

Rating Action: Moody's confirms Aa2 rating on CIF Euromortgage's covered bonds; actions conclude review

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Madrid, June 24, 2015 -- Moody's Investors Service has today confirmed the Aa2 rating on CIF Euromortgage, Obligations Foncières's covered bonds.

Today's confirmation concludes the review for upgrade of the above covered bonds ratings.

RATINGS RATIONALE

Moody's has confirmed the rating following the assignment of a Baa2(cr)/Prime-2(cr) counterparty risk (CR) Assessment for the sponsor bank, Caisse C'ale du Credit Immobilier de France (3CIF; Baa2/P-2). The CB anchor for this programme is CR Assessment plus zero notches. The CB Anchor doesn't benefit from any notch uplift above the CR Assessment because the probability of a resolution under BRRD for CIF is low and the CR Assessment incorporates a high probability of government support.

With the assignment of a Baa2(cr) CR Assessment, the CB anchor is at the same level as before.

For further information on the rating actions taken by Moody's Financial Institutions Group, please refer to "Moody's concludes review on 5 French banks' ratings; affirms 7 other banks' ratings" (http://www.moody's.com/viewresearchdoc.aspx?docid=PR_328521).

KEY RATING ASSUMPTIONS/FACTORS

Moody's determines covered bond ratings using a two-step process: an expected loss analysis and a "timely payment indicator" (TPI) framework analysis.

EXPECTED LOSS: Moody's uses its Covered Bond Model (COBOL) to determine a rating based on the expected loss on the bond. COBOL determines expected loss as (1) a function of the probability that the issuer will cease making payments under the covered bonds (a CB anchor event); and (2) the stressed losses on the cover pool assets following a CB anchor event.

The CB anchor for the programme is CR Assessment plus zero notches. The CR Assessment reflects an issuer's ability to avoid defaulting on certain senior bank operating obligations and contractual commitments, including covered bonds.

The cover pool losses for this programme are 7.9%, with market risk of 7.1% and collateral risk of 0.8%. The collateral score is currently 1.2%. The over-collateralisation (OC) in the cover pool is 10.6% on a nominal basis, of which the issuer, provides 5.0% on a "committed" basis. The minimum OC level that is consistent with the Aa2 rating level is 2.5%. These numbers show that Moody's is not relying on "uncommitted" OC in its expected loss analysis.

All of the numbers in this section are based on the most recent performance overview and Moody's most recent modeling, based on data as of 31 December 2014.

TPI FRAMEWORK: Moody's assigns a TPI, which measures the likelihood of timely payments to covered bondholders following a CB anchor event. The TPI framework limits the covered bonds' rating to a certain number of notches above the CB anchor.

RATING METHODOLOGY

The principal methodology used in this rating was "Moody's Approach to Rating Covered Bonds", published in March 2015. Please see the Credit Policy page on www.moody's.com for a copy of this methodology.

Factors that would lead to an upgrade or downgrade of the rating:

The CB anchor is the main determinant of a covered bond programme's rating robustness. A change in the level of

the CB anchor could lead to an upgrade or downgrade of the covered bonds. The TPI Leeway measures the number of notches by which Moody's might lower the CB anchor before the rating agency downgrades the covered bonds because of TPI framework constraints.

The TPI assigned to this programme is "Probable-High". The TPI Leeway for this programme is zero notches. This implies that Moody's might downgrade the covered bonds because of a TPI cap if it lowers the CB anchor by one notches, all other variables being equal.

A multiple-notch downgrade of the covered bonds might occur in certain circumstances, such as (1) a country ceiling or sovereign downgrade capping a covered bond rating, or negatively affecting the CB anchor and the TPI; (2) a multiple-notch downgrade of the CB anchor; or (3) a material reduction in the value of the cover pool.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions of the disclosure form.

Moody's did not use any stress scenario simulations in its analysis.

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