

**Rated entity:**

Mortgage covered bonds (hard- and soft bullet) program issued by BNP Paribas Home Loan SFH

**Rating:**

AAA

**Rating outlook / watch:**

Outlook stable

**Rating summary:**

This monitoring report covers our analysis of the mortgage covered bond (hard- and soft bullet) program issued under French law by BNP Paribas Home Loan SFH. As of 30 September 2020, the total covered bond issuance had an outstanding value of EUR 30,422.21 m, backed by a cover pool with a nominal value of EUR 37,983.87 m. This corresponds to a nominal overcollateralization of 24.86%. The cover assets include French mortgages obligations.

Taking into consideration the issuer rating, our analysis of the regulatory framework, liquidity and refinancing risks, as well as our cover pool assessment and results of the cash flow analysis with credit metrics as of 30 July, 2020 and overall monitoring results, Creditreform Rating AG ("Creditreform Rating" or "CRA") affirms the covered bond program with an AAA rating. The outlook of the covered bond program has been revised to stable from "watch negative". The AAA rating represents the highest level of credit quality and the lowest investment risk.

Risk Factor	Result
Issuer rating	A- (rating as of 26 November 2020)
+ Legal and regulatory framework	+4 Notches
+ Liquidity and refinancing risk	+1 Notch
= Rating after 1 <sup>st</sup> uplift	AA+
Cover pool & cash flow analysis	AAA (credit metrics as of 30 July 2020)
+ 2 <sup>nd</sup> rating uplift	+1 Notch
= Rating covered bond program	<b>AAA</b>

**Primary key rating driver:**

- + Covered Bonds are subject to strict legal framework (SFH legislation)
- + Covered Bondholders have full recourse to the issuer.
- + High overcollateralization (OC) of 24.86% as of 30 September 2020
- +/- Covid-19 can lead to sustained changes in the cover pool and the issuer rating
- A strong dependency on the economy in Europe, as more than two-thirds of the operating income of BNP Paribas is generated in Europe

**Rating sensitivities:**

Best-case scenario: In this scenario, the base case assumptions remained stable, resulting in a cover pool rating of AAA.

Worst-case scenario: In this scenario, we stressed (ceteris paribus) the default rate and recovery rate of the portfolio assets by an amount of 50% respectively, resulting in a cover pool rating of A-. This would reduce the 2<sup>nd</sup> rating uplift by 1 Notch, resulting in a rating of AA+ for the covered bond program.

**ESG-criteria:**

CRA generally takes ESG-relevant factors (environmental, social and governance) into account when assessing Covered Bond ratings. Overall, ESG factors have a significant impact on the current rating of this Covered Bond program. CRA identifies governance factors, in particular, to have a

highly significant impact on Covered Bond ratings. Since Covered Bonds are subject to strict legal requirements, regulatory risk plays an important role in assessing the credit rating.

The SFH legislation defines clear rules to mitigate risks in particular regarding insolvency remoteness, asset segregation, investor's special claim vis-à-vis other creditors, the roll and appointment of a special administrator, among other provisions. Additionally, Risk management and internal controls as well as the macroeconomic factors such as hedging strategies, interest rates and yield curve are considered to have a highly significant impact on the assessment of the credit rating. Other individual factors with a potential key rating influence were not identified, and therefore did not affect the final rating.

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

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

**Rating Date / disclosure to rated entity / maximum validity:**

January 25, 2021 / January 25, 2021 / January 1, 2050

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

**Initial rating date / rating:**

August 8, 2019 / AAA - Outlook stable

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

AFM Kamruzzaman (Lead) – Analyst

Sardor Abdullahev (PAC) – Analyst

**Name & address of legal entity:**

Creditreform Rating AG, Europadamm 2-6, 41460 Neuss, Germany

**Status of solicitation:**

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

With Rated Entity or Related Third Party Participation: No

With Access to Internal Documents: No

With Access to Management: No

**Rating methodology / Version / Date of application / Link:**

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

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

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

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

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

**Endorsement:**

Creditreform Rating did not endorse the rating according Article 4 (3), CRA-Regulation.

**Regulatory requirements:**

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

## Conflict of Interests

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

## Rules on the Presentation of Credit Ratings and Rating Outlooks

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

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

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