Redemption/Payment Basis:** [*Specify details of any provision for convertibility of Covered Bonds into another*]

<sup>4</sup> Covered Bonds denominated in Sterling in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitute a contravention of section 19 of FSMA and having a maturity of less than one year must have a minimum denomination of Sterling 100,000 (or its equivalent in other currencies).

<sup>5</sup> If the Final Redemption Amount is different than one hundred per cent. (100%) of the nominal value, the Covered Bonds will constitute derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation No.809/2004 will apply. This form of Final Terms has been annotated to indicate where the key additional requirements of Annex XII are dealt with. Note that some regulatory authorities may require the inclusion of information or placeholders addressing Paragraph 5 of Annex XII even though (noting that such information is not required by Annex XIII) the denomination of the Covered Bonds is €100,000 or more. Where Annex XII is not applicable but income on the Covered Bonds is linked to an underlying, nevertheless consider including disclosure in relation to the underlying.

- interest or redemption/ payment basis]*
12. **Put/Call Options:** [Bondholder Put]  
[Issuer Call]  
[(further particulars specified below)]  
[other option: specify details]
13. (i) **Status of the Covered Bonds:** Senior  
(ii) **Date of *décision d'emprunt* for issuance of Covered Bonds obtained:** [●]
14. **Method of distribution:** [Syndicated/Non-syndicated]
- PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**
15. **Fixed Rate Covered Bond Provisions:** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) **Rate(s) of Interest:** [●] per cent. per annum [payable [annually / semi-annually / quarterly / monthly / other (specify)] in arrear]
- (ii) **Interest Payment Date(s):** [●] in each year *[where applicable (adjusted pursuant to the [specify applicable Business Day Convention])]*
- (iii) **Fixed Coupon Amount(s):** [●] per [●] in Specified Denomination
- (iv) **Broken Amount(s):** *[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount(s)]*
- (v) **Day Count Fraction:** [30/360 / Actual/Actual (ICMA/ISDA) / other]
- (vi) **Determination Dates:** [●] in each year  
*(insert regular Interest Payment Dates, ignoring Issue Date or Final Maturity Date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))*
- (vii) **Other terms relating to the method of calculating interest for Fixed Rate Covered Bonds:** [Not Applicable/give details]
16. **Floating Rate Covered Bond Provisions:** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) **Interest Period(s):** [●]
- (ii) **Specified Interest Payment Dates:** [●]
- (iii) **First Interest Payment Date:** [●]
- (iv) **Interest Period Date** [●] [Interest Payment Date / Other (specify)]
- (v) **Business Day Convention:** [Floating Rate Business Day Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ other (give details)] *[Insert "unadjusted" if the application of the relevant business day*

- convention is not intended to affect the Interest Amount]*
- (vi) Business Centre(s) (Condition 6(a)): [●]
- (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate  
Determination/FBF  
Determination/other (*give details*)]
- (viii) Party responsible for calculating the Rate(s) of Interest and / or Interest Amount(s) (if not the [Calculation Agent]): [●]
- (ix) Screen Rate Determination: [Applicable/Not Applicable]  
Benchmark: [●] (*specify Benchmark [EURIBOR, EONIA, LIBOR, CMS, TEC or other] and months [e.g. EURIBOR 3 months] (additional information if necessary)*)
- Relevant Time: [●]
- Interest Determination Date(s): [●]
- Primary Source : [*Specify relevant screen page or "Reference Banks"*]
- Reference Banks (if Primary Source is "Reference Banks"): [*Specify four*]
- Relevant Financial Centre: [*The financial centre most closely connected to the benchmark - specify if not Paris*]
- Representative Amount: [*Specify if screen or Reference Bank quotations are to be given in respect of a transaction of a specified notional amount*]
- Effective Date: [*Specify if quotations are not to be obtained with effect from commencement of Interest Accrual Period*]
- Specified Duration: [*Specify period for quotation if not duration of Interest Accrual Period*]
- (x) FBF Determination: [Applicable/Not Applicable]  
Floating Rate (*Taux Variable*): [●] (*specify Benchmark [EURIBOR, EONIA, LIBOR, CMS, TEC or other] and months [e.g. EURIBOR 3 months] (additional information if necessary)*)
- Floating Rate Determination Date (*Date de Détermination du Taux Variable*): [●]
- FBF Definitions (if different from those set out in the Conditions): [●] (*specify how rate determined (e.g. relevant page) if different or not specified in FBF Definitions*)
- (xi) Margin(s): [+/-] [●] per cent. per annum
- (xii) Minimum Rate of Interest: [Not Applicable/[●] per cent. per annum]
- (xiii) Maximum Rate of Interest: [Not Applicable/[●] per cent. per annum]
- (xiv) Day Count Fraction: [●]
- (xv) Fall back provisions, rounding

- provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Covered Bonds, if different from those set out in the Conditions: [ ● ]
- 17. Zero Coupon Covered Bond Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Amortisation Yield: [ ● ] per cent. per annum
- (ii) Day Count Fraction: [ ● ]
- (iii) Any other formula/basis of determining amount payable: [ ● ]
- 18. Index-Linked Interest Covered Bond/other variable-linked interest Covered Bond Provisions<sup>6</sup>:** [Applicable/Not Applicable]  
 [give or annex details / see Annex to the Final Terms if Inflation Linked Notes]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Index/Formula/other variable: [ ● ]
- (ii) Party responsible for calculating the Rate(s) of Interest and / or Interest Amount(s) (if not the Calculation Agent): [ ● ][give name and address]
- (iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable: [ ● ]
- (iv) Interest Determination Date(s): [ ● ]
- (v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: *[Need to include a description of market disruption or settlement disruption events and adjustment provisions]*
- (vi) Interest or Calculation Period(s): [ ● ]
- (vii) Specified Interest Payment Dates: [ ● ]
- (viii) Business Day Convention: [Floating Rate Business Day Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
- (ix) Business Centre(s): [ ● ]
- (x) Minimum Rate of Interest: [Not Applicable/[ ● ] per cent. per annum]
- (xi) Maximum Rate of Interest: [Not Applicable/[ ● ] per cent. per annum]

<sup>6</sup> If the Final Redemption Amount is different than one hundred per cent. (100%) of the nominal value, the Covered Bonds will constitute derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation No.809/2004 will apply. This form of Final Terms has been annotated to indicate where the key additional requirements of Annex XII are dealt with. Note that some regulatory authorities may require the inclusion of information or placeholders addressing Paragraph 5 of Annex XII even though (noting that such information is not required by Annex XIII) the denomination of the Covered Bonds is €100,000 or more. Where Annex XII is not applicable but income on the Covered Bonds is linked to an underlying, nevertheless consider including disclosure in relation to the underlying.



