

# Covered Bonds follow-up Rating

Caisse Francaise de Financement Local  
Public Sector Covered Bond Program

Rating Object	Rating Information	
<b>Caisse Francaise de Financement Local S.A., Public Sector Covered Bond Program</b>	Rating / Outlook : <b>AAA / Stable</b>	Type: Rating Update (unsolicited)
Type of Issuance : Public Sector Covered Bond under French law Issuer : Caisse Francaise de Financement Local S.A.	Rating Date : 03.02.2022 Rating Renewal until : Withdrawal of the rating Maximum Validity: 01.01.2050 Rating Methodology : CRA „Covered Bond Ratings“	
LT Issuer Rating : AA (CAFFIL) ST Issuer Rating : L1 Outlook Issuer : Negative		

Program Overview			
Bonds nominal value	EUR 51.177 m.	WAL maturity covered bonds	7,10 Years
Cover pool value	EUR 58.751 m.	WAL maturity cover pool	6,90 Years
Cover pool asset class	Public Sector	Overcollateralization (nominal/committed)	14,80%/ 5,00%
Repayment method	Hard Bullet	Min. overcollateralization	5,00%
Legal framework	SCF Legislation	Covered bonds coupon type	Fix (92,03%), Floating (1,84%)

Cut-off date Cover Pool information: 30.09.2021

## Rating Action

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This follow-up report covers our analysis of the public sector covered bonds (*Obligations Foncières* or OF) program issued under French law by Caisse Francaise de Financement Local S.A. („CAFFIL“). The total covered bond issuance at the cut-off date (30.09.2021) had a nominal value of EUR 51.176,74 m, backed by a cover pool with a current value of EUR 58.751,45 m. This corresponds to a nominal overcollateralization of 14,80%. The cover assets mainly include French public sector assets as well as obligations of regional and local authorities in France.

Taking into consideration the issuer rating, our analysis of the regulatory framework, liquidity- and refinancing risks, as well as our cover pool assessment and results of the cash flow analysis, Creditreform Rating AG (“Creditreform Rating” or “CRA”) affirms the covered bond program with an AAA rating. The AAA rating represents the highest level of credit quality and the lowest investment risk.

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## Key Rating Findings

- + Covered Bonds are subject to strict French legal framework for covered bonds
- + Covered Bond holders have full recourse to the issuer.
- + The sponsor bank (SFIL SA) benefits from explicit guarantee from the French government to maintain its financial viability
- + Very good asset-quality of the issuer, very high regulatory capital ratios
- +/- Covid-19 can lead to sustained impact on the cover pool and the issuer rating

Table1: Overview results

Risk Factor	Result
Issuer rating	AA (rating as of 17.12.2021)
+ Legal and regulatory framework	+4 Notches
+ Liquidity and refinancing risk	+1 Notch
= Rating after 1 <sup>st</sup> uplift	AAA
Cover pool & cash flow analysis	AA-
+ 2 <sup>nd</sup> rating uplift	+/-0 Notch
= Rating covered bond program	<b>AAA</b>

