Surveillance Report
CAFFIL SCF Public Sector Covered Bonds (SCF - Public Sector - Bullet)

Morningstar DBRS
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Antonio Laudani
Vice President
European Covered Bonds
+34 919 036523
antonio.laudani@morningstar.com

Tomas Rodriguez-Vigil Junco
Vice President
European RMBS and Covered Bonds
+34 672 74 37 29
tomas.rodriguez-vigiljunco@morningstar.com

Ketan Thaker
Managing Director
European Real Estate & NPL Ratings
+44 20 3356 1525
ketan.thaker@morningstar.com

Credit Ratings

Programme Overview		Rating Pillars	
Issuer Name	Caisse Française de Financement Local	CB Ratings	AAA
Issuer Group	SFIL SA	CBAP	AA (high)
Long-Term Rating	AA (high) Stable, 29 January 2024	LSF Assessment	Very Strong
Long-Term Critical Obligations Rating	N/A	CPCA	A (low)
Host Sovereign	Republic of France; AA (high) Stable, 22 March 2024	LSF-Implied Likelihood	AAA
Domicile Sovereign	Republic of France; AA (high) Stable, 22 March 2024	Recovery Notches	2
Main Collateral Type	Public Sector	**Overcollateralisation (OC)**	
Subject to Legal Framework	Yes	Current OC (%)	25.1[1]
Total Cover Assets (EUR billions)	64.3[1]	Committed OC	N/A
Total Covered Bonds (EUR billions)	51.4[1]	OC to Which Morningstar DBRS Gives Credit (%)	12.5%
Maturity Type of Covered Bonds	Bullet	Minimum Legal OC (%)	5.0
Maturity Extension	N/A	OC Basis	Nominal

1. Total privileged liabilities outstanding as at 8 September 2024, assets as at 30 June 2024. OC calculated by Morningstar DBRS.

Rating Rationale

On 6 September 2024, DBRS Ratings GmbH (Morningstar DBRS) confirmed its AAA ratings on the Obligations Foncières (OF) outstanding under the CAFFIL SCF (CAFFIL or the Issuer) Public Sector Covered Bonds Programme (the Programme). This rating action followed the completion of a full review of the ratings. The ratings reflect the following analytical considerations:

- A Covered Bonds Attachment Point (CBAP) of AA (high), which is the Long-Term Issuer Rating of SFIL SA (SFIL). SFIL is the Reference Entity (RE) for the Programme.
- A Legal and Structuring Framework (LSF) Assessment of "Very Strong" associated with the Programme, although the LSF Assessment does not currently affect the ratings in a material way.
- A Cover Pool Credit Assessment (CPCA) of A (low) that can currently be achieved.
- An LSF-Implied Likelihood (LSF-L) of AAA that can currently be achieved.
- A possible two-notch uplift for high recovery prospects, although the level of recoveries does not currently affect the ratings in a material way.
- The level of overcollateralisation (OC) of 12.5% to which Morningstar DBRS gives credit, which is the minimum level observed in the past 12 months, adjusted by a scaling factor of 0.85.
- The sovereign rating on the Republic of France, rated AA (high) with a Stable trend by Morningstar DBRS as of the date of this report.

Morningstar DBRS analysed the transaction using its 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 (MVS) to calculate liquidation values on the cover pool (CP).

To assign ratings to new issuances, the following stressed assumptions are used: a CPCA of BB, because BB is the lowest-tested stress level currently compatible with the AAA covered bonds (CB) rating, and an LSF-L of AA (high) compatible with this level of CPCA.

Rating Sensitivity

Everything else equal, provided that a CPCA of A (low) is currently achievable, a five-notch downgrade of the CBAP would lead to a three-notch downgrade of the LSF-L to AA (low) and a one-notch downgrade of the CB ratings. Based on the CPCA of BB (the level tested to assign ratings to new issuances), a two-notch downgrade of the CBAP to AA (low) would lead to a two-notch downgrade of the LSF-L to AA (low), resulting in a one-notch downgrade of the CB ratings.

In addition, all else unchanged, the CB ratings would be downgraded if any of the following occurred: (1) the sovereign rating on the Republic of France was downgraded below AA; (2) the relative amortisation profile of the CB and CP moved adversely; (3) volatility in the financial markets caused the currently estimated MVS to increase; or (4) the composition of the CP, the level of OC to which Morningstar 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.