- (xii) Day Count Fraction: [ ● ]
- 19. Dual Currency Covered Bond Provisions<sup>7</sup>:** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate of Exchange/Method of calculating Rate of Exchange: [give details]
- (ii) Party, if any, responsible for calculating the principal and/or interest due (if not the Calculation Agent): [ ● ][give name and address]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: *[Need to include a description of market disruption or settlement disruption events and adjustment provisions]*
- (iv) Person at whose option Specified Currency(ies) is/are payable: [ ● ]
- (v) Day Count Fraction: [ ● ]

#### PROVISIONS RELATING TO REDEMPTION

- 20. Call Option:** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [ ● ]
- (ii) Optional Redemption Amount(s) of each Covered Bond and method, if any, of calculation of such amount(s): [ ● ] per Covered Bond of [ ● ] Specified Denomination
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [ ● ]
- (b) Maximum Redemption Amount: [ ● ]
- (iv) Option Exercise Date(s) [ ● ]
- (v) Notice period<sup>8</sup>: [ ● ]
- 21. Put Option:** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [ ● ]
- (ii) Optional Redemption Amount(s) of each Covered Bond and method, if any, of

<sup>7</sup> If the Final Redemption Amount is different than one hundred per cent. (100%) of the nominal value, the Covered Bonds will constitute derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation No.809/2004 will apply. This form of Final Terms has been annotated to indicate where the key additional requirements of Annex XII are dealt with. Note that some regulatory authorities may require the inclusion of information or placeholders addressing Paragraph 5 of Annex XII even though (noting that such information is not required by Annex XIII) the denomination of the Covered Bonds is €100,000 or more. Where Annex XII is not applicable but income on the Covered Bonds is linked to an underlying, nevertheless consider including disclosure in relation to the underlying.

<sup>8</sup> If setting notice periods which are different to those provided in the terms and conditions, consider the practicalities of distribution of information through intermediaries, for example clearing systems, as well as any other notice requirements which may apply, for example as between the Issuer and the Fiscal Agent.

calculation of such amount(s): [●] per Covered Bond of [●] Specified Denomination

(iii) Option Exercise Date(s): [●]

(iv) Notice period<sup>9</sup> [●]

**22. Final Redemption Amount of each Covered Bond<sup>10</sup>:**

[[●] per Covered Bond of [●] Specified Denomination / Specified Denomination / Other (*Specify*)]

In cases where the Final Redemption Amount is Index-Linked or other variable-linked

(i) Index/Formula/variable: [give or annex details]

(ii) Party responsible for calculating the Final Redemption Amount (if not the Calculation Agent): [●] [give name and address]

(iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: [●]

(iv) Determination Date(s): [●]

(v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [●]

(vi) Payment Date: [●]

(vii) Minimum Final Redemption Amount: [●]

(viii) Maximum Final Redemption Amount: [●]

**23. Early Redemption Amount:**

Early Redemption Amount(s) of each Covered Bond payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same and/or any other terms (if required or if different from that set out in Condition 7): [●]

**GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS**

**24 Governing Law:** [English law/French law]

<sup>9</sup> If setting notice periods which are different to those provided in the terms and conditions, consider the practicalities of distribution of information through intermediaries, for example clearing systems, as well as any other notice requirements which may apply, for example as between the Issuer and the Fiscal Agent.

<sup>10</sup> If the Final Redemption Amount is different than one hundred per cent. (100%) of the nominal value, the Covered Bonds will constitute derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation No.809/2004 will apply. This form of Final Terms has been annotated to indicate where the key additional requirements of Annex XII are dealt with. Note that some regulatory authorities may require the inclusion of information or placeholders addressing Paragraph 5 of Annex XII even though (noting that such information is not required by Annex XIII) the denomination of the Covered Bonds is €100,000 or more. Where Annex XII is not applicable but income on the Covered Bonds is linked to an underlying, nevertheless consider including disclosure in relation to the underlying.

*(Delete as applicable)*

Form of Covered Bonds:

*[English Law Covered Bonds: Bearer English Law Covered Bonds/Exchangeable Bearer Bonds/Registered English Law Covered Bonds registered in the name of a nominee for a common depository for Clearstream, Luxembourg and/or Euroclear/ a common safekeeper for Clearstream, Luxembourg and/or Euroclear*

*French Law Covered Bonds: Dematerialised Covered Bonds/ Materialised Covered Bonds] (Materialised Covered Bonds are only in bearer form)*

*[Delete as appropriate]*

(i) Temporary or Permanent Global Note/Global Certificate:

*[Temporary Global Note exchangeable for a Permanent Global Note/Global Certificate which is exchangeable for Definitive English Law Covered Bonds/Certificates in the limited circumstances specified in the Permanent Global Note/Global Certificate]*

*[Temporary Global Note/Global Certificate exchangeable for Definitive English Law Covered Bonds/Certificates on [●] days' notice]*

*[Permanent Global Note/Global Certificate exchangeable for Definitive English Law Covered Bonds/Certificates in the limited circumstances specified in the Permanent Global Note/Global Certificate]*

*[Not applicable to French Law Covered Bonds]*

(ii) Form of Dematerialised Covered Bonds:

*[Not Applicable / if Applicable specify whether bearer form (au porteur) / registered form (au nominatif)]*

*[Not applicable for English Law Covered Bonds]*

(iii) Registration Agent:

*[Not Applicable/if applicable give name and address] (Note that a Registration Agent must be appointed in relation to Fully Registered Dematerialised Covered Bonds only)*

*[Not applicable for English Law Covered Bonds]*

(iv) Temporary Global Certificate:

*[Not Applicable/Temporary Global Certificate exchangeable for Definitive Materialised Covered Bonds on [●] (the "Exchange Date"), being forty (40) days after the Issue Date subject to postponement as specified in the Temporary Global Certificate]*

*[Not applicable for English Law Covered Bonds]*

(v) New Global Note:

*[Yes]/[No]*

*[Elect "yes" if you have elected "yes" to the Section in Part B under the heading "Operational Information" entitled "Intended to*

*be held in a manner which would allow Eurosystem eligibility".]*

*[Not applicable for French Law Covered Bonds]*

25. **Financial Centre(s) or other special provisions relating to payment dates for the purposes of Condition 8(g):** *[Not Applicable/Give details. Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub-paragraphs 15 (ii), 16(iv) and 18(ix) relate]*
26. **Talons for future Coupons or Receipts to be attached to [Definitive English Law Covered Bonds,] Definitive Materialised Covered Bonds (and dates on which such Talons mature):** *[Yes/No/Not Applicable. If yes, give details] (Only applicable to Materialised Covered Bonds)*
27. **Details relating to Partly Paid Covered Bonds: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Covered Bonds and interest due on late payment:** *[Not Applicable/give details]*
28. **Details relating to Instalment Covered Bonds:** *[Not Applicable/give details]*
- (i) amount of each instalment: **[●]**
- (ii) date on which each payment is to be made: **[●]**
29. **Redenomination, renominatisation and reconventioning provisions:** *[Not Applicable/The provisions [in Condition 2(d)] [annexed to these Final Terms] apply]*
30. **Consolidation provisions:** *[Not Applicable/The provisions [in Condition 16(b)] [annexed to these Final Terms] apply]*
32. **Other final terms:** *[Not Applicable/give details]*  
*(When adding any other final terms consideration should be given as to whether such terms constitute a "significant new factor" and consequently trigger the need for a supplement to the Base Prospectus under article 16 of the Prospectus Directive.)*

## **DISTRIBUTION**

33. (i) If syndicated, names of Managers: *[Not Applicable/give names]*

- (ii) Date of [subscription agreement]: [●]<sup>11</sup>
- (iii) Stabilising Manager(s) (if any): [Not Applicable/give name]
34. If non-syndicated, name of Dealer: [Not Applicable/give name]
35. Additional selling restrictions: [Not Applicable/give details]
36. U.S. selling restrictions: [The Issuer is Category 1 for the purposes of Regulation S under the United States Securities Act of 1933, as amended.]  
[TEFRA C/ TEFRA D/ TEFRA not Applicable]

#### GENERAL

The aggregate principal amount of Covered Bonds issued has been translated into Euro at the rate of [●] per cent. producing a sum of: [●]

#### [PURPOSE OF FINAL TERMS]

These Final Terms comprise the final terms required to list and have admitted to trading on the *[specify relevant regulated market]* the issue of the Covered Bonds described herein pursuant to the Euro 30,000,000,000 Covered Bond Programme of BNP Paribas Home Loan SFH.]

#### RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. *[(Relevant third party information) has been extracted from (specify source). The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by (specify source), no facts have been omitted which would render the reproduced information inaccurate or misleading.]*<sup>12</sup>

Signed on behalf of the Issuer:

By: .....

Duly authorised

<sup>11</sup> Required only for derivative securities to which Annex XII to the Prospectus Directive Regulation applies.

<sup>12</sup> Include if third party is provided, for example in compliance with Annex XII of the Prospectus Directive Regulation in relation to an index or its components, an underlying security or the issuer of an underlying security.

## PART B – OTHER INFORMATION

### 1. RISK FACTORS

[Not Applicable / Insert any risk factors that are material to the Covered Bonds being admitted to trading in order to assess the market risk associated with these Covered Bonds and that may affect the Issuer's ability to fulfil its obligations under the Covered Bonds which are not covered under "Risk Factors" in the Base Prospectus. If any such additional risk factors need to be included consideration should be given as to whether they constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under article 16 of the Prospectus Directive.]

### 2. LISTING AND ADMISSION TO TRADING

- (i).... Listing(s): [Euronext Paris/other (*specify*)/None]
- (ii) [(a)] Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to trading on [*specify relevant regulated market*] with effect from [●].] [Application is expected to be made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to trading on [*specify relevant regulated market*] with effect from [●].] [Not Applicable]

*(Where documenting a fungible issue need to indicate that original Covered Bonds are already admitted to trading.)*

[(b)Regulated Markets or equivalent markets on which, to the knowledge of the Issuer, securities of the same class of the Covered Bonds to be admitted to trading are already admitted to trading:

[●]

Estimate of total expenses related to admission to trading:

[●]

Additional publication of Base Prospectus and Final Terms:

[●] (*See paragraph 10 of the section "General Information" of this Base Prospectus which provides that the Base Prospectus and Final Terms will be published on the website of the AMF at least during a period of twelve (12) months from the date of the Base Prospectus and that the Final Terms related to Covered Bonds on any Regulated Market will be published on the website of the AMF. Please provide for additional methods of publication in respect of an admission to trading on a regulated market other than Euronext Paris.*)

### 3. RATINGS

Ratings:

The Covered Bonds to be issued have been rated:

[S & P: [●]]

[Moody's: [●]]

[Fitch: [●]]

[[Other]: [●]]

[Each such credit rating agency is established in the European Union and has applied for registration under Regulation (EU) No 1060/2009 (the "**CRA Regulation**"), although notification of the corresponding registration decision has not yet been provided by the relevant competent authority. In general, European regulated

investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.]

*(The above disclosure should reflect the rating allocated to Covered Bonds of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

#### 4. [NOTIFICATION]

The AMF, which is the French competent authority for the purposes of the Prospectus Directive [has been requested to provide/has provided - include first alternative for an issue which is contemporaneous with the update of the Programme and the second alternative for subsequent issues] the [*include names of competent authorities of host Member States*] with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive.]

#### 5. SPECIFIC CONTROLLER

The specific controller (*contrôleur spécifique*) of the Issuer has certified that the value of the assets of the Issuer will be greater than the value of its liabilities benefiting from the *privilège* defined in Article L. 515-19 of the French Monetary and Financial Code (*Code monétaire et financier*), after settlement of this issue.

See attached "Specific Controller's Certificate relating to the quarterly borrowing programme for the [●] quarter of [●]" [and, "Specific Controller's Certificate relating to the issue of Covered Bonds amounting to [●]].

#### 6. [THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST]

If advisors are mentioned in these Final Terms, specify the capacity in which the advisors have acted.

Specify other information mentioned in the Final Terms which has been audited or reviewed by auditors and where auditors have produced a report. Insert the report or, with permission of the competent authority, a summary of the report.

Where a statement or report attributed to a person as an expert is included in these Final Terms in respect of the Issuer or the Covered Bonds, provide such person's name, business address, qualifications and material interest if any in the Issuer. If the report has been produced at the Issuer's request a statement to that effect that such statement or report is included, in the form and context in which it is included, with the consent of that person who has authorised the contents of that part in respect of the Issuer or the Covered Bonds.

Where information has been sourced from a third party, provide a confirmation that this information has been accurately reproduced and that as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

In addition, the Issuer shall identify the source(s) of the information.]

#### 7. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

Need to include a description of any interest, including conflicting ones, that is material to the issue, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement: "Save as discussed in "Plan of Distribution" so far as the Issuer is aware, no person involved in the offer of the Covered Bonds has an interest material to the offer".

*(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under article 16 of the Prospectus Directive.)]*

## **8. REASONS FOR THE OFFER[, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES]<sup>13</sup>**

(i) Reasons for the offer: [ ● ]

*(See "Use of Proceeds" wording in Base Prospectus – if reasons for offer different from general corporate purposes will need to include those reasons here.)*

[(ii) Estimated net proceeds: [ ● ]

*(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds uses state amount and sources of other funding.)*

(iii) Estimated total expenses: [ ● ]]<sup>14</sup>

*(If the Covered Bonds are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, (i) above is required (regardless of the minimum denomination of the securities) where the reasons for the offer are different from making profit and/or hedging certain risks and where this is the case disclosure of net proceeds and total expenses at (ii) and (iii) above are also required.)*

## **9. [FIXED RATE COVERED BONDS ONLY – YIELD**

Indication of yield: [ ● ]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield. ]

## **10. [INDEX-LINKED OR OTHER VARIABLE-LINKED COVERED BONDS ONLY – PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING]<sup>15</sup>**

Need to include details where past and future performance and volatility of the index/formula/other variable can be obtained. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information. Include other information concerning the underlying required by the by Paragraph 4.2 of Annex XII of the Prospectus Directive Regulation. [(When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under article 16 of the Prospectus Directive.)].]

<sup>13</sup> Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies.

<sup>14</sup> Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies.

<sup>15</sup> For derivative securities to which Annex XII to the Prospectus Directive Regulation applies, please complete instead paragraph 11 below relating to explanation of effect on value of investment, return on derivatives securities and information concerning the underlying.



**11. [DUAL CURRENCY COVERED BONDS ONLY – PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT<sup>16</sup>**

Need to include details where past and future performance and volatility of the relevant rate(s) can be obtained, the underlying on which it is based and of the method used to relate the two, a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.

(When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under article 16 of the Prospectus Directive.)