## Issuer Risk

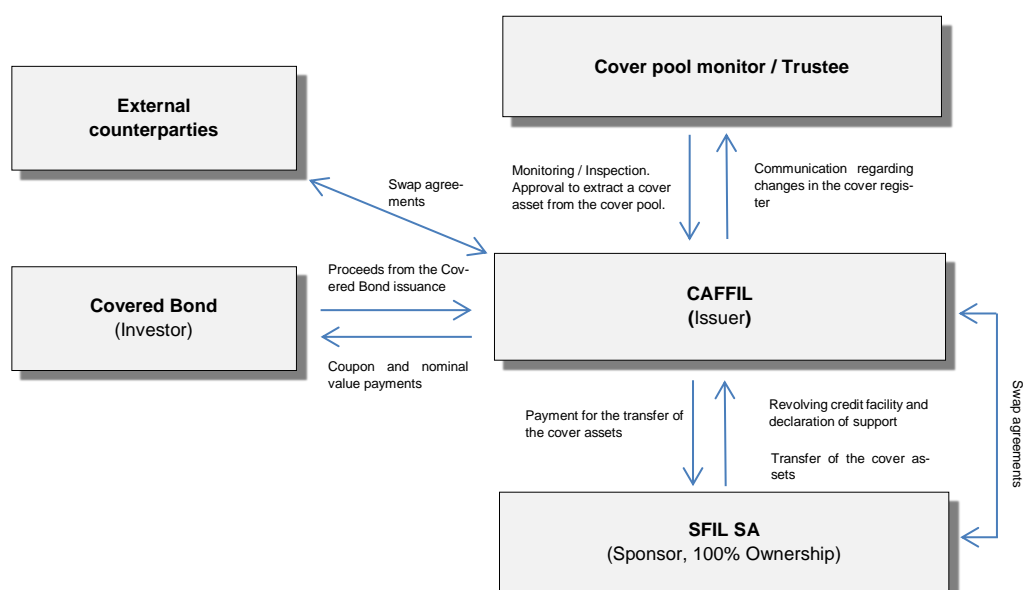
### Issuer

Our rating of CAFFIL covered bond program is reflected by our issuer rating opinion of SFIL SA (Group) due to its group structure. CRA has affirmed the Long-term rating of SFIL at AA (negative) in a Rating Update dated 17.12.2021. The rating of SFIL is predominantly affected by our opinion that there is almost certain likelihood of support by the French Republic (CRA Rating: AA (negative) on 21.05.2021) in the event of financial distress. This owes to the fact that the bank benefits from explicit state guarantees by way of letter of support. In 2020, the world was significantly affected by the COVID-19 crisis, which actually had only a minor impact on SFIL. The outlook 'negative', is in line with the long-term sovereign rating of the French Republic by CRA. For a detailed overview of the issuer rating, please refer to the webpage of Creditreform Rating AG.

## Structural Risk

### Transaction structure

Figure1: Overview of Covered Bond emission | Source: CRA



## Legal and Regulatory Framework

In France, there exist three different types of covered bonds – 'Obligations Foncières' (OF), 'Caisse de Refinancement de l'habitat' (CRH) and 'Obligations de Financement de l'habitat' (OH) – governed by different legal frameworks.

The European Commission on November 2019 has also adopted the legislative package to provide for enhanced harmonisation of the EU covered bond market. Each of the Member States should implement the Covered Bond Directive (CBD) by 8 July 2021 and the national measures shall be applied at the latest from 8 July 2022.

In France, the French covered bond legislation has recently been updated over the summer to be in line with the EU Covered Bond Directive, with the aim to comply with the 8 July 2022 milestone. Ordonnance no 2021-858 of 30 June 2021, which proposes the adoption of a number of legal measures necessary for the transposition of EU CB Directive into French law, was published on 1 July. The legal decree n° 2021-898 on the transposition was published on 7 July 2021 in the Journal Officiel n° 0156. In addition, modifications to secondary regulation are expected to be published as well. Once fully adopted on 8 July 2022, the new legislation might have a potential effect on the legal and regulatory framework applicable to the issuance of covered bonds currently in force.

A comprehensive overview of the SCF legislation with previous amendments that governs the 'Obligations Foncières' (OF), can be found in our initial and follow-up rating reports of CAFFIL Public Sector Covered Bonds. The following major provisions describe the current status of the SCF legislation.

An affiliated company – the 'Sociétés de Crédit Foncier (SCF), which is a regulated French specialized credit institution with the restricted purpose to provide and fund home loans, issues OFs. As the issuer is not the originator, the cover assets are owned by and segregated in the sponsor bank but pledged and transferred to the SCF. The SCFs have to obey the laws and regulations codified by Articles L.515-35 of the French Monetary and Financial Code.

Under the SCF legislation, the OF holders has direct recourse to the issuer and legal privilege over the SCF's eligible cover assets, which are exposures to the public entities such as states, central banks, local authorities or state-owned entities confined to EU/EEA countries, USA, Switzerland, Japan, Canada, Australia or New-Zealand. Furthermore, other countries are allowed as far as they comply with some specific limits and credit rating by an approved external rating agency.

Along with the nomination of two external statutory auditors, the legal framework stipulates to nominate an independent Specific Controller to monitor the cover pool.

In case of issuer's insolvency, the general insolvency court will manage the cover pool and will act in the interest of the covered bondholders. The SCF issuers have to disclose information regarding cover assets and covered bond programs on their website on a regular basis as well.

In general, we consider the structural framework for covered bond programs in France as positive as SCF legislation 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. Due to those reasons we have set a rating uplift of four (+4) notches for the regulatory and structural framework for French covered bond programs under SCF legislation.

## Liquidity- and Refinancing Risk

With respect to OFs, it is compulsory for the covered bond issuers to maintain a nominal overcollateralization (OC) of 5% at all times, while the coverage calculations have to be done on a monthly basis. Furthermore, the Issuer is also required to maintain a liquidity buffer to cover, for the next 180 days, all debt service outflows (interest and principal) and derivative transactions.

