



Rating Action: Moody's affirms BFCM and CIC's deposit and senior unsecured debt ratings of Aa3 with stable outlooks

01 Feb 2024

Baseline Credit Assessments affirmed at a3 for BFCM and baa1 for CIC

Paris, February 01, 2024 -- Moody's Investors Service ("Moody's") today affirmed the long-term (LT) deposit and senior unsecured debt ratings of Aa3 of Banque Federative du Credit Mutuel (BFCM) and Credit Industriel et Commercial (CIC). The outlook on these ratings remains stable.

The Baseline Credit Assessments (BCA) of BFCM and CIC were affirmed at a3 and baa1, respectively, while both entities' Adjusted BCA were affirmed at a3.

A full list of affected ratings can be found at the end of this press release.

BFCM is the principal bond issuing entity for the French mutualist bancassurer, Groupe Credit Mutuel (GCM), as well as the internal holding company for the entities that are not within the group's mutualist perimeter, including CIC and the insurance entities. Its BCA reflects the standalone creditworthiness of Credit Mutuel Alliance Federale, which is the largest subgroup within GCM comprising around 80% of group assets and 14 out of its 18 regional federations.

RATINGS RATIONALE

RATING AFFIRMATION REFLECTS THE STRENGTH AND STABILITY OF CREDIT FUNDAMENTALS

Moody's affirmation of BFCM's BCA of a3 reflects Credit Mutuel Alliance Federale's very resilient financial fundamentals and low risk profile. These characteristics stem from the bank's strong retail bancassurance franchise and commercial banking business, predominantly undertaken by a large branch network in France.

Credit Mutuel Alliance Federale's sound asset quality reflects a majority of residential mortgages in its loan portfolio. This mitigates credit risks coming from corporate and consumer lending. Even though higher interest rates and recent high inflation will affect customers' creditworthiness, the bank's cost of risk and problem loans will remain low.

The a3 BCA also reflects Credit Mutuel Alliance Federale's strong solvency as evidenced by its Common Equity Tier 1 (CET1) ratio of 18.5% at end-June 2023, well above the minimum requirements. The bank's capitalization will likely remain high despite regulatory headwinds, some commercial expansion, in particular in Germany where the bank is eager to grow.

The bancassurance model of the group, which allows cross-selling of a diversified product suite to its clients, will continue to support its earnings stability and help offset margin pressure faced by French banks since July 2022 when the European Central Bank started increasing interest rates.

Moody's affirmation of CIC's baa1 BCA reflects (1) its solid retail and corporate banking franchise with stable earnings; (2) its moderate solvency, lower than that of the group; (3) some single-name concentrations inherent to its corporate banking business; and (4) the moderate risks stemming from its role as a hub for the capital market activities of the group, which are of limited scale.

In addition, the affirmation of BFCM and CIC's LT senior unsecured debt and deposit ratings of Aa3 reflects the very high probability of support from the group (GCM), underpinned by the solidarity mechanism governing mutualist bank in France, which results in an Adjusted BCA of a3. The Aa3 LT deposit and senior unsecured debt ratings also incorporate the application of Moody's Advanced Loss Given Failure (LGF) analysis, resulting in two notches of uplift from the Adjusted BCA, and additional support uplift of one notch, reflecting a moderate probability of support from the Government of France (Aa2 stable) in view of GCM's systemic importance to the domestic economy.

STABLE OUTLOOK

The outlooks on BFCM and CIC's Aa3 LT deposit and senior unsecured ratings remain stable, reflecting Moody's view that the bank will be able to maintain its strong credit profile close to current levels over a 12-18-month horizon despite the subdued economic conditions in France and Europe.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

BFCM and CIC's LT deposit and senior unsecured ratings could be upgraded if the entities of GCM issued significantly more subordinated debt, leading to lower loss-given-failure for these liabilities. An upgrade of the already high a3 Adjusted BCAs is very unlikely given the structurally limited profitability of the group (GCM).

BFCM's BCA and CIC's Adjusted BCA could be downgraded in the case of (1) a material weakening in GCM's underlying profitability, chiefly as a result of worsening asset quality or a further material deterioration in its net interest margin; (2) a significant weakening in the group's capitalisation, for example following major acquisitions; (3) adverse changes in its liquidity or funding profile; or (4) a material weakening in the operating environment in France.

