

# Fitch Ratings

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Tagging Info

## Fitch Affirms French Covered Bonds on Criteria Amendments Ratings Endorsement

Policy

28 Mar 2014 2:25 PM (EDT)

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Fitch Ratings-Paris-28 March 2014: Fitch Ratings has affirmed the ratings of 15 French covered bonds programmes. These rating actions follow the implementation of the agency's revised Covered Bonds Rating Criteria dated 10 March 2014 to programmes issued by French banks.

The rating actions also take into account the relevant Negative Outlooks on banks' Long-term Issuer Default Ratings (IDR) announced by Fitch on 26 March 2014 (see Fitch Revise Outlooks on 18 EU Commercial Banks to Negative on Weakening Support). As part of its updated covered bonds analysis, the agency has assigned Long-term Issuer Default Rating (IDR) uplift to each programme, where applicable. The full list of ratings and IDR uplifts for French covered bonds is shown at the end of this comment.

### KEY RATING DRIVERS

The rating of AXA Bank Europe SCF's Obligations Foncieres (OF) is affirmed at 'AAA/Stable, based on the issuer's reference IDR - itself based on the creditworthiness of its Belgian-based parent AXA Bank Europe (ABE). The rating also reflects a newly assigned IDR uplift of '1', an unchanged D-Cap of '4' (moderate discontinuity risk) and higher overcollateralisation (OC) taken into account by the agency than the breakeven OC for the rating.

The rating of BNP Paribas Home Loan SFH's Obligations de Financement de l'Habitat (OFH) is affirmed at 'AAA/Stable, based on BNP Paribas's IDR of 'A+', a newly assigned IDR uplift of '2', an unchanged D-Cap of '4' (moderate discontinuity risk) and asset percentage (AP) taken into account by the agency providing more protection than the breakeven AP for the rating.

The rating of BNP Paribas Public Sector SCF's OF is affirmed at 'AA+/Stable, based on BNP Paribas's IDR of 'A+', a newly assigned IDR uplift of '2', an unchanged D-Cap of '2' (high discontinuity risk) and higher OC taken into account by the agency than the breakeven OC for the rating.

The rating of Caisse de Refinancement de l'Habitat's mortgage covered bonds is affirmed at 'AAA/Stable, based on Fitch's credit view of the programme's main debtor of recourse, CRH, a newly assigned IDR uplift of '0', an unchanged D-Cap of '3' (moderate high discontinuity risk) and higher OC taken into account by the agency than the breakeven OC for the rating.

The rating of Caisse Francaise de Financement Local (CAFFIL)'s OF is affirmed at 'AA+/Stable, based on Societe de Financement Local (SFIL)'s IDR of 'AA', a newly assigned IDR uplift of '1', an unchanged D-Cap of '3' (moderate high discontinuity risk) and higher OC taken into account by the than the breakeven OC for the rating.

The rating of CM-CIC Home Loans FCT's senior notes is affirmed at 'AAA/Stable, based on Banque Federative du Credit Mutuel (BFCM)'s IDR of 'A+', a newly assigned IDR uplift of '2', an unchanged D-Cap of '8' (minimal discontinuity risk) and AP taken into account by the agency providing more protection than the breakeven AP for the rating.

The rating of Credit Agricole Home Loan SFH's OFH is affirmed at 'AAA/Stable, based on Credit Agricole S.A.'s (CASA) IDR of 'A', a newly assigned IDR uplift of '2', an unchanged D-Cap of '3' (moderate high discontinuity risk) and AP taken into account by the agency providing more protection than the breakeven AP for the rating.

The rating of Credit Mutuel-CIC Home Loan SFH's OFH is affirmed at 'AAA/Stable, based on BFCM's IDR of 'A+', a newly assigned IDR uplift of '2', an unchanged D-Cap of '3' (moderate high discontinuity risk) and AP taken into account by the agency providing more protection than the breakeven AP for the rating.

