

Compagnie de Financement Foncier

French Covered Bonds – Performance Update

Table 1: The covered bond programme

Cut-off date	Cover pool	Cover asset type	Covered bonds	Rating/Outlook	Supporting OC ¹
30 June 2025	EUR 60.1bn	Mixed	EUR 51.2bn	AAA/Stable	5%

¹ floored at legal minimum

The AAA rating with a Stable Outlook assigned to the French covered bonds (obligations foncières - OF) issued by Compagnie de Financement Foncier S.A. (CieFF) are based on the issuer rating of (A+/Stable) enhanced by four notches of governance support-based uplift. The AAA rating is supported by the legal minimum overcollateralisation (OC) of 5% and benefits from a downgrade buffer of up to five notches.

Figure 1: Covered bond rating building blocks

	Governance support	Cover pool support	Maximum rating distance	Rating uplift
		Cover pool support +3	D9	(unused)
		Cover pool support +2	D8	(unused)
		Cover pool support +1	D7	(unused)
	Resolution regime +4	Covered bonds rating floor = Governance support	D6	(unused)
	Resolution regime +3		D5	(unused)
	Resolution regime +2		D4	AAA
	Resolution regime +1		D3	AA+
	Legal framework +2		D2	AA
	Legal framework +1		D1	AA-
	Issuer rating		D0	A+

Source: Scope Ratings

Cover pool support could provide additional rating stability. If the rating of CieFF would be downgraded to BBB-, the maintained nominal overcollateralisation of 17.4% as of June 2025 would be sufficient to support the highest achievable rating on the mortgage covered bonds.

The bonds are covered by a portfolio of mixed cover pool assets comprising public-sector exposures, residential mortgage loans, commercial mortgage loans and substitute assets. The share of public sector exposures is increasing following the groups strategic decision to use this programme mainly to refinance its public sector origination. This sub-portfolio mainly consists of granular, domestic sub-sovereign and lower-tier public sector exposures. The deleveraging mortgage portfolio benefits from a moderate average LTV of 60.3% and high seasoning.

The issuer has a prudent strategy to mitigate market risk (i.e. interest and foreign exchange risks). Residual interest rate risk is low. Maturity mismatches are also limited, reflecting the issuer's focus on matching cash flows. Liquidity risk from the hard bullet covered bonds are softened by legal provision of immediate liquidity for the first 180 days via highly liquid collateral registered in the cover pool.

Covered bond rating

AAA

Outlook

Stable

Rating action

Affirmation

Last rating action

11 Sept 2025

Issuer rating

A+

Covered bond rating

Stable

Last rating action rating

16 June 2025

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Related research

[Scope affirms Compagnie de Financement Foncier's French covered bonds at AAA/Stable, Sept 2025](#)

[Scope affirms the 'A+/Stable' issuer rating on Credit Foncier and Compagnie de Financement Foncier, June 2025](#)
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1. Stable Outlook

Scope's Stable Outlook reflects the issuer rating and its stable Outlook, governance support factors and the cover pool. Governance and cover pools support allow for a cushion against a downgrade of five notches. Consequently, the rating may be downgraded upon: i) an issuer rating downgrade by more than five notches; ii) a deterioration in Scope's view on governance support factors relevant to the issuer and France covered bonds in general and on the interplay between complexity and transparency, and/or iii) the inability of the cover pool to provide an additional uplift in case the issuer rating is downgraded by three notches.

2. Changes since the last performance update

On 16 June 2025, Scope last affirmed CieFF's issuer rating at A+ with a Stable outlook. The rating and outlook are aligned with those of its direct parent, Crédit Foncier de France (CFF), and its ultimate parent, BPCE S.A. This alignment reflects Scope's view of CieFF's strategic importance to the group in optimizing funding costs, maintaining access to a diversified investor base, and benefiting from intra-group solidarity mechanisms. As a result, Scope expects CieFF to receive full group support if needed.

Over the past 12 months, the mortgage loan balance decreased by 9%, while public sector assets increased by 5%, underscoring the group's decision to use CieFF as the funding vehicle for its public sector lending. Additionally, CieFF has added portfolios of loans backed by sovereign guarantees, increasing the number of loans to 78,209 from 53,258. Meanwhile, the number of guarantors rose to 6,326, compared to 4,824 a year earlier. The largest exposures remained relatively stable, with the top 10 accounting for 9%. Non-performing loans (NPLs) declined to 1.3% from 2.1%, driven by the resolution of legacy portfolio issues.

On 18 October 2024 Scope has downgraded its issuer rating on the French Republic to AA- with a stable outlook. French credit ratings are challenged by i) weak public finances reflected in sustained primary fiscal deficits, an uneven track record of fiscal consolidation, and rising general government debt-to-GDP; ii) high political fragmentation and polarisation alongside higher risk of political instability, limiting the ability to address structural pressures through ambitious reforms; and iii) a moderate growth potential. This rating change directly affects the credit strength of the underlying public asset portfolio, with 82.6% of public sector loans directly or indirectly exposed to the French Republic's credit rating. On the mortgage side, 54.2% of loans benefit from FGAS or NHG guarantees. The French housing market showed tentative signs of recovery between June 2024 and June 2025, following several years of declining activity. While France's recovery was slower and followed deeper declines, most European countries experienced flatter price movements and less volatility.

