

CREDIT OPINION

18 November 2020

Update

✓ Rate this Research

RATINGS

Banque Federative du Credit Mutuel

Domicile	Strasbourg, France
Long Term CRR	Aa2
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Aa3
Type	Senior Unsecured - Fgn Curr
Outlook	Stable
Long Term Deposit	Aa3
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Credit Mutuel Alliance Federale

Update to credit analysis

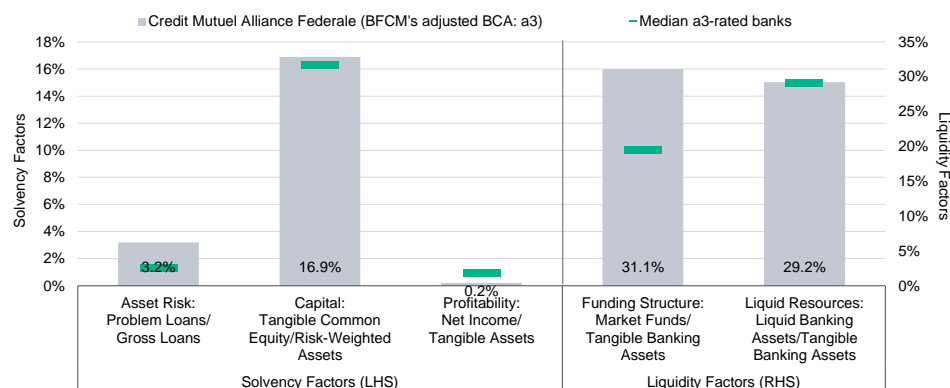
Summary

The Baseline Credit Assessment (BCA) of a3 of [Banque Federative du Credit Mutuel](#) (BFCM) is aligned with our assessment of the standalone creditworthiness of Credit Mutuel Alliance Federale. This is explained by BFCM's role as an issuing vehicle and holding company of Credit Mutuel Alliance Federale's operating subsidiaries. The a3 BCA incorporates Credit Mutuel Alliance Federale's resilient earnings and low risk profile, based on its strong retail bancassurance franchise and commercial banking business, built around a large branch network in France. The BCA also reflects its strong solvency. The group's ability to retain the bulk of its annual profits, because of its mutualist structure, provides it with an enhanced ability to build a strong capital base, which helps it to absorb unexpected losses or adjust it to any further capital needs prompted by regulatory changes. In addition, BFCM's liquidity and funding profile are sound.

BFCM's long-term senior unsecured debt and deposit ratings of Aa3 with a stable outlook reflect (1) the Adjusted BCA of a3; (2) the application of our Advanced Loss Given Failure (LGF) analysis, resulting in two notches of uplift from the Adjusted BCA for both deposits and senior debt, stemming from GCM's significant volume of senior debt and junior deposits; and (3) a government support uplift of one notch, reflecting a moderate probability of government support in view of GCM's systemic importance to the domestic economy.

Exhibit 1

Rating Scorecard - Key financial ratios



Source: Moody's Financial Metrics

Credit strengths

- » Large domestic activities, which provide resilient earnings despite the low-interest-rate environment.
- » Low risk profile.
- » Solid capitalisation results in strong loss-absorption capacity.
- » Funding structure and comfortable liquidity buffer mitigate some reliance on wholesale funding.

Credit challenges

- » Asset quality is vulnerable to a deterioration in the domestic economy caused by the coronavirus outbreak.

Outlook

The outlook on BFCM's Aa3 deposit and senior unsecured ratings is stable.

Despite the expected deterioration of certain financial metrics, notably asset risk and profitability, during the coronavirus outbreak, we believe that BFCM's and GCM's creditworthiness will remain consistent with its ratings over a 2-3 years horizon.

Factors that could lead to an upgrade

- » BFCM's deposit and senior unsecured ratings could be upgraded if GCM's liability structure resulted in lower loss given failure for these liabilities through higher subordination.