Approximately 93% of the CP by loan balance is concentrated in France, the domicile sovereign. The RE and the Issuer are also located in France, the host sovereign. In Morningstar DBRS' 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 Morningstar DBRS' *Global Methodology for Rating and Monitoring Covered Bonds*, in this circumstance, the rating on the CB is typically capped at three notches higher than the rating on the sovereign.

Environmental, Social, and Governance Considerations

For Environmental, Social, and Governance (ESG) considerations, please refer to the ESG Checklist and Considerations under Appendix A.

Notable Events Over the Review Period

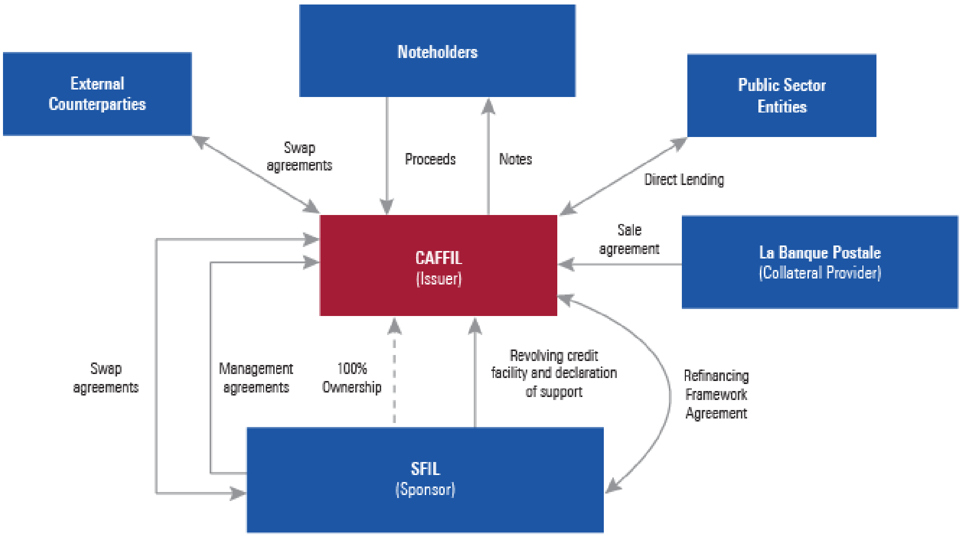
There have been no significant events affecting the ratings on the CB over the review period.

Major Events	
Sovereign Rating	On 22 March 2024, Morningstar DBRS confirmed its long-term ratings on the Republic of France at AA (high) with a Stable trend.
RE Rating	On 29 January 2024, Morningstar DBRS confirmed its Long-Term Issuer Rating on SFIL at AA (high) with a Stable trend. This event had no impact on the ratings on the CB as the CBAP remained unchanged.
Origination and Servicing	CAFFIL has made no material changes to its origination and servicing practices since the last annual review.
Others	Morningstar DBRS published the most recent version of the *Global Methodology for Rating and Monitoring Covered Bonds* methodology on 2 April 2024.

Transaction Structure

The Programme is set up under the French legal framework for CBs.

Exhibit 1 French Covered Bonds



Source: Morningstar DBRS.

The Programme was established in January 2013 under the French Covered Bond Law to issue up to EUR 75 billion of CBs. As of 6 September 2024, the Programme had EUR 51.3 billion outstanding (see “List of CBs Outstanding” at the end of this report). The Issuer is required to pay interest and principal on the CBs, and, in case of Issuer default, the assets of the CP are available to repay principal and interest on the CBs subject to the final terms of each issue.

For more information on French OF, please refer to the Morningstar DBRS commentary *French Covered Bonds: Legal and Structuring Framework Review*.

Sovereign Assessment

Morningstar DBRS confirmed its rating on the Republic of France at AA (high) with a Stable trend on 22 March 2024.

This is an extract from the relevant press release:

" *KEY CREDIT RATING CONSIDERATIONS*

The Stable trend reflects Morningstar DBRS’ view that risks to the credit ratings are balanced. Despite multiple headwinds related to geopolitical and global trade tensions, monetary tightening and high inflation, the French economy was resilient in 2023. Real GDP grew by 0.9% versus 0.5% on average in the Euro area. In 2024, private consumption is expected to drive economic growth, supported by continued purchasing power gains in recent years, falling inflation and the likely decline of households’ high savings ratio. The government expects real GDP growth of 1% this year. However, fiscal consolidation has been slower than anticipated. The government recently announced that the *actual fiscal deficit for 2023 will be higher than its latest estimate of 4.9% of GDP. The capacity of the government to execute on its commitment to structurally reduce its large fiscal deficit and high public debt ratio will be a key credit rating factor in the coming years.*

