MOODY'S
INVESTORS SERVICE

Rating Action: Moody's affirms Caisse Centrale du Credit Immobilier de France's Baa2 long-term ratings

29 Oct 2018

Outlook remains Stable

Paris, October 29, 2018 -- Moody's Investors Service ("Moody's") today affirmed Caisse Centrale du Credit Immobilier de France's (3CIF's) long-term deposit, senior unsecured debt and issuer ratings of Baa2, with a stable outlook, and short-term ratings of Prime-2. The bank's standalone assessment, reflected in its Baseline Credit Assessment (BCA) and Adjusted BCA of ba2, was also affirmed. Finally the rating agency affirmed 3CIF's Counterparty Risk (CR) Assessment of Baa2(cr)/Prime-2(cr), its long-term and short-term Counterparty Risk Rating (CRR) of Baa2 and Prime-2, respectively, as well as the bank's backed ratings of Aa2 and Prime-1 assigned to its senior unsecured debt and short-term deposits benefitting from the French government's guarantee.

A list of all affected ratings is provided towards the end of this press release.

RATINGS RATIONALE

Moody's rating action is primarily driven by 3CIF's progress in the implementation of the wind-down, decreased funding costs and adequate capitalization, balanced by the downside risk of capital depletion that could potentially result from an unexpected worsening of asset quality and the bank's high sensitivity to the French housing market.

The affirmations of 3CIF's ratings and BCA primarily reflect progress made by the bank in the implementation of its orderly wind-down plan, approved by the European Commission (EC) on 27 November 2013. In particular, the acceleration of the balance sheet deleveraging, efforts made to identify and monitor risks associated to non-standard loans and the strengthening of policies and procedures for loan management and collection have removed some uncertainties surrounding the run-off process. The loan book has decreased markedly over the last few years, as a result of early repayments of loans. 3CIF's loan book amounted to €15.6 billion at the end of December 2017, an amount now below that of the total amount of the €16 billion government guarantee on the bank's externally issued debt up to 2035.

The bank's funding costs have also decreased in recent years, as a result of lower funding needs. The guarantee fee paid to the French government (150 bps of the outstanding guaranteed amount) decreased by 33% in 2017 relative to the previous year. Operating expenses have also decreased, reflecting progress achieved by the bank in shifting to a run-off structure through a simplification of its processes, the transfer of functions to external service providers, and strict cost control.

3CIF's capitalization is likely to remain adequate throughout the run-off period. Its Common Equity Tier 1 (CET1) ratio stood at 14.8% as of June 2018, after the payment of a €170 million dividend during the first half of 2018, which was the first time that the bank redistributed capital since it was put in run-off in 2012. However, 3CIF's BCA also reflects the potential capital depletion that could result either from a significant worsening of asset quality stemming from a material deterioration in the French economy and housing market, or from an inability to reduce operating costs as revenues decline. The bank's BCA also reflects its high sensitivity to the French mortgage market, given the extreme concentration of the loan book on housing loans.

In addition, 3CIF benefits from a Very High likelihood of government support should unexpected losses or funding difficulties materialize in the future. The rating agency considers that a capital injection or an extension of the current guarantee scheme by the French government would be likely should the existing framework not be adequate to preserve the group's solvency or liquidity. As the group is already in run-off, a direct intervention of the French government would be less detrimental for it than a bail-in given its large exposure to the group through the outstanding state-guaranteed debt mechanism (€6.2 billion as of December 2017). Therefore, any additional support needed from public authorities would not necessarily result in a "resolution" under the EU Bank Recovery and Resolution Directive (BRRD), meaning that 3CIF is, in practice, out of the scope of the EU's operational resolution regime as deemed by Moody's.

Nevertheless, 3CIF's senior operating obligations and other contractual commitments, reflected in its CRA and CRR, benefit from a one-notch adjustment above the bank's Adjusted BCA. This reflects the fact that, should the bank fail and not benefit from government support, those obligations are more likely to be preserved to minimize contagion and avoid major market disruptions.

The Very High probability of government support for 3CIF's debt and deposits results in a three notch uplift from the bank's Adjusted BCA, and a two-notch uplift for its CR Assessment and CRR.

WHAT COULD CHANGE RATINGS UP/DOWN

3CIF's BCA already incorporates achievements made during the run-off process and the stabilizing effect on the group's fundamentals of the state aid received in 2013. The potential for an upgrade of the BCA is therefore relatively limited. The bank's BCA could nonetheless be upgraded if the risk of the bank's solvency being affected by a worse-than-expected asset performance or inability to decrease its cost base were to reduce further. Given its run-off status, an upgrade of the bank's long-term deposit and senior unsecured ratings is unlikely, even if the BCA were upgraded.

3CIF's BCA could be downgraded if Moody's were to consider that the current guarantee is insufficient to cover the bank's funding needs, although such an event is unlikely at the current juncture. The BCA could also be downgraded in the case of a worse-than-expected asset performance, resulting in a significant decline in capital. A downgrade of 3CIF's BCA would likely result in a downgrade of all ratings.

3CIF's long-term deposit and senior unsecured ratings could also be downgraded in the case of a decrease in the probability of government support.

LIST OF AFFECTED RATINGS

Issuer: Caisse C'ale du Credit Immobilier de France

..Affirmations:

....Baseline Credit Assessment, affirmed ba2

....Adjusted Baseline Credit Assessment, affirmed ba2

....Long-term Counterparty Risk Ratings, affirmed Baa2

....Short-term Counterparty Risk Ratings, affirmed P-2

....Long-term Bank Deposits, affirmed Baa2 Stable

....Short-term Bank Deposits, affirmed P-2

....Backed Short-term Bank Deposits, affirmed P-1

....Backed Short-term Deposit Note/CD Program, affirmed P-1

....Long-term Counterparty Risk Assessment, affirmed Baa2(cr)

....Short-term Counterparty Risk Assessment, affirmed P-2(cr)

....Long-term Issuer Rating, affirmed Baa2 Stable

....Senior Unsecured Regular Bond/Debenture, affirmed Baa2 Stable

....Backed Senior Unsecured Regular Bond/Debenture, affirmed Aa2 Positive

....Senior Unsecured Medium-Term Note Program, affirmed (P)Baa2

....Backed Senior Unsecured Medium-Term Note Program, affirmed (P)Aa2

....Other Short Term, affirmed (P)P-2

....Backed Other Short Term, affirmed (P)P-1

..Outlook Action:

....Outlook remains Stable

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks published in August 2018. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this credit rating action, and whose ratings may change as a result of this credit rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

Laurent Le Mouel
Vice President - Senior Analyst
Financial Institutions Group
Moody's France SAS
96 Boulevard Haussmann
Paris 75008
France
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Nicholas Hill
MD - Banking
Financial Institutions Group
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Releasing Office:
Moody's France SAS
96 Boulevard Haussmann
Paris 75008
France
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454