

CREDIT OPINION

29 July 2021

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 following rating action and publication of new Banks methodology

Summary

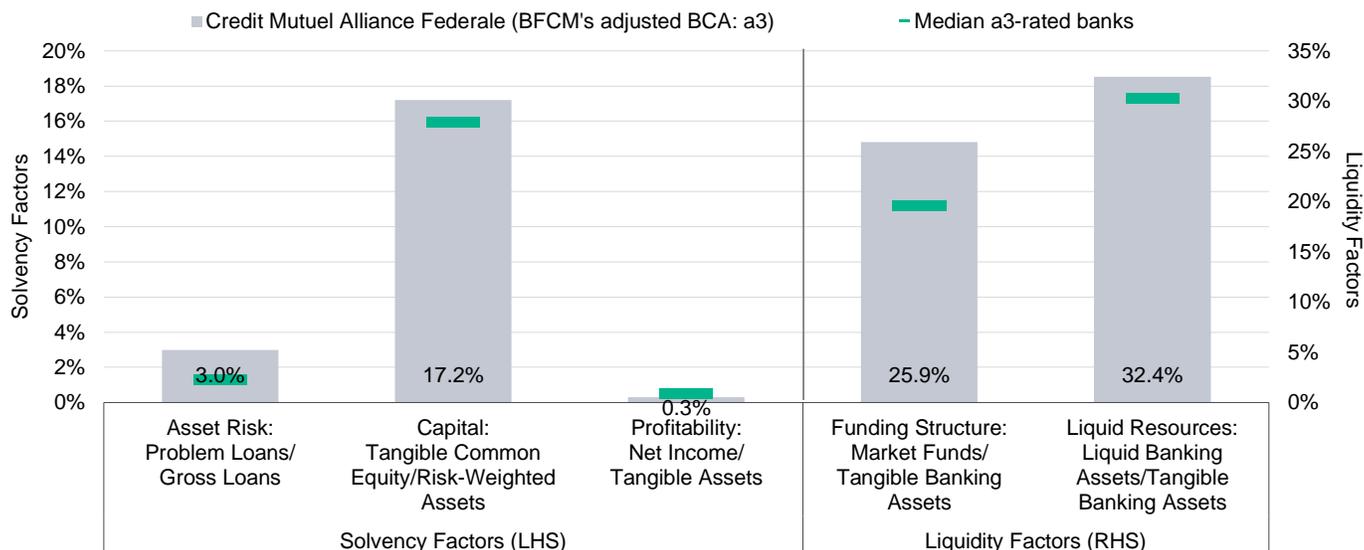
The Baseline Credit Assessment (BCA) of a3 of [Banque Federative du Credit Mutuel](#) (BFCM) is aligned with our assessment of the standalone creditworthiness of Credit Mutuel Alliance Federale. This is explained by BFCM's role as an issuing vehicle and holding company of Credit Mutuel Alliance Federale's 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.

On 13 July, we upgraded the bank's long-term junior senior ratings to A3 from Baa1. Under the revised Moody's Advanced LGF analysis they are now rated in line with the BCA, which better captures the risk characteristics of this class of debt following our revised view around the distribution of losses post failure.

Exhibit 1

Rating Scorecard - Key financial ratios



Source: Moody's Financial Metrics

Credit strengths

- » Large domestic activities provide resilient earnings despite the low-interest-rate environment.
- » Focus on retail bancassurance activities drives 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 Covid crisis.

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 Covid crisis, 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; or (3) a material weakening in the operating environment in France.

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.

- » 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.

Key indicators

Exhibit 2

Credit Mutuel Alliance Federale (Consolidated Financials) [1]

	12-20 ²	12-19 ²	12-18 ²	12-17 ²	12-16 ²	CAGR/Avg. ³
Total Assets (EUR Million)	790,425.0	712,447.0	660,192.0	611,236.0	597,568.0	7.2 ⁴
Total Assets (USD Million)	967,129.2	799,720.5	754,694.9	733,970.6	630,286.2	11.3 ⁴
Tangible Common Equity (EUR Million)	40,292.0	38,040.0	34,940.0	32,390.0	30,420.0	7.3 ⁴
Tangible Common Equity (USD Million)	49,299.5	42,699.8	39,941.5	38,893.8	32,085.6	11.3 ⁴
Problem Loans / Gross Loans (%)	2.9	3.1	3.1	3.4	4.0	3.3 ⁵
Tangible Common Equity / Risk Weighted Assets (%)	17.2	16.9	16.3	16.3	14.7	16.3 ⁶
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	25.0	26.0	26.9	29.8	34.6	28.5 ⁵
Net Interest Margin (%)	0.9	1.0	1.0	1.0	1.0	1.0 ⁵
PPI / Average RWA (%)	2.3	2.6	2.5	2.8	2.5	2.5 ⁶
Net Income / Tangible Assets (%)	0.3	0.4	0.5	0.4	0.4	0.4 ⁵
Cost / Income Ratio (%)	62.2	61.4	61.9	59.9	62.1	61.5 ⁵
Market Funds / Tangible Banking Assets (%)	25.9	31.1	33.2	32.5	30.6	30.6 ⁵
Liquid Banking Assets / Tangible Banking Assets (%)	32.4	29.2	27.8	27.7	28.2	29.1 ⁵
Gross Loans / Due to Customers (%)	104.7	116.4	122.5	120.3	122.5	117.3 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 84% of GCM's consolidated total assets as of year-end 2020. On 16 January 2021, the regional federation Credit Mutuel Nord Europe (CMNE), representing around 3% of assets of the overall GCM, announced that it will join Credit Mutuel Alliance Federale, which will then comprise around 87% of GCM's assets and 14 out of 18 regional federations of the group. Two federations remain independent, Maine Anjou and Ocean, while two other federations, namely Bretagne and Sud Ouest, are jointly operating under the umbrella of [Credit Mutuel Arkea](#) (Aa3/Aa3 stable, baa1) which seeks to exit Group Credit Mutuel and pursue a more independent strategy.

