Rating Report

CAFFIL SCF Public Sector Covered Bonds (OF – Public Sector)

Insight beyond the rating.

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Rating

Issuer	Rating Action	Debt	Rating
CAFFIL SCF	New Rating	CAFFIL SCF Obligations Foncières	AAA

See Appendix B for full list of covered bonds rated by DBRS.

Rating Rationale

DBRS Ratings Limited (DBRS) assigned a rating of AAA to the Obligations Foncières (OF) outstanding under the CAFFIL SCF (CAFFIL, Caisse Française de Financement Local or the Issuer) Public Sector Covered Bonds Programme (the Programme). As at 23 August 2018, there were 526 series of covered bonds (CB) outstanding under the Programme, in different currencies, for an equivalent amount of EUR 50.142 billion.

The ratings are based on the following analytical considerations:

- A Covered Bonds Attachment Point (CBAP) of AA (high), being the Long Term Issuer Rating of SFIL SA (SFIL). SFIL is the Reference Entity (RE) for the Programme.
- While the Legal and Structuring Framework (LSF) Assessment does not currently affect the rating in a material way, an LSF Assessment of Very Strong is associated with the Programme.
- While the level of Cover Pool Credit Assessment (CPCA) does not currently affect the rating in a material way, a CPCA of A (low) can be assigned to the Programme.
- An LSF-Implied Likelihood (LSF-L) of AAA.
- While the level of recoveries does not currently affect the rating in a material way, a two-notch uplift for high recovery prospects is possible.
- The level of overcollateralisation (OC) of 10.1% to which DBRS gives credit.

The transaction was analysed using the DBRS European Covered Bond Cash Flow tool. The main assumptions focused on the timing of defaults and recoveries of the assets, interest rate stresses and market value spreads to calculate liquidation values on the cover pool (CP).

CAFFIL's OF are issued under the French CB legislative framework. Obligations Foncières are specialised CB products that can only be issued by credit institutions licensed and regulated in France as *sociétés de crédit foncier* (SCF). OF benefit from the legal privilège under French law which provides a priority in right of payment on all assets and cash flows of CAFFIL to the holders of OF and other privileged debt. CAFFIL's exclusive purpose is to grant or acquire exposures to public sector entities (as defined in Article L.513-4 of the French Code Monétaire et Financier – the Code) as well as assets considered public sector exposures (as defined in Article L.513-5 of the same Code); to hold any replacement assets; and (in order to finance the acquisition of public sector assets), to issue OF, benefiting from the privilège defined in Article L.513-11 of the Code. CAFFIL may also fund such activities by issuing bonds or other sources of financing that do not benefit from the privilège.

The Issuer is a *société anonyme à directoire et conseil de surveillance* incorporated under French law as an SCF and is 100% owned by SFIL.

SFIL's shareholders are the French state (75%), Caisse des Dépôts et Consignations (CDC, 20%) and La Banque Postale (LBP, 5%). The French state assumes the role of reference shareholder in dealings with regulatory authorities, thereby underlining its commitment with regard to oversight and the taking of strategic decisions, as well as its determination to ensure the continuity of SFIL's financial transactions, whenever required.

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Sensitivity Analysis

Everything else being equal, a downgrade of the CBAP by five notches to A (low) would lead to a downgrade of the LSF-L by three notches to AA (low), resulting in a downgrade of the CB rating by one notch. Everything else equal, the CB ratings would be downgraded if (1) DBRS's ratings of the Republic of France were downgraded below AA (low); (2) the composition of the CP, the level of OC to which DBRS gives credit, interest rate stresses, or foreign currency exposure, changed adversely to a degree that a one-notch uplift for good recovery prospects could no longer be granted.

Everything else equal, the CPCA of A (low), which currently has no material impact on the rating, could be downgraded if (1) the Republic of France were downgraded; (2) the level of OC to which DBRS gives credit fell below 7.5%; (3) the composition or jurisdictional distribution of the CP changed adversely; (4) the foreign currency exposure of the CP and OF changed adversely; (5) volatility in the financial markets caused the currently estimated market value spreads to increase; (6) the liquidity position of the Issuer were to be substantially and permanently impaired, in DBRS's view.

Everything else equal, the LSF assessment of "Very Strong", which currently has no material impact on the rating, could be downgraded if (1) the Republic of France were downgraded below AA; (2) the liquidity position of the Issuer were to be substantially and permanently impaired, in DBRS's view.

Roughly 86% of the CP is concentrated in France (the domicile sovereign), and both the RE and the Issuer are established in France (the host sovereign). In DBRS's view, this exposes CB investors to an increased risk that the creditworthiness of the RE and the CP may deteriorate at the same time. According to DBRS's Rating European Covered Bonds methodology, in this circumstance, the rating of the CB is typically capped at three notches above the rating of the sovereign.

LSF Assessment

DBRS has associated an LSF Assessment of Very Strong to the CAFFIL OF Programme. The Very Strong LSF Assessment reflects DBRS's view of the following:

1. The French CB legal framework giving CB holders first priority right on the CP, in combination with a residual commingling risk that DBRS considers limited;
2. The legally sanctioned six-month liquidity coverage rule which ensures that, at any time, the CP contains sufficient assets that are either liquid or can be mobilised via the central bank repo operations so as to ensure a balance between projected incoming and outgoing cash flows, including principal, interest, senior costs and cash flows from hedging contracts. This is complemented by DBRS's expectation of the regulator's willingness and ability to support the CB instrument in line with a Host Sovereign rated AAA;
3. The public sector nature of the CP exposures, the ability to freely pledge all exposures at any time without formalities, the sizeable proportion of CP assets that are eligible for repo operations with the central bank, and the ability of the SCF to issue up to 10% of retained CBs at any time (as long as the legal minimum OC level of 5% is not breached) to pledge for the benefit of the central bank for repo operations;
4. The role of the *contrôleur spécifique* (Specific Controller) in independently monitoring the compliance of the French SCF with the provisions of the French CB legal framework, the compliance of the CP with the eligibility criteria as well as coverage ratio and the review of the risk linked to the mismatches in interest rates and maturities of assets and liabilities.
5. The role of the Autorité de Contrôle Prudentiel et de Résolution (ACPR) in the supervision of French CBs, the high penetration of the OF as a funding tool for

French banks and a history of regulatory intervention in the restructuring of CB issuers, which in DBRS's view, benefit OF holders.

Transaction Summary

Notable Features

The total programme amount is equivalent to EUR 75 billion. As at 23 August 2018, there were 526 series of OF outstanding for a total nominal amount equivalent to EUR 50.142 billion. In addition, CAFFIL has other privileged liabilities for an amount of EUR 500 million (as of 30 June 2018). These are amounts due under the swaps in case of termination. These amounts are due pari passu with the bonds. The total CP balance as at 30 June 2018 is EUR 58.0 billion, yielding a nominal OC ratio of 14.5%.

With reference to the Export Credit Agency (ECA) loans refinanced by CAFFIL via SFIL (equivalent of EUR 421 million, or 0.8% as at 30 June 2018), CAFFIL benefits from an Enhanced Guarantee provided by the Republic of France, acting through BPIFrance Assurance Export (BPIFrance). Under the terms of the Enhanced Guarantee, should SFIL not be able to repay CAFFIL's advances to SFIL because of non-performance of the underlying foreign debtors, then the French state will bear any claim made by CAFFIL. However, in such circumstances, the original maturity date of the advance is automatically extended by five months.

CAFFIL uses multiple commercial banks for the collection of sums due under the loans. No rating downgrade language is in place to manage/terminate these relations (other than with SFIL). However, internal guidelines set limits to the maximum exposure of CAFFIL to each bank at any given time. Exposure limits are validated by CAFFIL's Credit Risk Committee. The maximum of those limits is currently EUR 3 million. Any excess is swept daily to the accounts that CAFFIL holds with Banque de France (BdF, not rated by DBRS) and the French Treasury (Republic of France, rated AAA with a Stable trend by DBRS). In its analysis, DBRS gives limited credit (40%) to the amounts standing to the credit of the commercial banks collection accounts. In DBRS's view, this and the daily sweep sufficiently mitigate the risk of commingling. Full credit is instead given to amounts standing to the credit of the account CAFFIL holds with BdF and the French Treasury and such accounts are treated in our analysis as two of the CP assets.

In its capacity as servicer and cash manager, SFIL manages CAFFIL's cash surplus via investing in securities or CB with a minimum equivalent rating of AA (low), or A (low) when the maturity of the investment is less than 100 days (these are legislative criteria). Neither CAFFIL's OF nor SFIL bonds are purchased. DBRS gives full credit to these Substitute Assets in its analysis. Pursuant to an Intra-Group Loan Agreement, CAFFIL lends part of its excess cash to SFIL for maturities shorter than one year. These loans are subject to downgrade language that DBRS assumes will be brought in line with DBRS's criteria and have been given full credit in DBRS's analysis.

