

**SUPPLEMENT N°2 DATED 11 JANUARY 2013
TO THE BASE PROSPECTUS DATED 19 APRIL 2012**



**BPCE SFH
Euro 40,000,000,000
Euro Medium Term Note Programme
for the issue of obligations de financement de l'habitat and other privileged notes
(the "Programme")**

BPCE SFH (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue notes to be governed either by French law, German law or the law of New South Wales, Australia (respectively the "**French law Notes**", the "**German law Notes**" and the "**Australian law Notes**", and collectively, unless otherwise specified, the "**Notes**") under its Programme. The French law Notes will be *Obligations de Financement de l'Habitat* within the meaning of Article L.515-36-I of the French Monetary and Financial Code (*Code monétaire et financier*). The German law Notes will be German law governed *Namenschuldverschreibungen*. Each of the French law Notes, German law Notes and Australian law Notes will benefit from the statutory *privilege* (priority right of payment) created by Article L.515-19 of the French Monetary and Financial Code (*Code monétaire et financier*).

This second supplement (the "**Second Supplement**") constitutes a supplement to and must be read in conjunction with the base prospectus dated 19 April 2012 prepared in relation to the Programme, which received visa No. 12-172 from the *Autorité des marchés financiers* (the "**AMF**") on 19 April 2012, as supplemented by a first supplement dated 17 September 2012 which received visa No. 12-445 from the AMF on 17 September 2012 (together, the "**Base Prospectus**").

The Issuer has prepared this Second Supplement, pursuant to Articles 16 and 16.1 of the Prospectus Directive and Article 212-25 of the AMF General Regulation (*Règlement général de l'AMF*) to take into account the publications by Standard & Poor's Credit Market Services Europe Limited ("**S&P**") of the "Covered Bonds Counterparty and Supporting Obligations Methodology and Assumptions" on 31 May 2012 and "Counterparty Risk Framework Methodology and Assumptions" on 29 November 2012.

Terms defined in the Base Prospectus have the same meaning when used in this Second Supplement.

Application has been made to the AMF in France for approval of this Second Supplement, in its capacity as competent authority pursuant to Article 212-2 of the AMF General Regulation (*Règlement général de l'AMF*).

Save as disclosed in this Second Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus which is material in the context of the Programme since the publication of the Base Prospectus. To the extent that there is any inconsistency between any statement in this Second Supplement and any other statement contained or incorporated by reference in the Base Prospectus, the statements in this Second Supplement will prevail.

To the extent applicable, and provided that the conditions of Article 212-25 I of the AMF General Regulation (*Règlement général de l'AMF*) are fulfilled, investors who have already agreed to purchase or subscribe for Notes before first publication of this Second Supplement have the right, according to Article 212-25 II of the AMF General Regulation (*Règlement général de l'AMF*), to withdraw their acceptances within a time limit of two business days after the publication of this Second Supplement.

Copies of this Second Supplement (a) may be obtained free of charge at the registered office of the Issuer (BPCE SFH Service Emissions – 50, avenue Pierre Mendès France – 75201 Paris Cedex 13) and (b) will be made available on the websites of the Issuer (www.bpce.fr) and of the AMF (www.amf-france.org).

AMENDMENTS TO THE HEDGING LETTER AND TO THE MANAGEMENT AND RECOVERY AGREEMENT

Following the publications by S&P of the "Covered Bonds Counterparty and Supporting Obligations Methodology and Assumptions" on 31 May 2012 and "Counterparty Risk Framework Methodology and Assumptions" on 29 November 2012, the Issuer and BPCE have decided to amend the Hedging Letter and the Management and Recovery Agreement, in order notably to comply with these new criteria.

- (i) As a result, on page 71 of the Base Prospectus, in section "THE ISSUER", under "The Management and Recovery Agreement – Bank Accounts and Cash Management – Bank Account", the first paragraph is deleted in its entirety and hereby replaced by the following:

"The Management and Recovery Agent shall, pursuant to the provisions of the Management and Recovery Agreement open and maintain in its books or in the books of any authorised entity whose unsecured debt obligations are rated at least A (long-term) (S&P) and A2 (long-term) and P-1 (short-term) (Moody's) (the "**Account Bank Required Ratings**"), the bank accounts of the Issuer."