Factors that could lead to a downgrade

- » BFCM's Adjusted BCA could be downgraded in the case of (1) a material weakening in GCM's underlying profitability, chiefly as a result of asset-quality deterioration or a deterioration in its net interest margin; (2) weakened liquidity or funding profile; (3) an unexpected weakening of the banks' fundamentals, prompted by the split between [Credit Mutuel Arkea](#) (long-term deposits Aa3 negative) and the rest of GCM; or (4) a material weakening in the operating environment in France.
- » BFCM's deposit and senior unsecured ratings could be downgraded as a result of (1) a deterioration in the standalone financial strength of GCM, resulting in a lower Adjusted BCA; or (2) a change in GCM's liability structure, resulting in higher loss given failure. This could occur because of rapid growth in assets that would not be matched by similar debt issuance.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

Key indicators

Exhibit 2

Credit Mutuel Alliance Federale (Consolidated Financials) [1]

	06-20 ²	12-19 ²	12-18 ²	12-17 ²	12-16 ²	CAGR/Avg. ³
Total Assets (EUR Million)	783,122.0	712,447.0	660,192.0	611,236.0	597,568.0	8.0 ⁴
Total Assets (USD Million)	879,566.5	799,720.5	754,694.9	733,970.6	630,286.2	10.0 ⁴
Tangible Common Equity (EUR Million)	39,191.0	38,040.0	34,940.0	32,390.0	30,420.0	7.5 ⁴
Tangible Common Equity (USD Million)	44,017.5	42,699.8	39,941.5	38,893.8	32,085.6	9.5 ⁴
Problem Loans / Gross Loans (%)	3.1	3.1	3.1	3.4	4.0	3.3 ⁵
Tangible Common Equity / Risk Weighted Assets (%)	16.9	16.9	16.3	16.3	14.7	16.2 ⁶
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	26.2	26.0	26.9	29.8	34.6	28.7 ⁵
Net Interest Margin (%)	1.0	1.0	1.0	1.0	1.0	1.0 ⁵
PPI / Average RWA (%)	2.0	2.6	2.5	2.8	2.5	2.5 ⁶
Net Income / Tangible Assets (%)	0.2	0.4	0.5	0.4	0.4	0.4 ⁵
Cost / Income Ratio (%)	66.3	61.4	61.9	59.9	62.1	62.3 ⁵
Market Funds / Tangible Banking Assets (%)	31.9	31.1	33.2	32.5	30.6	31.9 ⁵
Liquid Banking Assets / Tangible Banking Assets (%)	33.5	29.2	27.8	27.7	28.2	29.3 ⁵
Gross Loans / Due to Customers (%)	108.7	116.4	122.5	120.3	122.5	118.1 ⁵

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; IFRS. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.

Sources: Moody's Investors Service and company filings

Profile

BFCM is owned by 13 regional federations and the local banks of the cooperative GCM. These 13 regional federations, together with BFCM and CIC, make up Credit Mutuel Alliance Federale — the largest subgroup within the wider GCM, accounting for around 80% of GCM's consolidated total assets as of year-end 2019.

Being fully integrated within Credit Mutuel Alliance Federale, both strategically and operationally, BFCM fulfills a key role as (1) Credit Mutuel Alliance Federale's main issuing vehicle and, hence, an important liquidity provider to the group members; and (2) the owner of the group's specialised subsidiaries, such as Cofidis, Targo Bank and Groupe des Assurances du Credit Mutuel.

Please refer to [Groupe Credit Mutuel: Mutual support guarantee in a fragmented group drives our ratings approach](#), published on 5 July 2018, for a more comprehensive analysis of GCM's structure and rating construction.

Detailed credit considerations

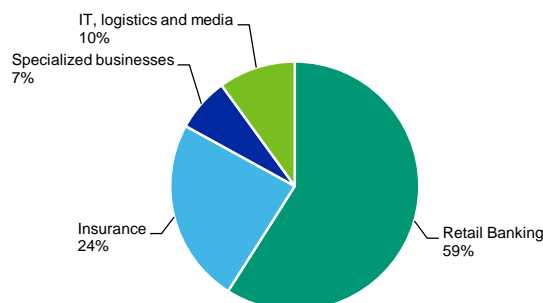
Solid domestic activities will continue to generate resilient earnings despite the low-interest-rate environment

Credit Mutuel Alliance Federale, which includes the group's cooperative bank network in addition to BFCM, is predominantly focused on domestic retail banking, small and medium-sized enterprise (SME) banking and the French insurance sector. Including [Credit Industriel et Commercial's](#) (Aa3/Aa3 stable, baa1) network, a large subsidiary of BFCM, the group's geographical coverage is nationwide, with particularly high market shares, exceeding 30% in the east of France. The concentration in relatively low-risk sectors enables the group to deliver resilient and predictable earnings.