3. Rating drivers and mitigants

Positive rating drivers <ul style="list-style-type: none"> • Strong legal covered bond framework • Strong resolution regime and systemic importance 	Negative rating drivers and mitigants <ul style="list-style-type: none"> • None
Upside rating-change drivers <ul style="list-style-type: none"> • No upside as rating is at highest level • Additional issuer downgrade cushion from an issuer rating upgrade 	Downside rating-change drivers <ul style="list-style-type: none"> • Issuer downgrade by more than five notches • Inability of cover pool to provide additional uplift in case of issuer rating downgrade by at least three notches • Inability of cover pool to provide an additional uplift in case governance analysis deteriorates by at least two notches

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4. The issuer

CieFF is a wholly owned subsidiary of Crédit Foncier de France (CFF) and its rating reflects the credit quality of CFF's parent, BPCE S.A. CFF and CieFF have the status of affiliates within Groupe BPCE and therefore benefit from the intra-group solidarity mechanism under French law.

CieFF is a wholly owned subsidiary of Crédit Foncier de France (CFF)

Within Groupe BPCE, CFF has been operating as a leading specialist in property financing, real estate services and public entity financing. Following a strategic review in 2018, CFF no longer originates loans but continues to manage its portfolio and, more importantly, refinances the group through covered bonds issued by its subsidiary CieFF.

CieFF's role is to fund public sector lending on behalf of Groupe BPCE and continue refinancing existing mortgage assets in its cover pool. CieFF is one of the largest covered bond issuers in the world. CieFF is licensed as a specialist credit institution and 'société de crédit foncier'.

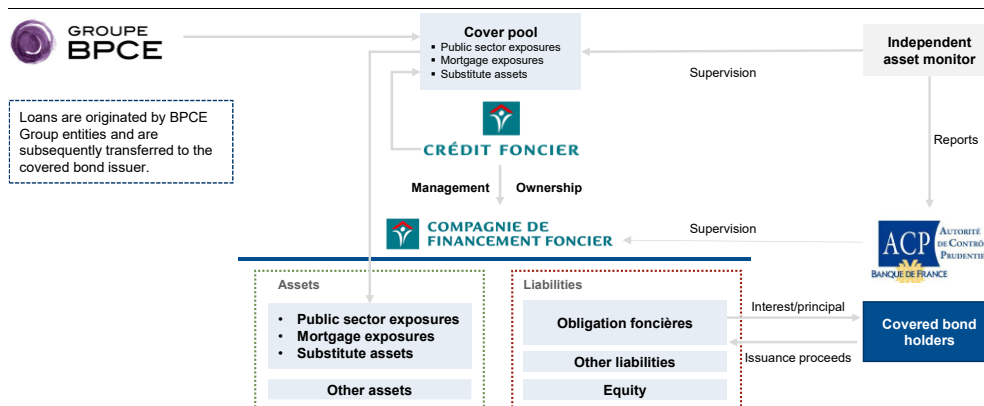
The purpose of a société de crédit foncier is defined in Article L.513-2 of the French Monetary and Financial Code, which is to grant or acquire collateralised loans (loans backed by first-ranked mortgages or real property collateral conferring at least an equivalent security, or exposures to public sector entities) and finance these loans through the issuance of obligations foncières (covered bonds).

5. Programme structure

CieFF issues obligations foncières as a *société de crédit foncier* (SCF). The French covered bond framework permits issuers to operate as specialist banks. Most of CieFF's operations are provided by its parent, CFF and in addition by other service providers within Groupe BPCE. These activities are governed by service-level agreements. The issuer needs to maintain compliance with regulatory requirements and is independently supervised.

Off-balance sheet structure:
Collateral transferred to a separate legal entity

Figure 2: Issuance structure



Source: Scope Group GmbH

6. Governance credit support analysis

Governance credit support is the key rating driver for CieFF's obligation foncières (OF)). It provides the maximum possible uplift of up to six notches. This uplift is based on our credit-positive view on i) the legal framework for OF in France; ii) the French's resolution regime; and iii) the systemic relevance of covered bonds in France, including those of CieFF.

Together six notches from legal framework and resolution regime

6.1 Legal framework analysis

The French's covered bond framework is very strong, meeting our criteria for protecting investors and resulting in the highest credit differentiation of two notches.

Two notches reflecting strong legal framework

The relevant legal framework is based on the French Monetary and Financial Code with the latest amendment in force since 8 July 2022. As a specialised credit institution, CieFF is also governed by French general banking regulations.