- (ii) As a further result of the new S&P criteria mentioned above, the section "The Hedging Strategy" of the Base Prospectus (pages 88 to 90 of the Base Prospectus) is deleted in its entirety and hereby replaced by the amended section "The Hedging Strategy" reproduced on pages 3 to 5 of this Second Supplement.

THE HEDGING STRATEGY

For the avoidance of doubt, in the following section, the expression "Notes" will apply to the French law Notes, German law Notes and Australian law Notes.

The present section describes the hedging strategy (the "**Hedging Strategy**") to be implemented from time to time by the Issuer, as set out in a letter (the "**Hedging Letter**") entered into between BPCE SFH and BPCE, on 19 April 2011, as amended from time to time.

Hedging Strategy before the occurrence of a Hedging Trigger Event

Interest rate risk

The Notes issued under the Programme may be Fixed Rate Notes, Floating Rate Notes, Index Linked Notes or Zero Coupon Notes. Each Series of Notes will be denominated in any Specified Currency and may be Dual Currency Notes (see "Terms and Conditions of the French law Notes").

The proceeds from the issuance of the Notes under the Programme will be used by the Issuer to fund Borrower Loans to be made available to the Borrowers under the Credit Facility. The terms and conditions regarding the calculation and the payment of principal and interest under a Borrower Loan shall mirror the equivalent terms and conditions of the Notes funding such Borrower Loan, as further described hereunder and in the relevant Final Terms of the Borrower Loan (see "The Facility and Security Agreement").

The Issuer is therefore not exposed to any risk of an interest rate mismatch arising between the payments received on the Borrower Loans and the payments to be made under the Notes. As a consequence, in the absence of any Hedging Trigger Event the Issuer will have no obligation to hedge any interest rate risk.

The determination of the interest rate of each Series of Notes, as specified in each applicable Final Terms, shall be made by the Issuer regardless of the interest rate conditions applicable, as the case may be, to such Collateral Security Assets.

Before the enforcement of the Collateral Security and as long as no hedging Trigger Event has occurred, the Borrowers retain any interest rate risk linked to the mismatch between the Collateral Security Assets and the Borrower Loan. Thus until and unless such enforcement or Hedging Trigger Event occurs, the Borrowers will hedge this interest rate risks according to their usual and current strategies and practices.

Currency risk

The Borrower Loan and the Notes funding such Borrower Loan may be denominated in different currencies.

In order to hedge the risk resulting from that currency mismatch, under the Hedging Letter, BPCE SFH has undertaken, and BPCE (acting in capacity as Administrative Agent and Management and Recovery Agent), has acknowledged and agreed, that if, on any proposed Utilisation Date, the relevant Borrower Loans and the corresponding Notes are denominated in different currencies, BPCE SFH shall enter into the necessary currency hedging transaction(s) with an Eligible Hedging Provider, on or before the issuance of the relevant Notes and granting of the relevant Borrower Loan (the "**Pre-Enforcement Currency Hedging Transaction(s)**"). Pursuant to the Credit Facility and Collateral Framework Agreement, BPCE SFH has undertaken in favour of the Borrowers to use commercially reasonable efforts for that purpose, provided that if BPCE SFH does not find any such Eligible Hedging Provider agreeing to enter into such Pre-Enforcement Currency Hedging Transaction(s), the corresponding Notes shall not be issued and the relevant Borrower Loan shall not be made available by BPCE SFH to the relevant Borrower.

Hedging Strategy upon the occurrence of a Hedging Trigger Event or Group Event of Default

There is no assurance that the Home Loans being part of the Collateral Security bear interest at the same conditions as those of the Notes and are denominated in the same currency as the Notes. Upon the occurrence of a Group Event of Default and the enforcement of the Collateral Security, Home Loans and related Homes Loans Security will be transferred to the Issuer.