CAFFIL has several hedging agreements in place with multiple commercial banks. CAFFIL is not required to post collateral under any of these agreements. All the hedging agreements entered into with counterparties other than SFIL either contain no downgrade language or contain downgrade language that is not in line with DBRS's criteria. DBRS gave limited credit (20%) to these swaps in its analysis. The hedging agreements entered into with SFIL contain downgrade and collateral posting language that DBRS assumes will be brought in line with DBRS's criteria and have been given full credit in DBRS's analysis. The residual foreign currency assumed open position has been stressed (see Cash Flow Analysis on page 15).

CAFFIL enjoys a substantial liquidity position. This, in DBRS's view, mitigates the liquidity constraint imposed by the termination payments that might be due under the swaps. Moreover, DBRS has modelled in its analysis a 12-month asset-liability matching rule in lieu of the minimum six-month period required by the OF legislative framework. This is the main driver of the Pass-OC level associated with the CPCA of A (low). Although currently not a driver of the OF rating, a substantial and permanent impairment of the Issuer's liquidity position would affect the Pass-OC level.

Approximately 9% of the CP is concentrated in Italy (rated BBB (high) with a Stable trend by DBRS). In DBRS's analysis, although a sovereign exposure is defaulted immediately above the rating of that sovereign, the entire exposure to a jurisdiction is defaulted at a stress level of three notches or more above the rating of that jurisdiction, with only 20% recoveries. Although currently not a driver of the OF rating, the Italian sovereign rating as well as the CP concentration is a driver of the A (low) CPCA and the Pass-OC level.

The CP is composed of Public Sector Assets (equivalent to EUR 56.45 billion as at 30 June 2018) and Substitute Assets (equivalent to EUR 1.84 billion).

Summary of the Sponsor

SFIL (rated AA (high) by DBRS) was set up in 2013 by the French state to ensure stable access to long-dated funding for entities of the French local public sector. Today, SFIL is the leading loan provider to the French local public sector in partnership with LBP.

In 2015, the French State entrusted SFIL with a second public policy mission to enhance the competitiveness of French exporters by setting up a refinancing platform for French export loans. The activity is limited to export loans benefitting from a French state guarantee. Today, SFIL is the leading liquidity provider for large export credit loans guaranteed by the French Republic. SFIL is a 100% publicly owned fully regulated financial institution supervised by the European Central Bank. The French state as main shareholder (75%) is represented on the board of directors and the CEO is appointed by presidential decree. Other shareholders are LBP (5%) and Caisse des Dépôts et Consignations (20%).

As reference shareholder, the French Republic is committed to ensure that SFIL is able to pursue its activity in an ongoing manner and to honour its financial commitments at any moment. This commitment is documented via a letter of comfort by the French state to the regulators.

SFIL ensures the complete operational management of CAFFIL in accordance with the Code and provides CAFFIL with some derivatives and non-privileged funding.

Summary of the Issuer

CAFFIL is an SCF and is wholly owned by SFIL. Its exclusive purpose is to grant or to acquire exposures on public sector entities as defined in Article L.513-4 of the Code (as well as securitisation units or shares of similar entities considered exposures on public sector entities) and to hold securities and other assets (Substitute Assets) under the conditions set by specific decree. To finance the acquisition of those assets, CAFFIL issues OF, which benefit from the privilege defined in Article L.513-11 of the Code, as well as other residual liabilities and other sources of financing that do not benefit from the privilege.

As a result of its status as an SCF, CAFFIL is not permitted to have employees and is therefore dependent on the resources dedicated to it by SFIL for the day-to-day operation of its business and, in particular, the servicing of its asset portfolio. SFIL, in accordance with the terms of the management agreement entered into with CAFFIL (which also covers loan origination, servicing and recovery, administrative and accounting management, internal control and compliance, information technology services, human resources, compensation for services and current account services), monitors and controls risks relating to credit, counterparties, market, operations, exchange rates, interest rates, liquidity, and settlement at the CAFFIL level (according to policies and limits set up by CAFFIL's board). Accordingly, CAFFIL is dependent on SFIL performing under this management agreement.

SFIL is the main provider of unsecured funding to CAFFIL, which finances the excess of collateral, i.e. assets of CAFFIL that are not financed by the issuance of OF.

CAFFIL's OC is financed by equity contributions, by a current account agreement granted to it by SFIL and mainly through a long-term revolving credit facility extended to it by SFIL that put in place the support received from SFIL and its reference shareholder.

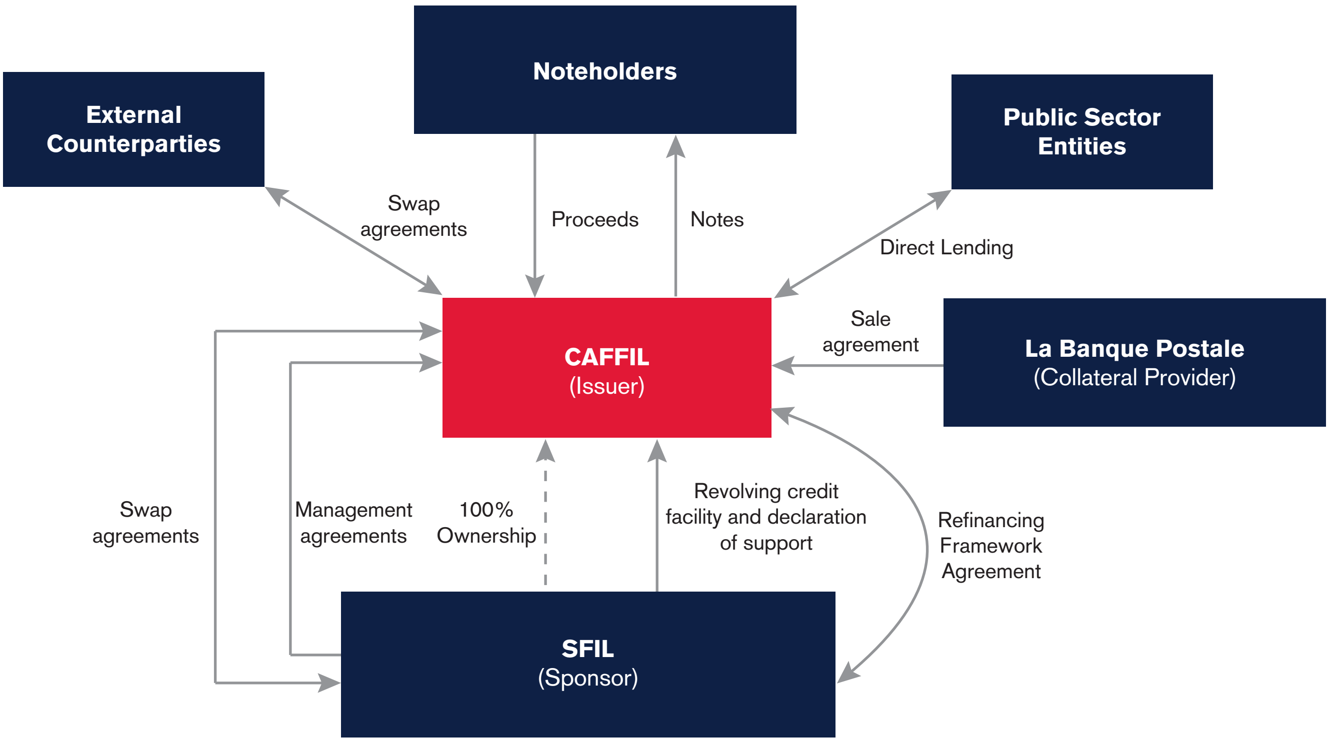
Strengths

- SFIL's capabilities with respect to origination and servicing of the CP assets.
- SFIL's financial strength as well as its SA-1 support designation, indicating a high likelihood of it being supported and eventually restructured rather than liquidated in the event of financial troubles.
- Legislative liquidity rule to cover six months of net outflows.
- Substantial liquidity position because of a significant portion of the CP being eligible for repo transactions with the French Central Bank.
- Most of the cash held with Banque de France or the French Treasury.
- The public policy mandate of SFIL and CAFFIL, combined with DBRS's AAA rating of the Republic of France. France has a history of intervention in the restructuring of CB issuers.
- The 5% minimum legislative level of OC is currently sufficient to support the AAA rating on the OF.