The rating of FCT Evergreen HL1's senior notes is affirmed at 'AAA/Stable, based on CASA's IDR of 'A', a newly assigned IDR uplift of '2', an unchanged D-Cap of '8' (minimal discontinuity risk) and AP taken into account by the

agency providing more protection than the breakeven AP for the rating.

The rating of CMNE Home Loans FCT's senior notes is affirmed at 'AAA/Stable, based on BFCM's IDR of 'A+', a newly assigned IDR uplift of '2', an unchanged D-Cap of '8' (minimal discontinuity risk) and AP taken into account by the agency providing more protection than the breakeven AP for the rating.

The rating of Zephyr Home Loans FCT's senior notes is affirmed at AAA/Stable, based on BFCM's IDR of A+, a newly assigned IDR uplift of '2', an unchanged D-Cap of '8' (minimal discontinuity risk) and AP taken into account by the agency providing more protection than the breakeven AP for the rating.

The rating of Societe Generale SFH's OFH is affirmed at 'AAA/Stable, based on Societe Generale's (SG) IDR of 'A', a newly assigned IDR uplift of '2', an unchanged D-Cap of '3' (moderate high discontinuity risk) and AP taken into account by the agency providing more protection than the breakeven AP for the rating.

The Outlook on the 'AAA' rating of Societe Generale SFH's OFH remains Stable despite the Negative Outlook on the SG's IDR, given that any potential downgrade in SG's IDR to the bank's current Viability Rating of 'a-' would not be expected to result in a downgrade of the OFH for this programme as it benefits from an IDR uplift of '2'.

The rating of Compagnie de Financement Foncier's (CoFF) OF is affirmed at 'AA+/Stable, based on Credit Foncier de France's (CFF) IDR of 'A', a newly assigned IDR uplift of '2', an unchanged D-Cap of '4' (moderate discontinuity risk) and higher OC taken into account by the agency than the breakeven OC for the rating.

The rating of CIF Euromortgage's OF is affirmed at 'AA+/Stable, based on Credit Immobilier de France Developpement's (CIFD) IDR of 'A', a newly assigned IDR uplift of '2', an unchanged D-Cap of '3' (moderate high discontinuity risk) and higher OC taken into account by the agency than the breakeven OC for the rating.

The 'AAA'/Stable rating of VMG Vauban Mobilisations Garanties's bonds has been affirmed as it is not affected by the criteria amendments. Given that this type of bonds is not explicitly exempt from bail-in, no IDR uplift is applicable.

Fitch's IDR uplift is applicable to jurisdictions with a bank resolution regime comprising a bail-in tool, of which covered bonds are exempt. This applies to most French programmes rated by Fitch under its covered bond rating criteria. Notes issued by Fonds Commun de Titrisation (FCTs) are not exempt from bail-in but their only assets consist of secured advances against banks, which are themselves exempt from bail-in. An IDR uplift is therefore applicable to such FCT programmes.

The IDR uplift expresses Fitch's judgement regarding the degree of protection in the event of a bank's resolution that would be available to prevent the source of covered bonds payments switching from the issuer to the cover pool. It is derived from the following factors: Fitch's opinion regarding the relative ease and motivations for resolution methods other than liquidation, the importance of covered bonds to the financial markets in a given jurisdiction and the extent of buffer offered by senior unsecured debt.

Fitch's view on the use of resolution methods other than liquidation contributes to the IDR uplift assigned to the programmes of BNP Paribas (BNP Paribas Home Loan SFH), Credit Mutuel (CM-CIC Home Loans FCT, Credit Mutuel-CIC Home Loan SFH, CMNE Home Loans FCT and Zephyr Home Loans FCT), Credit Agricole (Credit Agricole Home Loan SFH and FCT Evergreen HL1), Societe Generale (Societe Generale SFH) and Credit Foncier de France (Compagnie de Financement Foncier). This is based on the large size of the institution within its domestic market and in the case of CFF, on the large size of its bank group, BPCE.