Credit Mutuel Alliance Federale is one of the largest insurers in France through Groupe des Assurances du Credit Mutuel, with 31.8 million life and non-life insurance contracts as of year-end 2019 (up 3% from year-end 2018). Insurance activities are considered a major axis of development for the group.

Exhibit 3

Operational business lines' contribution to net income in H1 2020



"Specialized businesses" includes private banking, corporate banking, capital market activities and private equity. "Other activities" includes IT, logistics and media.

Source: Bank's report

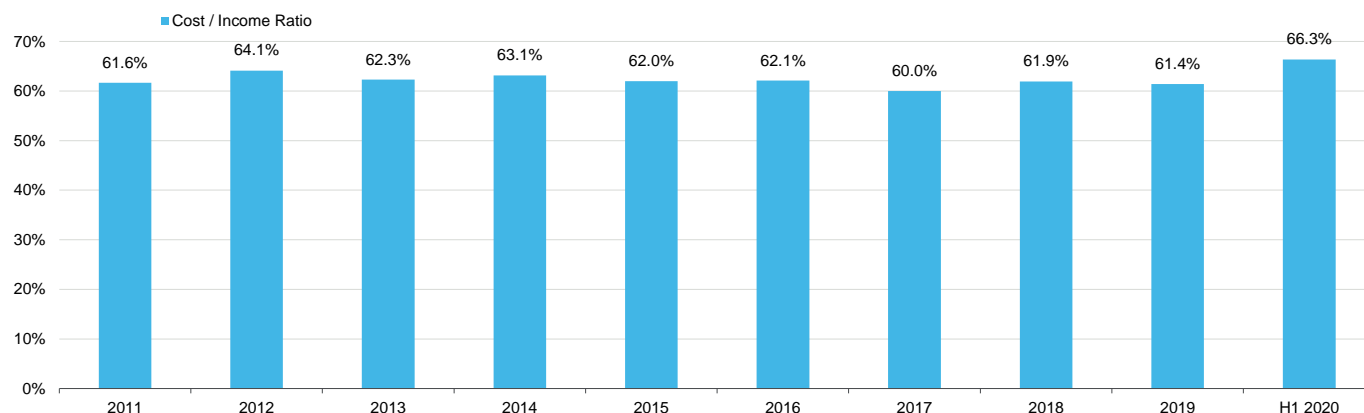
Credit Mutuel Alliance Federale also operates in the European consumer credit market (Targobank in Germany and Cofidis, particularly in France, Spain, Portugal and Belgium), bringing geographical and business diversification to a portfolio historically focused on French residential loans. These high-margin activities have improved Credit Mutuel Alliance Federale's overall profitability. Credit Mutuel Alliance Federale has also developed alternative services (mobile phones and home tele-monitoring), which are sold through its banking networks. While rather marginal in size, these activities provide Credit Mutuel Alliance Federale with alternative earnings sources, leveraging its large retail networks. In June 2020, the group [sold its subsidiary Euro-Information Telecom](#) to Bouygues Telecom, a subsidiary of [Bouygues S.A.](#) (A3 stable), the products and services of which it will distribute in its branch network.

Credit Mutuel Alliance Federale's net banking income was down 10% to €6.9 billion in the first half of 2020 despite customer loans increasing by 7.4%. The rise in loan volumes was about half driven by state-guaranteed loans which represented €12.9 billion at end-June, but also by strong home loan growth (+7.1%).

Retail banking revenues, which represent around 70% of group revenues, showed some resilience in the crisis and declined only by 2.5%. Insurance activities did not offer the expected offset to weak banking revenues, net insurance income declining by 36%. This was due to 40%-lower life insurance premium income, the voluntary payment of mutual solidarity compensations to insured professionals (cost of €170 million) and a €17 million contribution to an industry-wide support scheme. Revenue from property insurance rose by 5% and health insurance revenue was up 3%. In addition, the fall in auto, home and healthcare claims was largely offset by the increase in unemployment and death claims in relation to protection and loan insurance policies.

Corporate banking revenue was resilient (-1.9%), while capital markets (-81%) and private equity (-59%) reported very weak revenues. Private banking activities reported revenue growth of 14%, as increased client activity generated commissions during the market stress. Similarly, IT, logistics and media revenues appeared relatively immune to the current crisis, growing by 5%. Operating expenses fell by 1.2% to €4.6 billion, reflecting the group's cost discipline.