Challenges

- The hard bullet maturity profile of the OF. This is mitigated by the financial strength of SFIL as well as the substantial liquidity position of CAFFIL.
- Roughly 9% of the CP is concentrated in Italy (currently rated BBB (high) with a Stable trend by DBRS). Though currently not a driver of the rating, a downgrade of the ratings of Italy may affect the pass-OC level for the Programme.
- There is no back-up servicer or back-up servicer facilitator in the transaction. Should SFIL be liquidated, CAFFIL may terminate its servicing agreement and appoint a new servicer. Because of the SA-1 support assessment of SFIL, DBRS's central assumption is that it will be restructured rather than liquidated in case of need.
- Most of CAFFIL's hedging agreements are not in line with DBRS's derivative criteria. DBRS gave limited credit to these in its analysis.
- All of the commercial banks CAFFIL uses as account banks are appointed under terms that are not in line with DBRS's counterparty criteria. DBRS gave limited credit to the moneys standing on these accounts.

Transaction Structure



The main contracts CAFFIL has entered into for the purposes of the programmes are, among others, as follows:

A Management Agreement *(Convention de Gestion)* with SFIL in its capacity as Servicer, whereby SFIL agrees to perform certain services on behalf of CAFFIL in relation to:

- The purchase by CAFFIL of loans from other credit institutions;
- The granting of loans by CAFFIL;
- The management and the servicing of loans purchased or granted by CAFFIL;
- The assignment of loans;
- The purchase, assignment, management and servicing of securities;
- The management of CAFFIL's cash surplus and cash requirements;
- The management of the OC of CAFFIL's assets;
- The implementation of CAFFIL's hedging strategy, as well as financial and accounting services, risk management, tax and legal services, compliance, internal audit, reporting, back office and archiving.

CAFFIL may terminate the Management Agreement (1) in the event of the opening of insolvency proceedings against SFIL or SFIL ceasing its operations, (2) following a breach on the part of SFIL of any of its key obligations which remains unremedied to CAFFIL's satisfaction, (3) if a *force majeure* event occurs for more than one month and (4) in the event that SFIL loses its credit institution licence.

CAFFIL has its own bank accounts with several financial institutions. Each bank account has a specific purpose and target balances for each bank account are very low. All cash flows are directly paid to CAFFIL without any transfer to SFIL bank accounts. There are no rating triggers in relation to the bank holding the account; however, credit balances beyond the target amounts (currently the maximum target amount is EUR 3 million) are systematically transferred to the CAFFIL Banque de France account as soon as payment is received.

The management of CAFFIL's cash surpluses is among the services to be provided by SFIL to CAFFIL pursuant to the Convention de Gestion; however, the Convention de Gestion does not expressly refer to the way CAFFIL's bank accounts are operated. This is instead decided via an internal policy.

SFIL manages CAFFIL's cash surpluses as CAFFIL's servicer. Excess cash may be invested in securities issued by European banks or public sector entities under the following constraints:

- Securities or CB in banks with a rating at a minimum of AA (low) (no own CB are purchased).
- Securities or CB in banks with a rating at a minimum of A (low) but a maximum maturity of up to 99 days.
- Securities of European public sector entities or sovereigns (these are reported as part of the public sector CP).

A Refinancing Framework Agreement *(Convention-Cadre de Refinancement)* between CAFFIL as *Refinanceur* and SFIL as Export Lender. The Refinancing Framework Agreement defines the conditions under which SFIL may request CAFFIL to make available refinancing export loans in euros or United States dollars to SFIL, allowing SFIL to fund the purchase from an export bank of a share in such export bank's rights and obligations as lender under the relevant export loan (the Share) in euros or United States dollars and, as the case may be, to fund the purchase price of the loan receivables corresponding to those drawings already made available by the relevant export bank to the borrower under the Share which SFIL contemplates acquiring.

The export loans are guaranteed by a credit insurance policy issued by BPIFrance Assurance Export (BPIFrance) in the name, on behalf, and under the control of the French State. In relation to each refinancing export loan, SFIL will:

- Pledge to the benefit of CAFFIL all the existing and future receivables held by it under any Export Loan Document *(Document de Crédit Export)* (with the exception of the credit insurance claims referred to below) as well as all security interests, guarantees and ancillary rights thereto, pursuant to a financial guarantee agreement between SFIL as guarantor and CAFFIL as beneficiary;
- Delegate to CAFFIL its right to receive insurance claims from BPIFrance under the credit insurance policy as insured under each Share acquired by SFIL, pursuant to a delegation agreement (meaning that CAFFIL is an insured party under the relevant credit insurance policy and, as such, is entitled to direct indemnification from BPIFrance);
- As the case may be, pledge to the benefit of CAFFIL all receivables that it may hold under its exercise of its right to receive insurance claims from BPIFrance under the credit insurance policy as assignee of such insurance claim right, pursuant to a financial guarantee agreement between SFIL as guarantor and CAFFIL as beneficiary.
- The payment and repayment obligations of SFIL under the Refinancing Framework Agreement are fully covered by the French state, acting through BPIFrance, under the Enhanced Guarantee.
- Pursuant to the Refinancing Framework Agreement, should any export borrower fail to pay any sum whatsoever under the relevant credit export agreement and such sums remain unpaid on a date on which SFIL has to make a payment to CAFFIL under the corresponding refinancing export loan, then the original payment date will be automatically delayed by five months to the extent that no default has occurred and is pending on such original payment date.

  With reference to the Enhanced Guarantee, DBRS has reviewed a legal memo explaining that:
  --The Enhanced Guarantee was issued by BPIFrance for the account of the French state, meaning that (1) the French state will bear any claim made by CAFFIL thereunder and (2) CAFFIL is exposed to the French state's credit risk;
  --The Enhanced Guarantee covers 100% of principal and interest (excluding penalties) of the guaranteed Refinancing Facility in the event of a payment default on the part of SFIL, computed at the "guaranteed contractual interest rate";
  --Accordingly, the Refinancing Credit Facility guaranteed by the Enhanced Guarantee constitutes "an exposure fully guaranteed by a public body", eligible within the meaning of article L. 513-4 of the Code and article 129 of CRR.

An Intragroup Loan Agreement *(Accord Cadre Relative aux Prêts Interbancaires)* sets out the conditions under which CAFFIL may agree to lend a part of its cash surplus to SFIL in the form of euro, short-term (less than one year) intragroup loans. CAFFIL is allowed to invest its liquidity surplus in replacement values consisting of securities, values or deposits sufficiently safe and liquid. The Intragroup Loan Agreement contains downgrade language on SFIL in line with DBRS's criteria.

An LBP Master Receivables Transfer Agreement *(Convention-cadre de cession de créances)* between CAFFIL and LBP has been entered into between LBP as assignor and CAFFIL as assignee with the participation of SFIL that sets out the conditions under which CAFFIL purchases receivables originated by LBP and arising from loans granted to French local authorities and public health institutions. SFIL acts as calculation agent and as such is responsible for determining the purchase price of the loan receivables. Either party may terminate the LBP Master Receivables Transfer Agreement early in the event of a serious breach on the part of the other party which is not remedied within the 30-calendar day period following notice to the defaulting party, to the extent that such breach remains unremedied following the meeting of the monitoring committee and, then, if no mutually satisfactory solution is found at the end of a conciliation procedure. LBP is committed to propose for refinancing to CAFFIL all loans they have originated that fulfill CAFFIL's eligibility criteria.

The selection criteria provides for (1) a list of excluded debtors including debtors with a high-risk profile, debtors with no internal rating and defaulting debtors and (2) a list of eligible categories of debtors.

An agreement with Banque de France pursuant to which CAFFIL is able to use loan receivables in the CP as collateral for liquidity operations.

A Global Master Repurchase Agreement (GMRA) under which CAFFIL can enter into repo transactions with BNP Paribas. The agreement does not incorporate any rating trigger on BNP Paribas allowing CAFFIL to terminate the GMRA in the event of a downgrade of BNP Paribas below a certain threshold. However, the exposure is fully collateralised. Currently, there are no transactions outstanding under this agreement.

A SFIL/CAFFIL swap agreement in line with DBRS's criteria. Several swap agreements with external counterparties that are not in line with DBRS criteria and to which DBRS gave limited credit in its analysis.

Eligibility Criteria

Eligible exposures to public sector entities mentioned in Article L.513-2 of the Code that may be included in the CP are assets such as loans, certain debt securities or off-balance sheet exposures to the entities listed below or fully guaranteed by them:

1. Central governments, central banks, public institutions or local authorities located in a Member State of the European Union or within the European Economic Area, in the United States of America, Switzerland, Japan, Canada, Australia or New Zealand (collectively, the Eligible States);
2. Central governments or central banks not located in an Eligible State, but who benefit from the highest level of credit quality[1] established by a credit rating agency recognised by the ACPR;
3. The European Union, the International Monetary Fund, the Bank for International Settlements, multilateral development banks (the list of which has been set by decree of the French Minister of the Economy), other international organisations and multilateral development banks benefiting from the highest level of credit quality established by a credit rating agency recognised by the ACPR;
4. Public institutions and local authorities not located in an Eligible State if financial exposure to such persons are subject, for the determination of capital adequacy, to the same requirements as those used for central governments, central banks or credit institutions, or fully guaranteed by such persons, and benefiting from the highest level of credit quality established by a credit rating agency recognised by the ACPR; and
5. Public institutions and local authorities mentioned in the bullet point above benefiting from the second-highest level of credit quality[2] established by a credit rating agency recognised by the ACPR, provided that such exposures are limited to 20% of the total outstanding nominal amount of the OF and other sources of financing benefiting from the privilège.