France's AA (high) ratings remain underpinned by the country's wealthy and diversified economy, sound public institutions, and strong public funding profile. France is a core member of the euro area and financial stability risks are contained. The economy is resilient during crises due in part to strong social protections. Nevertheless, the country has the highest level of public expenditure-to-GDP among advanced economies which has historically proved difficult to reduce, making fiscal rebalancing more challenging. Policy predictability decreased following the legislative elections in June 2022 when the governing alliance lost its absolute majority in the National Assembly. Since then, President Macron's weaker position in parliament and political fragmentation undermine public support for the government's structural reform agenda and its intention to repair public accounts – key for the country to maintain its very strong credit profile".

For more information on France, please refer to the most recent press release or rating report published by Morningstar DBRS.

Legislation Overview

Morningstar DBRS understands that CBs in the form of mortgage-backed OF[1] are regulated by the French Monetary and Financial Code (the Code). This law sets forth, among other matters, the types of issuers that may issue OF and the types of eligible cover assets, segregation principles, liquidity buffer, pre-maturity test, hedging, collateralisation requirements, and CP monitor.

Morningstar DBRS also understands that the legislation currently in place gives OF holders a priority right over the CP upon an issuer's insolvency. In Morningstar DBRS' view, this provides the OF holders with strong protection; however, there is a risk that the segregated CP may not ensure timely payments on the OF immediately following an RE's insolvency.

For further information on Morningstar DBRS' understanding of the rules applicable to French CBs, please refer to the Morningstar DBRS commentary *French Covered Bonds: Legal and Structuring Framework Review*.

Covered Bonds Attachment Point

SFIL is the RE for the programme, and CAFFIL is the Issuer. CAFFIL is 100% owned by SFIL, and CAFFIL is instrumental in ensuring that 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 purchases assets of or grants 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, the refinancing of export loans, was entrusted to SFIL and CAFFIL in 2015. The aim of this new public setup is to improve available export credit loans in terms of volumes, maturities, and cost.

1 The law also covers mortgage-backed obligations de financement de l'habitat (OFH).

Morningstar DBRS believes that France is a jurisdiction for which CBs are a particularly important financing tool (see Morningstar DBRS' commentary *DBRS Morningstar's Assessment of European Jurisdictions for which Covered Bonds are Systemically Important*). Moreover, the CP is composed of public-sector loans. Morningstar DBRS considers it likely that this form of lending would comprise part of the activity for a going-concern entity, possibly resulting from an RE's resolution. This is particularly relevant for French public-sector exposures.

The CBAP reflects the likelihood that the source of payments will switch from the RE to the CP. CAFFIL's CBAP is set at AA (high), equal to SFIL's Long-Term Issuer Rating.

CAFFIL's CBAP does not incorporate any uplift from the Issuer Rating. This is in accordance with Morningstar DBRS' *Global Methodology for Rating and Monitoring Covered Bonds*, whereby in the above-mentioned circumstances, up to a one-notch uplift from the Issuer Rating would be possible. Morningstar DBRS notes that, because of SFIL's full indirect ownership by the French government through Caisse des dépôts et consignations (CDC), and Morningstar DBRS' expectation of SFIL receiving support from the French State and CDC in case of need, its Issuer Rating on SFIL is already positioned above the entity's intrinsic creditworthiness. Although SFIL is subject to the European Union's Bank Recovery and Resolution Directive, Morningstar DBRS believes that it is more likely that an intervention from its main shareholder, the French State (through CDC), would take place before any resolution measures.

LSF Assessment

The LSF Assessment is one of the four pillars of Morningstar DBRS' *Global Methodology for Rating and Monitoring Covered Bonds* and expresses its view on the likelihood that payment obligations under the CB 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.

Morningstar DBRS associated an LSF Assessment of "Very Strong" to the Programme, which reflects its view of the following:

1. The French CB legal framework providing the CB holders' first-priority right over 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 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 Morningstar DBRS' expectation of the regulator's willingness and ability to support the CB instrument in line with a host sovereign rated AA (high) by Morningstar DBRS;
3. The public-sector nature of the CP exposures, the ability to freely pledge all exposures at any time without formalities, the sizable proportion of CP assets that are eligible for repo operations with the central bank, and the ability of the société de crédit foncier (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 specific controller's role in independently monitoring the French SCF's compliance with the provisions in the French CB legal framework, the CP's compliance with the eligibility

criteria as well as the coverage ratio, and the review of the risk linked to the mismatches in interest rates and maturities of assets and liabilities.