France is deemed by Fitch to be a covered bonds-intensive jurisdiction. This contributes to the IDR uplift of Obligations Foncieres (OF) and Obligations de Financement de l'Habitat (OFH). However, it does not translate into an IDR uplift for CRH bonds given that the importance of these funding instruments has already been factored into the liquidity gap and systemic risk assessment of the programme's D-Cap. Dual recourse securitisations rated by Fitch under its covered bonds criteria will not benefit from such IDR uplift contribution.

Protection from the level of senior unsecured debt is reflected in the IDR uplift assigned to the programmes of BNP Paribas (BNP Paribas Home Loan SFH and BNP Paribas Public Sector SCF), Credit Mutuel (CM-CIC Home Loans FCT, Credit Mutuel-CIC Home Loan SFH, CMNE Home Loans FCT and Zephyr Home Loans FCT), Credit Agricole (Credit Agricole Home Loan SFH and FCT Evergreen HL1), Societe Generale (Societe Generale SFH), and Caisse Centrale du Credit Immobilier de France (CIF Euromortgage). This is based on Fitch's estimate of the institution's long-term non-retail placed senior unsecured debt exceeding 5% of total adjusted assets on the latest available financial information. In the case of CIF Euromortgage, this is based on CIFD's latest available financial information.

## RATING SENSITIVITIES

AXA Bank Europe SCF:

The 'AAA' rating of the OF is vulnerable to a downgrade if any of the following occurs: (i) the reference IDR is downgraded to 'BBB'; (ii) the D-Cap is lowered to '0' (full discontinuity risk); (iii) the level of OC that Fitch gives credit to in its analysis falls below Fitch's 'AAA' breakeven OC of 9%.

**BNP Paribas Home Loan SFH:**

The 'AAA' rating of the OFH is vulnerable to a downgrade if any of the following occurs: (i) BNP Paribas' IDR is downgraded by five notches to 'BBB-'; (ii) the level of AP that Fitch gives credit to in its analysis rises above Fitch's 'AAA' breakeven AP of 81.8%.

**BNP Paribas Public Sector SCF:**

The 'AA+' rating of the OF is vulnerable to a downgrade if any of the following occurs: (i) BNP Paribas' IDR is downgraded by four notches to 'BBB'; (ii) the level of OC that Fitch gives credit to in its analysis falls below Fitch's 'AA+' breakeven OC of 5.2%; (iii) one of the main sovereign exposures is downgraded below 'AA+'.

**Caisse de Refinancement de l'Habitat (CRH):**

The 'AAA' rating of the covered bonds is vulnerable to a downgrade if any of the following occurs: (i) Fitch's view of CRH's creditworthiness, based on the IDRs of all its main shareholders, is downgraded by two or more notches; (ii) the D-Cap is lowered to '1' (very high discontinuity risk); (iii) the level of OC that Fitch gives credit to in its analysis falls below Fitch's 'AAA' breakeven OC of 27.5%.

**Caisse Francaise de Financement Local (CAFFIL):**

The 'AA+' rating of the OF is vulnerable to a downgrade if any of the following occurs: (i) the French sovereign's IDR was downgraded by one notch to 'AA' or lower; (ii) SFIL's IDR is downgraded by six notches to 'BBB' or lower; (iii) the level of OC that Fitch gives credit to in its analysis falls below Fitch's 'AA+' breakeven OC of 7.5%.

**CM-CIC Home Loans FCT:**

The 'AAA' rating of the senior notes is vulnerable to a downgrade if any of the following occurs: (i) BFCM's IDR is downgraded by nine notches to 'B+' or lower; (ii) the level of AP that Fitch gives credit to in its analysis increases above Fitch's 'AAA' breakeven AP of 79.4%.

**Credit Agricole Home Loan SFH:**

The 'AAA' rating of the OFH is vulnerable to a downgrade if any of the following occurs: (i) CASA's IDR is downgraded by three notches to 'BBB' or lower; (ii) the D-Cap is lowered to '0' (full discontinuity risk); (iii) the level of AP that Fitch gives credit to in its analysis increases above Fitch's 'AAA' breakeven AP of 93%.