1. Highest level of credit quality (or Step 1): AAA to AA (low) equivalent.
2. Second-highest level of credit quality (or Step 2): A (high) to A (low) equivalent.

Eligible Assets of the public sector entities described above include, among other things:
1. Debt securities issued, or fully guaranteed, by one or more of the public sector entities mentioned above;
2. Monetary claims, including those resulting from a successive performance contract, against the public sector entities referred to above, or fully guaranteed by one or more of such public sector entities;
3. Debt stemming from leasing contracts or equivalent contracts to which a public sector entity referred to above is party in the capacity of lessee or tenant, or debt stemming from leasing contracts or equivalent contracts fully guaranteed by one or more of those public sector entities. SCF that acquire debt resulting from a leasing contract may also acquire all or part of the debt that results from the sale of the leased property.

Eligible Assets also include securities issued by a securitisation vehicle *(organisme de titrisation)* and securities issued by similar entities (such as asset-backed securities or mutual funds) registered under the law of a Member State of the European Union or of the European Economic Area, the United States of America, Switzerland, Japan, Canada, Australia or New Zealand provided that at least 90% of the assets held by these securitisation vehicles must otherwise be Eligible Assets. These securities must benefit from the highest level of credit quality established by a credit rating agency recognized by the ACPR.

In order to hedge its interest and currency risks on loans, exposures, OF and other sources of financing benefiting from the privilège, or its global interest rate risk, SCF may use derivative instruments as defined in Article L.211-1 of the Code. Any amounts payable pursuant to these financial instruments, after applicable netting, contracted to hedge its Eligible Assets and Replacement Assets, its liability items benefiting from the privilège and to manage or hedge the global risk on its assets, its liabilities and its off-balance sheet, benefit from the privilège.

According to Article L.513-7, SCF may hold as part of the Cover Pool Replacement Assets, including securities, instruments and deposits which are sufficiently safe and liquid. Article R.513-6 of the Code defines these Replacement Assets as debts due from credit institutions benefiting from the highest level of credit quality established by an external rating agency recognized by the ACPR. If any debt has a maturity of less than one hundred (100) days, the rating can be the second highest level of credit quality for purposes of consideration as Replacement Assets. The total amount of the Replacement Assets is limited to 15% of the total outstanding nominal amount of the obligations foncières and other sources of financing benefiting from the privilège.

An SCF is not allowed to hold equity securities issued by other companies.

Coverage Ratio

SCF are obliged to respect, at any time, a ratio ensuring coverage of privileged resources by assets, including replacement assets, at least equal to 105%. Calculation of this coverage ratio is set out in regulation no. 99-10 of the Committee of banking and financial regulation, as amended from time to time (the *Comité de la réglementation bancaire et financière* or CRBF).

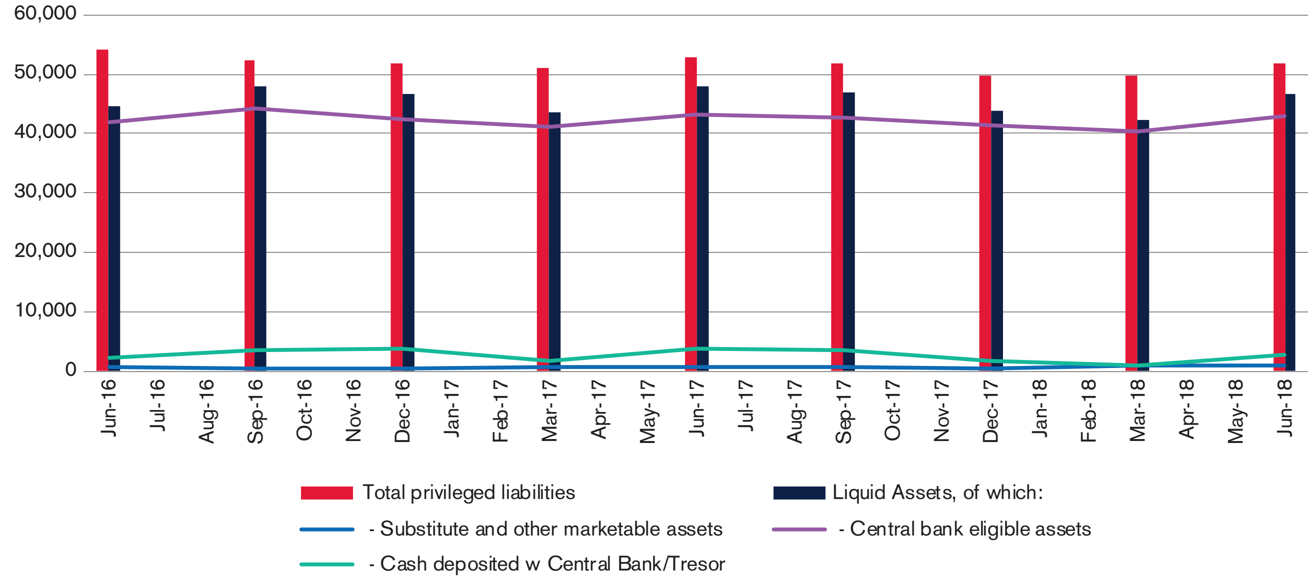
SCF submit their Coverage Ratio to the ACPR on 31 March, 30 June, 30 September and 31 December of each year. Pursuant to Article 13 and 13-bis of the regulation no. 99-10 of the CRBF, SCF must publish and send to the ACPR information relating to the quality of their assets. This report is published within 45 days of each quarter end. In particular, the characteristics, details of the distribution of loans or exposures 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 rates are required to be included as part of the report.

Asset-Liability Management

The maturity and amortisation profiles of the CP do not perfectly match the repayment profile and the maturity schedule of the privileged debt. Moreover, the OF do not enjoy any contractual maturity extension (i.e., they are hard bullet).

However, SCF must ensure, at all times, the coverage of their cash requirements over the next 180 days, while taking into account projected principal and interest collections on its assets and the amounts related to derivatives as mentioned in Article L.513-10 of the Code. As a matter of management policy, CAFFIL has limited the maximum duration gap between the assets and the resources benefiting from the privilège to three years. Moreover, SCF must ensure a large congruence between asset/liability maturities with an annual cover plan and with the gap between the weighted-average life of eligible assets, considered up to their minimum amount required to satisfy a 105% coverage ratio, and the weighted-average life of the privileged liabilities being limited to 18 months. This requires CAFFIL to have appropriate liquidity positions to cover its liability commitments as they become due to avoid any shortfall in liquidity. To maintain its liquidity in case of market disruptions that prevent CAFFIL from issuing new OF, CAFFIL relies on non-privileged debt provided by its parent, SFIL, and, if needed, on secured financings it can borrow from the Banque de France or from a bank counterparty (through a repo transaction), by using some assets from the CP (including those considered as replacement assets), a significant part of which is eligible as collateral for such liquidity operations.

Exhibit 1: CAFFIL Liquidity Position



Article L.513-26 of the Code provides that a SCF may subscribe to its own OF for the sole purpose of pledging them as collateral for the credit operations of the Banque de France in accordance with the procedures and conditions laid out by it for its monetary policy and intraday credit operations, in instances where the SCF is unable to meet its cash-flow needs by other means available to it. The OF thus subscribed must satisfy the following conditions:

- They may represent a maximum of 10% of the total outstanding debt benefiting from the privilège at the acquisition date;
- They are deprived of voting rights in general meetings of bondholders, for so long as they are held by the SCF;
- They must be posted as collateral to the Banque de France; in the absence of this allocation, they must be cancelled within eight days; and
- They cannot be subscribed by third parties.

The Specific Controller must certify that the above-mentioned conditions are fulfilled and submit a report on this matter to the French Resolution and Prudential Control Authority.

Hedging Strategy

SFIL, on behalf of CAFFIL, implements asset-liability management policies designed to limit exposure to interest rate and foreign currency risk.