In order to pre-empt and hedge the potential mismatch of the interest rates applicable to the Notes and to the Home Loans and the potential mismatch of currencies, under the Hedging Letter:

1. BPCE SFH has undertaken and BPCE (acting in capacity as Administrative Agent and Management and Recovery Agent), has acknowledged and agreed, that BPCE SFH shall upon the occurrence of the earlier between (i) a Hedging Rating Trigger Event or (ii) a Group Event of Default enter into:

- (a) one or more hedging transaction(s) (the "**Note Issuer Hedging Transaction(s)**") with one or more Eligible Hedging Provider(s) in order to hedge any currency and/or interest rate risk it will bear in respect of the relevant series of Notes (a "**Series**"); and
- (b) one or more hedging transaction(s) (the "**Asset Issuer Hedging Transaction(s)**") and together with the Note Issuer Hedging Transaction(s), the "**Issuer Hedging Transaction(s)**") with Eligible Hedging Provider(s) in order to hedge any currency and/or interest rate risk it will bear in respect of the Collateral Security Assets,

it being provided that the Issuer Hedging Transaction(s) shall be entered into pursuant to one or more hedging agreement(s) (the "**Issuer Hedging Agreement(s)**") substantially in the approved form attached as annex to the Hedging Letter and in substance acceptable to the Rating Agencies, taking into account any existing Pre-Enforcement Currency Hedging Transaction(s);

- 2. BPCE SFH and BPCE have undertaken that they shall enter into, upon the occurrence of a Hedging Rating Trigger Event and as long as no Group Event of Default occurs, one or more hedging agreement(s) and related hedging transaction(s) substantially in the form to the Hedging Letter, and in substance acceptable to the Rating Agencies, in order to transfer to BPCE the economic substance of the Issuer Hedging Agreement(s) (respectively, the "**Borrower Hedging Agreement(s)**" and, together with the Issuer Hedging Agreement(s), the "**Hedging Agreement(s)**" and the "**Borrower Hedging Transaction(s)**" and, together with the Issuer Hedging Transaction(s), the "**Hedging Transaction(s)**"). Each Borrower Hedging Agreement shall provide that such Borrower Hedging Agreement shall terminate upon the occurrence of a Group Event of Default and (ii) that no settlement amount or other amount or cost shall be payable by either party thereto in such circumstance;
- 3. BPCE SFH and BPCE have acknowledged and agreed that the Issuer Hedging Agreements shall hedge the amount of interest and, in the case of Series denominated in a currency other than Euro, principal payable by BPCE SFH under the relevant Series, in the relevant Specified Currency, and the amount corresponding to the interest and principal payable under the Collateral Security Assets, in each relevant currency, into variable rate flows denominated in Euros and indexed to Euribor one month or, subject to prior Rating Confirmation, to any other index;
- 4. the signatories to the Hedging Letter have acknowledged that upon the occurrence of a Hedging Trigger Event, failure (i) by BPCE SFH to find an Eligible Hedging Provider agreeing to enter into any Issuer Hedging Transaction within thirty (30) Business Days from the occurrence date of such Hedging Trigger Event or (ii) by BPCE to enter into any Borrower Hedging Transaction with the Issuer within thirty (30) Business Days from the occurrence date of such Hedging Trigger Event, in each case in the approved form set out in annex 1 thereto, shall constitute a Group Event of Default;
- 5. BPCE hereby expressly agrees that it shall pay any costs and expenses incurred by BPCE SFH when negotiating and/or entering into any Hedging Agreement, including for the avoidance of doubt any premium (*soulte*) payable to any direct or indirect counterparty in connection with entry into a Hedging Agreement, based on the most recent margins of the Collateral Security Assets, as determined and communicated on a quarterly basis by the Management and Recovery Agent to BPCE SFH (the "**Recent Margins**");
- 6. the financial conditions of these Issuer Hedging Agreement(s) shall be determined so that:
 - (a) any such margin payable by BPCE SFH under a Note Issuer Hedging Transaction shall not be greater than the most Recent Margin calculated in respect of the relevant Series; and
 - (b) any margin receivable by BPCE SFH from any direct or indirect counterparty under an Asset Issuer Hedging Transaction shall be not less than the Recent Margin calculated in respect of hedging the interest and principal payable under the Collateral Security Assets.

In circumstances where BPCE SFH is required to enter into Hedging Agreements with different counterparties, a separate Hedging Agreement shall be entered into in respect of each separate counterparty.