**12. [DERIVATIVES ONLY – EXPLANATION OF EFFECT ON VALUE OF INVESTMENT, RETURN ON DERIVATIVES SECURITIES AND INFORMATION CONCERNING THE UNDERLYING SETTLEMENT PROCEDURES FOR DERIVATIVE SECURITIES**

*Need to include a description of the settlement procedures of the derivative securities.*

**RETURN ON DERIVATIVES SECURITIES**

Return on derivative securities: *[Description of how any return on derivative securities takes place]*  
 Payment or delivery date: [ ● ]  
 Method of calculation: [ ● ]

**INFORMATION CONCERNING THE UNDERLYING**

The exercise price or the final reference price of the underlying: [ ● ]

A statement setting out the type of the underlying and details of where information on the underlying can be obtained:

- an indication where information about the past and the further performance of the underlying and its volatility can be obtained [ ● ]

- where the underlying is a security: [Applicable/Not Applicable]

the name of the issuer of the security: [ ● ]

the ISIN (International Security Identification Number) or other such security identification code: [ ● ]

- where the underlying is an index: [Applicable/Not Applicable]

the name of the index and a description of the index if it is composed by the issuer. If the index is not composed by the issuer, where information about the index can be obtained: [ ● ]

- where the underlying is an interest rate: [Applicable/Not Applicable]

<sup>16</sup> For derivative securities to which Annex XII to the Prospectus Directive Regulation applies, please complete instead paragraph 11 below relating to explanation of effect on value of investment, return on derivatives securities and information concerning the underlying.

- a description of the interest rate: [●]
- others: [Applicable/Not Applicable]
- where the underlying does not fall within the categories specified above the Final Terms shall contain equivalent information: [●]
- where the underlying is a basket of underlyings: [Applicable/Not Applicable]
- disclosure of the relevant weightings of each underlying in the basket: [●]
- A description of any market disruption or settlement disruption events that affect the underlying: [●]
- Adjustment rules with relation to events concerning the underlying:]<sup>17</sup> [●]

#### **OTHER**

Name and address of Calculation Agent: [●]

[Information on taxes on the income from the Covered Bonds withheld at source in the country where admission to trading (other than in France) is sought: [●]]

#### **13. [DERIVATIVES ONLY – POST ISSUANCE INFORMATION CONCERNING THE UNDERLYING**

The Issuer will not provide any post-issuance information, except if required by any applicable laws and regulations.

*[If post-issuance information is to be reported, specify what information will be reported and where such information can be obtained.]*

#### **14. [TERMS AND CONDITIONS OF THE OFFER]<sup>18</sup>**

##### **CONDITIONS, OFFER STATISTICS, EXPECTED TIMETABLE AND ACTION REQUIRED TO APPLY FOR THE OFFER**

Offer Price: [Issue Price] [specify the expected price at which the securities will be offered or the method of determining the price and the process for its disclosure. Indicate the amount of any expenses and taxes specifically charged to the subscriber or purchaser]

Conditions to which the offer is subject: [Not Applicable/give details]

Total amount of the issue/offer; if the amount is not fixed, description of the arrangements and time for announcing to the public the amount of the offer: [Not Applicable/give details]

<sup>17</sup> Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies.

<sup>18</sup> Required for derivative securities to which Annex 12 to the Prospectus Directive Regulation applies.

The time period, including any possible amendments, during which the offer will be open and description of the application process: [Not Applicable/*give details*]

Description of the application process: [Not Applicable/*give details*]

A description of the possibility to reduce subscriptions and the manner for refunding excess amount paid by applicants: [Not Applicable/*give details*]

Details of the minimum and/or maximum amount of application: [Not Applicable/*give details*]

Method and time limits for paying and delivering the Covered Bonds: [Not Applicable/*give details*]

Manner and date on which results of the offer are to be made public: [Not Applicable/*give details*]

Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [Not Applicable/*give details*]

## 15. [PLAN OF DISTRIBUTION AND ALLOTMENT]<sup>19</sup>

The various categories of potential investors to which the securities are offered. If the offer is being made simultaneously in the markets of two (2) or more countries and if a tranche has been or is being reserved for certain of these, indicate any such tranche: [●]

Process for notification to applicants of the amount allotted and indication whether dealing may begin before notification is made:] [●]

*[For 3(a)(2) Covered Bonds, if appropriate]*

[●] is a wholly owned subsidiary of the Borrower and is an affiliate of the Issuer and the U.S. Guarantor. As a result of this conflict of interest, the offering is being conducted in accordance with the applicable provisions of Rule 5121 of the Financial Industry Regulatory Authority ("FINRA"). Which imposes certain

<sup>19</sup> Required for derivative securities to which Annex 12 to the Prospectus Directive Regulation applies.

requirements when a member of FINRA, such as , distributes an affiliated company's securities. Client accounts over which  or any affiliate have investment discretion are not permitted to purchase the 3(a)(2) Covered Bonds, either directly or indirectly, without the specific written approval of the accountholder.]

*[For 3(a)(2) Covered Bonds and 144A Covered Bonds, if appropriate]*

[The Issuer has agreed to indemnify each Dealer against, or to make contributions relating to, certain civil liabilities, including liabilities under the Securities Act.]

## 16. **[PRICING**<sup>20</sup>

Indication of the expected price at which the securities will be offered or the method of determining the price and the process for its disclosure. Indicate the amount of any expenses and taxes specifically charged to the subscriber or purchaser:]

## 17. **[PLACING AND UNDERWRITING**<sup>21</sup>

Name and address of the coordinator(s) of the global offer and of single parts of the offer and, to the extent known to the issuer or to the offeror, of the placers in the various countries where the offer takes place:

Entities agreeing to underwrite the issue on a firm commitment basis, and entities agreeing to place the issue without a firm commitment or under 'best efforts' arrangements. Where not all of the issue is underwritten, a statement of the portion not covered:]

## 18. **OPERATIONAL INFORMATION**

Intended to be held in a manner which would allow Eurosystem eligibility Yes/No/Not Applicable].

[Note that the designation "yes" simply means that the Covered Bonds are intended upon issue to be deposited with one of the ICSDs as common safekeeper [and registered in the name of a nominee of one of the ICSDs acting as Common Safekeeper, that is, held under the New Safekeeping Structure (NSS),] *[include this text for Registered English Law Covered Bonds which are to be held under the NSS]* and does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit

<sup>20</sup> Required for derivative securities to which Annex 12 to the Prospectus Directive Regulation applies.

<sup>21</sup> Required for derivative securities to which Annex 12 to the Prospectus Directive Regulation applies.

operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.]

*[Include this text if "yes" selected, in which case the Bearer English Law Covered Bonds must be issued in NGN form/ Registered English Law Covered Bonds must be issued under the NSS - not applicable to French Law Covered Bonds]*

ISIN Code:

Common Code:

[CUSIP]

Depositories:

(i) Euroclear France to act as Central Depository  [Yes/No]

(ii) Common Depository for Euroclear Bank and Clearstream Banking, *société anonyme*  [Yes/No]

(iii) Depository for DTC  [Yes/No]

Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* and the relevant identification number(s):

[Not Applicable/give name(s) and number(s) and address(es)]

Delivery:  Delivery [against/free of] payment

Names and addresses of initial Paying Agent:

*[(if French Law Covered Bonds)*

**BNP Paribas Securities Services**

3, rue d'Antin

75002 Paris

France

/

*(if English Law Covered Bonds)*

**BNP Paribas Securities Services, Luxembourg Branch**

33, Rue de Gasperich

Hesperange L-5826

Luxembourg]

Names and addresses of additional Paying Agent(s) (if any):

## ANNEX

- (1) The Rate of Interest will be determined by the Calculation Agent on the following basis:

On the fifth Business Day before each Interest Payment Date (an "**Interest Determination Date**") the Calculation Agent will calculate the Inflation Index Ratio.