Assets and liabilities benefiting from the privilege which do not naturally have a floating rate are hedged until maturity as soon as they are recorded on the balance sheet. SFIL, on behalf of CAFFIL, enters into micro-hedge derivatives (primarily interest rate swaps) or into macro-hedges, or unwinds swaps with an adequate profile, to hedge a particular portfolio of assets and/or liabilities, and manage overall balance sheet exposure. The sensitivity of residual positions in fixed rates, and variable rates fixed for a determined period of time, is monitored by narrow limits which cap this sensitivity, and which are designed to reduce the impact on the value of balance sheet items in the event of a shift in the yield curve or a move in sloping/rotation. Nevertheless, CAFFIL is exposed to a residual interest rate risk as a result of unanticipated changes in the CP because of, for example, the default, pre-payment or renegotiation of loans.

The reference currency of CAFFIL is the euro. The foreign exchange risk reflects a change in the value of assets and liabilities denominated in a currency other than the euro because of fluctuations of this same currency vis-à-vis the euro. CAFFIL 's foreign exchange risk management policy is to incur no foreign exchange risk. To achieve that, it enters into cross-currency swaps against the euro for its issues and assets denominated in foreign currency, on initial recognition at the latest and until their final maturity, thereby ensuring that these balance sheet items' principal and interest rates are fully hedged. Nonetheless, certain loans to refinance large credit exports denominated in United States dollars may cause a limited foreign exchange risk during their drawing phase. This happens because CAFFIL may enter into hedging operations or may pre-finance the future drawdown of the credit as soon as a firm offer for an export credit refinancing has been delivered. In some cases, the export credit may not be finalised and the related hedging operations may be cancelled.

Sovereign Assessment

On 11 May 2018, DBRS confirmed the Long-Term rating on the Republic of France at AAA and the Short-Term Foreign and Local Currency Issuer Ratings at R-1 (high), maintaining the Stable trend on the ratings.

The ratings confirmation is underpinned by the government's clear commitment to improving the country's macroeconomic outcomes. DBRS expects the Macron government to continue its push to implement ambitious structural reforms, while keeping France committed to reaching its medium-term fiscal balance objective and to lowering the public-sector debt burden. Despite a slight slowdown in the first quarter of 2018, the cyclical economic recovery across Europe and the private sector confidence boost from the government's economic policy agenda continue to create a favourable growth environment.

The country's strengths are balanced by high public-sector debt and still high measures of unemployment. The high debt burden limits the country's ability to respond to future shocks, and persistently high unemployment carries fiscal and social costs and can have lasting effects on productivity.

Downside ratings pressure could emerge over the medium-term if significant adverse developments lead to economic and financial stress, causing authorities to loosen fiscal discipline and reverse France's plan to reduce the debt-to-GDP ratio.

For more information, please refer to the most recent published press release by DBRS regarding the Republic of France.

Transaction Parties

Counterparty Type	Counterparty	LT Rating	LT Rating Date	LT COR	LT COR Date
Account Bank	Citibank NA	A (high)	14-Feb-18	NA	NA
Account Bank	Natixis SA	NA	NA	NA	NA
Account Bank	Belfius Bank SA/NV	A (low)	26-Apr-18	A (high)	26-Apr-18
Account Bank	Skandinavinska Enskilda Banken AB	A (high)	23-Mar-18	AA	23-Mar-18
Account Bank	Banque de France	NA	NA	NA	NA
Account Bank	La Banque Postale	NA	NA	NA	NA
Account Bank	Societe Generale Securities Services France	NA	NA	NA	NA
Account Bank	J.P. Morgan Bank Dublin plc	NA	NA	NA	NA
Arranger	Deutsche Bank AG	A (low)	09-May-18	A (high)	09-May-18
Cash Manager	SFIL SA	AA (high)	10-Sep-18	NA	NA
FX Swap Counterparty	Barclays Bank Plc	A	26-Jun-18	AA (low)	26-Jun-18
FX Swap Counterparty	Belfius Bank SA/NV	A (low)	26-Apr-18	A (high)	26-Apr-18
FX Swap Counterparty	BNP Paribas SA	AA (low)	13-Jul-18	AA (high)	13-Jul-18
FX Swap Counterparty	Citibank NA	A (high)	14-Feb-18	NA	NA
FX Swap Counterparty	Credit Agricole Corporate and Investment Bank	NA	NA	NA	NA
FX Swap Counterparty	Credit Suisse International	NA	NA	NA	NA
FX Swap Counterparty	Goldman Sachs Mitsui Marine Derivative Products, L.P.	NA	NA	NA	NA
FX Swap Counterparty	ING Bank NV	AA (low)	19-Jun-18	AA (high)	19-Jun-18
FX Swap Counterparty	JP Morgan Chase Bank NA	AA	20-Dec-17	NA	NA
FX Swap Counterparty	Natixis SA	NA	NA	NA	NA
FX Swap Counterparty	Royal Bank of Canada	AA	26-Jun-18	NA	NA
FX Swap Counterparty	Natwest Markets Plc	BBB (high)	18-Jun-18	A	18-Jun-18
FX Swap Counterparty	Societe Generale SA	A (high)	29-May-18	AA	29-May-18
FX Swap Counterparty	SFIL SA	AA (high)	10-Sep-18	NA	NA
FX Swap Counterparty	UBS Ltd	NA	NA	NA	NA
FX Swap Counterparty	Unicredit Bank AG	NA	NA	NA	NA
IR Swap Counterparty	Banco Santander SA	A (high)	12-Apr-18	AA (low)	12-Apr-18
IR Swap Counterparty	Bank of America NA	A (high)	07-Nov-17	NA	NA
IR Swap Counterparty	Barclays Bank Plc	A	26-Jun-18	AA (low)	26-Jun-18
IR Swap Counterparty	Belfius Bank SA/NV	A (low)	26-Apr-18	A (high)	26-Apr-18
IR Swap Counterparty	BNP Paribas SA	AA (low)	13-Jul-18	AA (high)	13-Jul-18
IR Swap Counterparty	Citibank NA	A (high)	14-Feb-18	NA	NA
IR Swap Counterparty	Credit Suisse International	NA	NA	NA	NA
IR Swap Counterparty	Deutsche Bank AG	A (low)	09-May-18	A (high)	09-May-18
IR Swap Counterparty	DZ Bank AG	A (high)	01-Jun-18	AA	01-Jun-18
IR Swap Counterparty	HSBC France SA	NA	NA	NA	NA
IR Swap Counterparty	ING Bank NV	AA (low)	19-Jun-18	AA (high)	19-Jun-18
IR Swap Counterparty	JPMorgan Chase Bank NA	AA	20-Dec-17	NA	NA
IR Swap Counterparty	LBBW	NA	NA	NA	NA
IR Swap Counterparty	Natixis SA	NA	NA	NA	NA
IR Swap Counterparty	Royal Bank of Canada	AA	26-Jun-18	NA	NA
IR Swap Counterparty	Natwest Markets Plc	BBB (high)	18-Jun-18	A	18-Jun-18
IR Swap Counterparty	Societe Generale SA	A (high)	29-May-18	AA	29-May-18
IR Swap Counterparty	UBS Ltd	NA	NA	NA	NA
IR Swap Counterparty	Unicredit Bank AG	NA	NA	NA	NA
IR Swap Counterparty	Credit Agricole Corporate and Investment Bank	NA	NA	NA	NA
IR Swap Counterparty	Goldman Sachs Mitsui Marine Derivative Products, L.P.	NA	NA	NA	NA
IR Swap Counterparty	Portigon AG	NA	NA	NA	NA
IR Swap Counterparty	Morgan Stanley Capital Services LLC	NA	NA	NA	NA
IR Swap Counterparty	SFIL SA	AA (high)	10-Sep-18	NA	NA
Issuer	CAFFIL SCF	NA	NA	NA	NA
Originator	SFIL SA	AA (high)	10-Sep-18	NA	NA
Originator	La Banque Postale	NA	NA	NA	NA
Servicer	SFIL SA	AA (high)	10-Sep-18	NA	NA
Sponsor	SFIL SA	AA (high)	10-Sep-18	NA	NA

Covered Bonds Attachment Point

SFIL is RE for the programme. CAFFIL is the Issuer. CAFFIL is 100% owned by SFIL and CAFFIL is instrumental in ensuring SFIL achieves its public policy mandate.

- In the context of its first public policy mission to refinance loans to the French local public sector, CAFFIL grants or purchases assets to French local authorities and public health institutions, originated by La Banque Postale. This partnership has established itself as one of the leading players in the French public sector loan market.
- A second public policy mission was entrusted in 2015 to SFIL and CAFFIL: the refinancing of export loans. The aim of this new public set-up is to improve available export credit loans in terms of volumes, maturities and cost.

DBRS has taken the view that France is one of those jurisdictions for which the CB are a particularly important financing tool. Moreover, the CP is composed of public sector loans. DBRS considers likely that this form of lending would be part of the activity of a going-concern entity possibly resulting from the resolution of the Reference Entity. This is particularly relevant for French Public Sector exposures.