5. The Autorité de contrôle prudentiel et de résolution's role 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 (capital injection and state guarantee for Dexia Municipal Agency in 2008 and state guarantee for CIF Euromortgage in 2012), which in Morningstar DBRS' view, benefit OF holders.

For more information, please refer to the Morningstar DBRS commentary *French Covered Bonds: Legal and Structuring Framework Review*.

Cover Pool Credit Assessment

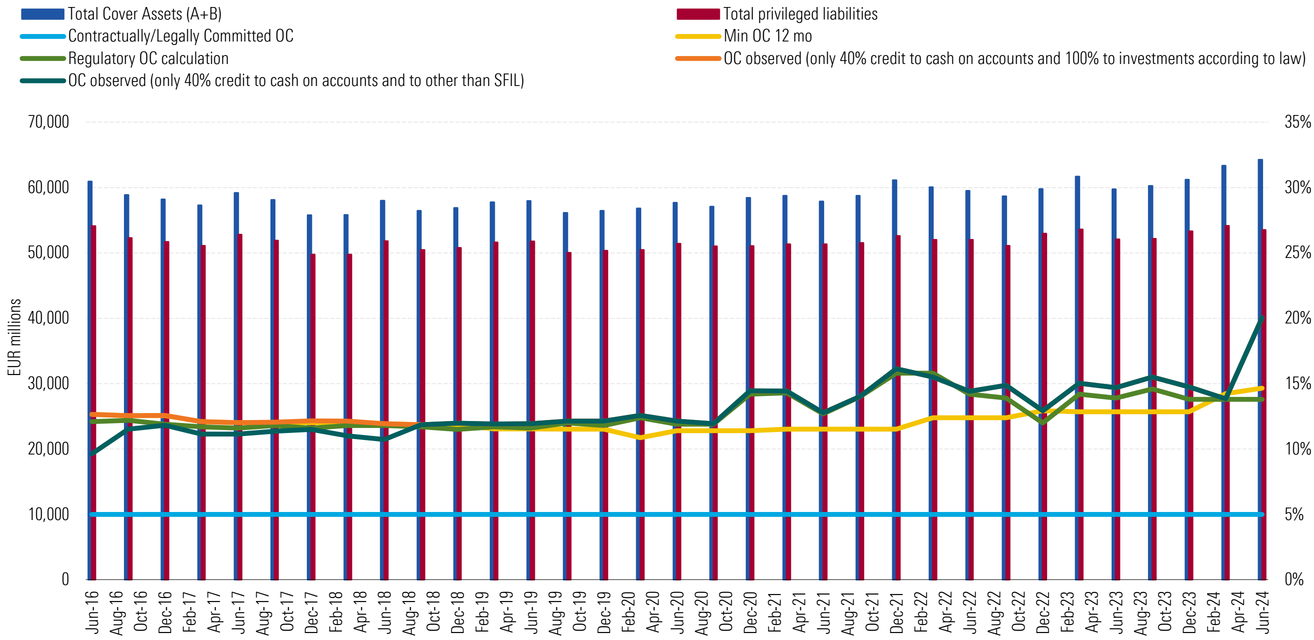
A CPCA of up to A (low) can be associated with the Programme.

Cover Pool and Covered Bonds

As of 6 September 2024, the total outstanding amount of CBs was EUR 51.3 billion. In addition, as of 30 June 2024, CAFFIL had other privileged liabilities that totalled EUR 91 million, which are due under the swaps in case of termination. The amounts are due pari passu with the bonds. The public-sector assets' balance as of 30 June 2024 was EUR 61.3 billion, and the substitute assets balance was EUR 3.0 billion. This results in an estimated nominal OC ratio of 25.1%.

As at the end of June 2024, the CP assets comprised 38,072 public-sector loans, with a weighted-average (WA) seasoning of 6.5 years and a WA remaining time to maturity of 12.5 years.

Exhibit 2 Total Cover Pool vs. Outstanding Liabilities and Overcollateralisation



Sources: CAFFIL and Morningstar DBRS.
Total CP and privileged liabilities on the left-hand scale; OC on the right-hand scale.

Cover Assets Analysis

As of the end of June 2024, the total amount of public-sector exposures (PSE) in the CP was EUR 61.3 billion.

Approximately 93% of the exposures are concentrated in France, 5% in Italy (currently rated BBB (high) with a Stable trend by Morningstar DBRS), and the rest are diversified across other countries.

