S&P Global
Ratings

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Transaction Update:

Compagnie de Financement Foncier (Mortgage And Public Sector Covered Bonds)

January 21, 2026

Reference rating level	aa	Jurisdiction-supported rating level	aa+	Maximum achievable CB rating	aaa	**Covered bond rating**	
Resolution regime uplift	+2	Assigned jurisdictional support uplift	+1	Assigned collateral support uplift	+1	**AAA/Stable**	
Systemic importance	Very Strong	Jurisdictional support assessment	Very Strong	Over-collateralization adjustment	0	Rating constraints	aaa
Resolution counterparty rating	AA-			Liquidity adjustment	0	Sovereign risk	aaa
Issuer credit rating	A+			Potential collateral-based uplift	+4	Counterparty risk	aaa

As a starting point of the analysis, we may use the issuer credit rating on the relevant parent or guarantor when the issuer is not rated but belongs to a group with a rated parent or payments under the covered bonds are guaranteed by another rated entity.

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Credit Highlights

Overview

Key strengths	Key risk
Very strong jurisdictional support assessment, and 'aa+' jurisdiction-supported rating level (JRL). The program needs to cover ‘AAA’ credit risk to achieve ‘AAA’ ratings under our updated covered bonds criteria.	The residential assets comprise about 25.60% buy-to-let (BTL) loans, which we view as more likely to default leading to a higher foreclosure frequency assumption. However, the percentage of these loans is reducing.
The issuer’s overcollateralization commitment, the coverage of 180 days of liquidity and available overcollateralization above the target credit enhancement (TCE) allow for four potential notches of collateral uplift.	
The program benefits from five unused notches that could protect the ‘AAA’ ratings if we were to lower our issuer credit rating (ICR) on BPCE.	

Under our updated covered bonds criteria, the covered bonds issued by Compagnie de Financement Foncier S.A. (CFiF) achieve ‘AAA’ ratings with one notch of collateral support

uplift above the jurisdiction-supported rating level (JRL). The required overcollateralization for this one notch of uplift is the one commensurate with 'AAA' credit risk, which based on cover pool information as of June 30, 2025, is 9.44% (see "Methodology For Rating Covered Bonds," July 25, 2025). In our previous review, the required overcollateralization of 7.11% was also commensurate with 'AAA' credit risk. The cover pool comprises mostly French residential loans originated by Compagnie de Financement Foncier S.A (CFF), and global public sector exposures originated mainly by the BPCE group's Caisse d'Epargne and Banque Populaire networks (see table 3).

'AAA' credit risk and the TCE have not been significantly affected by our updated criteria. The application of our updated criteria and assumptions when modelling refinancing risk have not significantly affected the results of our analysis given the low percentage of asset sales in our cashflow analysis. Therefore, the lowering of the target asset spread assumption for the first three years and the introduction of a base-case asset spread of 50 basis points thereafter, have not materially affected our cashflow analysis results.

We have updated our counterparty risk assessment. Our updated covered bonds criteria positively affect our counterparty risk assessment. Under these criteria, counterparty risk does not constrain the number of unused notches of ratings uplift (previously the number of unused notches was limited to four under our counterparty risk criteria). We do not size commingling risk as the program addresses it structurally.

The program benefits from five unused notches of ratings uplift. Unused notches could protect the ratings on the covered bonds if we lowered the ICR on BPCE S.A., CFiF SCF ultimate parent, all else being equal.

Economic and industry risk trends for banks in France are stable. France has wealthy and diversified economy amid increasing budgetary pressure and trade gaps. It provides sound operating conditions for banks' operations. However, fiscal and debt constraints and relatively high unemployment leave it with lower buffers than those of other eurozone countries. In our view, the labor market and overall French economy still benefit from economic reforms implemented over the past decade (see "Banking Industry Country Risk Assessment: France," Sept. 25, 2025).

Banking industry risk is stable. We expect French banks' profitability to gradually improve, supported by lower funding costs and revenue diversification. Improved profitability should also be underpinned by loan-book repricing through 2025, benefiting French banks' interest income. However, this will materialize more progressively than in other European banking markets. Cost efficiency is a weakness for French banks compared with European peers, notably due to a still dense branch network. Streamlining operations with digitization efforts remains a challenge too. Finally, the banking models of most French banks imply some reliance on wholesale resources, exposing the sector to market shocks (see: "Banking Industry Country Risk Assessment: France," Sept. 25, 2025).