The CBAP designates the credit strength of a RE as a source of payment for the CB Programme or the probability that that source of payment will switch to the CP from the RE. CAFFIL's CBAP is set at AA (high), equal to SFIL's long-term Issuer Rating.

CAFFIL CBAP does not incorporate any uplift from the Issuer rating. This is in accordance with DBRS's Rating European Covered Bonds methodology, whereby in the above-mentioned circumstances up to a one-notch uplift from the Issuer Rating would be possible. DBRS notes that due to its ownership and the expectation of SFIL, Issuer Rating of SFIL is already positioned above the entities intrinsic creditworthiness. Although SFIL is subject to the European Union's Bank Recovery and Resolution Directive. DBRS believes it more likely that an intervention from its main shareholder, the French State, would take place before any resolution measures.

Legal and Structuring Framework Assessment

The LSF assessment is the largest of the four pillars and involves the evaluation of the level of delinkage that exists between the Issuer and the CBs. The LSF Assessment expresses DBRS's view on the likelihood that payment obligations under the CBs could be smoothly and efficiently transferred from a troubled bank to another bank, or the CP, administered by a third party. Each LSF assessment is programme-specific and reflects the legal and structural features of each CB programme.

DBRS has assigned an LSF Assessment of Very Strong to the CAFFIL SCF CB Programme. The Very Strong LSF Assessment associated with the Programme reflects DBRS's view of the following:

1. The French CB legal framework giving CB holders first-priority right on the CP;
2. The legally sanctioned six-month liquidity coverage rule which ensures that, at any time, the CP contains sufficient assets that are either liquid or can be mobilised via the central bank repo operations so as to ensure a balance between projected incoming and outgoing cash flows, including principal, interest, senior costs and cash flows from hedging contracts. This is complemented by DBRS's expectation of the regulator's willingness and ability to support the CB instrument in line with a Host Sovereign rated AAA by DBRS;
3. The public sector nature of the CP exposures, the ability to freely pledge all exposures at any time without formalities, the sizeable proportion of CP assets that are eligible for repo operations with the central bank, and the ability of the SCF to issue at any time up to 10% of retained CBs (as long as the legal minimum OC level of 5% is not breached) to pledge for the benefit of the central bank for repo operations;
4. The role of the Specific Controller in independently monitoring the compliance of the French SCF with the provisions of the French CB legal framework, the compliance of the CP with the eligibility criteria as well as coverage ratio and the review of the risk linked to the mismatches in interest rates and maturities of assets and liabilities.
5. The role of the ACPR in the supervision of the French CBs, the high penetration of the OF as a funding tool for French banks and a history of regulatory intervention in the restructuring of CB issuers, which in DBRS's view, benefit OF holders.

For further information on the French legislative CB framework, refer to DBRS's French Covered Bonds Legal and Structuring Framework Review available on www.dbrs.com.

Origination and Servicing

DBRS conducted a review of CAFFIL's Public Sector Finance operations in July 2018 in Paris.

CAFFIL is a CB issuer whose portfolio of assets only comprises loans granted to public sector entities. It is fully owned by SFIL, a French state-owned development bank. CAFFIL is a French SCF. Its sole business is the refinancing of credits to public sector entities through the issuance of OF.

Since it was set up in February 2013, CAFFIL is in charge of financing credits to French local authorities granted by La Banque Postale via a true sale. Since 2016, CAFFIL also refinances credits for large French export contracts, which benefit from the irrevocable and unconditional 100% guarantee of the French state. These contracts are initially arranged via SFIL.

SFIL is the seventh-largest finance institution in France in terms of assets and is fully supervised by the European Central Bank.

Origination & Underwriting

Underwriting

SFIL, in partnership with LBP, provides loans to the French local public sector. Loans are made available to municipalities, *départements,* regions and public hospitals. The assets are financed via a true sale to CAFFIL. Since 2013, approximately EUR 20 billion in new public sector loans have been financed with a maturity range between 15 and 30 years. This lending represents an average market share up to 25%.

The loans are originated via LBP's network at market conditions. LBP agrees to finance the loan and warehouses the loan on its balance sheet. CAFFIL will review the loan and, subject to its credit policies, underwrite the loan. If CAFFIL agrees to buy the loan from LBP, the loan will be re-underwritten by CAFFIL when bought. The second review of the loan is typically carried out when the loan is fully drawn (usually three months after the first) and in both instances the process followed is identical and includes a review of the entity requesting finance with both qualitative and quantitative data.

Credit risk limits are defined for each counterparty and give the maximal acceptable exposure associated to a counterparty. SFIL's Risk division may decide to restrict such maximum exposure or to define a new reduced limit. It also monitors the credit risk in all the portfolios of CAFFIL (local public sector in France, international, bank counterparty) by generating credit analyses and reviewing ratings. The maximum exposure amounts are reviewed annually considering internal ratings and calculation methods approved by SFIL Risk committee. The internal ratings are divided in 7 classes of risk; however, clients with the highest risk classes have a low or zero-credit limit.

SFIL has developed advanced internal rating models that cover the main client segment and have been validated by the relevant banking supervisor. The model is based on over ten years of data and includes numerous ratios and risk indicators. The credit weighting is mainly calculated based on the probability of default (PD) of the counterparty and of the loss incurred in the event of a default.

On average, CAFFIL has rejected 15% of all applications available for purchase from LBP's warehouse. The decline reasons vary, but often include asset quality and concentration.

The second stream of financing that SFIL and then CAFFIL ultimately provides is financing for large export credits. This programme was entrusted to SFIL by the French state in 2015 and since June 2016 EUR 5 billion has been granted. The export loans are guaranteed by the French state, and the total lending to date represents a market share of more than 50%.

A master agreement is in place between SFIL and CAFFIL for refinancing export credits. Before a deal is launched, both SFIL and CAFFIL will ask for a guarantee commitment from the French state. An offer will not be made until the guarantee is in place and is finally made when the application has been validated by the Credit Risk Committee of SFIL, and the Executive Board of CAFFIL.

Servicing

Servicing of each product is managed by the Middle Office of SFIL.

Loans that fall into arrears are monitored monthly and as soon as a loan payment is missed an arrears notice is sent to the client. Each notice may be differently prioritised depending on the amount unpaid or CAFFIL's exposure to the borrower.

Once a loan is identified as being in arrears, SFIL's Middle-Office aims to find a solution with the client as quickly as possible and initiates the collection process. In the first instance, a telephone call is made to the client to remind them of their obligation to make a payment, and to discuss the timescale for the outstanding debt to be repaid.

If the loan is not brought up to date within two months, a letter process is sent to the borrower, followed by a formal notice after the loan is three months in arrears. If the loan is guaranteed, the guarantor will also be notified, and if the loan is still outstanding after a further two months, a guarantee request is sent to the guarantor. Following this request, a formal notice is subsequently sent to the guarantor requesting payment of the outstanding debt.

During the process, and before each step, a telephone call is made to the client to request payment and ensure that the debt does not escalate further.

SFIL may reschedule the loan if it is deemed appropriate based on the client's circumstances. SFIL may propose to extend the term of the loan or reschedule the loan to be repaid over the existing term. Each decision will be made by the Credit Risk committee which is chaired by the chairman of SFIL.

As of end-December 2017, SFIL reported loans in arrears to be approximately EUR 65 million, representing a decrease of 20% and 51% since end-December 2016 and end-December 2015, respectively. Arrears are typically concentrated on a very limited number of counterparties and are mainly due to residual litigations on structured loans.

As of end-March 2018, the arrears balance decreased to EUR 61 million and only 24 clients were in arrears on a structured loan. The five most significant loans in arrears represented 72% of the total amount of unpaid claims.

Collateral Analysis Details

Data Quality

The sources of information used for this rating include loan-by-loan data on the whole CP containing, among others, information on currency of the loan, initial amount, residual amount, maturity date, amortisation type, underlying debtor, country of the debtor, guarantor, country of the guarantor, interest rate type. DBRS does not rely upon third-party due diligence in order to conduct its analysis. DBRS was not supplied with third-party assessments; however, this did not affect the rating analysis.

DBRS considers the information available to it for the purposes of providing this rating to be of satisfactory quality. DBRS does not audit the information it receives in connection with the rating process, and it does not and cannot independently verify that information in every instance.

Collateral Analysis

As of end-June 2018, the total amount of Public Sector Exposures (PSE) in the CP was EUR 56.1 billion.