**Credit Mutuel-CIC Home Loan SFH:**

The 'AAA' rating of the OFH is vulnerable to a downgrade if any of the following occurs: (i) BFCM's IDR is downgraded by four notches to 'BBB' or lower; (ii) the level of AP that Fitch gives credit to in its analysis increases above Fitch's 'AAA' breakeven AP of 83.6%.

**FCT Evergreen HL1:**

The 'AAA' rating of the senior notes is vulnerable to a downgrade if any of the following occurs: (i) CASA's IDR is downgraded by eight notches to 'B+' or lower; (ii) the D-Cap is lowered to '0' (full discontinuity risk); (iii) the level of AP that Fitch gives credit to in its analysis increases above Fitch's 'AAA' breakeven AP of 90%.

**CMNE Home Loans FCT:**

The 'AAA' rating of the senior notes is vulnerable to a downgrade if any of the following occurs: (i) BFCM's IDR is downgraded by nine notches to 'B+' or lower; (ii) the level of AP that Fitch gives credit to in its analysis increases above Fitch's 'AAA' breakeven AP of 80%.

**Zephyr Home Loans FCT:**

The 'AAA' rating of the senior notes is vulnerable to a downgrade if any of the following occurs: (i) BFCM's IDR is downgraded by nine notches to 'B+' or lower; (ii) the level of AP that Fitch gives credit to in its analysis increases above Fitch's 'AAA' breakeven AP of 72%.

**Societe Generale SFH:**

The 'AAA' rating of the OFH is vulnerable to a downgrade if any of the following occurs: (i) SG's IDR is downgraded by three notches to 'BBB' or lower; (ii) the D-Cap is lowered to '0' (full discontinuity risk); (iii) the level of AP that Fitch gives credit to in its analysis increase above Fitch's 'AAA' breakeven AP of 90%.

**Compagnie de Financement Foncier:**

The 'AA+' rating of the OF is vulnerable to a downgrade if any of the following occurs: (i) CFF's IDR is downgraded by five notches to 'BB+' or lower; (ii) the level of OC that Fitch gives credit to in its analysis falls below Fitch's 'AA+' breakeven OC of 19%; (iii) France is downgraded below 'AA+'.

**CIF Euromortgage:**

The 'AA+' rating of the OF is vulnerable to a downgrade if any of the following occurs: (i) CIFD's IDR is downgraded by four notches to 'BBB-' or lower; (ii) the level of OC that Fitch gives credit to in its analysis falls below Fitch's 'AA+' breakeven OC of 6.5%; (iii) a downgrade of class A units issued by CIF Assets 2001-1 to below 'AA+sf'; or (iv) a downgrade of France below 'AA+'.

#### VMG Vauban Mobilisations Garanties:

The 'AAA' rating of the bonds is vulnerable to a downgrade if any of the following occurs: (i) CFF's IDR is downgraded by six notches to 'BB' or lower; (ii) the D-Cap is lowered to '2' (high); (iii) the underlying Fonds Commun de Creances (FCC) units are downgraded.

#### Contact:

##### Primary Analysts

Will Rossiter (AXA Bank Europe SCF; Caisse de Refinancement de l'Habitat; CIF Euromortgage; Compagnie de Financement Foncier; VMG Vauban Mobilisations Garanties)

Director

+33 (0)1 44 29 91 47  
Fitch France S.A.S.  
60 rue de Monceau  
75008 Paris

Stan de Bazelaire (CM-CIC Home Loans FCT; CMNE Home Loans FCT; Credit Agricole Home Loan SFH; Credit Mutuel-CIC Home Loan SFH; FCT Evergreen HL1; Societe Generale SFH; Zephyr Home Loans FCT)

Analyst

+44 (0)20 3530 1648  
Fitch Ratings Limited  
30 North Colonnade  
London E14 5GN