Outlook

S&P Global Ratings' stable outlook on its ratings on the covered bonds ("obligations foncières" or OF) issued by France-based Compagnie de Financement Foncier SCF (CFiF) reflects the five unused notches of uplift for the ratings, which provide a buffer if we were to lower our long-term ICR on the issuer's ultimate parent bank, BPCE (A+/Stable/A-1). It also reflects the stable outlook on France, as the ratings are at the maximum uplift above the rating on the sovereign.

Program Description

Table 1

Program overview*

Jurisdiction	France
Legal framework	Articles of the French Monetary and Financial Code (SCF legislation)
Redemption profile	Hard bullet
Underlying assets	Residential loans, commercial mortgages, and public sector exposures
Outstanding covered bonds (bil. €)	51.14
Available credit enhancement (%)	17.68
Credit enhancement commensurate with 'AAA' rating (%)	9.44
Legal overcollateralization(%)	5
Number of unused notches	5

*Based on data as of June 30, 2025

Established in 1999, CFiF SCF is a wholly owned subsidiary of Crédit Foncier de France S.A. (CFF), itself affiliated to BPCE, the second-largest retail bank in France. CFiF is a specialized financial institution licensed as a "société de crédit foncier" (SCF), regulated by French regulator "Autorité de Contrôle Prudentiel et de Résolution" (ACPR). The European Central Bank also supervises it. With about €51.14 billion of outstanding covered bonds as of end of March 2025, CFiF is one of the world's largest covered bond issuers.

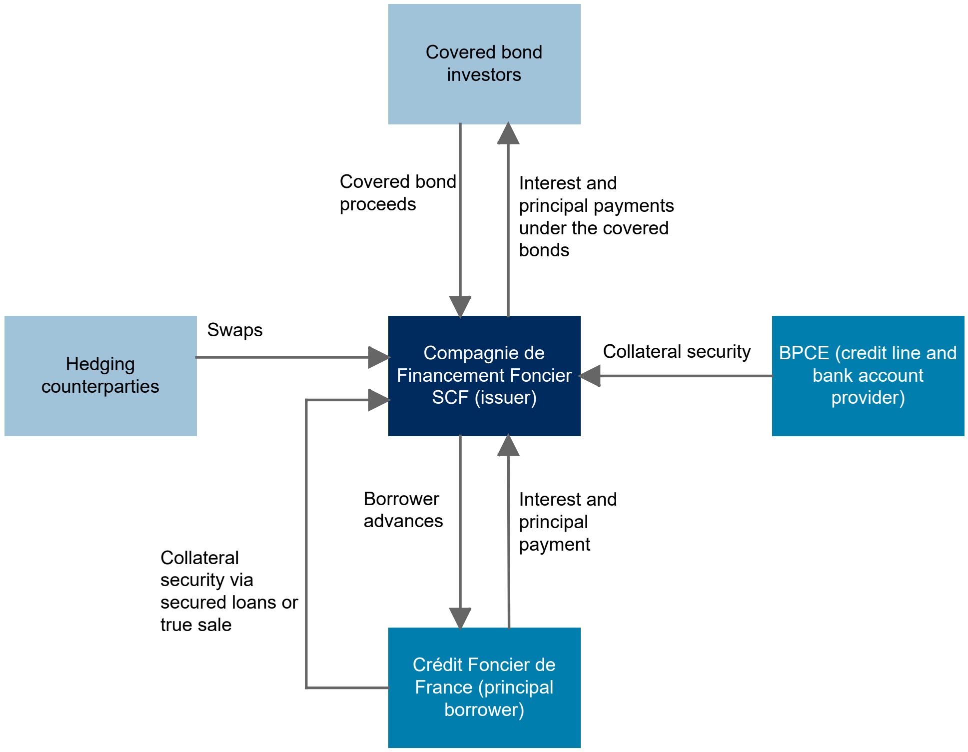
CFF refinances, via CFiF SCF, assets originated by Groupe BPCE entities. Since 2018, CFiF has been repositioned as the refinancing entity for public sector assets for the BPCE Group as a whole. CFiF's cover pool will continue to include existing residential loans until they fully amortize. As such, the share of public sector assets in the cover pool is growing, while residential loans are reducing.

OF are French legislation-enabled covered bonds monitored by an independent cover pool monitor. To attract a diverse investor base, CFiF has issued them under various programs:

- €125 billion medium-term notes (EMTN);
- US$10 billion medium-term securities (USMTS);
- €10 billion negotiable medium-term note (NEU MTN);
- A$5 billion medium-term notes (AMTN); and
- €10 billion negotiable European commercial paper (NEU CP).