6.1.1 Segregation of cover pool upon insolvency

Cover assets are segregated in a duly licensed specialised credit institution with limited purpose. As such they can either be setup as SCF or SFH (Sociétés de Financement de l'Habitat). The latter is limited to mortgage collateral while SCF in addition is able to refinance public sector collateral. CieFF operates as a SCF and issues OF. Within the group, the special institutions are exclusively dedicated to the issuance of covered bonds and the management of the assets backing those issues. The covered bonds have a preferential claim on the respective assets (including overcollateralisation) up until the claims of the preferred creditors have been fully satisfied.

6.1.2 Ability to continue payments after issuer insolvency

The legal framework does explicitly exclude bankruptcy proceedings or liquidation of SCF because of bankruptcy proceedings or liquidation against its holding company (sponsor). Any of such events will trigger an immediate transfer of all cover assets, including underlying securities and without any formalities from the sponsor to the covered bond issuer. In case of insolvency proceedings (for instance as a result of resolution) of the SCF all claims under the covered bonds must be paid on their due dates according to the initial terms and conditions.

The ability to continue payments after the issuer's insolvency does further benefit from ongoing general and specific risk management principles strengthening French covered bonds.

6.1.3 Asset eligibility and risk management principles

As required by French banking regulations, SCF must comply with general asset liability management rules. Controlling market risks lays with the responsibility of the specific controller. Imminent liquidity shortfalls are mitigated by the requirement to ensure that net outflows over the coming 180 days are always covered by cash or liquid assets.

In principle, liquidity shortfalls can be further mitigated by a legal (optional) maturity extension. CieFF's covered bonds do however not benefit from any maturity extension as they are issued as hard-bullet according to their terms and conditions.

French SCF and SFH benefit from a legal minimum coverage ratio of 105% which compares eligible assets to privileged covered bonds. Eligible assets are hair-cut based on the quality of their guarantor (if any) and gives less credit to intragroup guarantees. The remaining weighted average life of the eligible assets used to reach the cover ratio should not exceed that of the privileged liabilities by more than 18 months.

Both, SCF and SFH benefit from strong eligibility standards not only determining the eligibility of certain cover assets but also their limits. Mortgage assets do only qualify for covered bond funding with their loan to value share that does not exceed 60% for commercial and 80% for residential mortgage loans. In the case of guaranteed loans, the limit stands at 80% of the portion guaranteed. Eligible exposures can also be exposures to or guaranteed by central governments, central banks, public sector entities, regional governments or local authorities in the European Union or third countries compliant with Art. 129 (1) (a) and (b) CRR. In addition, substitute assets must not exceed 15% of outstanding covered bonds.

6.1.4 Programme enhancements remain available

Programme enhancements remain available as all other creditors of the SCF rank junior to covered bonds; available overcollateralisation (OC) on the balance sheet remains fully available for covered bond holders upon the issuer's insolvency (or the parent's) and must be at least 5% above the level of outstanding covered bonds. Eligible derivative counterparties rank pari passu with covered bonds and will not accelerate upon the issuer's insolvency.

6.1.5 Covered bond oversight

In addition to general banking supervision by the French banking regulator, several external monitoring requirements are in place. An independent trustee (*contrôleur spécifique*) supervises statutory or contractual maintenance requirements. Failure to comply must be flagged to the regulator. Trustees are liable for any misconduct and are independent from both the issuer and the sponsor bank.

6.2 Resolution regime analysis

CieFF's OF benefit from an additional four-notch uplift that reflects i) the covered bonds' exemption from bail-in; ii) the high likelihood that the covered bonds remain with a resolved and restructured issuer and that the programme remains actively managed as going concern funding instrument; iii) the very high systemic relevance of OF in France as well as CieFF's systemic relevance as part of the BPCE support system and one of the largest covered bond issuers globally; and iv) the strong and proactive stakeholder community.

Four notches reflecting highest likelihood that covered bonds are maintained as a going-concern funding instrument

6.2.1 Availability of statutory provisions

French covered bonds are defined in line with statutory provisions according to the European Commission's Directive (2014/59/EU). It was transposed into French law under Ordinance No 2015-1024 of 20 August 2015. It provides the national resolution authority (Autorité de Contrôle Prudentiel et de Résolution [ACPR]) with a toolkit to establish uniform rules and procedures for the resolution of relevant credit institutions. Given its designation as a systematically important bank, Groupe BPCE as the ultimate parent is jointly supervised by the European Central Bank and the ACPR.

6.2.2 Strength of statutory provisions

The national transposition of Article 55 of the BRRD into Article L613-55-1 of the Code monétaire et financier exempts secured liabilities such as covered bonds from bail-in. It also quotes that this relates to hedging instruments forming an integral part of the covered bond programme. The exemption is limited to the extent of the value of the security.

6.2.3 Systemic importance of issuer

We believe regulators would preserve CieFF's OF in the case of a hypothetical failure. This reflects the group's systemic importance. Groupe BPCE is the second largest cooperative banking group in France. Considering its status as a globally systemically important institution (G-SIB) BPCE must ensure to maintain an additional capital buffer of 1.0%. The bank ranks amongst the 29 most systemically important banks globally. It's balanced refinancing and capital structure allows for a bail-in to keep the issuer supporting the covered bonds on a going concern basis. The group's relevance to the local market is also underpinned by its strong domestic retail and commercial banking franchise.