The underlying cover pool is also subjected to an asset-coverage test in order to ensure sufficient OC level and cash flow adequacy. SCF must manage and hedge interest rate risks, currency risks, and liquidity and maturity mismatches between assets and liabilities.

In the event of the issuer's insolvency, the special administrator (i.e. general insolvency court) can sell assets of the cover pool or use them as a guarantee for liquidity operations if liquidity shortfalls are foreseeable.

Overall, the SCF legislation and the stipulated risk management processes for liquidity risks constitute a comparatively strict framework by which they can be effectively reduced. Refinancing risks, however, may not be structurally reduced under the hard bullet repayment structure, which can only be cushioned by sufficiently high overcollateralization or by other liquid funds. Nevertheless, we assess the overall legal provisions on liquidity management for French Covered Bond programs under SCF legislation as positive and set a rating uplift of one (+1) notch.

## 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.

The SCF legislation provides 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. 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

## Credit and Portfolio Risk

### Cover pool analysis

The analysis of the cover pool is based on public information which has been made available by the Issuer, in particular the Harmonised Transparency Template („HTT“) as per regulatory requirements. This information was sufficient according to CRA´s rating methodology “Covered Bond Ratings”.

At the cut-off-date 30.09.2021, the pool of cover assets consisted of 41.125 debt receivables from approximately 13.700 debtors, of which 90,13% are domiciled in France. The total cover pool volume amounted to EUR 58.751,45 m in bonds (9,42%), loans (90,58%) and others (0,00%)

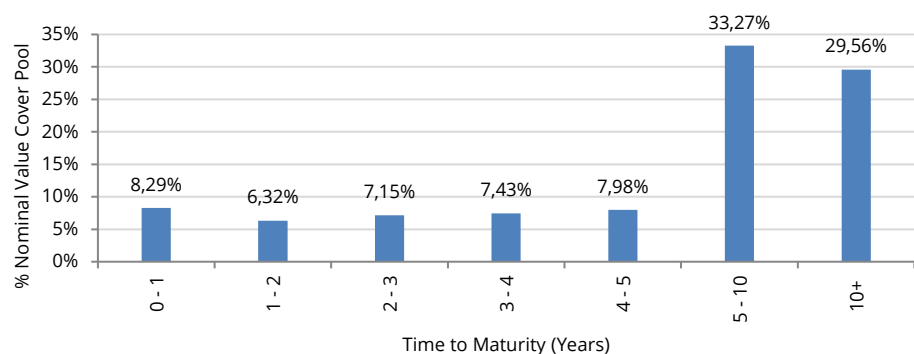
which have been lent to the central government, regional authorities and entities, and other debtors. The ten largest debtors of the portfolio total to 16,70%. Table 2 displays additional characteristics of the cover pool:

Table 2: Cover pool characteristics | Source: CAFFIL

Characteristics	Value
Cover assets	EUR 58.751 m.
Covered bonds outstanding	EUR 51.177 m.
Substitute assets	EUR 803,44 m.
Cover pool composition	
<i>Public Sector</i>	98,63%
<i>Substitute assets</i>	1,37%
<i>Other / Derivative</i>	0,00%
Number of debtors	13.700
<i>Bonds</i>	9,42%
<i>Loans</i>	90,58%
<i>Other</i>	0,00%
Average asset value	EUR 1.374.819,84 k.
Non-performing loans	0,0%
10 biggest debtors	16,70%
WA seasoning	77 Months
WA maturity cover pool (WAL)	6,90 Years
WA maturity covered bonds (WAL)	7,10 Years

We have listed an extended view of the composition of the cover pool in the appendix section "Cover pool details". The following chart displays the maturity profile of the cover assets at the cut-off date 30.09.2021 (see figure 2):

Figure 2: Distribution by remaining time to maturity | Source: CAFFIL



## Maturity profile

The following charts present the cash flow profile of the Issuer (see figure 3 and figure 4):