Of the exposures, 17.2% is to sovereigns, 19.2% is to regional/federal authorities, 48.1% is to local/municipal authorities, and the remaining 15.5% is diversified across hospitals and other types of entities.

Around 68.5% of the PSE CP yields a fixed rate of interest (before micro or macro hedges).

Morningstar DBRS used its public and private ratings, public ratings by other recognised credit rating agencies, and internal assessments to approximate the distribution of the PSE CP's creditworthiness.

The expected loss assumption for the CP in the base-case (B) scenario is 0.24%.

Approximately 5% of the CP is concentrated in Italy. In Morningstar DBRS' analysis, although a sovereign exposure is defaulted immediately above the rating on that sovereign, the entire exposure to a jurisdiction is defaulted at a level of stress that is three notches or more above the rating on 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 are drivers of the A (low) CPCA and the pass-OC level.

Refinancing and Market Risk

The reported WA life of the public-sector assets is 6.7 years prepayment rate, which is slightly longer than the 6.2 years WA life on the CB. This maturity mismatch is mitigated by the available OC.

CAFFIL has several hedging agreements in place with multiple commercial banks and 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 downgrade language that is not consistent with Morningstar DBRS' *Derivative Criteria for European Structured Finance Transactions*. Morningstar DBRS gave limited credit of 20% to these swaps in its analysis. The hedging agreements entered into with SFIL contain downgrade and collateral-posting language consistent with Morningstar DBRS' criteria; therefore, Morningstar DBRS gave these full credit in its analysis. Morningstar DBRS stressed the residual foreign currency assumed open position as outlined in its *Currency Stresses for Global Structured Finance Transactions* methodology.

CAFFIL enjoys a substantial liquidity position. In Morningstar DBRS' view, this mitigates the liquidity constraint imposed by the termination payments that might be due under the swaps. Moreover, Morningstar DBRS assumed a 12-month asset-liability matching rule in its analysis in lieu of the minimum six-month period required by the OF legislative framework.

Cash Flow Analysis

Morningstar DBRS analysed the transaction cash flow structure using its European Covered Bond Cash Flow tool. The main assumptions focused on the timing of defaults and recoveries of the assets, interest rate stresses, and MVS to calculate liquidation values on the CP.

Morningstar DBRS used the following assumptions for its cash flow analysis:

- CAFFIL's CP is formed by assets that are standard in its market. Morningstar DBRS applied MVS[2] for the PSE to calculate the CP's liquidation value; MVS curves are applied in full during the first 18 months and to a reduced extent afterward.
- Morningstar DBRS inputs the lifetime expected losses estimated for CAFFIL assets in various rating scenarios into its cash flow tool.
- Morningstar DBRS assumed a uniform distribution of defaults concentrated in the initial 10 months.
- Morningstar DBRS assumed that the typical time span necessary to realise recoveries is 18 months, in line with its *Modelling Assumptions for Portfolios of Public Sector Exposures* methodology.
- In line with its *Global Methodology for Rating and Monitoring Covered Bonds*, Morningstar DBRS assumed a prepayment scenario of 1%.
- Around 70% of the PSE CP yielded a fixed-rate coupon (before micro or macro hedges), while roughly 95% of the OF (before hedges) is fixed rate. CAFFIL fully hedges the interest rate mismatches by swapping all privileged liabilities that are not floating rate and all CP assets into floating rate. Morningstar DBRS gave 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 as the language was not consistent with Morningstar DBRS' criteria. Morningstar DBRS uses interest rate stresses as per its *Interest Rate Stresses for European Structured Finance Transactions* methodology, which includes upward and downward interest rate curves.
- Of the PSE assets in the CP, 99.2% were denominated in euros versus 99.0% of the liabilities. The remaining portions are denominated in a mix of different currencies. Although swaps are in place to hedge this exposure, Morningstar 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 Morningstar DBRS stressed in its analysis as per its *Currency Stresses for Global Structured Finance Transactions* methodology and affects the pass-OC level by less than a percentage point in a AAA scenario.

Overcollateralisation to Which Morningstar DBRS Gives Credit

The minimum level of OC required by legislation is 5% of CB and other privileged debt. The Issuer does not commit to any higher level.

2 See the MVS assumptions contained in the *Global Methodology for Rating and Monitoring Covered Bonds* available on www.dbrs.morningstar.com.

The minimum level of OC observed over the past 12 months was 14.7%. According to its *Global Methodology for Rating and Monitoring Covered Bonds*, Morningstar DBRS then adjusts this level by a scaling factor of 0.85, in line with the OF rating of AAA, yielding a level of 12.5% to which Morningstar DBRS gives credit.

