FitchRatings

Fitch Affirms CIFD at 'A'; Stable Outlook

Fitch Ratings-Paris/London-09 January 2018: Fitch Ratings has affirmed Credit Immobilier de France Developpement's (CIFD) Long-Term Issuer Default Rating (IDR) at 'A'. The Long-Term IDR of Caisse Centrale du Credit Immobilier de France (3CIF), the group's financing arm, has also been affirmed at 'A'. The Outlooks are Stable.

A full list of rating actions is at the end of this rating action commentary. These rating actions are part of a review of eurozone wind-down institutions rated by Fitch.

KEY RATING DRIVERS

IDRs, SUPPORT RATINGS, SUPPORT RATING FLOORS AND SENIOR DEBT

CIFD's ratings reflect Fitch's opinion that there is an extremely high probability it will continue to be supported by the French authorities to meet its financial obligations. CIFD's ratings are mainly driven by the robust support structure for the institution and France's financial strength (AA/Stable).

CIFD is the central body of the cooperative group. 3CIF's ratings are aligned with those of CIFD and reflect the legally established cross-support mechanism among the group's entities in line with Annex 4 of our Global Bank Rating Criteria.

Fitch's assessment of the extremely high likelihood of state support is driven primarily by France's substantial commitments to the group's orderly wind-down. The French state has granted 3CIF a EUR16 billion guarantee for senior debt issuance. 3CIF's use of the guarantee was EUR7.7 billion at end-June 2017 and we expect future utilisation to remain materially below the EUR16 billion limit.

CIFD's resolution plan focuses on the run-off of a granular housing loan portfolio. In our opinion, the plan is unlikely to deviate from CIFD's current projections. The group streamlined its organisation by merging operating subsidiaries into CIFD as well as centralising risk controls and financial management within CIFD. In 2017, CIFD signed a partnership with Groupe MCS to progressively outsource the servicing of the vast majority of its loan portfolio by 2021.

CIFD did not require a capital injection when placed in orderly resolution. Its common equity Tier 1 (CET1) ratio stood at around 14.8% at end-June 2017 and the entity anticipates maintaining the ratio at above 12% until its wind-down is complete in 2035. It benefits from specific protection as the payment of additional guarantee fees to the French state would be automatically deferred if CIFD's CET1 ratio would fall below 12% after such payment.

Based on the predictability of cash flows from CIFD's assets and the automated deferral of the payment of additional guarantee fees, Fitch believes there is only a limited likelihood that capital injection from the state may become necessary. The group's shareholders, which are French social housing cooperatives, will be eligible for dividends from 2018, provided the CET1 ratio stands above the 12% threshold.

Fitch does not assign a Viability Rating to CIFD because it cannot be meaningfully analysed as a viable entity in its own right. The entity is in orderly wind-down and relies on extraordinary support from the French state to meet its financial liabilities.

STATE-GUARANTEED DEBT

The ratings assigned to the state-guaranteed securities issued by 3CIF are aligned with France's IDRs. This reflects the EUR16 billion unconditional, irrevocable and timely funding guarantee provided by the French state to 3CIF.

RATING SENSITIVITIES

IDRS, SUPPORT RATINGS, SUPPORT RATING FLOORS AND SENIOR DEBT

CIFD's and 3CIF's Stable Outlooks are in line with that on France and reflect Fitch's view that CIFD's state aid plan will not be affected by the European Bank Recovery and Resolution Directive. CIFD's and 3CIF's ratings are sensitive to a weakening in the French state's ability or propensity to extend support, which may be reflected in a downgrade of the sovereign rating.

The ratings are also sensitive to any material deviation from CIFD's wind-down plan. A deviation would likely trigger a fresh state aid review and heighten the likelihood of the authorities requiring more stringent measures, which could include senior creditors sharing some of the burden.

Deviation from the bank's resolution plan could arise following sharp loan quality deterioration, which would be severe enough to result in a material fall in capital ratios despite mechanisms in place and in an even higher use of France's external funding guarantee. This is not Fitch's central scenario.

An upgrade would be contingent on France demonstrating greater support, which is unlikely in Fitch's view.

STATE-GUARANTEED DEBT
The long- and short-term state-guaranteed debt ratings are both sensitive to a change to the French sovereign ratings.

The rating actions are as follows:

Credit Immobilier de France Developpement (CIFD)
Long-Term IDR: affirmed at 'A'; Stable Outlook
Short-Term IDR: affirmed at 'F1'
Support Rating: affirmed at '1'
Support Rating Floor: affirmed at 'A'

Caisse Centrale du Credit Immobilier de France (3CIF)
Long-Term IDR: affirmed at 'A'; Stable Outlook
Short-Term IDR: affirmed at 'F1'
Support Rating: affirmed at '1'
Support Rating Floor: affirmed at 'A'
State-guaranteed debt: affirmed at 'AA'/'F1+'
Senior unsecured debt: affirmed at 'A'/'F1'

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Applicable Criteria
Global Bank Rating Criteria (pub. 25 Nov 2016) (https://www.fitchratings.com/site/re/891051)

Additional Disclosures
Dodd-Frank Rating Information Disclosure Form (https://www.fitchratings.com/site/dodd-frank-disclosure/1034856)
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