Figure 3: Cover asset congruence | Source: CAFFIL

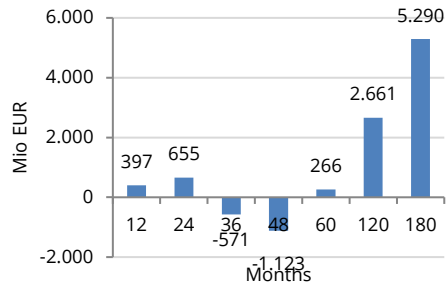
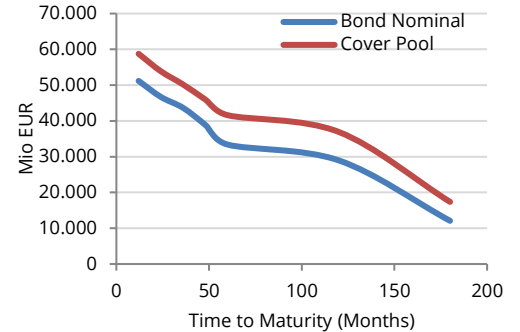


Figure 4: Amortization profile | Source: CAFFIL



During its cash flow modelling, CRA has taken into consideration the maturity structure of cover assets and liabilities. This structure was an integral part of the cash flow analysis.

### Interest rate and currency risk

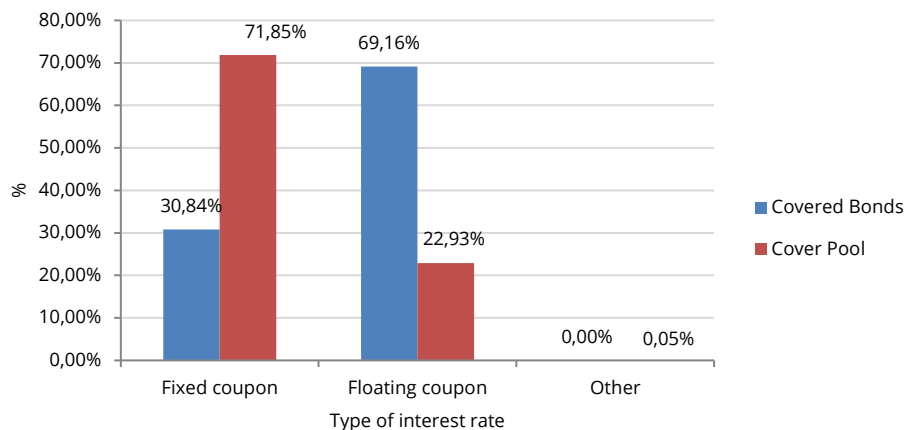
This covered bond program uses derivatives to hedge interest rate- and currency risks. The legal framework also provides for quarterly or monthly stress tests to be conducted on interest rate- and currency risks to maintain the mandatory OC. Currency risk, regardless that, is also limited for this program as 98,68% of the cover pool assets and 99,00% of the cover bonds are denominated mainly in euros. In our Cash flow analysis we assume that the interest rate mismatches and open currency positions of this program are fully hedged in the form of swap agreements; therefore, CRA did not apply any interest rate and foreign exchange stresses for the cash flows.

Table 3: Program distribution by currency, after swaps | Source: CAFFIL

Currency	Volume	Share (%)
<i>Cover Pool</i>		
EUR	58.751 m.	100,00%
<i>Covered Bond</i>		
EUR	51.177 m.	100,00%

Figure 5 shows the types of interest rate used in this program

Figure 5: Type of interest rate | Source: CAFFIL



## Credit Risk

In Covered Bond Public Sector programs, CRA assesses the credit risk of the cover assets primarily through an assessment of the creditworthiness of the obligors and their future ability to meet all payment obligations. In order to derive a base case assumption for credit risk, CRA uses the CRA Sovereign Ratings of all obligors in the portfolio, which will be taken into account pro-rata. The rating reports of relevant sovereigns can be accessed at [www.creditreform-rating.de](http://www.creditreform-rating.de). Using all portfolio information available (number of debtors, sovereign – sub-sovereign, maturity profile, regional diversification etc.), CRA has modelled the cover asset portfolio and, using Monte Carlo simulations, derived a distribution of defaults which can be used to elicit rating-level dependent default assumptions.

Recovery and loss-severity assumptions have been determined in accordance with CRA rating methodology. This includes a differentiation of sovereign- and sub-sovereign credits in terms of loss severities, which is included using the current portfolio composition to determine a weighted average recovery rate.