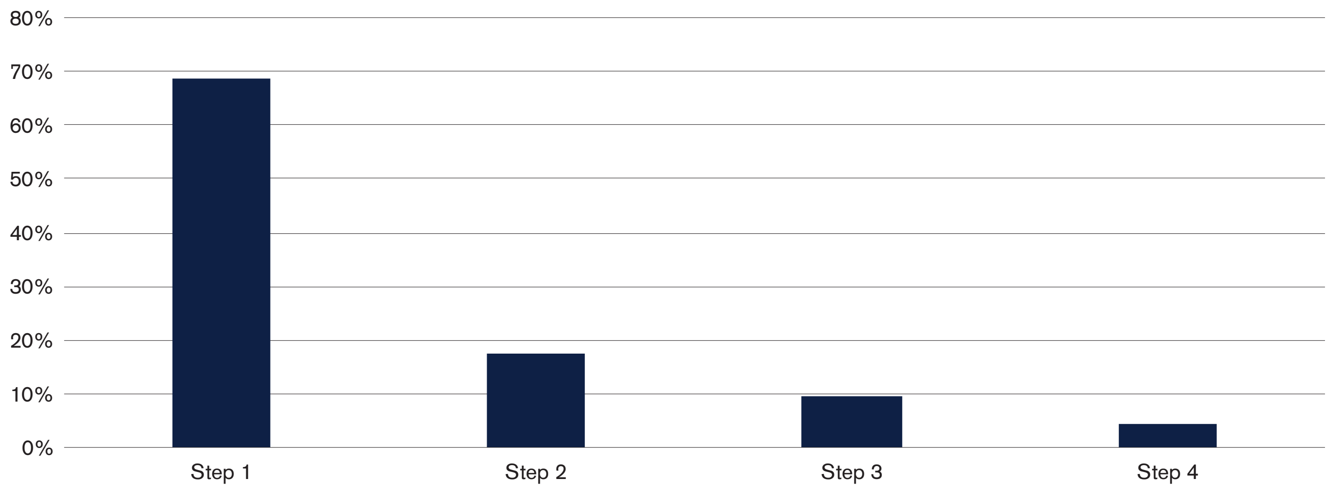
Roughly 86% of the exposures are concentrated in France (rated AAA with a Stable trend by DBRS), 9% in Italy (rated BBB (high) with a Stable trend by DBRS), 1% in Switzerland (rated AAA with a Stable trend by DBRS) and the rest diversified across Europe, North America and Japan.

2.8% of the exposures are in sovereigns, 25% in regional and federal authorities, 56% in local and municipal authorities, and the remaining 16% diversified across hospitals and other types of entities (mostly in France, Belgium and Switzerland).

Roughly two-thirds of the PSE CP yield a fixed rate of interest (before micro- or macro-hedges) and more than 92% pays down according to an amortising schedule.

DBRS used DBRS public and private ratings, public ratings by other recognised Credit Rating Agencies, and internal assessments to approximate the distribution of creditworthiness of the PSE CP. This is represented graphically in the chart below:

Exhibit 2: CAFFIL CP Creditworthiness Distribution



The DBRS Public Sector Exposures Model was run, yielding the following results:

	Pool Default	Pool Loss	LGD
AAA	9.68%	6.89%	71.18%
AA	8.96%	6.71%	74.89%
A	8.29%	3.84%	46.32%
BBB	4.00%	0.90%	22.50%
B	1.20%	0.24%	20.00%

Approximately 9% of the CP is concentrated in Italy (rated BBB (high) with a Stable trend by DBRS). In DBRS's analysis, although a sovereign exposure is defaulted immediately above the rating of that sovereign, the entire exposure to a jurisdiction is defaulted at a level of stress of three notches or more above the rating of that jurisdiction, with only 20% recoveries. Although currently not a driver of the rating on the OF, the Italian sovereign rating as well as CP concentration is a driver of the A (low) CPCA and the Pass-OC level.

Cash Flow Analysis

The transaction was modelled with the DBRS European Cash Flow tool. The main assumptions focused on timing of defaults, recoveries of the assets and interest rate stresses, as per DBRS's Rating European Covered Bonds methodology.

Probability of Default, Loss Given Default and Expected Loss
The lifetime PD, loss given default and expected loss estimated for the PSE CP in various rating scenarios were used for the cash flow analysis of the Programme structure.

Default Timing
DBRS has assumed a uniform distribution of defaults concentrated in the initial ten months.

Timing of Recoveries
DBRS assumed that the typical time span necessary to realise recoveries is of 18 months.

Prepayments
DBRS has modelled a 1% CPR scenario.

Interest Rate Exposure
Roughly 70% of the PSE CP yields a fixed rate coupon (before micro- or macro-hedges), while roughly 86% of the OF (before hedges) is fixed rate. CAFFIL manages its interest rate position by swapping all CP assets into floating rate and then again this variable flow of interest into the flows needed to repay the OF. DBRS has given full value to the hedging agreements concluded between SFIL and CAFFIL, and only limited credit (20%) to the hedging agreement concluded between CAFFIL and other counterparties (language not in line with DBRS criteria). DBRS uses interest rate stresses as per its *Interest Rate Stresses for European Transactions* methodology.

Market Value Spreads
DBRS has assumed market value spreads in line with its *Rating European Covered Bonds* methodology (e.g. 2.41% in line with a AAA stress and 1.69% in line with an A (low) stress).

Currency Exposure
Roughly 96% of the PSE assets in the CP are denominated in euros, versus roughly 97% of the liabilities. The remaining portions are denominated in a mix of different currencies. Although swaps are in place to hedge this exposure, DBRS gives only limited credit (20%) to the hedges concluded with entities other than SFIL. This gives rise to a residual foreign currency exposure that has been stressed in DBRS's analysis and impacts the pass-OC level by less than half percentage point in a AAA scenario.

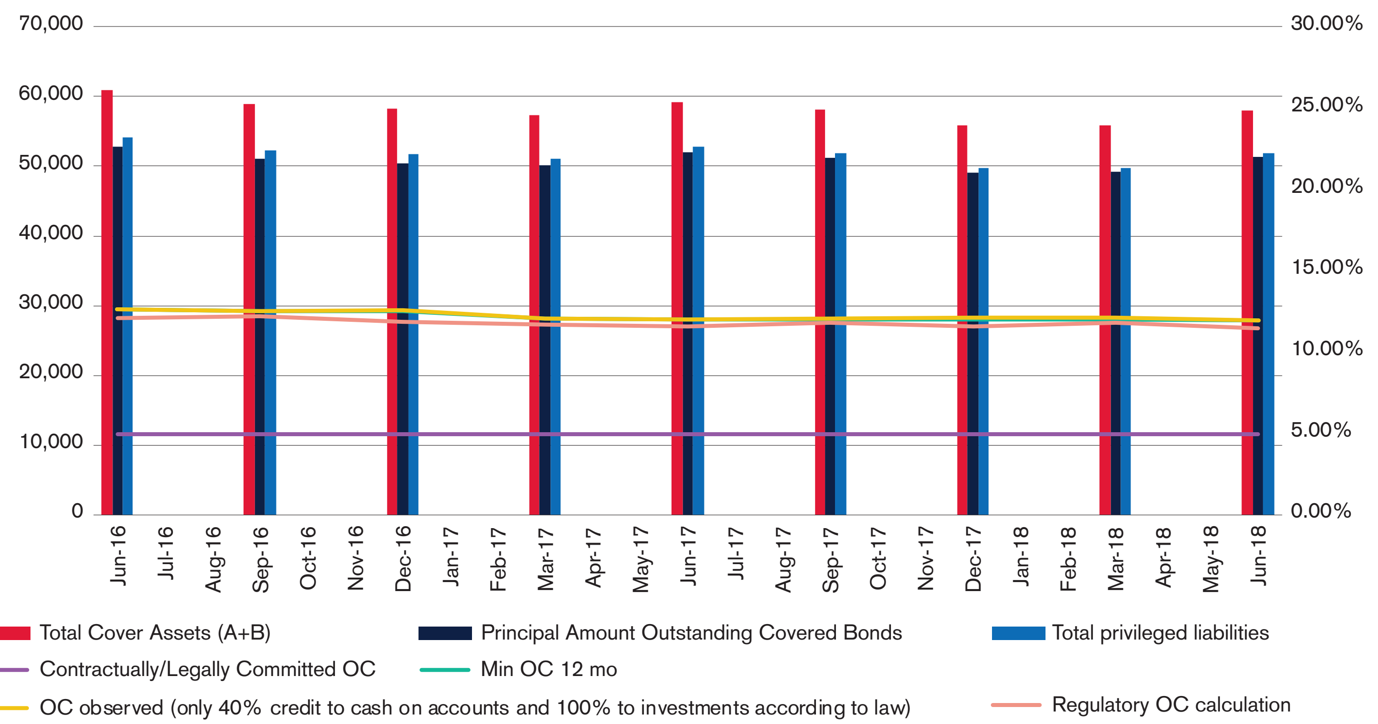
Cover Pool Credit Assessment
A CPCA of up to A (low) can be associated to the Programme.