LSF-L

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.

Credit for Recovery Prospects

Morningstar DBRS may grant up to a two-notch uplift on top of the LSF-L if the analysis of the CP shows that it would provide substantial support after the default of the CB.

Morningstar DBRS ran a wind-down cash flow simulation aimed at covering the cost of funding under a stress scenario in line with the CB ratings. According to its *Global Methodology for Rating and Monitoring Covered Bonds*, a two-notch uplift from the LSF-L is possible in consideration of the high recovery prospects of the CB.

Eligibility Criteria

Legislative Criteria

For a summary of the eligibility criteria for CB under the French legislative framework, please refer to Morningstar DBRS' rating report *CAFFIL SCF Public Sector Covered Bonds (OF – Public Sector): Rating Report*.

Data Sources

The sources of data and information used for these ratings include investor reports and loan-by-loan data on the CP as at 30 June 2024 and 31 March 2024, respectively, containing information on the loan currency, initial amount, residual amount, maturity date, amortisation type, underlying debtor, country of the debtor, guarantor, country of the guarantor, and interest rate type, among others, provided by the Issuer.

Morningstar DBRS did not rely upon third-party due diligence in order to conduct its analysis. At the time of the initial ratings, Morningstar DBRS was not supplied with third-party assessments. However, this did not impact the rating analysis.

Morningstar DBRS considers the data and information available to it for the purposes of providing these ratings to be of satisfactory quality. Morningstar DBRS does not audit or independently verify the data or information it receives in connection with the rating process.

List of CBs Outstanding Under the Programme

A list that details the outstanding OF obligations rated by Morningstar DBRS can be found on the CAFFIL SCF Public Sector Covered Bonds (OF – Public Sector) Issuer Page of www.dbrs.morningstar.com under the Research tab.

Key Credit Metrics

	30/06/2024	31/03/2024	31/12/2023	30/09/2023
Total Public Sector Pool (EUR)	61,264,254,905	60,190,276,826	58,414,901,840	58,185,675,741
Substitute Assets (EUR)	3,011,615,859	3,165,185,112	2,784,556,592	2,086,359,610
Outstanding CB (EUR)	53,339,317,928	53,918,387,349	53,137,855,826	51,966,684,277
Total OC (%)1	20.5	17.5	15.2	16.0
Committed OC (%)	NA	NA	NA	NA
Legal Minimum OC (%)2	5	5	5	5
Cover Pool				
Total Public Sector Pool (EUR)	61,264,254,905	60,190,276,826	58,414,901,840	58,185,675,741
Number of PSEs	38,072	38,072	38,316	38,399
Average PSE Balance (EUR)	1,609,168	1,580,959	1,524,556	1,515,291
Public Sector Assets (%)	95.3	95.0	95.5	96.5
Other Assets (%)	4.7	5.0	4.6	3.5
WA Seasoning (months)	79	82	81	84
WA RTM (months)	151	151	151	152
Liquid Assets (%)	66.5	67.9	67.2	67.3
Interest Rate				
Asset Fixed Rate (%)	68.5	69.3	68.1	68.8
Asset Floating Rate (%)	31.5	30.7	31.9	31.2
WA Coupon (%)	ND	ND	ND	ND
Type of PSE				
Sovereigns (%)	17.2	16.0	15.9	14.8
o/w Export Credit Claims Guaranteed by Sovereigns (%)	14.5	13.4	13.3	12.2
Regional/Federal Authorities (%)	19.2	19.5	19.7	20.2
Local/Municipal Authorities (%)	48.1	49.2	49.9	50.6
Other Assets (%)	15.5	15.2	14.5	14.4
Liquid Assets as a % of the Cover Pool				
Substitute and Other Marketable Assets (%)	4.7	5.0	4.6	3.5
Central Bank Eligible Assets (%)	58.7	60.6	60.9	62.3
Other (%)	3.1	2.4	1.7	1.5
o/w Banque de France and Tresor Accounts (%)	3.1	2.4	1.7	1.5
Performance				
Delinquency < 30 Days (%)	0.0	0.0	0.0	0.0
Delinquency > 30 to 60 Days (%)	0.0	0.0	0.0	0.0
Delinquency > 60 to 90 Days (%)	0.0	0.0	0.0	0.0
Delinquency > 90 Days (%)	0.0	0.0	0.0	0.0
Geographical Distribution				
France - Grand Est	5.6	5.8	5.6	5.7
France - Aquitaine-Limousin-Poitou-Charentes	7.3	7.5	7.6	7.7
France - Auvergne-Rhone-Alpes	9.8	10.0	10.2	10.5
France - Bourgogne-Franche-Comte	2.7	2.8	2.9	2.9
France - Bretagne	3.1	3.3	3.2	3.3
France - Centre-Val de Loire	1.7	1.8	1.9	1.9
France - Corse	0.9	1.0	1.0	1.0