Using both rating-level dependent default and recovery assumptions, the following loss assumptions have been derived for the current cover pool (see Table 4)

Table 4: Cover Pool Base case assumptions | Source: CRA

Rating	Default Rate (%)	Recoveries (%)	Expected Loss (%)
AAA	29,87%	38,08%	18,50%
AA+	26,23%	40,58%	15,58%
AA	23,95%	43,08%	13,63%
<b>AA-</b>	<b>21,13%</b>	<b>44,75%</b>	<b>11,68%</b>
A+	19,77%	46,42%	10,59%
A	18,84%	48,08%	9,78%
A-	17,36%	49,75%	8,72%

## Cash-Flow Analysis

### Model Assumptions

Based on public information and using the base case loss assumptions, we implement a scenario-based cash flow model. This model aims to test the ability of the structure to service all covered bonds according to their payment profile in diverse stress scenarios. The CRA cash flow analysis assumes that the Issuer has defaulted, i.e. all obligations will be met using cash flows from the cover pool assets only. We also assume that no additional assets will be added to the cover pool during the wind-down phase.

The cash-flow analysis considers, among other factors, asset value haircuts (“asset-sale discount”), and the possible positive yield spread between covered assets and covered bonds (“yield spreads”). To derive the asset-sale discount, CRA assumes, based on secondary market data, a rating level haircut on the asset value. Furthermore, CRA, using available public information (i.e. issuer’s annual accounts), has derived estimations for yield spreads (see table 5):

Table 5: Cash-Flow Model assumptions | Source: CRA

Rating level	Asset-Sale Discount	Yield Spread
AAA	13,88%	0,09%
AA+	12,59%	0,10%
AA	11,76%	0,11%
<b>AA-</b>	<b>10,97%</b>	<b>0,12%</b>
A+	10,36%	0,12%
A	9,86%	0,12%
A-	9,20%	0,13%

### Rating Scenarios

In our cash flow model rating scenarios have been tested considering several central input parameters, such as:

- Portfolio composition (diversification, concentration, granularity)
- Probability of default of cover assets
- Correlations of cover assets and systematic risk factors
- Recoveries
- Maturity profile of covered bonds and cover assets (ALM)

Within a AA- rating scenario, the cash flow model showed that obligations can be paid fully and in a timely manner. Overall, the cash flow analysis revealed that the portfolio, given all available information as of 30.09.2021, may ensure the repayment of bonds’ nominal capital notwithstanding the occurrence of the presented stressed scenarios.

### Overcollateralization Break-Even Analysis

CRA also performed a break-even OC analysis taking into considerations the following drivers: ALM, Loss level, Interest rate spreads, foreign currency mismatches and Recoveries. Performing the break-even OC analysis, we took rating-level specific stressed outcomes into account. Based on these analyses, the maximum OC required for each relevant rating level during the whole period has been presented in table 6.



Table 6: Breakeven Analysis | Source: CRA

Rating Level	Break-Even OC
AAA	23,64%
AA+	19,66%
AA	17,12%
<b>AA-</b>	<b>14,67%</b>
A+	13,33%
A	12,34%
A-	11,07%

## Sensitivity Analysis

CRA also evaluates the sensitivity of the structure and program with respect to important input parameters. In particular, the following factors have been varied:

- Credit quality of cover assets
- Recoveries

The following table presents the rating impact of a decline in recoveries and an increase in the credit risk of single debtors (sovereigns). Starting from the best-case, which is represented by our base case assumptions, the analysis reveals the sensitivity of the rating with respect to recovery rates and credit risk. The worst-case scenario, in which we reduce recoveries by 50% and increase credit risk by 50%, the impact can be seen by a reduction of the base case rating by 8 notches to BB (see Table 7):

Table 7: Covered Bond Program Sensitivity: Credit Quality und Recovery Rates | Source: CRA

Recovery Defaults	Base Case	-25%	-50%
Base Case	<b>AA-</b>	A-	BBB+
+25%	A-	BBB	BBB-
+50%	BBB+	BBB-	BB

In general, based on the presented cash flow analysis results, the rating of the cover pool within our covered bond program rating has been set at AA-. This, however, did not ensure any secondary rating uplift which has been set at zero (0) notch.

However, it is worth mentioning that, the ongoing Covid-19 crisis could have a potential impact on the cover pool. It remains to be seen how serious the effects of the lockdown, among other things, will be. Should there be any changes to the cover pool and the issuer rating in the future, we will include them during our monitoring process.

## Counterparty Risk

### Derivatives

To minimize the risks associated with open foreign currency positions and interest rate mismatches, SFIL, on behalf of CAFFIL, enters into micro (primarily interest rate swaps) and macro hedge derivatives. These interest rate swaps are in the forms of intra-group swaps with SFIL or swap agreements with external counterparties or both. In order to incur no foreign exchange

risk, CAFFIL also enters into cross-currency swaps against the euro for its bonds and assets denominated in currencies other than euro. Type of currency rate swaps are again in the forms of intra-group swaps with SFIL or external counterparty swaps or both.