Exhibit 4

Efficiency weakened due to lower revenues**Cost-to-income ratio**

Source: Moody's Investors Service and bank reports

The bank's earnings stability is reflected in a one-notch positive adjustment to Credit Mutuel Alliance Federale's Profitability score to baa3. We believe that, despite current lower insurance revenues, the resilience of the group's earnings stems from its business mix and an optimal deployment of the bancassurance model, which substantially diversify its income streams and reduce reliance on interest income.

Credit Mutuel Alliance Federale has a low risk profile

As reflected in the assigned Asset Risk score of a2, the group has a low risk profile, characterised by its large exposures to the residential home loan market (around 50% of its loan book as of H1 2020), which are predominantly domestic and secured (for instance, backed by physical property or by a guarantee).

Credit Mutuel Alliance Federale's cost of risk surged to 48 basis points of customer loans in the first half of 2020. Loan-loss provisions rose to €1,046 million compared to €462 million a year earlier. They included provisions of €489 million for non-incurred risk, including €454 million of additional provisions strictly linked to the coronavirus crisis, which represent 47% of total loan-loss charges, in anticipation of future losses. These stage 1 and stage 2 provisions come from: (1) an increase in the provisioning rate for performing loans deriving from a higher probability assigned to the worst-case scenario, (2) provisions for the business sectors judged to be most at risk and (3) provisions related to asset finance. The problem loan ratio (stage 3 loans) of 3% remained broadly unchanged.

Loans to SMEs are likely to generate greater losses in a downturn. In addition, consumer credit, representing 10% of the group's consolidated loan portfolio, might generate significant credit losses in the current deteriorating economic environment. In this regard, the French economy has rapidly deteriorated following the economic shutdown linked to the coronavirus outbreak and problem loans will increase as a result. Nevertheless, the French government implemented a support package, which includes, among others, a €300 billion state-guaranteed loan program, extensions of payment deadlines for tax and social charges, tax credits and temporary unemployment allowances financed by the government for a total budget of €45 billion. These measures will support borrowers and will keep credit costs under check in 2020.

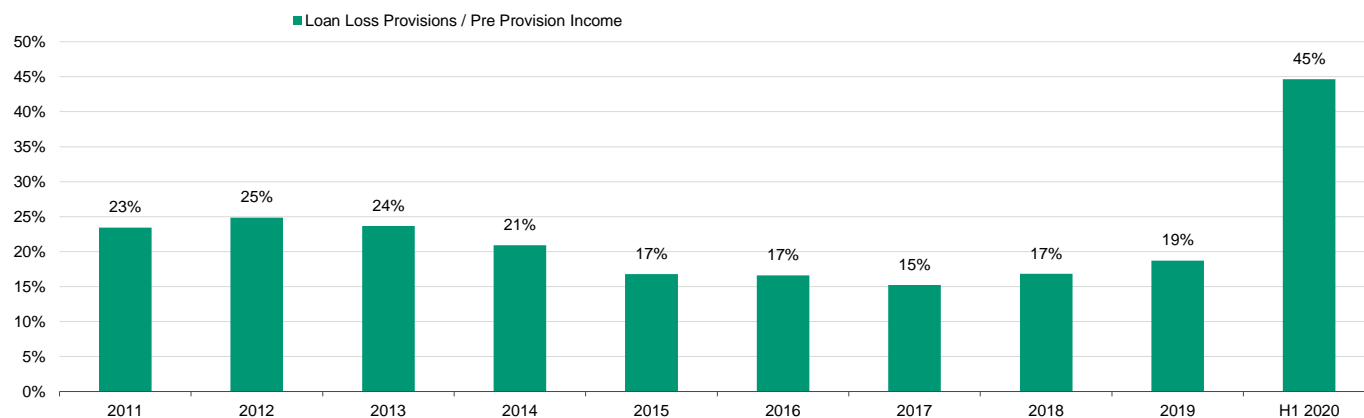
Credit Mutuel Alliance Federale also announced on 22 April that it will make immediate lump sum payments to the professional and corporate clients of its insurance subsidiary - Assurances du Credit Mutuel (ACM) - whose businesses are disrupted by restrictions to quell the coronavirus pandemic. The measure's roughly €200 million cost will affect 2020 earnings, but creates goodwill towards not only its own professional and enterprise clients but also potential customers in keeping with the group's intention to develop this insurance segment (see also our report [Credit Mutuel Alliance Federale will compensate insured professionals for pandemic risk not contractually covered](#)).