All covered bonds rank pari passu and have recourse under French law (Articles of the French Monetary and Financial Code- SCF legislation) to the same cover pool, which mostly comprises residential loans, public sector exposures, and substitute assets.

Compagnie de Financement Foncier (Mortgage And Public Sector Covered Bonds)



To meet the Eurosystem credit assessment framework's credit standards, we publish quarterly surveillance reports for CFiF here.

Table 2

Program participants

Role	Name	Rating	Rating dependency
Issuer*	Compagnie de Financement Foncier	NR	Yes
Originator	Crédit Foncier de France	A/Stable/A-1	No
Originator	BPCE	A+/Stable/A-1	No
Sponsor	BPCE	A+/Stable/A-1	Yes
Credit line provider	BPCE	A+/Stable/A-1	Yes
Loan guarantee provider on some residential assets	Crédit Logement	NR	Yes
Bank account provider	BPCE	A+/Stable/A-1	No
Bank account provider	Banque de France	NR	No
Servicer	Crédit Foncier de France	A/Stable/A-1	No
Interest rate hedge and currency swap provider	Barclays Bank PLC	A+/Stable/A-1	Yes
Interest rate hedge and currency swap provider	BNP Paribas S.A.	A+/Stable/A-1	Yes
Interest rate hedge and currency swap provider	Credit Agricole Corporate and Investment Bank S.A.	A+/Stable/A-1	Yes
Interest rate hedge and currency swap provider	Citibank N.A.	A+/Stable/A-1	Yes
Interest rate hedge and currency swap provider	Crédit Foncier de France	A/Stable/A-1	Yes
Interest rate hedge and currency swap provider	The Royal Bank of Scotland PLC	A+/Stable/A-1	Yes

Program participants

Role	Name	Rating	Rating dependency
Interest rate hedge and currency swap provider	JP Morgan SE	A+/Positive/A-1	Yes
Interest rate hedge and currency swap provider	JP Morgan Chase Bank N.A.	A+/Positive/A-1	Yes
Interest rate hedge and currency swap provider	Merrill Lynch International	A+/Stable/A-1	Yes
Interest rate hedge and currency swap provider	Morgan Stanley Bank International Ltd.	A+/Stable/A-1	Yes
Interest rate hedge and currency swap provider	Natixis S.A.	A/Stable/A-1	Yes
Interest rate hedge and currency swap provider	Natixis S.A., guaranteed by Caisse des Dépôts et Consignations	AA-/Stable/A-1+	Yes
Swap counterparty	Dexia Credit Local S.A guaranteed by Crédit Foncier de France	A/Stable/A-1	Yes
Interest rate hedge provider	DZ Bank AG	A+/Stable/A-1	Yes
Interest rate hedge provider	Goldman Sachs International	A+/Stable/A-1	Yes
Interest rate hedge provider	HSBC Continental Europe	A+/Stable/A-1	Yes
Interest rate hedge provider	Royal Bank of Canada	AA-/Stable/A-1+	Yes
Interest rate hedge provider	Societe Generale S.A.	A/Stable/A-1	Yes
Currency swap provider	UBS Europe S.E.	A+/Stable/A-1	Yes

*We apply the potential notches of uplift to the long-term rating on BPCE to derive the ratings on the covered bonds. See "Counterparty risk" below. NR--Not rated.

Rating Analysis

Legal and regulatory risks

In our view, France's legal framework for OF covered bonds issued by an SCF, defined in article L.513-2 and related articles of the French Monetary and Financial Code, sufficiently addresses the legal aspects in our covered bonds criteria, enabling us to rate the covered bonds higher than the issuer (see "Methodology For Rating Covered Bonds", July 25, 2025) and our legal criteria (see "Asset Isolation And Special-Purpose Entity Methodology, May 29, 2025"). The French law also outlines eligibility criteria for the inclusion of assets in the cover pool. OF-holders have recourse to the sponsor and to the cover pool assets.

The EU Covered Bonds Directive was transposed into national legislation by enacting changes to the French Monetary and Financial Code by means of decree-law (ordonnance) n. 2021-858 dated 30 June 2021, decree (décret) n. 2021-898 dated July 6, 2021, ministerial decree (arrêté) dated July 7, 2021, and decree (décret) n. 2022-766 dated May 2, 2022. These amendments were applicable from July 8, 2022. A further amendment was made through decree (décret) n. 2023-102 of Feb. 16, 2023.

In our view, the French covered bond framework sufficiently addresses the relevant legal aspects of our updated covered bonds criteria.