OC to which DBRS Gives Credit
The lowest level of nominal OC observed in the last 12 months is 11.9%. This gives only partial credit (40%) to the cash accumulating on the commercial bank accounts (except for SFIL). After application of a scaling factor of 0.85x, the level of OC DBRS can give credit to is 10.1%.

LSF-Implied Likelihood
The LSF-L for the Programme is floored at AA (high), equal to the CBAP. An LSF-L of AAA can be associated with the Programme.

High Recovery Prospects
DBRS ran a wind-down cash flow simulation aimed at covering the cost of funding and payment of principal under a AAA stress scenario and an uplift of up to two notches can be granted on top of the LSF-L after testing that the CP would provide adequate support following the default of the CBs.

Exhibit 3: CAFFIL OBG



Methodologies Applied

The rating methodologies and criteria used in the analysis of this transaction can be found at www.dbrs.com under Methodologies.

- *Rating European Covered Bonds*
- *Modelling Assumptions for Portfolios of Public Sector Exposures*
- *Global Methodology for Rating Banks and Banking Organisations*
- *Legal Criteria for European Structured Finance Transactions*
- *Derivative Criteria for European Structured Finance Transactions*
- *Interest Rate Stresses for European Transactions*
- *Operational Risk Assessment for European Structured Finance Originators*
- *Operational Risk Assessment for European Structured Finance Servicers*
- *Rating Sovereign Governments*

A description of how DBRS methodologies are collectively applied can be found at: http://www.dbrs.com/research/278375.

Monitoring and Surveillance

The transaction will be monitored in accordance with the Rating European Covered Bonds methodology, available at www.dbrs.com.

Appendix A – Collateral Summary

Exhibit 4: CP by Domicile Sovereign

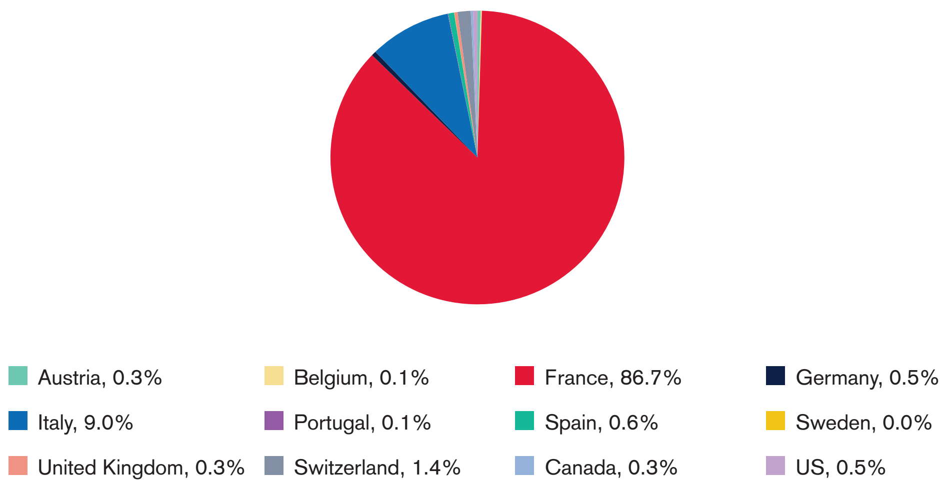


Exhibit 5: Distribution of French CP Assets

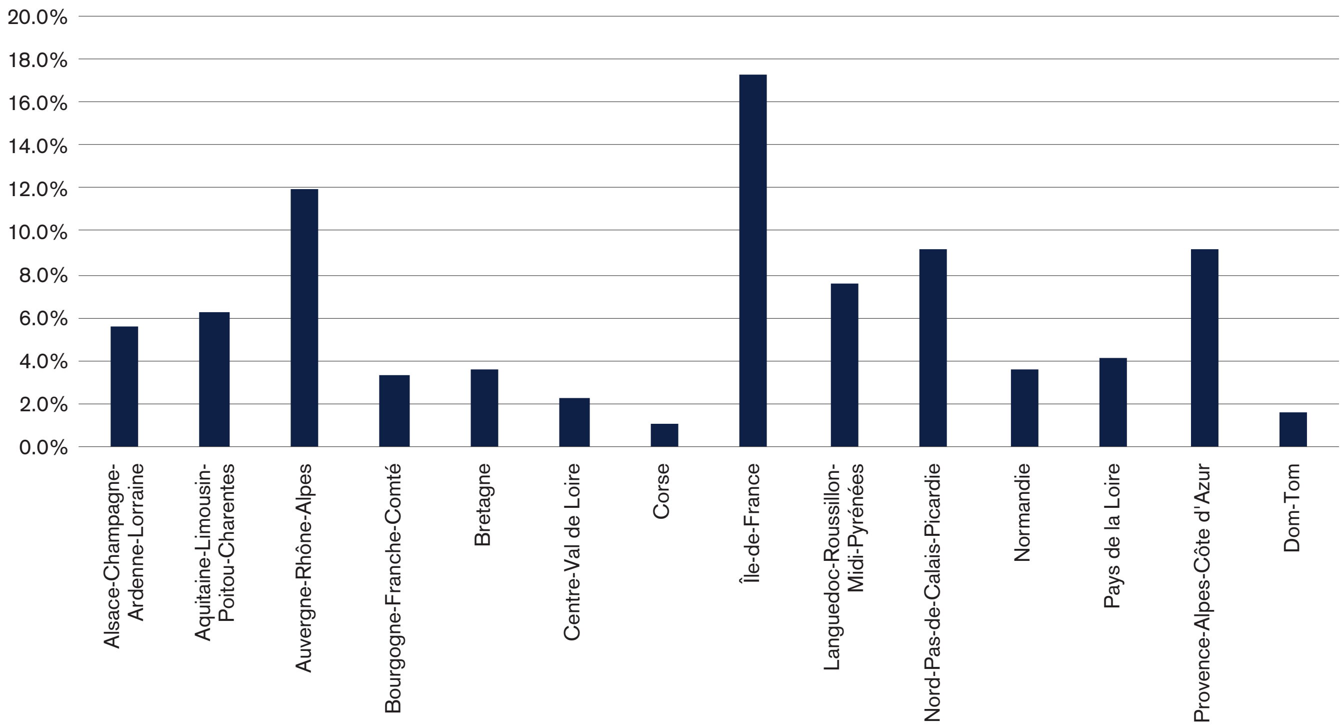


Exhibit 6: CP Assets by Currency

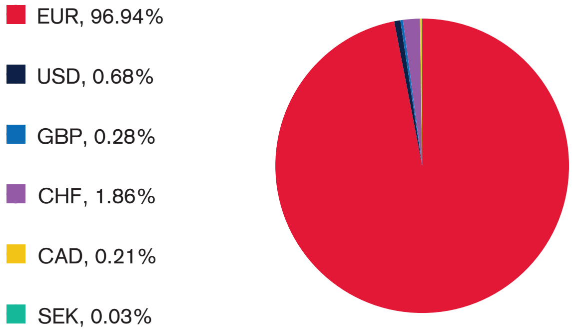
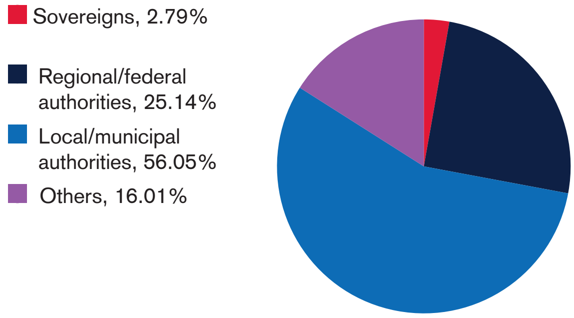


Exhibit 7: Distribution by Debtor Type



Appendix B – Outstanding Covered Bonds Rated by DBRS

An Excel that details the 526 outstanding OF obligations rated by DBRS can be found on the CAFFIL SCF Public Sector Covered Bonds (OF – Public Sector) Issuer Page of DBRS.com under the Research tab.

Notes:
All figures are euros unless otherwise noted.

The DBRS group of companies consists of DBRS, Inc. (Delaware, U.S.)(NRSRO, DRO affiliate); DBRS Limited (Ontario, Canada)(DRO, NRSRO affiliate); DBRS Ratings Limited (England and Wales)(CRA, NRSRO affiliate, DRO affiliate); and DBRS Ratings México, Institución Calificadora de Valores S.A. de C.V. (Mexico)(CRA, NRSRO affiliate, DRO affiliate). Please note that DBRS Ratings Limited was registered as an NRSRO affiliate on July 14, 2017. For more information on regulatory registrations, recognitions and approvals, please see: http://www.dbrs.com/research/225752/highlights.pdf.