Credit costs have consistently represented less than 25% of Credit Mutuel Alliance Federale's pre-provision income since 2011 and less than 20% since 2015. Credit costs increased in H1 2020 and represented 45% of pre-provision income. Although the group did not give any guidance for the full year, we believe that credit costs will remain above historical average.

Exhibit 5

Credit costs surged in H1 2020, reflecting the unprecedented macroeconomic shock

Loan-loss provisions/pre-provision income



Source: Moody's Investors Service and bank reports

The group has a strong capital base and high profit retention

The Capital score of aa2 assigned to Credit Mutuel Alliance Federale is driven by its high capital ratio, adequate leverage and ability to retain most of its profit to consistently increase its capital base, as facilitated by the cooperative ownership structure.

Credit Mutuel Alliance Federale's fully loaded Common Equity Tier 1 (CET1) capital ratio as of H1 2020 was 17.1% versus a fully loaded Supervisory Review and Evaluation Process (SREP) requirement of 7.8% for 2020¹. Its Tier 1 leverage ratio was 5.9% as of H1 2020. While all French bancassurers' risk-weighted capital ratios are somewhat boosted by the so-called Danish compromise², Credit Mutuel Alliance Federale's leverage measured as Moody's-adjusted tangible common equity (TCE)/total assets³ (including insurance assets) was sound at 5% as of the end of June 2020.

The minimum requirement for own funds and eligible liabilities (MREL) was set for GCM on a consolidated basis at 23.7% of risk-weighted assets (RWAs) or above 8% of total liabilities and own funds. This requirement was set on the basis of data as of the end of December 2017. As of the same date, the group met these requirements with an MREL of 14.2% of total liabilities and own funds and 37.5% of RWAs.

Credit Mutuel Alliance Federale's capital adequacy, which benefits from a high level of profit retention (historically exceeding 90%), is also bolstered by the issuance of cooperative shares, which we view as high-quality capital. The amount of cooperative shares increased by 5% to €6.7 billion in H1 2020 and represented 15% of total shareholders' equity. The return on these instruments, which qualify as core capital (CET1) under the Capital Requirements Regulation, is capped by law at the average yield of the bonds issued by French private companies plus a maximum of 2% that can be added at the bank's discretion. This has resulted in particularly low distributions over the past three years because of low interest rates. In addition, cooperative shareholders have historically reinvested a very high share of dividends into newly issued cooperative shares, further strengthening Credit Mutuel Alliance Federale's capital base. This ability to retain most of the annual profit provides Credit Mutuel Alliance Federale with additional flexibility to shore up its capital base and makes it easier to absorb unexpected losses or adjust to further capital needs prompted by regulatory changes.

In light of the coronavirus outbreak, the Banque de France decided to remove the countercyclical buffer (scheduled to increase to 0.5% in April 2020 from 0.25% previously), complementing the announced supervisory [measures of the European Central Bank](#). These measures will provide additional capital capacity in a scenario of a prolonged crisis and a significant deterioration in asset quality.

Funding structure and comfortable liquidity buffer mitigate some reliance on wholesale funding

Credit Mutuel Alliance Federale's reported loan-to-deposit ratio was 107% as of H1 2020 versus 114% in 2019, which is above the loan-to-deposit ratios of most of its large French peers that raise most of their deposits in France. Material progress was achieved since 2010, mainly through the re-intermediation of off-balance-sheet customers' savings and the introduction of an internal policy requiring loan growth to be funded by new deposits. Room for further improvement may be structurally more limited because of generally

strong lending growth, but the coronavirus crisis may result in an improved loan-to-deposit balance. Wholesale funding will still remain a significant funding source for the group in the foreseeable future.

As of the end of H1 2020, the total amount of market funding (including covered bonds), represented €157 billion, out of which 65% were medium to long-term resources. Credit Mutuel Alliance Federale's reliance on market funding, which is confidence sensitive, is mitigated by the term structure of its debt, which minimises funding gaps (that is, shortfall of funding over assets) on all maturity buckets from three months up to five years. In practice, the bank had no funding gap as of the end of 2019 on any maturity bucket, based on a static balance sheet⁴ (assets and liabilities maturing in accordance with their contractual maturities and no additional asset origination and debt issuance).

Credit Mutuel Alliance Federale had liquidity reserves of €169 billion as of the end H1 2020, which we consider sufficient and adequate since they fully covered the wholesale debt maturing within 12 months. As of H1 2020, Credit Mutuel Alliance Federale reported a liquidity coverage ratio of 160%. The high-quality liquid asset portfolio amounted to €110 billion, 74% of which were deposits with the central banks (mainly the European Central Bank).

