

Bulletin:

Credit Foncier's Announced Reorganization Plan Has No Rating Impact

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PARIS (S&P Global Ratings) June 27, 2018--S&P Global Ratings said today that its ratings and outlook on French bank Crédit Foncier de France (CFF; A-/Positive/A-2) are unaffected by BPCE's announcement yesterday that it plans to host a large part of its subsidiary's activities and teams throughout the group.

BPCE said that it is launching a project geared toward integrating CFF's activities and teams into the group. Under the plan, CFF will refocus on managing its existing portfolio of loans until their maturity and on refinancing the group via its subsidiary Compagnie de Financement Foncier, which would itself be repositioned mainly to refinancing public sector assets.

The announcement does not alter our view of CFF's highly strategic importance to BPCE. We believe that this reorganization endorses the subsidiary's durable entrenchment in the BPCE group. Our view continues to take into account that CFF is "affiliated" to the cooperative group under the French Monetary Code, according to which the central body, in this case BPCE, is responsible for taking any steps to guarantee the solvency and liquidity of the member banks. Our positive outlook on CFF, the group's specialized mortgage lender, mirrors that on BPCE.

According to BPCE, the decision stems from its recognition that the pure real-estate financing model is no longer competitive or suited to current

circumstances, primarily due to the lack of provision of banking services to customers and to its reliance solely on financial markets for refinancing. This business model, and resulting profitability weakness, has been the major reason why we have never considered CFF core to BPCE, but rather highly strategic, despite its substantial size within the group. In line with our past expectations, we continue to believe that the strong group support we factor into the ratings on CFF is warranted, and we consider that the decision further anchors CFF within the group.

Under the new organization, the new loan production for individuals would be coupled with an offer of banking services to new customers, and redeployed in the Caisses d'Epargne and Banque Populaires local banks. The two networks would also host the corporate financing activities for social housing, while project and infrastructure financing would be redeployed within Natixis. Last, CFF's corporate real-estate specialist SOCFIM and real-estate service provider Crédit Foncier Immobilier would become subsidiaries of BPCE S.A.

We will carefully monitor the development and execution of the reorganization. In particular, BPCE indicated that the project will be subject to an information-consultation process involving the works councils of Crédit Foncier and the other relevant group entities.

Only a rating committee may determine a rating action and this report does not constitute a rating action.

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