For more details on our legal frame work analysis, please see "The French Covered Bond Legal Framework: A Closer Look," April 3, 2023.

Resolution regime analysis

Our analysis considers whether the applicable resolution regime in France increases the likelihood that the issuer will continue servicing its covered bonds even following a default on its senior unsecured obligations.

CFiF is domiciled in France which is subject to the EU's Bank Recovery and Resolution Directive. Under our covered bonds criteria, we assess the systemic importance for mortgage and public sector programs in France as very strong. Additionally, we assess the reference rating level (RRL) as the higher of (i) two notches above the long-term ICR; and (ii) the resolution counterparty rating (RCR), where applicable. Given the RCR on BPCE is 'AA-', the RRL is 'aa', which reflects the two-notch uplift from the 'A+' ICR on BPCE.

Jurisdictional support analysis

Our jurisdictional support analysis assesses the likelihood that a covered bond program facing stress would receive support from a government-sponsored initiative instead of from the collateral assets' liquidation in the open market.

Our assessment of the expected jurisdictional support for French mortgage and public sector programs is very strong. Under our updated covered bonds criteria, this means that the program can receive up to three notches of jurisdictional uplift over the RRL. For sovereigns that are part of a monetary union, this uplift may include one notch above the sovereign, if the RRL is below or already at or above the sovereign rating and the entirety of the jurisdictional support uplift has not been exhausted. As a result, considering a 'aa' RRL, and the ‘A+’ rating on France, the resulting JRL is one notch above the RRL, which results in a 'aa+' JRL and two unused notches of jurisdictional support uplift.

Operational and administrative risks

Our analysis of these risks assesses whether key transaction parties would be capable of managing a covered bond program while any covered bonds remain outstanding.

No operational or administrative risks were identified affecting our assessment of the program. We consider CFF's and BPCE's servicing and origination procedures to be in line with its peers.

As a regulated entity, CFiF is subject to ongoing monitoring of its compliance with legal covenants from the specific controller, the cover pool monitor.

We believe that a replacement cover pool manager would be available if the issuer were to become insolvent. We consider France to be an established covered bond market and that the mortgage assets and public sector assets in the cover pool do not comprise product features that would materially limit the range of available replacement cover pool managers. We expect public sector assets to increase over time and mortgage assets to continue decreasing, given the cessation of CFF’s residential loan origination activity.

Our operational and administrative risks analyses follow the principles within our covered bonds ratings framework.

Collateral support analysis

Mortgage market overview: House prices are stabilizing, with asset quality indicators and credit losses expected to modestly exceed normalized levels. Improved household lending demand amid lower interest rates suggests the return of housing loan growth since early 2025. At the same time, French banks aim to resume housing loan origination amid intense competition and the need to reprice their assets at higher rates. Yet, modest economic growth, ongoing political uncertainty, and issues such as the end of the "Pinel" scheme will slow the recovery somewhat.

In our view, French banks will maintain conservative lending practices. Credit conditions for house purchases have tightened moderately with the introduction of a cap on debt service capacity (capped at 35% of revenues and 25 years of tenure) for all mortgage loans granted since 2022. This improved underwriting standards and restricted measures like increasing the tenure to compensation for the increase in interest rates.

In our opinion, the previous modestly negative movement in house prices would not significantly increase French banks' cost of risk. This is because of banks' conservative underwriting criteria and the absence of a direct link between house prices and the default rate on housing loans. Instead, unemployment, which has meaningfully improved over the past few years, mainly determines default rates and ultimately the cost of risk on mortgages, which has been extremely low in the past 25 years (see "Banking Industry Country Risk Assessment: France," Sept. 25, 2025).

We updated our view of the French housing market which we considered as being overvalued by 20% until the end of 2024. According to our new approach of defining over/undervaluation in house markets across Europe, we currently consider the French house market as being neutral. This means that we no longer adjust house prices in France for overvaluation in our credit analysis (see "House Price Overvaluation Moderates For Europe's RMBS And Covered Bond Markets," April 4, 2025). This translates into lower credit losses for the French mortgage covered bond programs we rate and contributes to lower required credit enhancement levels.

Public sector assets

The French economy, the world's seventh largest, is wealthy and open. It benefits from membership in the Economic and Monetary Union. Ample private savings and a large tax base support France's capacity to carry a significant government debt burden. Nevertheless, that burden is set to increase further over the next few years. Under a no-policy change scenario, we expect gross general government debt to increase to 121% of GDP at end-2028 from 114% at end-2025, with the primary budget deficit (budget deficit excluding interest payments), remaining just below 3% of GDP, among the highest of all euro area members.