Anastasiya Kapustina (BNP Paribas Home Loan SFH; BNP Paribas Public Sector SCF; Caisse Francaise de Financement Local (CAFFIL))

Analyst

+44 (0)20 3530 1516  
Fitch Ratings Limited  
30 North Colonnade  
London E14 5GN

##### Secondary Analysts

Will Rossiter (BNP Paribas Public Sector SCF; Caisse Francaise de Financement Local (CAFFIL); Credit Agricole Home Loan SFH; Credit Mutuel-CIC Home Loan SFH; Societe Generale SFH)

Director

Stan de Bazelaire (BNP Paribas Home Loan SFH; Caisse de Refinancement de l'Habitat)

Analyst

Paul Peyre (CIF Euromortgage)

Director

+33 (0)1 44 29 91 70

Francois le Roy (AXA Bank Europe SCF)

Associate Director

+33 (0)1 44 29 91 75

Federica Fabrizi (FCT Evergreen HL1)

Senior Director

+39 02 87 90 87 232

Helene Heberlein (Compagnie de Financement Foncier; VMG Vauban Mobilisations Garanties ; CM-CIC Home Loans FCT; CMNE Home Loans FCT; Zephyr Home Loans FCT)

Managing Director

+33 (0)1 44 29 91 40

##### Committee Chairs

Helene Heberlein (AXA Bank Europe SCF; BNP Paribas Home Loan SFH; BNP Paribas Public Sector SCF; Caisse de Refinancement de l'Habitat; Caisse Francaise de Financement Local (CAFFIL); Credit Agricole Home Loan SFH;

Credit Mutuel-CIC Home Loan SFH; FCT Evergreen HL1; Societe Generale SFH )  
Managing Director

Cosme de Montpellier (Compagnie de Financement Foncier; VMG Vauban Mobilisations Garanties; CIF Euromortgage; CM-CIC Home Loans FCT; CMNE Home Loans FCT; Zephyr Home Loans FCT)  
Senior Director  
+44 (0)20 3530 1407

Media Relations: Francoise Alos, Paris, Tel: +33 1 44 29 91 22, Email: francoise.alos@fitchratings.com; Christian Giesen, Frankfurt am Main, Tel: +49 69 768076 232, Email: christian.giesen@fitchratings.com.

Additional information is available at [www.fitchratings.com](http://www.fitchratings.com).

Applicable criteria: Covered Bonds Rating Criteria, dated 10 March 2014; Counterparty Criteria for Structured Finance and Covered Bonds: Derivative Addendum and Counterparty Criteria for Structured Finance and Covered Bonds, both dated 13 May 2014; Criteria for Interest Rate Stresses in Structured Finance Transactions and Covered Bonds, dated 23 January 2014; EMEA RMBS Master Rating Criteria, dated 6 June 2013; EMEA Criteria Addendum - France, dated 17 June 2013; Covered Bonds Rating Criteria - Mortgage Liquidity and Refinancing Stress Addendum, dated 4 February 2014; Asset Analysis Criteria for Covered Bonds of European Public Entities, dated 30 January 2013 and Covered Bonds Rating Criteria - Public Sector Liquidity and Refinancing Stress Addendum, dated 7 February 2014, all available at [www.fitchratings.com](http://www.fitchratings.com).

**Applicable Criteria and Related Research:**

Covered Bonds Rating Criteria

Counterparty Criteria for Structured Finance and Covered Bonds

Counterparty Criteria for Structured Finance and Covered Bonds: Derivative Addendum

Criteria for Interest Rate Stresses in Structured Finance Transactions

EMEA RMBS Master Rating Criteria

EMEA Criteria Addendum - France - Mortgage Loss and Cash Flow Assumptions - Effective 11 August 2011 to 27 July 2012

Covered Bonds Rating Criteria – Mortgage Liquidity and Refinancing Stress Addendum

Covered Bonds Rating Criteria – Public Sector Liquidity and Refinancing Stress Addendum

Asset Analysis Criteria for Covered Bonds of European Public Entities

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