6.2.4 Systemic relevance of covered bonds

The share of outstanding French covered bonds ranks highest worldwide and covered bonds are used by all larger banks. Based on available data, public sector and mortgage covered bonds are a significant wholesale refinancing instrument for French issuers. End of 2024, French covered bonds accounted for EUR501.6bn and continued the second year to lead as country with the largest volume of outstanding covered bonds globally, followed by Denmark (EUR460bn) and Germany (EUR399bn). France ranked third in 2022 and fourth in 2021. The amount of outstanding

French covered bonds increased steadily over the last years while the total number of issuers remained relatively stable. In 2024 nineteen issuers are issuing mortgage (SFH), public sector (SCF) or mixed (SCF) covered bonds. Most of the growth however goes back to mortgage collateralised covered bonds accounting for 75% by total. The sum of public sector programmes stagnated over the last decade but remains on a high and relevant nominal level. The relevance of covered bonds in France is also underpinned by its share to GDP, which stood at 17.2% end 2024.

The market has a strong footprint with both international as well as domestic investors, which is highlighting the well-functioning covered bond market.

6.2.5 Proactive stakeholder community

French stakeholders have demonstrated regularly that they are strongly interested in a functioning covered bond market and are willing to support an orderly resolution of problems in case of a distressed issuer. Even before the BRRD came into force, we have seen recapitalizations and refinancing operations in France which were both, government and/or market led. We observed resolutions with distressed issuers becoming merged and that market stakeholders have remained supportive. The market benefits from an active stakeholder community. Amongst others, the French Banking Federation (FBF) brings together a wide range of stakeholders and has been deeply involved into the national transposition of the covered bond directive. It further benefits from active supervision and a strong investor base.

7. Cover pool analysis

CieFF's covered bond ratings are governance supported. Hence cover pool support is currently not needed. Cover pool support could provide additional rating stability in case of an issuer downgrade.

7.1 CPC assessment

Our assessment on the interplay between complexity and transparency translates into a Cover Pool Complexity (CPC) category of 'Low'. The assessment on the interplay between complexity and transparency could add up to three additional notches above the issuer rating enhanced by governance support. Consequently, the combined credit support could allow to maintain the covered bond rating at the highest level under a hypothetical issuer downgrade by up to five notches, assuming OC does not become a constraining factor.

The CPC category of 'low'-risk stems from the ongoing availability of detailed, regular, current and forward-looking transparency on key credit and market risk factors; information on lending products; ability to assess the issuers underwriting and credit risk procedures; high visibility on origination and issuance strategy and full access to all relevant counterparty risk information.

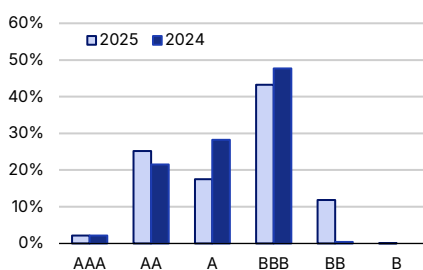
7.2 Cover pool composition

CieFF's covered bond programme is secured by a mixed cover pool comprising public-sector loans (54.0% up from 50.1% one year ago), mortgage exposures (37.3% down from 39.9%); and substitute assets (8.7% from 10%). The shift towards public sector (PS) loans reflects the strategical decision within the group, to use CieFF as the main refinancing source for public sector assets.

7.3 Asset risk analysis public sector

The public sector pool primarily consists of domestic sub-sovereign and lower-tier public sector exposures. As of June 2025, international exposures accounted for 17.4% of the pool, down from 20.6% as of last year. In line with the bank's strategy, most of these exposures are expected to amortize and will likely not be replenished upon maturity. While export credit agency (ECA) business may expand - particularly with the U.S. and Bpifrance - it remains a niche segment.

Figure 3: Credit risk scoring

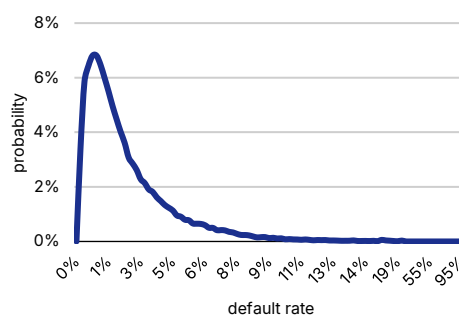


Source: Scope Ratings, CieFF

For the public sector pool, we derived a default distribution using name-by-name credit assessments, consolidating exposures into risk-representative entities that reflect the obligor's ultimate guarantor. The credit assessments are based on Scope-rated exposures and internal scoring of risk presenters, supported by performance data provided by the issuer. We also applied a correlation framework to account for the impact of geographical and debtor concentrations.