The "**Inflation Index Ratio**" or "**IIR**" is the ratio between (i) the Daily Inflation Reference Index (as defined below) applicable upon any Interest Payment Date or the redemption date, as the case may be and (ii) the base reference defined as the Daily Inflation Reference Index (as defined below) applicable on [●] (the "**Base Reference**", amounting to: [●]). The IIR will be rounded off, if necessary to the fifth decimal place.

"**Daily Inflation Reference Index**" means (A) in relation to the first day of any given month, the CPI Monthly Reference Index of the third month preceding such month, and (B) in relation to a day (D) (other than the first day) in any given month (M), the linear interpolation of the CPI Monthly Reference Index pertaining respectively to the third month preceding such month (M - 3) and the second month preceding such month (M - 2) calculated in accordance with the following formula:

Daily Inflation Reference Index =

$$\text{CPI Monthly Reference Index}_{M-3} + \frac{D-1}{\text{ND}_M} \times (\text{CPI Monthly Reference Index}_{M-2} - \text{CPI Monthly Reference Index}_{M-3})$$

With:

**ND<sub>M</sub>**: number of days in the relevant month M and, in the case of payment of principal and interest, shall be equal to 31 ;

**D**: actual day of payment in the relevant month M and, in the case of payment of principal and interest, shall be equal to 25 ;

**CPI Monthly Reference Index<sub>M-2</sub>** : price index of month M - 2 ;

**CPI Monthly Reference Index<sub>M-3</sub>** : price index of month M - 3.

The Daily Inflation Reference Index will be rounded off to the fifth decimal place.

For information purposes, such Daily Inflation Reference Index appears on the *Agence Française du Trésor* Reuters page OATINFLATION01 or on Bloomberg TRESOR <GO> pages and on the website "www.aft.gouv.fr". In the case of doubt in the interpretation of the methods used to calculate the Inflation Index Ratio, such methods shall be interpreted by reference to the procedures selected by the French *Trésor* for its *obligations assimilables du Trésor indexées sur l'inflation*.

CPI Monthly Reference Index refers to the definitive consumer price index excluding tobacco for all households in metropolitan France, as calculated and published monthly by the *Institut National de la Statistique et des Etudes Economiques* ("**INSEE**") as such index may be adjusted or replaced from time to time as provided herein.

- (2) The calculation method described below is based on the recommendation issued by the Notes Normalisation Committee (*Comité de Normalisation Obligatoire*) in its September 1998 Paper entitled "**Inflation Indexed Notes**". In the case of any conflict between the calculation method provided below and the calculation method provided by the Normalisation Committee (*Comité de Normalisation Obligatoire*), the calculation method provided by the Normalisation Committee (*Comité de Normalisation Obligatoire*) shall prevail.

The rate of interest applicable from time to time in respect of the Covered Bonds for each Interest Period ("**Rate of Interest**") will be equal to [1.85] per cent. per annum multiplied by the Inflation Index Ratio (as defined above).

(3)

(i) If the CPI Monthly Reference Index is not published in a timely manner, a substitute CPI Monthly Reference Index (the "**Substitute CPI Monthly Reference Index**") shall be determined by the Calculation Agent in accordance with the following provisions:

(x) If a provisional CPI Monthly Reference Index (*indice provisoire*) has already been published, such index shall automatically be used as the Substitute CPI Monthly Reference Index. Such provisional CPI Monthly Reference Index would be published under the heading "*indice de substitution*". Once the definitive CPI Monthly Reference Index is released, it would automatically apply from the day following its release to all calculations taking place from this date.

(y) If no provisional CPI Monthly Reference Index is available, a substitute index shall be calculated on the basis of the most recently published figure adjusted as set out in the following formula:

Substitute CPI Monthly Reference Index<sub>M</sub> =

$$\text{PCI Monthly Reference Index}_{M-1} \times \left( \frac{\text{CPI Monthly Reference Index}_{M-1}}{\text{CPI Monthly Reference Index}_{M-13}} \right)^{\frac{1}{12}}$$

(ii) In the event INSEE decides to proceed with one or more base changes for the purpose of calculating the CPI Monthly Reference Index, the two CPI Monthly Reference Indexes which have been calculated on a different basis will be chained on the basis of the December CPI Monthly Reference Index of the last year of joint publications, which corresponds to the Daily Inflation Reference Index for 1<sup>st</sup> March of the following year. Such chaining will be carried out in accordance with the following equation:

$$\text{Key} = \frac{\text{CPI Monthly Reference Index}_{\text{pertaining to December calculated on the new basis}}}{\text{CPI Monthly Reference Index}_{\text{pertaining to December calculated on the previous basis}}}$$

Such that:

$$\text{CPI Monthly Reference Index}_{\text{New basis}}^{\text{Date D}} = \text{CPI Monthly Reference Index}_{\text{Previous basis}}^{\text{Date D}} \times \text{Key}$$

(4)

(i) Calculation of Interest Amount

The Calculation Agent will, as soon as practicable after 12:00 p.m. (Paris time) on the Interest Determination Date in relation to each Interest Payment Date, calculate the amount of interest (the "Interest Amount") payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Payment Date to the principal amount of such Note, and rounding the resulting figure, if necessary, to the nearest cent (half a cent being rounded upwards).

When any interest is required to be calculated, it will be calculated on the basis of the Day Count Fraction defined in paragraph 18 (xii).

(ii) Determinations etc.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of these Final Terms by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and (subject as aforesaid) no liability to any such person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(iv) Calculation Agent

The Issuer will procure that, so long as any of the Notes remains outstanding, it will at all times maintain a Calculation Agent for the purposes of the Notes. Subject as provided herein, the Issuer reserves the right at any time to vary or terminate the appointment of the Calculation Agent. Notice of any change of Calculation Agent or any change in its specified office will be published in accordance with Condition 17 of the Base Prospectus.



**ATTESTATION DU CONTROLEUR SPECIFIQUE RELATIVE AU PROGRAMME  
D'EMISSIONS POUR LE [ ● ] TRIMESTRE DE [ ● ]  
EN APPLICATION DES ARTICLES L.515-30 ET  
R.515-13, IV DU CODE MONETAIRE ET FINANCIER**

Messieurs les Administrateurs de BNP Paribas Home Loan SFH,

En notre qualité de contrôleur spécifique de votre société et en exécution des dispositions prévues par les Articles L.515-30 et R.515-13, IV du Code monétaire et financier, nous vous présentons notre attestation portant sur le respect de la règle prévue à l'Article L. 515-20 du Code monétaire et financier, dans le cadre d'un programme trimestriel d'émissions des ressources bénéficiant du privilège mentionné à l'Article L.515-19 de ce Code.

Par décision en date du [ ● ], le conseil d'administration de BNP Paribas Home Loan SFH a fixé le plafond maximum du programme d'émissions de ressources bénéficiant du privilège institué par l'Article L. 515-19 du Code monétaire et financier, pour le [ ● ] trimestre [ ● ], période allant du [ ● ] au [ ● ], à [ ● ] Euros..

L'Article L. 515-20 du Code monétaire et financier dispose que le montant total des éléments d'actif des sociétés de financement de l'habitat doit être supérieur au montant des éléments de passif bénéficiant du privilège mentionné à l'Article L. 515-19 de ce même Code. Il nous appartient d'attester du respect de cette règle dans le cadre du présent programme d'émissions.