"**Eligible Hedging Provider**" means a financial institution which meets the following conditions:

- (i) such financial institution is permitted under any applicable and relevant law to enter into derivative contracts with French residents; and
- (ii) the rating of its unsecured, unsubordinated and unguaranteed debt obligations is at least a Hedging Required Rating, or (ii) the rating of the unsecured, unsubordinated and unguaranteed debt obligations of its guarantor under the relevant Hedging Agreement is at least a Hedging Required Rating and the terms of such guarantee provided by its guarantor

has prior Rating Confirmation, 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 Rating Agencies.

"Hedging Trigger Event" means the event in which the unsecured, unsubordinated and unguaranteed debt obligations of BPCE become rated below A2 (long-term) by Moody's or below A (long-term) by S&P.

"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, interest risks and other risks, that:

- (1) its long-term, unsecured and unsubordinated debt obligations are rated at least as high as "A2" by Moody's;
and
- (2) its long-term, unsecured and unsubordinated debt obligations are rated no lower than the applicable S&P Subsequent Required Rating (as long as S&P Replacement Option 1 or S&P Replacement Option 2 applies) or the applicable S&P Initial Required Rating (as long as S&P Replacement Option 3 or S&P Replacement Option 4 applies);

it being provided that if an Eligible Hedging Provider does not have the S&P Initial Required Rating at the time it enters into the relevant hedging agreement, such Eligible Hedging Provider will immediately provide collateral under the provisions of the relevant credit support annex (if such Eligible Hedging Provider elects for the S&P Replacement Option 1 or the S&P Replacement Option 2 at the time such transfer or novation occurs);

Where:

- **"S&P Initial Required Rating"** means:
 - o "A" (long-term) by S&P if S&P Replacement Option 1, S&P Replacement Option 2 or S&P Replacement Option 3 applies;
 - o "A+" (long-term) by S&P if S&P Replacement Option 4 applies;
- **"S&P Subsequent Required Rating"** means:
 - o "BBB+" (long-term) by S&P if S&P Replacement Option 1 applies;
 - o "A-" (long-term) by S&P if S&P Replacement Option 2 applies;
- **"S&P Replacement Option 1"** means the counterparty replacement option 1, as described in the S&P rating criteria document entitled "Counterparty Risk Framework Methodology And Assumptions" dated 29 November 2012;
- **"S&P Replacement Option 2"** means the counterparty replacement option 2, as described in the S&P rating criteria document entitled "Counterparty Risk Framework Methodology And Assumptions" dated 29 November 2012;
- **"S&P Replacement Option 3"** means the counterparty replacement option 3, as described in the S&P rating criteria document entitled "Counterparty Risk Framework Methodology And Assumptions" dated 29 November 2012;
- **"S&P Replacement Option 4"** means the counterparty replacement option 4, as described in the S&P rating criteria document entitled "Counterparty Risk Framework Methodology And Assumptions" dated 29 November 2012.

The Hedging Letter is governed by French law.

PERSON RESPONSIBLE FOR THE INFORMATION GIVEN IN THE SECOND SUPPLEMENT

In the name of the Issuer

I declare, having taken all reasonable care to ensure that such is the case and to the best of my knowledge, that the information contained in this Second Supplement is in accordance with the facts and contains no omission likely to affect its import.

Paris, 11 January 2013

BPCE SFH

50, avenue Pierre Mendès-France
75013 Paris
France

Duly represented by:
Roland Charbonnel
Chief executive officer
Duly authorised



In accordance with articles L. 412-1 and L. 621-8 of the French Monetary and Financial Code (*Code monétaire et financier*) and with the AMF General Regulation (*Règlement général de l'AMF*), in particular articles 212-31 to 212-33, the AMF has granted to this Second Supplement its visa No. 13-005 on 11 January 2013. The Base Prospectus, as supplemented by this Second Supplement, may be used for the purposes of a financial transaction only if it is supplemented by final terms. This Second Supplement was prepared by the Issuer and its signatories assume responsibility for it. In accordance with article L. 621-8-1-I of the French Monetary and Financial Code (*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 General Regulation (*Règlement général de l'AMF*), setting out the terms and conditions of the securities to be issued.