The mean default rate over the public sector portfolio's remaining term stands at 2.35%, with a coefficient of variation of 96%. These figures are broadly in line with our previous analysis, which showed 2.3% and 117%, respectively. For each exposure, we applied stressed recovery rate assumptions ranging from 40% to 75%, depending on the obligor type. This resulted in a weighted average recovery rate of 63.5% under the most stressful scenario, compared to 65.0% in our last analysis.

Figure 4: Default distribution



Source: Scope Ratings

Cover pool characteristics

Reporting date	Jun 2025	Jun 2024
Balance (EUR bn)	60.1	61.9
Residential (%)	36.3	38.9
Commercial (%)	1.0	1.0
Public Sector (%)	54.0	50.1
Substitute (%)	8.7	10.0

Pool general information

Reporting date	Jun 2025	Jun 2024
Asset WAL (in years)	7.2	7.3
Bond WAL (in years)	6.2	6.4
90dpd arrears (%)	1.3	2.1

Interest rate type (%) (hedged)

Reporting date	Jun 2025	Jun 2024
Floating	58.3	50.9
Fixed	41.7	49.1

Public sector general information

Reporting date	Jun 2025	Jun 2024
No. of loans	78,209	53,258
Avg. loan (EUR '000s)	415	582
Top 10 borrowers (%)	9.0	9.1

Public sector debtor type (%)

Reporting date	Jun 2025	Jun 2024
Sovereign	16.1	18.9
Of which guaranteed	8.9	10.2
Regional authorities	28.7	29.0
Of which guaranteed	4.7	5.4
Local authorities	34.9	31.5
Of which guaranteed	3.3	3.6
Other	20.3	20.6

Public sector asset location (%)

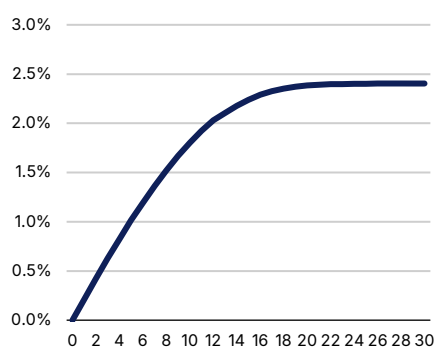
Reporting date	Jun 2025	Jun 2024
France	82.6	79.4
Italy	8.0	9.3
Switzerland	3.6	3.7
United States	3.5	4.2
Japan	1.1	1.1
Poland	0.8	0.9
Canada	0.2	0.7
Others	0.2	0.7

7.4 Asset risk analysis mortgage assets

As of June 2025, the mortgage pool is highly granular, comprising 303,126 loans, well diversified across France. The majority of the loans are private, residential, owner-occupied, fixed-for-life mortgages. Only 2.8% of the pool consists of commercial loans, of which 70% are secured by domestic office properties. We did not conduct a dedicated credit risk analysis for the commercial exposures due to immateriality. Year-on-year, the mortgage pool's balance declined by 9%, reflecting a strategic shift to fund most of Group BPCE's mortgage lending outside of CFF.

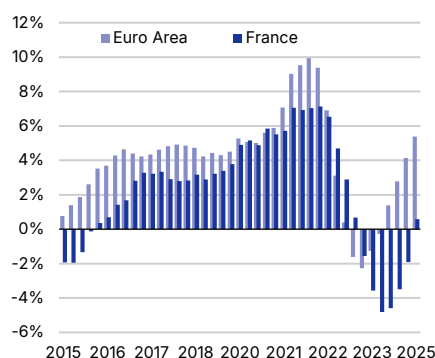
Approximately 54% of the loans benefit from first-lien mortgages combined with a French government guarantee via the Société de Gestion des Financements et de la Garantie de l'Accession Sociale à la propriété (SGFGAS). Another 26% are backed by first-lien mortgages without a government guarantee, while the remaining 20% are guaranteed by Crédit Logement without a mortgage lien. Most of the properties are located in France, with 2 percent to properties in Belgium and the Netherlands. Additionally, 10% of the loans are secured by receivables from loans originated by other financial institutions, governed under Article L.211-38 of the Code monétaire et financier.

Figure 5: Expected term defaults, cumulative (DP/years)



Source: Scope Ratings

Figure 6: House price growth in France, annualised



Source: Eurostat, macrobond, Scope Ratings

Our mortgage credit risk analysis incorporates default and recovery vintage data provided by the issuer. The dataset includes the credit performance of annual origination vintages spanning more than two decades – a period that encompasses several episodes of economic stress. The mean default rate over the portfolio's remaining term stands at 2.40%, with a coefficient of variation of 50%. This compares to 2.3% and 117%, respectively, in our previous analysis. Unlike our earlier approach, the coefficient of variation is now derived based on qualitative criteria.

Our stressed recovery analysis considers the underlying mortgage collateral. While we acknowledge the very strong state guarantee under the SGFGAS, we recognize that its proceeds may be stressed at levels exceeding the sovereign rating (AA- / Stable). Consequently, under high stress levels commensurate with AAA ratings, we adopt a 'look-through' approach to assess the underlying mortgage collateral. Stressed recovery rates have increased to 77.5% (up from 70% previously). This reflects the portfolio's lower indexed loan-to-value ratio of 60.3%, as well as reduced stresses from our market value decline (MVD) assumptions in France. Our MVD assumptions are based on historical house price growth.