The assigned Liquidity Resources score of a3 incorporates an adjustment for regulated deposits centralised at [Caisse des Depots et Consignations](#) (Aa2 stable), which are removed from liquid assets.

Environmental, social and governance considerations

In line with our general view for the banking sector, Credit Mutuel Alliance Federale has a low exposure to environmental risks. See our [Environmental heat map](#) for more information.

We consider Credit Mutuel Alliance Federale to be moderately exposed to social risk (see our [Social heat map](#) for further information). However, the rapid and widening spread of the coronavirus outbreak and deteriorating global economic outlook are also creating a severe and extensive shock across many sectors, regions and markets, affecting banks' business and performance.

Governance is highly relevant for Credit Mutuel Alliance Federale, as it is to all participants in the banking industry. Corporate governance weaknesses can lead to a deterioration in a company's credit quality, while governance strengths can benefit its credit profile. We do not have particular concerns for the bank; however, corporate governance remains a key credit consideration and requires ongoing monitoring.

Support and structural considerations

Affiliate support

We assign an Adjusted BCA of a3 to BFCM. This is based on the fact that BFCM's affiliation to Confédération Nationale du Crédit Mutuel (CNCM) was officially validated on 22nd September 2020. Therefore, BFCM falls under the legal scope of GCM's solidarity mechanisms. Besides, the bank is fully integrated within Credit Mutuel Alliance Federale, both strategically and operationally. It also plays a critical role in the group's payment systems. Therefore, an adverse scenario affecting BFCM would likely be negative for Credit Mutuel Alliance Federale's credit strength and, by extension, for GCM. We, therefore, take into account an affiliate-backed support for BFCM from GCM. However, this does not result in any rating uplift because BFCM's BCA is at the same level as our assessment of GCM's standalone creditworthiness.

Loss Given Failure (LGF) analysis

GCM and its operating entities in France are subject to the European Union Bank Recovery and Resolution Directive (BRRD), which we consider to be an operational resolution regime. We assume that resolution, if any, would occur at the level of GCM once the said group has reached the point of non-viability. If financial difficulties occur at the level of BFCM, this would be addressed by GCM through affiliate support. Our LGF analysis is, therefore, based on GCM's consolidated liability structure. We also assume residual TCE of 3% and post-failure losses of 8% of tangible banking assets, a 25% runoff in junior wholesale deposits and a 5% runoff in preferred deposits, and assign a 25% probability to deposits being preferred to senior unsecured debt. The proportion of deposits considered junior is 26%. These are in line with our standard assumptions.

- » Our LGF analysis indicates a very low loss given failure for deposits and senior unsecured debt, leading us to assign a two-notch uplift to the Adjusted BCA. This uplift comes from the loss absorption provided by the combination of substantial deposit volume and subordination.
- » Our LGF analysis indicates a high loss given failure for subordinated and junior securities, leading us to assign a negative adjustment of one notch to the Adjusted BCA. This negative adjustment comes from the small volume of such instruments and limited protection from more subordinated instruments and residual equity. We also incorporate additional downward notching for junior subordinated and preference share instruments, reflecting the coupon features.

Government support considerations

We expect a moderate probability of government support for both deposits and senior unsecured debt issued by BFCM because of GCM's systemic importance in France. This results in a one-notch government support uplift for BFCM's deposit and senior unsecured ratings to Aa3. Subordinated and other junior securities do not benefit from government support, given their purpose is to absorb losses in a resolution scenario.

Counterparty Risk Ratings (CRRs)

CRRs are opinions of the ability of entities to honour the uncollateralised portion of non-debt counterparty financial liabilities (CRR liabilities) and also reflect the expected financial losses in the event such liabilities are not honoured. CRR liabilities typically relate to transactions with unrelated parties. Examples of CRR liabilities include the uncollateralised portion of payables arising from derivatives transactions and the uncollateralised portion of liabilities under sale and repurchase agreements. CRRs are not applicable to funding commitments or other obligations associated with covered bonds, letters of credit, guarantees, servicer and trustee obligations, and other similar obligations that arise from a bank performing its essential operating functions.

BFCM's CRRs are positioned at Aa2/Prime-1

The CRR for BFCM, before government support, is three notches higher than the Adjusted BCA of a3, based on the level of subordination to CRR liabilities in the bank's balance sheet and assuming a nominal volume of such liabilities. The CRR also benefits from one notch of government support, in line with our support assumptions on deposits and senior unsecured debt.