The stable outlook on France balances rising government debt and weak political consensus on the pace of budgetary consolidation against the country's credit strengths, including its wealthy and balanced economy, high private savings, large and liquid financial sector, and euro area membership.

The cover pool comprises mostly CFF-originated French residential loans and global public sector exposures originated mainly by the BPCE group's Caisse d'Epargne and Banque Populaire networks (see table 3). Since our previous review, the share of public sector loans has increased by 16%, while that of residential assets has decreased by 11%.

Mortgage assets' analysis

We base our current analysis on loan-by-loan data as of a cut-off date of March 31, 2025.

Since our previous review, the share of public sector loans has increased by 16%, while that of residential assets has decreased by 11%. We expect this trend to continue due to the shift in focus to public sector origination (see "Program Description"). The cover pool also includes a minor portion (1.05% of the total pool) of mortgage loans backed by commercial real estate (CRE) assets. We consider these assets as a part of an overall granular pool although the size of this subpool is below the minimum threshold of 150 loans under our CRE criteria. As these commercial assets are backed by less than 150 loans, we analyze them by borrowing elements of our CRE criteria (see "Methodology And Assumptions: Analyzing European Commercial Real

Estate Collateral In European Covered Bonds," March 31, 2015). When borrowing elements from these criteria we assume a weighted-average foreclosure frequency (WAFF) assumption of 100%.

We have performed our credit analysis of the residential assets in program under our global residential loans criteria.

Since our previous review, the WAFF for French residential assets (97% of the mortgage pool) marginally decreased to 8.86% from 9.39%, mainly due to higher loan seasoning which has offset a slightly higher effective loan-to-value (ELTV) ratio. This ratio is based on 80% of the original LTV (OLTV) ratio and 20% of the current LTV (CLTV) ratio.

The weighted-average loss severity (WALS) for these assets decreased to 20.59% from 25.65%, mainly due to the downward revision in our overvaluation assessment to 0% and 5% in France and Belgium, respectively from 20% previously and a lower share of jumbo valuations. These two positive factors have been partially offset by the slightly increasing CLTV ratio.

The percentage of the pool with an "Fonds de Garantie de l'Accession Sociale" (FGAS) guarantee slightly increased but the overall positive effect on the WALS is minimal. This scheme is designed to facilitate mortgage credit access to low-income households by compensating losses to lenders if a borrower defaults. It is managed on behalf of the French State by a company named "Société de Gestion des Financements et de la Garantie de l'Accession Sociale à la Propriété".

For mortgage loans benefiting from a guarantee provided under the FGAS scheme, we consider the creditworthiness of the scheme, its specificities on claim coverage and acceptance and the loan's eligibility for the guarantee at the time of underwriting and of default.

The WAFF for Belgian residential real estate (1.9% of the mortgage pool) decreased to 8.43% from 8.79% due to a lower ELTV ratio and slightly higher loan seasoning. The WALS for these assets decreased to 6.52% from 17.49% due to the downward revision of our overvaluation assessment.

As a result, for the overall mortgage pool,, including the French commercial mortgages (2.83% of the mortgage pool), the WAFF decreased to 11.04% from 11.71% and the WALS decreased to 20.80% from 25.86% due to the reasons described above on our overvaluation assumption.

Public sector assets' analysis

We performed our credit analysis of these assets under our public sector criteria. The scenario default rate for public sector exposures increased to 36.46% from 34.40%, mostly due to the credit quality of the assets slightly deteriorating, partially offset by the pool's weighted-average life slightly decreasing. The recovery rate for public sector loans reduced slightly to 75.09% from 75.79% due to a lower share of local and regional government assets, which we assume to have a higher recovery than sovereign and corporate assets.

Table 3

Cover pool composition

	As of March 31, 2025		As of March 31, 2024	
Asset type	**Value (mil. €)**	**% of cover pool (%)**	**Value (mil. €)**	**% of cover pool (%)**
Residential loans	21,983	36.16	24,928	42.25
Commercial mortgages	640	1.05	653	1.11
Public sector exposures	32,999	54.28	27,738	47.01
Substitute assets*	5,174	8.51	5,680	9.63
Total cover pool assets	60,796	100.0	58,999	100.00

Cover pool composition

	As of March 31, 2025		As of March 31, 2024	
Asset type	Value (mil. €)	% of cover pool (%)	Value (mil. €)	% of cover pool (%)

*Including bank deposits and secured loans to BPCE.