Figure 7: French private residential security value haircuts

Region	Base MVD	Stressed MVD	Firesale discount	Sale costs	Stressed SVH
France	5%	31.4%	20%	10%	50.6%

MVD: market value decline / SVH: security value haircut

We kept our fire-sale discounts for France unchanged at 20%. The fire-sale discount is applied to properties sold under non-standard market or distressed conditions. In our recovery analysis we do further size for sale costs of 10% (by stressed property value).

Mortgage general information

Reporting date	Jun 2025	Jun 2024
No. of loans ('000s)	303.1	324.9
Avg. loan (EUR '000s)	74.1	76.0
Top 10 borrowers (%)	0.4	0.5
LTV (indexed) (%)	60.3	60.7
Guaranteed	73.7	73.3
Mortgage	26.3	26.7

Mortgage property type (%)

Reporting date	Jun 2025	Jun 2024
Owner occupied	68.1	68.4
Buy-to-let	22.9	23.3
Office	1.9	1.8
Second Home	1.0	1.0
Retail	0.6	0.5
Others	5.5	5.0

Mortgage asset location (%)

Reporting date	Jun 2025	Jun 2024
France	98.1	98.1
Belgium	1.8	1.9
Netherlands	0.1	0.1

7.5 Asset risk analysis substitute assets

The substitute assets mainly account for short term intra-group debt obligations. We have not included the substitute assets into our cover pool analysis due to their volatile level of support. Therefore, we consider only the credit risk (and cash flows) of the primary collateral.

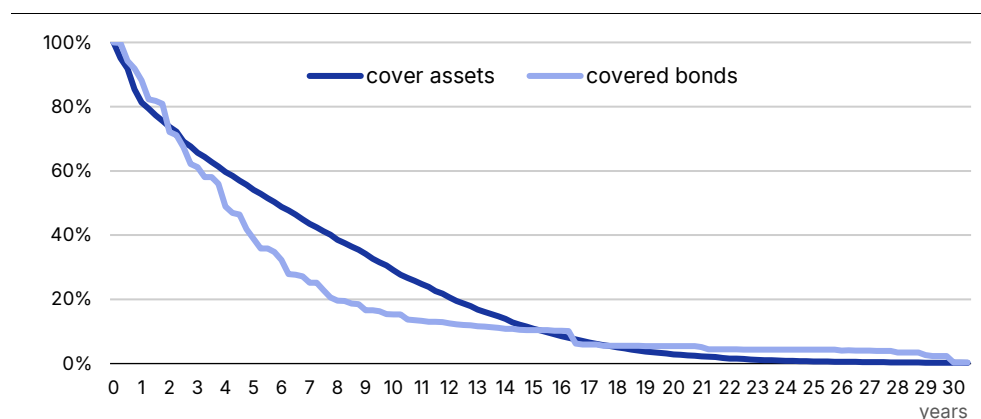
7.6 Cash flow risk analysis

The overcollateralisation (OC) supporting the rating is floored at the legal minimum OC of 5%. This is because the rating does not rely on cover pool support and can reach highest ratings based on governance support only.

Cover pool support does provide additional rating stability to CieFF's covered bonds. Our cash flow analysis shows that if the rating of CieFF would be downgraded to BBB-, the maintained nominal overcollateralisation of 17.4% as of June 2025 would still be sufficient to support the highest achievable rating on the covered bonds.

Supporting overcollateralisation at legal minimum as the rating is solely based on governance support

Figure 8: Amortisation profile (hedged)



Source: Scope Ratings

Asset-liability mismatches*

	Assets	Liabilities
EUR (%)	100	100
Fixed (%)	41.7	54.2
Floating (%)	58.3	45.8
WAL (years)	7.2	6.2

*hedged

The programme is most sensitive to a combination of low prepayments (0%;1%) and a rising interest rate environment. While the issuer has a prudent strategy to mitigate most market risk (i.e. interest and foreign exchange risks), maturity mismatches remain. The weighted average life (WAL) of the cover assets stands at 7.2 years, compared to 6.2 years for the liabilities. Mismatches could necessitate asset sales that with rising interest rates could result in significant present value discounts. However, this risk is partially mitigated by a buffer of 7.7% in highly liquid substitute assets. In total, the programme also benefits from 32% of central bank eligible assets.

In the event of recourse to the cover pool and where available asset cash flows are not sufficient to pay the bond's maturing liability, we have assumed stressed asset sales used to cure liquidity shortfalls. As such, rising interest scenarios will increase the haircut on the fixed loans. We have applied a weighted average 498bp refinancing spread for the public sector loans and 150bps for the mortgage loans.

Servicing fees are 25bp for the French mortgage loans and 10bps for the public sector exposures. Default timing was assumed to follow the scheduled amortisation profile with a recovery lag of 24 months for mortgage loans and 48 months for public sector loans.

