

ISSUER COMMENT

27 April 2020



RATINGS

Banque Federative du Credit Mutuel

BCA	a3
Bank deposit	Aa3
Senior unsecured debt	Aa3
Outlook	Stable

Source: Moody's Investors Service.

Analyst Contacts

Guillaume Lucien-Baugas +33.1.5330.3350
 VP-Senior Analyst
 guillaume.lucien-baugas@moody's.com

Benjamin Serra +33.1.5330.1073
 Senior Vice President
 benjamin.serra@moody's.com

Claudia Silva +44.20.7772.1714
 Associate Analyst
 claudia.silva@moody's.com

Alain Laurin +33.1.5330.1059
 Associate Managing Director
 alain.laurin@moody's.com

Nick Hill +33.1.5330.1029
 MD-Banking
 nick.hill@moody's.com

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

Credit Mutuel Alliance Federale

Credit Mutuel Alliance Federale will compensate insured professionals for pandemic risk not contractually covered

On 22 April, Credit Mutuel Alliance Federale¹, the largest regional subgroup of French mutualist Groupe Credit Mutuel, announced 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.

ACM is making payments to subscribers of "multi risk professional" policies ex gratia (i.e., voluntarily and without obligation) since the contracts exclude pandemic-related risks. 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.

The decision follows intensifying [political pressure on the insurance sector](#) to shoulder a share of the coronavirus costs, particularly in light of the significant reduction in claims in some insurance lines including motor insurance. On 13 April, French President Emmanuel Macron said in a TV address that he would make sure insurers contribute to allaying the consequences of the crisis. Insurers were put in the spotlight because property and casualty (P&C) commercial insurance contracts provided limited coverage for business interruptions because pandemic-related risks are specifically excluded. French insurers have since agreed to several support actions, including deferring certain premium payments without cancelling policyholder coverage and contributing to a National Solidarity Fund in support of small and midsize enterprises.

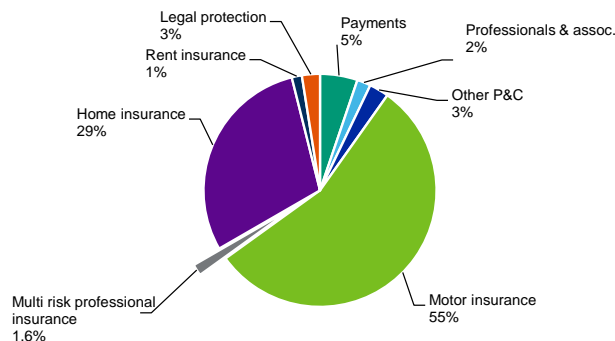
The one-off payments' negative financial effect will be easily absorbable by ACM, especially since it will likely report exceptionally high profits on motor and home insurance during the lockdown period. ACM reported revenues of €12.2 billion and a contribution to group earnings before tax of €873 million (19%) in 2019, as well as shareholders' equity of €11.1 billion at year-end 2019. The one-off payments between €1,500 and €20,000 will bring significant relief to its beneficiaries, who will get €7,000 on average, a sum calibrated against the loss of revenue during the business shutdown. The payment by ACM will support numerous professionals and enterprises, many of which are also clients of the bank.

The compensation payment illustrates Credit Mutuel Alliance Federale's willingness to put forth its "raison d'être"² as a mutualist organisation. The initiative also fits with the group's strategic plan to expand its footprint in the insurance market to professionals and entreprises. The ACM's revenues from this market represented around 8% (€948 million) of total revenues.

The multi risk professional insurance contracts subject to compensation comprised only 1.6% (€33 million) of P&C insurance revenue (€2.1 billion) in 2018. Revenue of multi risk professional insurance increased by 16% in 2019, largely above the average revenue growth of 5.2% for ACM's P&C insurance. Given its business objectives and the small size of its portfolio of multi risk professional insurance, ACM is able to grant significant amounts of money to single professionals and entreprises to alleviate pandemic-related damage, which will not be possible for bigger insurers in this segment (Exhibits 1 and 2). Shortly after Credit Mutuel Alliance Federale, [Credit Agricole S.A.](#) (Aa3/Aa3 stable, a3³) launched a comparable operation and earmarked €200 million, the same amount of money. [Societe Generale](#) (A1/A1 stable, baa2) also announced €11 million for insured professionals with multi risk contracts covering business interruption.

Exhibit 1

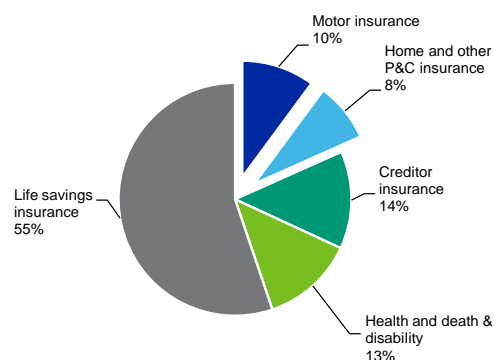
ACM's targeted insurance contracts for compensation equates to around 1.6% of P&C insurance revenue of €2.2 billion in 2019
Breakdown of ACM's property insurance revenue* (%)



Note: *Breakdown based on 2018 data. 2019 breakdown not available.
 Source: Assurances du Credit Mutuel

Exhibit 2

ACM's P&C insurance (motor, home and other multi risk) was around 18% of total revenue of €12.2 billion in 2019
Breakdown of ACM's total revenue in 2019 (%)



Source: Assurances du Credit Mutuel

Moody's related publications

Sector Comment

» [Pressure to contribute to pandemic costs, new long term challenges arise](#), 22 April 2020

Outlook

» [Insurance - Europe - 2020 Outlook update](#), 31 March 2020

Endnotes

- 1 Credit Mutuel Alliance Federale issues debt through its subsidiary [Banque Federative du Credit Mutuel](#) (Aa3/Aa3 stable, a3: the ratings shown are Banque Federative's du Credit Mutuel's deposit rating, senior unsecured debt rating and Baseline Credit Assessment), which is also the holding company of Credit Mutuel Alliance Federale's operating subsidiaries.
- 2 The "raison d'être" is now part of a company's by-laws under French corporate legislation.
- 3 The bank ratings shown are the bank's deposit rating, senior unsecured debt rating and adjusted Baseline Credit Assessment.

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.

© 2020 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND/OR ITS CREDIT RATINGS AFFILIATES ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED BY MOODY'S (COLLECTIVELY, "PUBLICATIONS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S INVESTORS SERVICE DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S INVESTORS SERVICE CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES ITS PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER. ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing its Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it fees ranging from \$1,000 to approximately \$2,700,000. MCO and Moody's investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moody.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657 AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any credit rating, agreed to pay to MJKK or MSFJ (as applicable) for credit ratings opinions and services rendered by it fees ranging from JPY125,000 to approximately JPY250,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454