Le respect de cette règle, compte tenu du programme d'émissions visé ci-dessus, a été vérifié sur la base d'informations financières estimées, au titre de la période courue, et prévisionnelles, au titre de la période à venir, établies sous la responsabilité de votre conseil d'administration. Les informations financières prévisionnelles ont été établies à partir des hypothèses traduisant la situation future que vous avez estimée la plus probable à la date de leur établissement. Ces informations sont présentées en annexe à la présente attestation.

Nous avons effectué nos travaux sur la base des diligences que nous avons estimées nécessaires au regard de la doctrine professionnelle de la Compagnie Nationale des Commissaires aux Comptes relative à cette mission. Ces diligences sont destinées à vérifier, sur la base des informations financières établies, et du programme d'émissions sus-visé, le respect de la règle prévue par l'Article L. 515-20 du Code monétaire et financier et les modalités de calcul du ratio de couverture prévues par les dispositions du règlement n°99-10 du Comité de la Réglementation Bancaire et Financière.

Nos diligences ont notamment consisté à examiner le processus d'élaboration des informations financières produites, afin d'en vérifier la cohérence dans la perspective de contrôler le respect de la règle prévue à l'Article L. 515-20 du Code monétaire et financier. En ce qui concerne les informations prévisionnelles, nous avons pris connaissance des hypothèses retenues et vérifié leur traduction chiffrée, étant rappelé que, s'agissant de prévisions présentant par nature un caractère incertain, les réalisations différeront parfois de manière significative des informations prévisionnelles établies.

Sur la base de nos travaux, nous n'avons pas d'observation à formuler sur le respect, par BNP Paribas Home Loan SFH, de l'Article L. 515-20 du Code monétaire et financier stipulant que le montant des éléments d'actif doit être supérieur au montant des éléments de passif privilégiés, dans les conditions fixées par l'Article R. 515-7-2 dudit Code, après prise en compte du présent programme d'émissions.

[date et lieu]

Le Contrôleur Spécifique

[cabinet du Contrôleur Spécifique]

[adresse]

[En-tête de BNP Paribas Home Loan SFH]

## ANNEXE

Montants après prise en compte du présent programme d'émissions de EUR [ ]

En millions d'euros	Estimé	Prévisionnel
	Au [●][●]	Au [●][●]
Total des emplois	[●]	[●]
Total des ressources bénéficiant du privilège mentionné à l'Article L. 515-19 du Code monétaire et financier	[●]	[●]

**SPECIFIC CONTROLLER'S CERTIFICATE RELATING TO THE QUARTERLY BORROWING  
PROGRAMME FOR THE [●] QUARTER OF [●]  
PURSUANT TO ARTICLES L. 515-30 AND R. 515-13, IV OF THE FRENCH MONETARY AND  
FINANCIAL CODE (*CODE MONÉTAIRE ET FINANCIER*)**

FREE TRANSLATION FROM FRENCH

To the Directors of BNP Paribas Home Loan SFH,

In our capacity as the Specific Controller of your company and pursuant to the provisions set forth in Articles L. 515-30 and R. 515-13, IV of the French Monetary and Financial Code (*Code monétaire et financier*), we hereby set out our certification regarding compliance with the rule provided for in Article L. 515-20 of the French Monetary and Financial Code (*Code monétaire et financier*) within the framework of a quarterly programme for issuing funding that qualify for the privileged right mentioned in Article L. 515-19 of said code.

In a decision dated [●], the Board of Directors of BNP Paribas Home Loan SFH set the maximum ceiling for the programme for issuing funding that qualify for the privileged right laid down by Article L. 515-19 of the French Monetary and Financial Code (*Code monétaire et financier*), for the [●] quarter of [●], period from [●] to [●], at EUR [●].

Article L. 515-20 of the French Monetary and Financial Code (*Code monétaire et financier*) states that the total amount of assets held by sociétés de financement de l'habitat (special purpose real estate credit institutions) must be greater than the amount of liabilities which qualify for the privileged right mentioned in Article L. 515-19 of said code. It is our responsibility to test the compliance with this rule within the scope of this issue programme.

Compliance with this rule, in view of the aforementioned issue programme, was verified on the basis of estimated financial data, in respect of the period elapsed, and forecasted financial data, in respect of the future period, drawn up under the responsibility of your Board of Directors. The forecasted financial data were drawn up on the basis of assumptions which reflect the future position that you deemed to be most probable as of the date that they were drawn up. This information is presented in an appendix to this report.

We performed our review in accordance with the standards procedures issued from the professional rules and practises of the *Compagnie Nationale des Commissaires aux Comptes* (National Association of Statutory Auditors) that are applicable to this type of assignment. These procedures, based on such financial information, were carried out in order to verify compliance with the rule laid down by Article L. 515-20 of the French Monetary and Financial Code (*Code monétaire et financier*) and with the methods of calculating the coverage ratio provided for in Regulation no. 99-10 of the French Banking and Financial Regulation Committee.

Our work has also required that we plan and prepare our review leading to an assessment of the fair presentation of the estimated and the forecasted financial data, with regard to its consistency, plausibility and relevance, with a view to checking compliance with the rule provided for in Article L. 515-20 of the French Monetary and Financial Code (*Code monétaire et financier*). Regarding the forecasted financial data, we have assessed the assumptions used and their statement in figures, considering that, as the forecasts are, by their nature, uncertain, the actual results could differ significantly from the forecasted data presented.

Based on our work, we have no comments to make as regards compliance by BNP Paribas Home Loan SFH with Article L. 515-20 of the French Monetary and Financial Code (*Code monétaire et financier*), which states that the amount of assets must be greater than the amount of preferential liabilities, pursuant to the conditions provided by Article R. 515-7-2 of said code, after taking into account the aforementioned issue programme.

[date and place]

The Specific Controller

[name of the Contrôleur Spécifique]

[address]

## APPENDIX

Figures after taking into account the current issue programme of EUR [ ● ].

In million of EUR	Estimated Figures	Forecasted Figures
	As of [ ● ]	As of [ ● ]
Total application of funds	[ ● ]	[ ● ]
Total sources of funds that qualify for the privileged right mentioned in Article L. 515-19 of the French Monetary and Financial Code ( <i>Code monétaire et financier</i> )	[ ● ]	[ ● ]

**ATTESTATION DU CONTROLEUR SPECIFIQUE RELATIVE A UNE EMISSION  
OBLIGATAIRE D'UN MONTANT DE [ ● ] EN DATE DE REGLEMENT DU [ ● ]  
EN APPLICATION DES ARTICLES L.515-30 ET R.515-13, IV DU CODE MONETAIRE ET  
FINANCIER**

*[only applicable if the amount of covered bonds issued equals or exceeds euro 500,000,000 or its  
equivalent in any other currency]*

Messieurs les Administrateurs de BNP Paribas Home Loan SFH,

En notre qualité de contrôleur spécifique de votre société et en exécution des dispositions prévues par les articles L.515-30 et R.515-13, IV du Code monétaire et financier, nous devons établir une attestation du respect de la règle prévue à l'article L.515-20 de ce Code, dans le cadre de toute émission d'obligations de financement à l'habitat d'une valeur unitaire au moins égale à 500 millions d'Euros.

Par décision en date du [ ● ], le conseil d'administration de BNP Paribas Home Loan SFH a fixé le plafond maximum du programme d'émissions de ressources bénéficiant du privilège institué par l'article L.515-19 du Code monétaire et financier, pour le [ ● ] trimestre [ ● ], période allant du [ ● ] au [ ● ] à [ ● ] Euros.