France - Ile-de-France	30.9	28.9	28.2	27.0
France - Occitanie	8.1	8.3	8.4	8.4
France - Hauts-de-France	8.3	8.4	8.5	8.6
France - Normandie	2.9	2.9	3.0	3.1
France - Pays de la Loire	2.9	3.0	3.1	3.1
France - Provence-Alpes-Cote d'Azur	7.7	7.9	8.0	8.2
France - Outre-Mer	1.3	1.4	1.3	1.4
Austria	0.2	0.3	0.3	0.3
Belgium	0.0	0.0	0.0	0.0
Germany	0.0	0.0	0.0	0.0
Italy	5.2	5.3	5.6	5.7
Portugal	0.0	0.0	0.0	0.0
Spain	0.5	0.5	0.5	0.5
Sweden	0.0	0.0	0.0	0.0
United Kingdom	0.0	0.0	0.0	0.0
Other	0.8	0.8	0.8	0.8

Counterparties

A list that details the counterparties in the Programme can be found on the CAFFIL SCF Public Sector Covered Bonds (OF – Public Sector) Issuer Page of https://dbrs.morningstar.com under the Research tab.

Related Research

The rating methodologies and criteria used in the analysis of this transaction are listed below and can be found at https://dbrs.morningstar.com/about/methodologies.

- *Global Methodology for Rating and Monitoring Covered Bonds* (2 April 2024), https://dbrs.morningstar.com/research/430636.
- *Modelling Assumptions for Portfolios of Public Sector Exposures* (9 July 2024) and Public Sector Model v 0.2.1, https://dbrs.morningstar.com/research/435921.
- *Global Methodology for Rating Banks and Banking Organisations* (4 June 2024), https://dbrs.morningstar.com/research/433881.
- *Legal Criteria for European Structured Finance Transactions* (28 June 2024), https://dbrs.morningstar.com/research/435165.
- *Derivative Criteria for European Structured Finance Transactions* (6 September 2024), https://dbrs.morningstar.com/research/439043.
- *Interest Rate Stresses for European Structured Finance Transactions* (28 June 2024), https://dbrs.morningstar.com/research/435278.
- *Operational Risk Assessment for European Structured Finance Originators and Servicers* (18 September 2024), https://dbrs.morningstar.com/research/439571.
- *Global Methodology for Rating CLOs and Corporate CDOs* (23 February 2024), https://dbrs.morningstar.com/research/428544.
- *Global Methodology for Rating Sovereign Governments* (15 July 2024), https://dbrs.morningstar.com/research/436000.
- *Currency Stresses for Global Structured Finance Transactions* (30 January 2024), https://dbrs.morningstar.com/research/427281.
- *Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Factors in Credit Ratings* (13 August 2024), https://dbrs.morningstar.com/research/437781.

A description of how Morningstar DBRS analyses structured finance transactions and how the methodologies are collectively applied can be found at:
https://dbrs.morningstar.com/research/278375.