These swap arrangements contain collateral posting of the counterparties to the CAFFIL triggered by the credit rating; those who enjoy the highest credit rating are not required to post collateral. A full list of counterparties entered into the derivatives transactions has been presented in Table 11

### **Commingling**

Incoming cash flows generated from the cover pool will normally be transferred to the Issuer and will be forwarded to the covered bond holders according to the payment terms and conditions. Should the issuer become bankrupt, there is a risk (“commingling risk”) that funds may not be returned and commingled with the insolvency estate of the issuer. In order to avoid such risk, the SCF law stipulates that the cover assets should be isolated from the general bankruptcy estate (insolvency-free assets) and a special cover pool administrator will be appointed to manage the cover pool. Under that mandate the cover pool administrator will have first priority on the up-coming cash flows from the cover pool assets. These cash flows in turn should be used to cover interest and principal payments of the covered bond holders in case of issuer’s insolvency.

## Appendix

### Rating History

Event	Rating Date	Publication Date	Result
Initial Rating	23.01.2019	30.01.2019	AAA/ stable
Rating Update	05.02.2020	10.02.2020	AAA/ stable
Monitoring	03.06.2020	05.06.2020	AAA/ watch unknown
Rating Update	04.02.2021	10.02.2021	AAA/ stable
Monitoring	05.07.2021	06.07.2021	AAA/ watch unknown
Rating Update	03.02.2022	09.02.2022	AAA/ stable

### Details Cover Pool

Table 8: Characteristics of Cover Pool | Source: CAFFIL

Characteristics	Value
Cover Pool Volume	EUR 58.751 m
Covered Bonds Outstanding	EUR 51.177 m
Substitute Assets	EUR 803 m
Share Derivatives	0,00%
Share Other	100,00%
Substitute Assets breakdown by asset type	
Cash	0,62%
Guaranteed by Supranational/Sovereign agency	0,00%
Central bank	0,00%
Credit institutions	99,38%
Other	0,00%
Substitute Assets breakdown by country	
Issuers country	24,66%
Eurozone	7,47%
Rest European Union	23,29%
European Economic Area	4,36%
Switzerland	0,00%
Australia	0,00%
Brazil	0,00%
Canada	40,07%
Japan	0,00%
Korea	0,00%
New Zealand	0,00%
Singapore	0,00%
US	0,15%
Other	0,00%
Cover Pool Composition	
Public Sector	98,63%
Total Substitute Assets	1,37%

# Covered Bonds follow-up Rating

Caisse Francaise de Financement Local  
Public Sector Covered Bond Program

Other / Derivatives	0,00%
Number of Debtors	13.700
Distribution by debtor type	
Central Government	10,56%
Regional authorities	23,08%
Municipal authorities	52,34%
Other	14,02%
Distribution by asset type	
Loans	90,58%
Bonds	9,42%
Other	0,00%
Average asset value	EUR 1.374.820 k
Share of Non-Performing Loans	0,44%
Share of 10 biggest debtors	16,70%
WA Maturity (months)	152,10
WAL (months)	82,79
Distribution by Country (%)	
Austria	0,30
Belgium	0,06
France	90,13
Germany	0,49
Italy	7,22
Portugal	0,01
Spain	0,52
Sweden	0,03
Other	1,23
Canada	0,24
Japan	0,04
US	0,32
Distribution by Region (%)	
Auvergne-Rhône-Alpes	11,28
Bourgogne-Franche-Comté	3,18
Bretagne	3,45
Centre-Val de Loire	1,99
Corse	1,10
Grand Est	5,78
Hauts-de-France	9,04
Île-de-France	21,88
Normandie	3,41
Nouvelle-Aquitaine	7,50
Occitanie	8,20
Pays de la Loire	3,50
Provence-Alpes-Côte d'Azur	8,53
Outre-Mer	1,29

Table 9: Participant counterparties | Source: CAFFIL

Role	Name	Legal Entity Identifier
Issuer	CAFFIL	549300E6W08778I4OW85
Servicer	SFIL SA	549300HFEHJJOXGE4ZE63
Account Bank	Banque de France, Trésor Public (French Sovereign),CITI, La Banque Postale, NATIXIS, Skandinaviska Enskilda Banken Stockholm, Société Générale Securities Services	Not relevant
Sponsor	SFIL SA	549300HFEHJJOXGE4ZE63