Counterparty Risk (CR) Assessment

CR Assessments are opinions of how counterparty obligations are likely to be treated if a bank fails, and are distinct from debt and deposit ratings in that they (1) consider only the risk of default rather than both the likelihood of default and the expected financial loss suffered in the event of default, and (2) apply to counterparty obligations and contractual commitments rather than debt or deposit instruments. The CR Assessment is an opinion of the counterparty risk related to a bank's covered bonds, contractual performance obligations (servicing), derivatives (for example, swaps), letters of credit, guarantees and liquidity facilities.

BFCM's CR Assessment is positioned at Aa2(cr)/Prime-1(cr)

Before government support, the CR Assessment includes a three-notch uplift to the Adjusted BCA of a3, based on the buffer against default provided to the senior obligations represented by the CR Assessment by subordinated instruments.

The CR Assessment also benefits from one notch of government support, in line with our assumptions on deposits and senior unsecured debt. This reflects our view that any support provided by governmental authorities to a bank, which benefits senior unsecured debt or deposits, is very likely to benefit operating activities and obligations reflected by the CR Assessment as well, consistent with our belief that governments are likely to maintain such operations as a going concern to reduce contagion and preserve a bank's critical functions.

Methodology and scorecard

About Moody's Bank Scorecard

Our scorecard is designed to capture, express and explain in summary form our Rating Committee's judgement. When read in conjunction with our research, a fulsome presentation of our judgement is expressed. As a result, the output of our scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 6

Credit Mutuel Alliance Federale

MACRO FACTORS

WEIGHTED MACRO PROFILE **STRONG +** **100%**

FACTOR	HISTORIC RATIO	INITIAL SCORE	EXPECTED TREND	ASSIGNED SCORE	KEY DRIVER #1	KEY DRIVER #2
Solvency						
Asset Risk						
Problem Loans / Gross Loans	3.2%	a3	↔	a2	Expected trend	Long-run loss performance
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - fully loaded)	16.9%	aa2	↔	aa2	Expected trend	Capital retention
Profitability						
Net Income / Tangible Assets	0.2%	b1	↔	baa3	Earnings quality	Loan loss charge coverage
Combined Solvency Score		a3		a2		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	31.1%	ba1	↔	baa2	Term structure	
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	29.2%	a3	↔	a3	Asset encumbrance	
Combined Liquidity Score		baa2		baa1		
Financial Profile				a3		
Qualitative Adjustments				Adjustment		
Business Diversification				0		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				0		
Sovereign or Affiliate constraint				Aa2		
BCA Scorecard-indicated Outcome - Range				a2 - baa1		
Assigned BCA				a3		
Affiliate Support notching				0		
Adjusted BCA				a3		

BALANCE SHEET	IN-SCOPE (EUR MILLION)	% IN-SCOPE	AT-FAILURE (EUR MILLION)	% AT-FAILURE
Other liabilities	169,511	25.8%	209,496	31.8%
Deposits	392,014	59.6%	352,029	53.5%
Preferred deposits	290,090	44.1%	275,586	41.9%
Junior deposits	101,924	15.5%	76,443	11.6%
Senior unsecured bank debt	64,083	9.7%	64,083	9.7%
Junior senior unsecured bank debt	2,111	0.3%	2,111	0.3%
Dated subordinated bank debt	9,331	1.4%	9,331	1.4%
Junior subordinated bank debt	30	0.0%	30	0.0%
Preference shares (bank)	1,247	0.2%	1,247	0.2%
Equity	19,742	3.0%	19,742	3.0%
Total Tangible Banking Assets	658,069	100.0%	658,069	100.0%

DEBT CLASS	DE JURE WATERFALL		DE FACTO WATERFALL		NOTCHING		LGF NOTCHING	LGF NOTCHING	ASSIGNED ADDITIONAL PRELIMINARY RATING	RELIABILITY ASSESSMENT
	INSTRUMENT VOLUME SUBORDINATION	SUB-ORDINATION	INSTRUMENT VOLUME SUBORDINATION	SUB-ORDINATION	DE JURE	DE FACTO				
							VS. ADJUSTED BCA			
Counterparty Risk Rating	26.3%	26.3%	26.3%	26.3%	3	3	3	3	0	aa3
Counterparty Risk Assessment	26.3%	26.3%	26.3%	26.3%	3	3	3	3	0	aa3 (cr)
Deposits	26.3%	4.9%	26.3%	14.7%	2	3	2	2	0	a1
Senior unsecured bank debt	26.3%	4.9%	14.7%	4.9%	2	1	2	2	0	a1
Junior senior unsecured bank debt	4.9%	4.6%	4.9%	4.6%	-1	-1	-1	-1	0	baa1
Dated subordinated bank debt	4.6%	3.2%	4.6%	3.2%	-1	-1	-1	-1	0	baa1
Non-cumulative bank preference shares	3.2%	3.0%	3.2%	3.0%	-1	-1	-1	-1	-2	baa3