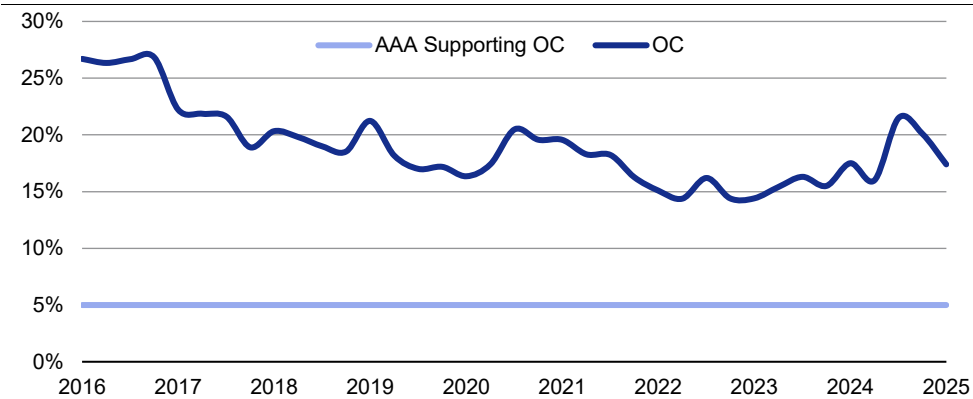
We complemented our base case cash flow results with additional analysis, testing sensitivities to higher prepayments frontloaded defaults and spread compression. None of such calculation resulted into an adjustment of our rating supporting overcollateralisation.

8. Availability of overcollateralisation

The current rating of CieFF allows us to account for the provided OC. We are not aware that any change to the programme may alter its risk profile or reduce the available OC to levels that would no longer support the current rating uplift.

Supportive level of available overcollateralisation fully taken into account

Figure 9: Available OC versus current rating-supporting level



Source: Scope Ratings

9. Other risk considerations

The rated bonds are exposed to roles within Groupe BPCE as originator, servicer, account provider and paying agent. No documented replacement mechanisms would automatically shield the covered bonds from a credit deterioration of, for instance, the counterparties providing bank accounts. However, in such a scenario, the strong alignment of interests between the bank and the covered bondholders but also legal requirements would prevent negative impacts before a regulator intervenes. As part of its risk management process, the bank regularly monitors its accounts to ensure that any required remedial action is taken at an early stage.

Counterparty exposure does not limit the rating

CieFF actively uses derivatives to limit or eliminate market risk (currency and interest rate risk). Macro-hedging swaps are entered into when acquiring loan portfolios, while micro-hedging swaps are used for single transactions. CFF acts as counterparty on the swaps hedging the loan portfolios sold to CieFF and on most of the vanilla swaps hedging the covered bonds. Major international banks act as counterparties on the swaps hedging the rest of the transactions. We take comfort from the fact that the derivative counterparties have high credit quality and are deemed resolvable. All counterparties have concluded on one-sided collateral agreements with CieFF that require them to post collateral depending on their debt position and rating triggers. Such are in line with Scope’s counterparty methodology.

Country risk is not a key risk factor that constrains the covered bond rating. France is currently rated AA-/Stable. We have no evidence that transfer risk (e.g. risk of capital controls), convertibility risk (e.g. risk of eurozone exit), the risk of an institutional meltdown are pertinent risk factors for France. Country or macroeconomic risks are included in the determination of the issuer rating (operating environment), our governance support analysis (legal and resolution regime) and certain parameter used in our quantitative cover pool analysis (e.g. liquidity spread) as well as structural enhancements of the secured loan (dynamic OC).

Country risk is not a key rating driver

Governance factors are key for the analysis of French covered bonds as such drive our legal and resolution regime analysis. In our quantitative analysis performed for the covered bonds issued by CieFF we however have not directly included ESG aspects. We acknowledge, that CieFF has issued its first inaugural Social (Social Housing & Healthcare) covered bond in October 2023 over EUR 500m. The second social covered bond was issued in October 2024. Its social covered bond is issued out of Groupe BPCE Sustainable Development Bond Programme. The bond’s proceeds finance or refinance eligible loans for social housing and healthcare assets. While we do not expect to see a relevant spread improvement, this initiative widens the issuer’s funding outreach and attracts investors focused on ESG.

Governance factors are key to CieFF’s covered bonds

10. Sensitivity analysis

CieFF's covered bond ratings do benefit from a buffer against an issuer downgrade of up to five notches. Assuming the issuer's willingness to support the highest ratings as well as a stable covered bond programme risk profile, a five-notch downgrade of the issuer rating to BBB- would increase the rating-supporting OC requirement to 9.0%.

Five notches buffer against an issuer downgrade

As a consequence, the rating may be downgraded upon: i) an issuer rating downgrade by more than five notches; ii) a deterioration in Scope's view on governance support factors relevant to the issuer and French covered bonds in general and on the interplay between complexity and transparency, and/or iii) the inability of the cover pool to provide an additional uplift in case the issuer rating is downgraded.