Table 10: Interest rate and Swap counterparties | Source: CAFFIL

Name	Legal Entity Identifier	Agreement Type
ABN AMRO BANK NV	BFXS5XCH7N0Y05NIXW11	Interest
BANCO BILBAO VIZCAYA ARGENTARIA	K8MS7FD7N5Z2WQ51AZ71	Interest & FX
BANK OF AMERICA NA	B4TYDEB6GKMZO031MB27	Interest
BOA EUROPE DAC	EQYXK86SF381Q21S3020	Interest
BARCLAYS BANK PLC	G5GSEF7VJP5I7OUK5573	Interest & FX
BARCLAYS BANK IRELAND PUBLIC LIMITED COMPANY	2G5BKIC2CB69PRJH1W31	Interest & FX
BELFIUS BANQUE	A5GWLFBH3KM7YV2SFQL84	Interest
BNP PARIBAS SA	R0MUWSFPU8MPRO8K5P83	Interest & FX
CITIBANK EUROPE PLC	N1FBEDJ5J41VKZLO2475	Interest & FX
CREDIT AGRICOLE CIB	1VUV7VQFKUOQSJ21A208	Interest & FX
CREDIT SUISSE INTERNATIONAL	E58DKGMJYYYYJLN8C3868	Interest & FX
DEUTSCHE BANK AG	7LTFWZYICNSX8D621K86	Interest
DZ BANK AG	529900HNOAA1KXQJUQ27	Interest
GOLDMAN SACHS MITSUI MARINE DERIVATIVE PRODUCTS LP	X1H61UOUXUPKXR51OV18	Interest & FX
HSBC CONTINENTALE EUROPE	F0HUI11NY1AZMJMD8LP67	Interest
ING BANK NV	3TK20IVIUJ8J3ZU0QE75	Interest & FX
JP MORGAN AG	549300ZK53CNGEEI6A29	Interest
JP MORGAN CHASE BANK NA	7H6GLXDRUGQFU57RNE97	Interest & FX
MORGAN STANLEY CAPITAL SERVICES LLC	I7331LVCZKQKX5T7XV54	Interest
NATIXIS	KX1WK48MPD4Y2NCUIZ63	Interest & FX
NATWEST MARKETS PLC	RR3QWICWWIPCS8A4S074	Interest
ROYAL BANK OF CANADA	ES7IP3U3RHIGC71XBU11	Interest & FX
SFIL	549300HFEHJJOXGE4ZE63	Interest & FX
SOCIETE GENERALE	O2RNE8IBXP4R0TD8PU41	Interest & FX
UNICREDIT BANK AG	2ZCNR8UK83OBTEK2170	Interest

Figure 6: Arrears Distribution | Source: CAFFIL

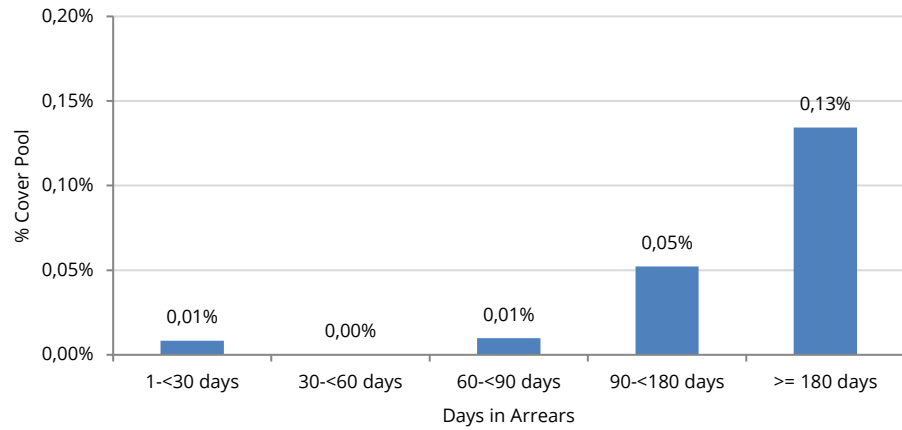
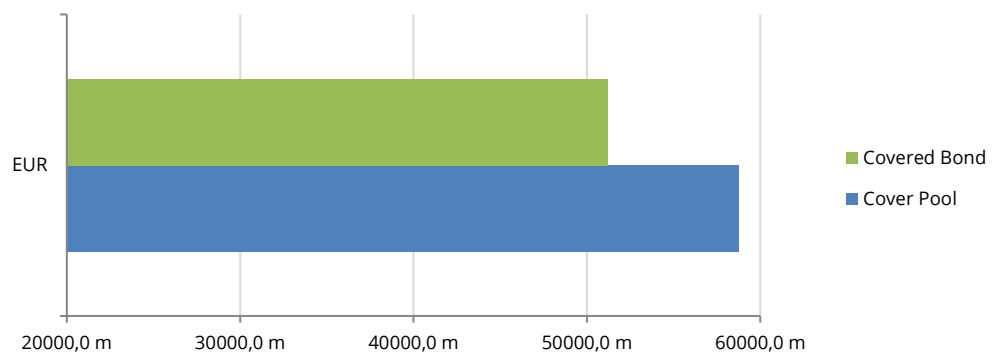