BFCM and CIC's LT deposit and senior unsecured ratings as well as BFCM's junior senior unsecured debt (also referred to as "senior non-preferred") could be downgraded as a result of (1) a deterioration in the standalone financial strength of GCM, resulting in lower Adjusted BCAs; or (2) reduced subordinated debt, resulting in higher loss-given-failure.

LIST OF AFFECTED RATINGS

Issuer: Banque Federative du Credit Mutuel

..Outlook Actions:

....Outlook, Remains Stable

..Affirmations:

....LT Counterparty Risk Rating (Foreign Currency), Affirmed Aa2

....LT Counterparty Risk Rating (Local Currency), Affirmed Aa2

....ST Counterparty Risk Rating (Foreign Currency), Affirmed P-1

....ST Counterparty Risk Rating (Local Currency), Affirmed P-1

....LT Bank Deposits (Foreign Currency), Affirmed Aa3 STA

....LT Bank Deposits (Local Currency), Affirmed Aa3 STA

....ST Bank Deposits (Foreign Currency), Affirmed P-1

....ST Bank Deposits (Local Currency), Affirmed P-1

....ST Deposit Note/CD Program (Local Currency), Affirmed P-1

....LT Counterparty Risk Assessment, Affirmed Aa2(cr)

....ST Counterparty Risk Assessment, Affirmed P-1(cr)

....Baseline Credit Assessment, Affirmed a3

....Adjusted Baseline Credit Assessment, Affirmed a3

....Senior Unsecured Regular Bond/Debenture (Foreign Currency), Affirmed Aa3 STA

....Senior Unsecured Regular Bond/Debenture (Local Currency), Affirmed Aa3 STA

....Senior Unsecured Medium-Term Note Program (Foreign Currency), Affirmed (P)Aa3

....Senior Unsecured Medium-Term Note Program (Local Currency), Affirmed (P)Aa3

....Junior Senior Unsecured Regular Bond/Debenture (Local Currency), Affirmed A3

....Junior Senior Unsecured Medium-Term Note Program (Local Currency), Affirmed (P)A3

....Subordinate Regular Bond/Debenture (Local Currency), Affirmed Baa1

....Subordinate Medium-Term Note Program (Local Currency), Affirmed (P)Baa1

....Preferred Stock Non-cumulative (Local Currency), Affirmed Baa3 (hyb)

....Commercial Paper (Local Currency), Affirmed P-1

....Other Short Term (Foreign Currency), Affirmed (P)P-1

....Other Short Term (Local Currency), Affirmed (P)P-1

Issuer: Credit Industriel et Commercial

..Outlook Actions:

....Outlook, Remains Stable

..Affirmations:

....LT Counterparty Risk Rating (Foreign Currency), Affirmed Aa2

....LT Counterparty Risk Rating (Local Currency), Affirmed Aa2

....ST Counterparty Risk Rating (Foreign Currency), Affirmed P-1

....ST Counterparty Risk Rating (Local Currency), Affirmed P-1

....LT Bank Deposits (Foreign Currency), Affirmed Aa3 STA

....LT Bank Deposits (Local Currency), Affirmed Aa3 STA

....ST Bank Deposits (Foreign Currency), Affirmed P-1

....ST Bank Deposits (Local Currency), Affirmed P-1

....ST Deposit Note/CD Program (Local Currency), Affirmed P-1

....LT Counterparty Risk Assessment, Affirmed Aa2(cr)

....ST Counterparty Risk Assessment, Affirmed P-1(cr)

....Baseline Credit Assessment, Affirmed baa1

....Adjusted Baseline Credit Assessment, Affirmed a3

....Senior Unsecured Regular Bond/Debenture (Foreign Currency), Affirmed Aa3 STA

....Senior Unsecured Regular Bond/Debenture (Local Currency), Affirmed Aa3 STA

....Senior Unsecured Medium-Term Note Program (Foreign Currency), Affirmed (P)Aa3

....Senior Unsecured Medium-Term Note Program (Local Currency), Affirmed (P)Aa3

....Subordinate Medium-Term Note Program (Foreign Currency), Affirmed (P)Baa1

....Commercial Paper (Local Currency), Affirmed P-1

....Other Short Term (Foreign Currency), Affirmed (P)P-1

Issuer: Credit Industriel et Commercial, New York Br

..Outlook: NOO

..Affirmations:

....Commercial Paper (Local Currency), Affirmed P-1

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks Methodology published in July 2021 and available at <https://ratings.moodys.com/rmc-documents/71997>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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