

Rated entity:

Public Sector Covered Bond Program issued by Caisse Francaise de Financement Local S.A.

Rating:

AAA

Rating outlook / watch:

watch neutral

Rating summary:

The rating of the Caisse Francaise de Financement Local S.A. (CAFFIL) covered bond program is reflected by the Creditreform Rating AG ("CRA") issuer rating opinion of SFIL SA due to the group structure. CRA has revised its rating methodology for the rating of banks (Bank Ratings). Therefore, the Long-term Issuer Rating of SFIL SA will be reviewed as part of CRA's current monitoring and has received therefore the rating supplement "watch neutral". The rating of the covered bond program has been updated accordingly.

Risk Factor	Result
Issuer rating	AA _(watch neutral) (rating as of 29.05.2020)
+ Legal and regulatory framework	+4 Notches
+ Liquidity and refinancing risk	+1 Notch
= Rating after 1 st uplift	AAA _(watch neutral)
Cover pool & cash flow analysis	A+ (Cover pool data as of 30.09.2019)
+ 2 nd rating uplift	+/-0 Notch
= Rating covered bond program	AAA _(watch neutral)

Primary key rating driver:

- + Covered Bonds are subject to strict legal framework (SCF Law), and full recourse of the covered bondholders to the issuer
- + High overcollateralization (OC) of 13.87% as of 30.09.2019
- + The sponsor bank (SFIL SA) benefits from explicit guarantee from the French government to maintain its financial viability

Rating sensitivities:

Best-case scenario: In this scenario, we took into account the base case assumptions in our cash-flow analysis, represented by a default rate of 19.56% and recovery rate of 47.20%, resulting in a covered pool rating of A+. This, however, did not ensure any secondary rating uplift which has been set at zero (0) notch.

Worst-case scenario: In this scenario, we stressed (ceteris paribus) the cover pool by increasing the default rate and reducing the recovery rate by 50% respectively, resulting in a covered pool rating of BB.

ESG-criteria:

CRA generally takes ESG-relevant factors (environmental, social and governance) into account when assessing Covered Bond ratings. Overall, ESG factors have a significant impact on the current rating of this Covered Bond program. CRA identifies governance factors, in particular, to have a highly significant impact on Covered Bond ratings. Since Covered Bonds are subject to strict legal requirements, regulatory risk plays an important role in assessing the credit rating. In general, the legislation under 'Sociétés de Crédit Foncier' ("SCF") defines the legal basis for public sector covered bond programs in France, it defines clear rules to mitigate risks in particular regarding: insolvency remoteness, asset segregation, investor's special claim vis-à-vis other creditors, the roll and appointment of a special administrator, among other provisions. The sponsor bank (SFIL SA) benefits from explicit guarantee from the French government to maintain its financial viability. Additionally, Risk management and internal controls as well as the macroeconomic factors such as hedging strategies, interest rates and yield curve are considered to have a highly significant impact on the assessment of the credit rating. Other individual factors with a potential key rating influence were not identified, and therefore did not affect the final rating.

On the subject of ESG (environment, social and governance), Creditreform Rating AG has published the basic document ("The Impact of ESG Factors on Credit Ratings"), which is available on the homepage under the following link:

<https://creditreform-rating.de/en/about-us/regulatory-requirements.html>

Rating Date / disclosure to rated entity / maximum validity:

June 3, 2020 / June 3, 2020 / January 1, 2050

Between the disclosure of the credit rating to the rated entity and the public disclosure, no amendments were made to the credit rating.

Initial rating date:

January 23, 2019

Lead-analyst – position / Person approving (PAC):

AFM Kamruzzaman (Lead) – Analyst

Stephan Giebler (PAC) – Senior Analyst

Name & address of legal entity:

Creditreform Rating AG, Hellersbergstraße 11, 41460 Neuss, Germany

Status of solicitation:

The rating is an unsolicited rating. The degree of participation was as follows:

With Rated Entity or Related Third Party Participation: No

With Access to Internal Documents: No

With Access to Management: No

Rating methodology / Version / Date of application / Link:

[Rating Criteria and Definitions, Version 1.3, January 2018](#)

[Technical Documentation Portfolio Loss Distributions, Version 1.4, July 2018](#)

[Rating Methodology Covered Bonds, Version 1.0, July 2017](#)

Information on the meaning of a rating category, definition of default and sensitivity analysis of relevant key rating assumptions can be found at "Creditreform Rating AG, Rating Criteria and Definitions".

<https://creditreform-rating.de/en/about-us/regulatory-requirements.html>

Regulatory requirements:

In 2011 Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG (CRA) is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation.

Conflict of Interests

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or approving credit ratings and rating outlooks. In case of providing ancillary services to the rated entity, CRA will disclose all ancillary services in the credit rating report.

Rules on the Presentation of Credit Ratings and Rating Outlooks

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our policy "Rating Committee," all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity. To prepare this credit rating, CRA has used following substantially material sources:

1. Transaction structure and participants
2. Transaction documents
3. Issuing documents
4. Other rating relevant documentation

There are no other attributes and limitations of the credit rating or rating outlook other than displayed on the CRA website. Furthermore CRA considers satisfactory the quality and extent of information available on the rated entity. In regard to the rated entity Creditreform Rating AG regarded available historical data as sufficient.