Table 4

Key credit metrics

	March 31, 2025	March 31, 2024
Residential mortgages (French residential assets)		
Weighted-average debt service to income (%)	28.54	28.55
Weighted-average original loan-to-value ratio (%)	90.7	91.0
Weighted-average effective loan-to-value ratio (%)*	84.01	83.88
Weighted-average current loan-to-value ratio (%)	57.12	55.47
Weighted-average loan seasoning (years)§	8.7	8.9
Balance of loans in arrears (%)	1.14	1.16
Buy-to-let loans (%)	25.6	25.4
Mortgages benefiting from a guarantee from the the "Fonds de Garantie de l'Accession Sociale à la propriété" (FGAS)(%).	55.17	53.83
Loans guaranteed by Crédit Logement ("cautions") (%)	21.52	20.78
Credit analysis results (all residential assets):		
WAFF (%)	11.04	11.71
WALS (%)	20.80	25.99
Public sector loans		
Weighted-average cover pool asset rating	BBB-	BBB-
Weighted-average loan asset maturity (years)	7.23	7.91
20 largest obligors (% of cover pool)	37.8	29.83
Credit analysis results:		
SDR (%)	36.46	34.4
Weighted-average recovery rate (%)	75.09	75.79
Weighted-average time to recovery (years)	3.3	3.4
Largest obligor test result (% of covered bonds)	7.49	5.19
Largest sovereign default test result (% of covered bonds)	4.45	4.86

*Effective LTV ratio based on 80% of the original LTV ratio and 20% of the current LTV ratio. §Seasoning refers to the elapsed term. WAFF--Weighted-average foreclosure frequency. WALS--Weighted-average loss severity. LTV--Loan-to-value. SDR--Scenario default rate.

Table 5

Mortgage loans assets distribution by seasoning*

Elapsed term	March 31, 2025	March 31, 2024
Less than 5 years	3.48	5.1
>5 and <=6 years	3.05	15.86
>6 and <=7 years	16.04	17.93
>7 and <=8 years	17.97	15.02

Mortgage loans assets distribution by seasoning*

Elapsed term	March 31, 2025	March 31, 2024
>8 and <=9 years	14.88	9.76
>9 and <=10 years	9.63	6.83
Over 10 years	34.95	29.5
Weighted-average loan seasoning (years)	9.74	8.85

*Seasoning refers to the elapsed loan term and applies to loans not in arrears.

Table 6

Mortgage loans assets distribution by current loan-to-value ratios

	% of cover pool	
(%)	March 31, 2025	March 31, 2024
0-60	47.89	52.14
60-80	45.14	44.10
80-90	5.53	2.92
Above 90	1.44	0.84
Weighted-average indexed current loan-to-value ratio (%)	57.12	55.47

Table 7

Residential loans assets distribution by type of security

	March 31, 2025	March 31, 2024
	% of residential loans assets	
Mortgages*	78.48	79.22
Crédit Logement guarantees	21.52	20.78

*Including mortgages benefiting from a guarantee from the the "Fonds de Garantie de l'Accession Sociale à la propriété" (FGAS).

Table 8

Mortgage loans assets distribution by property occupation

	March 31, 2025	March 31, 2024
	% of mortgage loan assets	
Owner-occupied	73.26	73.36
Buy-to-let	25.60	25.40
Second homes	1.14	1.20
Total	100.00	100.00

Table 9

Public sector loans distribution and key assumptions

	March 31, 2025			March 31, 2024		
	'AAA' recovery rate (%)	Time to recovery (years)	Share of pool (%)	'AAA' recovery rate (%)	Time to recovery (years)	Share of pool (%)
Category A LRGs	90		48.13	90	4	50.67
French municipalities			24.09			34.4
French regions			7.19			12.98
French social housing			3.69			3.29
Other LRGs			13.16			10.21
Category B LRGs	75	4	23.73	75	4	28.39
French departments			12.13			19.8
French public hospitals			6.72			6.2
Other LRGs			4.88			2.39
Category A U.S. municipalities*	85	4	3.77	85	4	4.54
Sovereigns	37	0	15.98	37	0	9.79
France			8.64			1.35
Italy			5.78			7.61
Japan			0.40			0.5
Other sovereigns			1.16			0.39
French non-LRG public sector	18	0	1.67	18	0	6.3
Other non-LRG public sector				18	0	0.28
Total/weighted average	75.09	3.29	100.00	75.79	3.19	100

*Including non-U.S. debt guaranteed by Assured Guaranty Municipal Corp. LRGs--Local and regional governments.