INSTRUMENT CLASS	LOSS GIVEN		ADDITIONAL NOTCHING	PRELIMINARY RATING	ASSESSMENT	GOVERNMENT SUPPORT NOTCHING	LOCAL CURRENCY RATING	FOREIGN CURRENCY RATING
	FAILURE	NOTCHING						
Counterparty Risk Rating	3	0		aa3		1	Aa2	Aa2
Counterparty Risk Assessment	3	0		aa3 (cr)		1	Aa2(cr)	
Deposits	2	0		a1		1	Aa3	Aa3
Senior unsecured bank debt	2	0		a1		1	Aa3	(P)Aa3
Junior senior unsecured bank debt	-1	0		baa1		0	Baa1	
Dated subordinated bank debt	-1	0		baa1		0	Baa1	
Non-cumulative bank preference shares	-1	-2		baa3		0	Baa3 (hyb)	

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.

Source: Moody's Investors Service

Ratings

Exhibit 7

Category	Moody's Rating
BANQUE FEDERATIVE DU CREDIT MUTUEL	
Outlook	Stable
Counterparty Risk Rating	Aa2/P-1
Bank Deposits	Aa3/P-1
Baseline Credit Assessment	a3
Adjusted Baseline Credit Assessment	a3
Counterparty Risk Assessment	Aa2(cr)/P-1(cr)
Senior Unsecured -Fgn Curr	(P)Aa3
Senior Unsecured -Dom Curr	Aa3
Junior Senior Unsecured -Dom Curr	Baa1
Junior Senior Unsecured MTN -Dom Curr	(P)Baa1
Subordinate -Dom Curr	Baa1
Pref. Stock Non-cumulative -Dom Curr	Baa3 (hyb)
Commercial Paper -Dom Curr	P-1
Other Short Term	(P)P-1
CREDIT INDUSTRIEL ET COMMERCIAL	
Outlook	Stable
Counterparty Risk Rating	Aa2/P-1
Bank Deposits	Aa3/P-1
Baseline Credit Assessment	baa1
Adjusted Baseline Credit Assessment	a3
Counterparty Risk Assessment	Aa2(cr)/P-1(cr)
Senior Unsecured	Aa3
Subordinate MTN	(P)Baa1
Commercial Paper -Dom Curr	P-1
Other Short Term	(P)P-1
CREDIT INDUSTRIEL ET COMMERCIAL, NEW YORK	
BR	
Commercial Paper	P-1

Source: Moody's Investors Service

Endnotes

- [1](#) Including a 4.5% Pillar 1, a 0.8% Pillar 2 requirement, a 2.5% capital conservation buffer and excluding the Pillar 2 guidance. The Other Systematically Important Institution (OSII) buffer is set at GCM level only (0.5%)
- [2](#) Since the introduction of the European Union's Capital Requirement Directive IV and Capital Requirement Regulation, the exposure of bancassurers' insurance activities is reflected in their RWA with a weight of 370%. This results in a higher solvency ratio than fully deducting the capital allocated to insurance activities from the bank's capital base. With the new guidance from the Basel Committee on the calculation of RWA under the framework of Basel III on 7 December 2017, the risk weight of bancassurers' insurance activities will likely be further reduced to 290% from 370%.
- [3](#) Banks' TCE leverage ratio is generally lower than the regulatory Tier 1 leverage ratio because the latter includes low-trigger Additional Tier 1 securities in the numerator whereas the TCE does not. In addition, in line with the European Commission's Delegated Act of 10 October 2014, French bancassurers only include their investments in their insurance subsidiaries instead of total business-related assets in the denominator of the regulatory leverage ratio. Our TCE leverage ratio is based on the bancassurer's total assets, which generally implies a lower ratio.
- [4](#) Static funding gaps are based on contractual maturities and incorporate off-balance-sheet commitments.

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