

**Rated entity:**

Mortgage Covered Bond Program issued by BNP Paribas Home Loan SFH

**Rating:**

AAA

**Rating outlook / watch:**

Outlook stable

**Rating summary:**

This monitoring report covers our update of the mortgage covered bond program issued under the French legal framework (SFH legislation) by BNP Paribas Home Loan SFH. Our rating of the BNP Paribas Home Loan SFH Mortgage Covered Bond Program is reflected by our issuer rating opinion of its parent company BNP Paribas SA (Group) due to its group structure. On 16 November 2021, Creditreform Rating AG ("CRA") affirmed the unsolicited long-term issuer rating of BNP Paribas SA (Group) at A- and assigned a positive outlook. The rating decision is based on BNP Paribas's high systemic relevance for the global banking sector as both Europe and France's largest bank, increased operating profit in 2020 and comparatively better performance up to Q2 2021, continued growth and improvement in quality of loan portfolio despite the COVID-19 crisis and consistent implementation of transformation process with a sustainable increase in cost efficiency. While risks may arise from slightly below average capital ratios, CRA expects BNP Paribas SA to emerge stronger from the corona pandemic and continue on its growth path.

During our monitoring, we did not come to any new findings with regard to the legal and regulatory framework, the liquidity and refinancing risk and credit and portfolio risk. Therefore, we maintain a rating uplift of 4 notches for the legal and regulatory framework and a rating uplift of 1 notch for the liquidity and refinancing risk. Furthermore, the credit metrics from the last follow-up rating of 30 July 2021 are valid as of current monitoring until the need for a further rating action arises. The cover pool and cash flow analysis as of 30 July 2021 resulted in AAA, which implies a 1 notch secondary rating uplift.

Taking into consideration the updated 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 2021, CRA affirms the covered bond program at AAA. The outlook of the covered bond program was set at stable. The AAA rating represents the highest level of credit quality and the lowest investment risk.

Risk Factor	Result
Issuer rating	A- (rating as of 02 November 2021)
+ 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 2021)
+ 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 French legal framework (SFH legislation)
- + Full recourse of the covered bond holders to the issuer
- + Overcollateralization (OC) of 27.44% as of 30.06.2021
- + Continued growth and improvement in the quality of the loan portfolio of the issuer even as the COVID-19 crisis continues
- Slightly below-average capital ratios of the issuer

**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 (ceteris paribus) reduced recoveries by 50% and increased credit risk by 50%, resulting in a cover pool rating of BBB. This would reduce the 2nd 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 role 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:**

December 2, 2021 / December 2, 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

Christian Konieczny (PAC) – Senior 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.