Table 10

Public sector and substitute assets distribution by credit assumptions

	March 31, 2025	March 31, 2024
Rating category	% of cover pool excluding mortgage assets	
AAA/aaa*	2.18	0.33
AA/aa*	4.9	9.23
A/a*	31.33	21.54
BBB/bbb*	53.91	59.59
BB/bb*	0.000	0.00
B/b or lower*	7.68	9.31
Total public sector assets	100.00	100.00
Nondefaulting assets (% of total collateral)§	15.68	19.94

*Aggregated by rating category; the rating distribution includes all rating types used in the analysis, which are public ratings, sector estimates, credit estimates, and S&P Global Ratings' last resort assumption of 'ccc-'.
§Bank deposits and secured loans to BPCE.

By applying our credit and cash flow stresses, we calculate a TCE of 15.12% (up from 13.19% previously) and 'AAA' credit risk of 9.44% (up from 7.11% previously). These increases mainly reflect the public sector pool's slightly deteriorating credit quality and a decrease in the cash reserve, which have been partially offset by decreased credit coverage for mortgage assets and higher excess spread between assets and liabilities. Our updated asset spread discount assumptions when modelling refinancing risk had a limited impact on the TCE given the relative low percentage of asset sales in the pool due to the well match-funded structure of asset and liabilities maturities.

With an available credit enhancement of 17.68% exceeding the TCE of 15.12%, the maximum potential collateral-based uplift above the JRL is four notches. No deductions apply to these four notches owing to the issuer's overcollateralization commitment and because we consider the French SCF legislation mitigates short-term liquidity risk. Therefore, the available collateral uplift is four notches above the JRL, and the program only requires one notch to achieve 'AAA' ratings. The required credit enhancement for the 'AAA' ratings is therefore 9.44%, equivalent to 'AAA' credit risk. As a result, there are three unused notches of collateral-based uplift, which together with two unused notches of jurisdictional support uplift result in five unused notches of ratings uplift.

Table 11

Collateral uplift metrics

	30-June-2025	March 31, 2024
Asset WAM (years)*	7.75	8.48
Liability WAM (years)	6.19	6.44
Target Asset Spread-TAS (bps)- Mortgage Assets	204.24	489.73
Base Asset Spread-BAS (bps)- Public Sector Assets	54.24	--
Target Asset Spread-TAS (bps)- Public Sector Assets	349.82	445.02
Base Asset Spread-BAS (bps)- Public Sector Assets	174.85	--
Available credit enhancement (%)	17.68	15.68
Required credit enhancement for coverage of 'AAA' credit risk (%)	9.44	7.11
Required credit enhancement for first notch of collateral uplift (%)	9.44	7.11
Required credit enhancement for second notch of collateral uplift (%)	9.44	7.11
Required credit enhancement for third notch of collateral uplift (%)	9.44	11.67
Target credit enhancement for maximum uplift (%)	15.12	13.19
Potential collateral-based uplift (notches)	4	4
Adjustment for liquidity (Y/N)	N	N
Adjustment for committed overcollateralization (Y/N)	N	N
Collateral support uplift (notches)	4	4

*Calculated based on no asset prepayments and excludes cash and cash-like assets. WAM--Weighted-average maturity.

Counterparty risk

We analyze counterparty risk under our updated covered bonds criteria. The ratings on the program and related issuances are not constrained by counterparty risk.

Bank account provider

The main bank account agreement is with BPCE, a related entity to the issuer. We consider the commitment to replace the account bank if our long-term ICR on BPCE falls below 'A' to be consistent with the 'AAA' ratings on the covered bonds.

Another bank account is held with the Banque de France, the French central bank, in which CFiF keeps funds required to repay upcoming maturing covered bonds.

Additionally, according to our updated covered bonds criteria, when an issuer's RRL is at least 'bbb-', we rely on the issuer's ability to manage the counterparty risk associated with its bank account providers.

To mitigate the risk of collections received on bank accounts under CFiF's name if CFF defaults, CFF has committed to fund a commingling reserve if it is downgraded below 'BBB'. The reserve is now funded due to liquidity coverage ratio requirements unrelated to our criteria. It is held in a separate bank account and represents one month of collections flowing through CFF's accounts, including prepayments. Additionally, as part of our analysis of operational and administrative risks, we apply a forward-looking assessment of the issuer's maintenance of credit support. We expect BPCE to continue maintaining credit support, considering the overcollateralization level in this program since closing.