Dans le cadre de ce programme trimestriel d'émissions et en vertu des pouvoirs qui lui ont été conférés par une délibération du Conseil d'Administration en date du [ ● ], le directeur général de BNP Paribas Home Loan SFH a autorisé le lancement d'une nouvelle émission de ressources bénéficiant du privilège institué par l'article L.515-19 du Code monétaire et financier, pour un montant de [ ● ] Euros en date de règlement du [ ● ].

L'article L.515-20 du Code monétaire et financier dispose que le montant total des éléments d'actif des sociétés de financement de l'habitat doit représenter au minimum 102% du montant des éléments de passif bénéficiant du privilège mentionné à l'article L.515-19 de ce même Code. Il nous appartient d'attester du respect de cette règle au titre de la présente opération.

Le respect de cette règle, après prise en compte de l'émission visée ci-dessus, a été vérifié sur la base d'informations financières estimées et prévisionnelles établies sous la responsabilité de votre conseil d'administration. Les informations financières prévisionnelles ont été établies à partir des hypothèses traduisant la situation future que vous avez estimée la plus probable à la date de la présente émission. Ces informations sont présentées en annexe à la présente attestation.

Nous avons effectué nos travaux sur la base des diligences que nous avons estimées nécessaires au regard de la doctrine professionnelle de la Compagnie Nationale des Commissaires aux Comptes, relative à cette mission. Ces diligences sont destinées à vérifier, sur la base des informations financières établies, le respect de la règle prévue par l'article L.515-20 du Code monétaire et financier et les modalités de calcul du ratio de couverture prévues par les dispositions du règlement n°99-10 du comité de la réglementation bancaire et financière.

Nos diligences ont notamment consisté à examiner le processus d'élaboration des informations financières estimées et prévisionnelles, établies à la date plus proche de celle de la présente émission, afin d'en vérifier la cohérence dans la perspective de contrôler le respect de la règle prévue à l'article L.515-20 du Code monétaire et financier. En ce qui concerne les informations prévisionnelles, nous avons pris connaissance des hypothèses retenues et vérifié leur traduction chiffrée, étant rappelé que, s'agissant de prévisions présentant par nature un caractère incertain, les réalisations différeront parfois de manière significative des informations prévisionnelles établies.

Sur la base de nos travaux, nous n'avons pas d'observation à formuler sur le respect, par BNP Paribas Home Loan SFH, de l'article L.515-20 du Code monétaire et financier stipulant que le montant des éléments d'actif doit représenter au minimum 102% du montant des éléments de passif privilégiés, après prise en compte de la présente émission visée ci-dessus.

Le [date et lieu]

Le Contrôleur Spécifique

[cabinet du Contrôleur Spécifique]

[adresse]

**[En-tête de BNP Paribas Home Loan SFH]****ANNEXE**

**Montants après prise en compte des émissions obligataires réalisées du [●] au [●], y compris la présente émission de [●] (date de règlement [●])**

<b>En millions d'euros</b>	<b>Estimé</b>	<b>Prévisionnel</b>
	<b>Au [●]</b>	<b>Au [●]</b>
Total des emplois	[●]	[●]
Total des ressources bénéficiant du privilège mentionné à l'article L.515-19 du Code monétaire et financier	[●]	[●]

**SPECIFIC CONTROLLER'S CERTIFICATE RELATING TO NOTE ISSUE  
AMOUNTING TO [●] WITH A SETTLEMENT DATE ON [●]  
PURSUANT TO ARTICLES L. 515-30 AND R.515-15 OF THE FRENCH MONETARY AND  
FINANCIAL CODE (*CODE MONÉTAIRE ET FINANCIER*)**

TRANSLATED FROM FRENCH

*[Only applicable if the amount of Covered Bonds issued equals or exceeds Euro 500,000,000 or its equivalent in any other currency]*

To the Directors of BNP Paribas Home Loan SFH,

In our capacity as the specific controller of your company and pursuant to the provisions set forth in Articles L.515-30 and R.515-13, IV of the French Monetary and Financial Code (*Code monétaire et financier*), we hereby set out our certification regarding compliance with the rule provided for in Article L.515-20 of the French Monetary and Financial Code (*Code monétaire et financier*) within the framework of any issue of covered bonds (*obligations de financement à l'habitat*) with a unit value of at least Euro 500 million.

In a decision dated [●], the Board of Directors of BNP Paribas Home Loan SFH set the maximum ceiling for the programme for issuing funding that qualify for the privileged right laid down by Article L.515-19 of the French Monetary and Financial Code (*Code monétaire et financier*) for the [●] quarter of [●], period from [●] to [●], at EUR [●].

Within the scope of this quarterly issue programme, and in accordance with a decision of the Board of Directors dated [●], the chief executive officer of BNP Paribas Home Loan SFH approved a new issue of funds qualifying for the preferential rights set forth in Article L.515-19 of the French Monetary and Financial Code (*Code monétaire et financier*), for an amount of [●] with a settlement date on [●].

Article L.515-20 of the French Monetary and Financial Code (*Code monétaire et financier*) states that the total amount of assets held by *sociétés de financement de l'habitat* (special purpose real estate credit institutions) must be at least equal to 102 per cent. of the amount of liabilities which qualify for the privileged right mentioned in Article L.515-19 of said Code. It is our responsibility to certify the compliance of the current transaction with this rule.

Compliance with this rule, after taking into account the aforementioned debenture issue, was verified on the basis of estimated and forecasted financial data, drawn up under the responsibility of your Board of Directors. The forecasted financial data were drawn up on the basis of assumptions which reflect the position that you deemed to be most probable as of the date of the present issue. This information is presented in an appendix to this report.

We performed our review in accordance with the standards procedures issued from the professional rules and practises of the *Compagnie Nationale des Commissaires aux Comptes* (National Association of Statutory Auditors) that are applicable to this type of assignment. These procedures, based on such financial information, were carried out in order to verify compliance with the rule laid down by Article L.515-20 of the French Monetary and Financial Code (*Code monétaire et financier*) and with the methods of calculating the hedge ratio provided for in Regulation no. 99-10 of the French Banking and Financial Regulations Committee.

Our work has also required that we plan and prepare our review leading to an assessment of the fair presentation of the estimated and the forecasted financial data, drawn up as of the closest date of the present issue, with regard to its consistency, plausibility and relevance, with a view to checking compliance with the rule provided for in Article L.515-20 of the French Monetary and Financial Code (*Code monétaire et financier*). Regarding the forecasted financial data, we have assessed the assumptions used and their statement in figures, considering that, as the forecasts are, by their nature, uncertain, the actual results could differ significantly from the forecasted data presented.

Based on our work, we have no comments to make as regards compliance by BNP Paribas Home Loan SFH with Article L.515-20 of the French Monetary and Financial Code (*Code monétaire et financier*), which states that the amount of assets must be at least equal to 102 per cent. of the amount of preferential liabilities, after taking into account the aforementioned issue.