A sovereign downgrade of France will not mechanically constrain the rating of the covered bonds. A deterioration of the macroeconomic environment as well as the impact of a sovereign downgrade on the credit quality of e.g. domestic sub-sovereign exposures may impact relevant qualitative and quantitative rating factors such as the rating anchor (issuer rating) as well as risk factors assessed in the cover pool support analysis. Assuming cover pool support becomes the rating driver maintenance of the current rating hinges on the ongoing availability of sufficient overcollateralisation to buffer for increased risks. Currently provided overcollateralisation would allow to buffer for such increased risks.

In addition, we tested credit sensitivities along three commonly adopted climate scenarios designed by the Network of Central Banks and Supervisors for Greening the Financial System (NGFS)¹ assuming cover pool support became the central scenario. The abovementioned OC of 9.0% would increase by 2.5% (relative increase) in an Orderly Scenario, by 1.6% under a Disorderly Scenario and 9.8% under the Hot-House Scenario.

Sensitivity to climate risk scenarios. Most pronounced under the NGFS Hot House Scenario.

¹ Network for Greening the Financial System

11. Summary of covered bond characteristics

Reporting date	30 June 2025	30 June 2024
Issuer name	Compagnie de Financement Foncier S.A.	
Country	France	
Covered bond name	Obligations foncières (French covered bonds)	
Covered bond legal framework	French legal covered bond framework	
Cover pool type	Mixed assets	
Composition	Residential = 36.3%	Residential = 38.9%
	Commercial = 1.0%	Commercial = 1.0%
	Public sector = 54.0%	Public sector = 50.1%
	Substitute/other assets = 8.7%	Substitute/other assets = 10.0%
Issuer rating	A+/Stable	A+/Stable
Current covered bond rating	AAA/Stable	AAA/Stable
Covered bond maturity type	Hard bullet	Hard bullet
Cover pool currencies	EUR (100% hedged)	EUR (100% hedged)
Covered bond currencies	EUR (100% hedged)	EUR (100% hedged)
Governance cover pool support	6	6
Maximum additional uplift from cover pool complexity category	3	3
Maximum achievable covered bond uplift	9	9
Potential covered bond rating buffer	5	5
Cover pool (EUR bn)	60.1	61.9
thereof, substitute assets (EUR bn)	4.6	5.5
Covered bonds (EUR bn)	51.2	52.7
Overcollateralisation: current/legal minimum	17.4% / 5.0%	17.5% / 5.0%
Overcollateralisation to support current rating	Minimum legal oc	Minimum legal oc
Overcollateralisation upon a one-notch issuer downgrade	Minimum legal oc	Minimum legal oc
Weighted average life of assets	7.2 years	7.3 years
Weighted average life of liabilities	6.2 years	6.4 years
Number of loans (public sector/mortgages)	78,209 / 303,126	53,258 / 324,884
Average loan size (tsd EUR) (public sector/mortgages)	415 / 72.0	582 / 76.5
Top 10 exposures (public sector/mortgages)	9.0% / 0.4%	9.1% / 0.5%
Interest rate type – assets (public sector and mortgages) (after hedging)	Fixed = 41.7%	Fixed = 49.1%
	Floating = 58.3%	Floating = 50.9%
Interest rate type – liabilities (after hedging)	Fixed = 54.2%	Fixed = 58.9%
	Floating = 45.8%	Floating = 41.1%
Weighted average indexed whole-loan LTV ratio (mortgage)	60.3%	60.7%
Geographic split (top three) (public sector/mortgages)	France: 82.6% / 98.1%	France: 79.4% / 98.0%
	Italy: 8.0% / 0.0%	Italy: 9.3% / 0.0%
	Switzerland: 3.6% / 0.0%	US: 4.2% / 0.0%
Default measure (public sector/mortgages)	Non-Parametric / Inverse Gaussian	Non-Parametric / Inverse Gaussian
Weighted average term default rate (public sector/mortgages)	2.3% / 2.4%	2.3% / 2.2%
Weighted average coefficient of variation (public sector/mortgages)	96.0% / 50.0%	117.3% / 150.0%
Weighted average recovery assumption (D0; D9) ² (public sector/mortgages)	100%; 62.4% / 94.1%; 77.5%	100%; 65% / 95.0%; 70%
Total share of loans > three months in arrears (NPL)	1.3%	2.1%
Interest rate stresses (max/min)	9.0% / -1.0%	9.0% / -1.0%
FX stresses (max/min; currency-dependent)	na	na
Max liquidity premium (public sector/mortgages)	498 bps / 150 bps	256 bps / 205 bps
Average servicing fee (public sector/mortgages)	10 bps / 25 bps	10 bps / 25 bps

Source: Scope Ratings

² D0 and D9 denote the stresses commensurate with the rating distance between our credit view on the issuer and the covered bond ratings.

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[Covered Bond Outlook 2025: Credit stability in times of increasing uncertainty](#), January 2025

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