CFiF has a credit line from BPCE of up to €1 billion to cover its liability for collateral deposits received from swap counterparties. The line would be drawn if the short-term rating on BPCE fell below 'A-1'. The credit line provider is not a privileged creditor under the law, so it would rank below covered bondholders if the issuer becomes insolvent. Deposits amounted to €50.08 million at the end of June 2025. We give credit to the credit line by considering collateral deposit liabilities as fully covered.

Swaps

Derivative arrangements are in place between CFiF and several swap counterparties to hedge any interest rate and currency risk in relation to the cover bonds.

To derive the maximum potential rating on the covered bonds, under our updated criteria, we consider whether the counterparties are related to the issuer, the seniority of termination payments, and the presence of an effective replacement framework.

Under the swap agreements with CFiF, for both related and unrelated counterparties, the documented replacement frameworks (triggers set at 'BBB-' or above), which are considered to be effective, combined with the current 'aa' RRL on CFiF (the covered bond issuer) support 'AAA' ratings on the covered bonds.

As a result, counterparty risk arising from the hedging strategy does not constrain our covered bond ratings and the number of unused notches of uplift.

Sovereign default risk

This is a multi-jurisdictional cover pool of mixed mortgage and public sector assets. The issuer is located in France, which is part of a monetary union, and liquidity risk is covered for six months. Under the multi-jurisdictional treatment for covered bonds under our sovereign default risk criteria, the program exhibits moderate sensitivity to refinancing risk, which leads to a maximum uplift of four notches above the rating on the sovereign (see "Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions," Jan. 30, 2019). As France has a 'A+' unsolicited long-term sovereign rating, refinancing risk sensitivity does not constrain the rating on the program.

Asset sensitivity to sovereign default risk is captured through the largest sovereign default test (LST) and the largest transfer and convertibility default test. Given the specific features of this mixed mortgage and public sector program, when applying our sovereign risk criteria, we would expect the LST calculation to not include the public sector assets based in the issuer's domicile (France).The LST would rather capture the other sovereign exposures in the pool (see "Ratings On French Covered Bonds Unaffected By Sovereign Downgrade," Oct. 22, 2025 and "Compagnie de Financement Foncier S.A. 'AAA' Covered Bond Ratings Affirmed After Rating Action On France; Outlook Stable," March 19, 2025).

Both tests pass at a 'AAA' level. Therefore, sovereign default risk does not constrain the rating on the covered bond program.

As the ratings on the covered bonds are at their maximum above the rating of the sovereign, a negative rating action on France would have an impact on the ratings of the covered bonds, all else unchanged.

Environmental, Social, And Governance

Environmental and governance factors for this program are in line with other French issuers we rate. The cover pool includes both residential loans and public sector exposures, with the latter being the main source for originating new assets. Residential assets comprise subsidized loans with a social connotation. We consider these loans to be credit supportive which reduces the amount of losses that we size in our analysis. For public sector exposures--which comprise mainly loans to French public sector entities to fund investment projects--we consider social factors to be a supportive component in the underlying entities' credit assessments. The issuer has an overcollateralization commitment; in addition, we consider liquidity risk to be covered through the provisions of the SCF legislation. These features allow the program to achieve four notches of collateral-based uplift.

Related Criteria

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- Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
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- Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019
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- Global Methodology And Assumptions: Assessing Pools Of Residential Loans, Jan. 25, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- Covered Bond Ratings Framework: Methodology And Assumptions, June 30, 2015
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- Methodology And Assumptions For Assessing Portfolios Of International Public Sector And Other Debt Obligations Backing Covered Bonds And Structured Finance Securities, Dec. 9, 2014
- Global Derivative Agreement Criteria, June 24, 2013
- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- Principles Of Credit Ratings, Feb. 16, 2011

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- S&P Global Ratings Definitions, Dec. 16, 2025
- Ratings On French Covered Bonds Unaffected By Sovereign Downgrade, Oct. 22, 2025
- Global Covered Bond Insights Q4 2025: Updated Methodology Affects Overcollateralization Requirement, Sept. 11, 2025
- French Covered Bond Market Insights 2025, Sept. 11, 2025
- BPCE, July 17, 2025
- Compagnie de Financement Foncier S.A. 'AAA' Covered Bond Ratings Affirmed After Rating Action On France; Outlook Stable, March 19, 2025
- Global Covered Bond Insights Q4 2024: On Course For A Strong Year, Sept. 18, 2024
- BPCE Upgraded To 'A+' On Increased Senior Non-Preferred Issuance To Boost Loss-Absorbing Capacity; Outlook Stable, July 15, 2024
- The French Covered Bond Legal Framework: A Closer Look, April 3, 2023
- Glossary Of Covered Bond Terms, April 27, 2018