Figure 7: Program currency mismatches | Source: CAFFIL



## Key Source of Information

### Documents (Date: 30.09.2021)

#### Issuer

- Audited consolidated annual reports of SFIL SA (Group) 2017-2020
- Final Rating report as of 17.12.2021
- Miscellaneous Investor Relations Information and Press releases
- Other rating relevant data from the CRA/ eValueRate databank

#### Covered Bond and Cover Pool

- HTT Reporting from CAFFIL as of 30.09.2021
- Base Prospectus of CAFFIL public sector covered bond program dated 11.06.2021
- Market data of Public Sector Covered Bond Program

## Regulatory and Legal Disclosures

Creditreform Rating AG was neither commissioned by the rating object nor by any other third parties for the rating. The analysis took place on a voluntary basis by Creditreform Rating AG and is to be described in the regulatory sense as an unsolicited rating. The rating was conducted on the basis of Creditreform Rating's "[Covered Bond Ratings" methodology \(v1.0, July 2017\)](#) and "[Technical Documentation Portfolio Loss Distributions" \(v.1.0, July 2018\)](#) in conjunction with Creditreform's basic document "[Rating Criteria and Definitions" \(v1.3, January 2018\)](#). 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" \(March 2020\)](#).

### Unsolicited Credit Rating

With Rated Entity or Related Third Party Participation	NO
With Access to Internal Documents	NO
With Access to Management	NO

The rating is based on publicly available information and internal evaluation methods for the rated bank and program. The issuer's quantitative analysis is based mainly on the latest annual accounts, interim reports, other information of the bank pertaining to investor relations, and key figures calculated by CRA/eValueRate. The cover pool's quantitative analysis for the rated Covered Bond Program was based on the "Harmonised Transparency Template" (HTT) published by the CAFFIL.

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

This rating was carried out by analysts Aaron Kamruzzaman (Analyst) and Qinghang Lin (Analyst) both based in Neuss/Germany. On 03.02.2022, the rating was presented to the rating committee by the analysts and adopted in a resolution. The function of Person Approving Credit Ratings (PAC) was performed by Christian Konieczny (Senior Analyst).

On 03.02.2022, the rating result was communicated to CAFFIL, and the preliminary rating report was made available. The Issuer and all relevant parties examined the rating report prior

to publication and were given at least one full working day to appeal the rating committee decision and provide additional information. The rating decision was not amended following this examination.

The rating is subject to one-year monitoring from the creation date (see cover sheet). Within this period, the rating can be updated. After one year at the latest, a follow-up is required to maintain the validity of the rating.

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 permitted to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation.

### Endorsement

Creditreform Rating did not endorse the rating according Article 4 (3), 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 the event of provision of 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 related 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.

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

The rating report and/or press release indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.



In cases where the credit rating is based on more than one methodology, or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating and indicates how the different methodologies and other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery, and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions, such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings as well as best-case scenario credit ratings, are explained.

The date at which the credit rating was released for distribution for the first time and when it was last updated including any rating outlooks, is indicated clearly and prominently in the rating report and/or press release as a "Rating action"; first release is indicated as "initial rating", other updates are indicated as an "update", "upgrade or downgrade", "not rated", "confirmed", "selective default" or "default".

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within the rating report and/or press release.

In accordance to Article 11 (2) EU-Regulation (EC) No 1060/2009 registered or certified credit rating agency shall make available in a central repository established by ESMA information on its historical performance data, including the ratings transition frequency, and information about credit ratings issued in the past and on their changes. Requested data are available at the ESMA website: <https://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml> .

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