On [date and place],  
The Specific Controller

[●]  
[address]

**[Head-paper of BNP Paribas Home Loan SFH]****APPENDIX**

**Figures after taking into account the Covered Bonds issues for the period from [●] to [●] including the present issue of [●] (value date [●]).**

In million of EUR	Estimated figures	Forecasted Figures
	As of [●]	As of [●]
Total application of funds	[●]	[●]
Total sources of funds that qualify for the privileged right mentioned in Article L.515-19 of the French Monetary and Financial Code (Code monétaire et financier)	[●]	[●]



## GENERAL INFORMATION

*For the avoidance of doubt, it is specified that the expression "Covered Bonds" will only include English Law Covered Bonds and French Law Covered Bonds and the expression "Bondholders" includes any holder of such English Law Covered Bonds and French Law Covered Bonds, in the following section, except as otherwise specified.*

- (1) Application has been made for the AMF to approve this document as a base prospectus and this Base Prospectus has received visa n° 11-221 on 15 June 2011. Application will be made in certain circumstances to list and admit the Covered Bonds on Euronext Paris and application may be made for the listing and admission to trading on any other Regulated Market in a Member State of the EEA.
- (2) The Issuer has obtained all necessary corporate and other consents, approvals and authorisations in France in connection with the update of the Programme. Any issuance of Covered Bonds under the Programme, to the extent that such Covered Bonds constitute *obligations ou instruments financiers équivalents de droit étranger* under French law, requires the prior authorisation of the Executive Board (*Directoire*) of the Issuer, which may delegate its power to its Chairman (*Président*) or to any other member of the Executive Board (*Directoire*), or to the Chief Executive Officer (*Directeur Général*), or to any other person. For this purpose, the Executive Board (*Directoire*) of the Issuer held on 31 May 2011 delegated, *inter alia*, for a period ending on 30 May 2012, to its Chairman and Chief Executive Officer (*Président Directeur Général*) to power to issue *obligations ou instruments financiers équivalents de droit étranger* under the Programme up to a maximum aggregate amount of € 10,000,000,000 (or its equivalent in other currency).
- (3) There has been no material adverse change in the financial or trading position or prospects of the Issuer since 31 December 2010.
- (4) There has been no material adverse change in the prospects of the Issuer since 31 December 2010.
- (5) The Issuer is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceeding which are pending or threatened of which the Issuer is aware), during a period covering at least the previous twelve (12) months which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer.
- (6) Save as disclosed in this Base Prospectus, there are no material contracts that are not entered into the ordinary course of the Issuer's business which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligation to Bondholders in respect of the Covered Bonds being issued.
- (7) Application may be made for Covered Bonds to be accepted for clearance through Euroclear France (115, rue Réaumur, 75081 Paris cedex 02, France) and/or Euroclear (boulevard du Roi Albert II, 1210 Bruxelles, Belgique) and Clearstream, Luxembourg (42, avenue JF Kennedy, 1855 Luxembourg, Luxembourg). The Common Code and the International Securities Identification Number (ISIN) or the identification number for any other relevant clearing system for each Series of Covered Bonds will be set out in the relevant Final Terms.
- (8) PricewaterhouseCoopers Audit, 63, rue de Villiers, 92208 Neuilly-sur-Seine Cedex, France and Mazars, Tour Exaltis - 61, rue Henri Regnault, 92400 Courbevoie, France (both entities regulated by the *Haut Conseil du Commissariat aux Comptes* and duly authorised as *Commissaires aux comptes*) have been appointed as *Commissaires aux comptes* to the Issuer as from 18 September 2006.
- (9) The Issuer does not intend to provide post-issuance transaction information regarding the Covered Bonds to be admitted to trading and the performance of the underlying collateral, except if required by any applicable laws and regulations.
- (10) The Issuer does not produce consolidated financial statements.
- (11) This Base Prospectus and any supplements thereto will be published on the websites of the Issuer ([www.http://invest.bnpparibas.com/](http://invest.bnpparibas.com/) - heading "bnpparibasdebt") and of the AMF ([www.amf-france.org](http://www.amf-france.org)).

The Final Terms related to Covered Bonds admitted to trading on any Regulated Market of the EEA in accordance with the Prospectus Directive will be published, so long as such Covered Bonds are admitted to trading on any Regulated Market, on the websites of of the Issuer ([www.http://invest.bnpparibas.com/](http://invest.bnpparibas.com/) - heading "bnpparibasdebt") and of the AMF ([www.amf-france.org](http://www.amf-france.org)).

In addition, should the Covered Bonds be admitted to trading on a Regulated Market of the EEA other than Euronext Paris in accordance with the Prospectus Directive, the Final Terms related to those Covered Bonds will provide whether this Base Prospectus and the relevant Final Terms will be published on the website of (x) the Regulated Market of the Member State of the EEA where the Covered Bonds have been admitted to trading or (y) the competent authority of the Member State of the EEA where the Covered Bonds have been listed.

- (12) So long as Covered Bonds (including German Law Covered Bonds) are capable of being issued under the Programme, copies of the following documents will, when published, be available during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted), at the registered office of the Issuer and at the specified office of the relevant Paying Agent(s):
- (a) the *statuts* of the Issuer;
  - (b) the audited non-consolidated financial statements of the Issuer in respect of the financial years ended 31 December 2009 and 2010;
  - (c) the Agency Agreement (which includes the form of the *Lettre Comptable*, the Temporary Global Certificates, the Definitive Materialised Covered Bonds, the Coupons, the Receipts and the Talons);
  - (d) the Deed of Covenant;
  - (e) the US Guarantee;
  - (f) Final Terms for Covered Bonds that are listed and traded on Euronext Paris or any other Regulated Market in the EEA;
  - (g) a copy of this Base Prospectus together with any supplement to this Base Prospectus;
  - (h) all reports, letters and other documents, historical financial information, valuations and statements prepared by any expert at the Issuer's request any part of which is included or referred to in this Base Prospectus.
- (13) In accordance with the provisions of EC Regulation 44/2001, a judgment rendered by a court of England (the "**Foreign Judgment**") shall be recognised in France without any special procedure being required. However, the Foreign Judgment will not be recognised by French courts:
- (a) if such recognition is manifestly contrary to public policy in France;
  - (b) where it was given in default of appearance, if the defendant was not served with the document which instituted the proceedings or with an equivalent document in sufficient time and in such a way as to enable him to arrange for his defence, unless the defendant failed to commence proceedings to challenge the judgment when it was possible for him to do so;
  - (c) if it is irreconcilable with a judgment given in a dispute between the same parties in France;
  - (d) if it is irreconcilable with an earlier judgment given in another Member State or in a third State involving the same cause of action and between the same parties, provided that the earlier judgment fulfils the conditions necessary for its recognition in France; or
  - (e) if it conflicts with Sections 3, 4 or 6 of Chapter II of EC Regulation 44/2001, or in a case provided for in Article 72 of EC Regulation 44/2001.

The Foreign Judgment will be declared enforceable by French courts in accordance with the provisions of EC Regulation 44/2001 if the Foreign Judgment has been declared enforceable in England.

The judgment shall be enforced in France when, on the application of any interested party, it has been declared enforceable there.

The party seeking enforcement shall submit to the competent court with its application for a declaration of enforceability, (i) a copy of the judgment which satisfies the conditions necessary to establish its authenticity and (ii) a certificate given by the court where the decision was issued according to provisions of Article 54 of EC Regulation 44/2001.

The judgment shall be declared enforceable immediately on completion of the formalities described above. The party against whom enforcement is sought shall not at this stage of the proceedings be entitled to make any submissions on the application.

The declaration of enforceability shall be served on the party against whom enforcement is sought, accompanied by the judgment.

This decision may be appealed against by either party in accordance with EC Regulation 44/2001. The rules governing French procedure in contradictory matters shall apply to the appeal proceedings.

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