Appendix A: Environmental, Social, and Governance Checklist and Considerations

ESG Factor		ESG Credit Consideration Applicable to the Credit Analysis: Y/N		Extent of the Effect on the ESG Factor on the Credit Analysis: Relevant (R) or Significant (S)*
Environmental		Overall:	N	N
	Emissions, Effluents, and Waste	Do the costs or risks result in a higher default risk or lower recoveries for the securitized assets?	N	N
	Carbon and GHG Costs	Do the costs or risks related to GHG emissions, and related regulations and/or ordinances result in higher default risk or lower recoveries of the securitized assets?	N	N
		Are there potential benefits of GHG efficient assets on affordability, financeability, regulatory compliance, or future values (recoveries)?	N	N
		Carbon and GHG Costs	N	N
	Climate and Weather Risks	Are the securitized assets in regions exposed to climate change and adverse weather events affecting expected default rates, future valuations, and/or recoveries, considering key IPCC climate scenarios?	N	N
	Passed-through Environmental credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by environmental factors (see respective ESG checklist for such issuer)?	N	N
Social		Overall:	N	N
	Social Impact of Products and Services	Do the securitized assets have an extraordinarily positive or negative social impact on the borrowers and/or society, and do these characteristics of these assets result in different default rates and/or recovery expectations?	N	N
		Does the business model or the underlying borrower(s) have an extraordinarily positive or negative effect on their stakeholders and/or society, and does this result in different default rates and/or recovery expectations?	N	N
		Considering changes in consumer behaviour or secular social trends: Does this affect the default and/or loss expectations for the securitized assets?	N	N
		Social Impact of Products and Services	N	N
	Human Capital and Human Rights	Are the originator, servicer, or underlying borrower(s) exposed to staffing risks and could this have a financial or operational effect on the structured finance issuer?	N	N
		Is there unmitigated compliance risk due to mis-selling, lending practices, or work-out procedures that could result in higher default risk and/or lower recovery expectations for the securitized assets?	N	N
		Human Capital and Human Rights	N	N
	Product Governance	Does the originator's, servicer's, or underlying borrower(s)' failure to deliver quality products and services cause damage that may result in higher default risk and/or lower recovery expectations for the securitized assets?	N	N
	Data Privacy and Security	Does the originator's, servicer's, or underlying borrower(s)' misuse or negligence in maintaining private client or stakeholder data result in financial penalties or losses to the issuer?	N	N
	Passed-through Social credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by social factors (see respective ESG checklist for such issuer)?	N	N
Governance		Overall:	N	N
	Corporate / Transaction Governance	Does the transaction structure affect the assessment of the credit risk posed to investors due to a lack of appropriate independence of the issuer from the originator and/or other transaction parties?	N	N
		Considering the alignment of interest between the transaction parties and noteholders: Does this affect the assessment of credit risk posed to investors because the alignment of interest is inferior or superior to comparable transactions in the sector?	N	N
		Does the lack of appropriately defined mechanisms in the structure on how to deal with future events affect the assessment of credit risk posed to investors?	N	N
		Considering how the transaction structure provides for timely and appropriate performance and asset reporting: Does this affect the assessment of credit risk posed to investors because it is inferior or superior to comparable transactions in the sector?	N	N
		Corporate / Transaction Governance	N	N
	Passed-through Governance credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by governance factors (see respective ESG checklist for such issuer)?	N	N
		Consolidated ESG Criteria Output:	N	N

ESG Considerations

Credit rating actions on SFIL are likely to have an impact on this credit rating. There were no ESG factors that had a significant or relevant effect on the credit analysis.

Environmental

There were no Environmental factors that had a relevant or significant effect on the credit analysis. For more details about which Environmental factors could have an effect on the credit analysis, please refer to the checklist above.

Social

There were no Social factors that had a relevant or significant effect on the credit analysis. For more details about which Social factors could have an effect on the credit analysis, please refer to the checklist above.

Governance

There were no Governance factors that had a relevant or significant effect on the credit analysis. For more details about which Governance factors could have an effect on the credit analysis, please refer to the checklist above.

The above ESG discussion relates to credit risk factors that could impact the financial profile and therefore the rating of the Issuer. They are separate from ESG sustainability factors, which are generally outside the scope of this analysis. A description of how Morningstar DBRS considers ESG factors within the Morningstar DBRS analytical framework can be found in the *Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Factors in Credit Ratings* at https://dbrs.morningstar.com/research/437781.

Appendix B: Scope and Meaning of Financial Obligations

Morningstar DBRS' credit rating on the CB series outstanding under this Programme address the credit risk associated with the identified financial obligations in accordance with the relevant transaction documents. The associated financial obligations are the related Interest Payment Amounts and the related Principal Balance.

Morningstar DBRS' long-term credit ratings provide opinions on risk of default. Morningstar DBRS considers risk of default to be the risk that an issuer will fail to satisfy the financial obligations in accordance with the terms under which a long-term obligation has been issued.

About Morningstar DBRS

Morningstar DBRS is a full-service global credit ratings business with approximately 700 employees around the world. We're a market leader in Canada, and in multiple asset classes across the U.S. and Europe.

We rate more than 4,000 issuers and nearly 60,000 securities worldwide, providing independent credit ratings for financial institutions, corporate and sovereign entities, and structured finance products and instruments. Market innovators choose to work with us because of our agility, transparency, and tech-forward approach.

Morningstar DBRS is empowering investor success as the go-to source for independent credit ratings. And we are bringing transparency, responsiveness, and leading-edge technology to the industry.

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