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

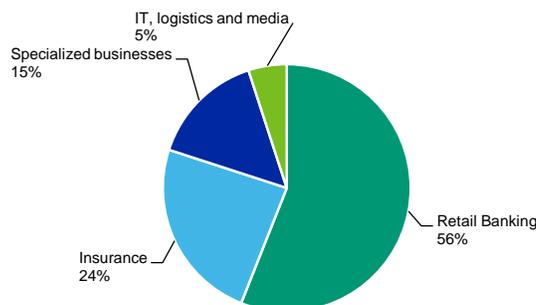
Solid domestic activities will continue to generate resilient earnings despite the low-interest rate environment

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 34.7 million life and non-life insurance contracts as of year-end 2020 (up 2% from year-end 2019). Insurance activities are considered a major axis of development for the group.

Exhibit 3

Operational business lines' contribution to net income in 2020



"Specialized businesses" includes private banking, corporate banking, capital market activities and private equity. "Other activities" includes IT, logistics and media.
Sources: Moody's Investors Service and bank reports

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 December 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 started distributing in its branch network.

CMAF's net income was down 17% in 2020, in the face of lower revenues and higher cost of risk. The 2020 decrease in net income was driven by a 3.2% decrease in revenue at constant scope which indicates a strong rebound of revenues during the second half of the year as revenues had contracted by 9.8% during H1 versus H1 2019. Loan volumes helped offset pressure on margins with total outstanding loans increasing by 9.1% to €419 billion over 2020, supported by a 7.5% increase in home loans, but also largely reflective of the €19.5 billion government-backed loans granted to businesses and professionals.

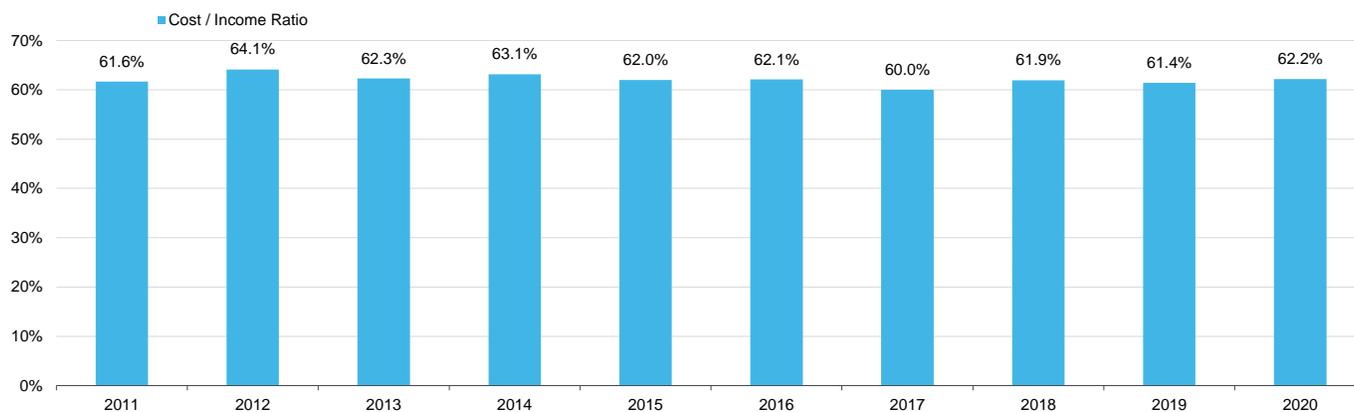
Retail banking revenues, which make up 69% of group revenues, were down 1.1%, whereas insurance revenues (10% of revenues) declined by 18% due to financial market turbulences during Q1 2020 and one-off compensations granted to customers affected by the pandemic ("Prime de relance mutualiste"). The Specialised businesses showed a mixed picture with Private banking performing particularly well due to increased transaction volumes (+9.5% of revenues over year) and Private equity (-28.3%) performing poorly due to depressed market valuations.

Operating expenses were down 1.8% versus 2019, despite a 26.5% increase in the contributions to the Single Resolution Fund and supervisory costs of €270 million in 2020 from €212 million in 2019. The cost-to-income ratio was 62% in 2020, which compares favourably to the average of French banks (76%) and EU banks (67%)¹.

Exhibit 4

The group's efficiency exhibited strong stability over time

Cost-to-income ratio



Sources: 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 temporarily 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. We expect a very significant rebound of insurance revenues in 2021, as 2020 revenues were affected by various temporary effects like the one-off compensations of professionals, market valuations and lower life insurance premiums resulting from the voluntary actions of the Assurances du Credit Mutuel to limit new subscriptions in the guaranteed funds ("contrats euro").

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 YE 2020), which are predominantly domestic and secured (by physical property or by a guarantee).

Credit Mutuel Alliance Federale's cost of risk surged to 55 bps of customer loans in 2020 versus 27 bps in 2019. Loan loss provisions rose to €2,377 million compared to €1,061 million a year earlier. They included forward-looking provisions of €1,354 million, representing 57% of total loan-loss provisions, in anticipation of future losses linked to the deterioration of operating conditions in certain sectors. 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 higher credit losses in the current uncertain economic environment.

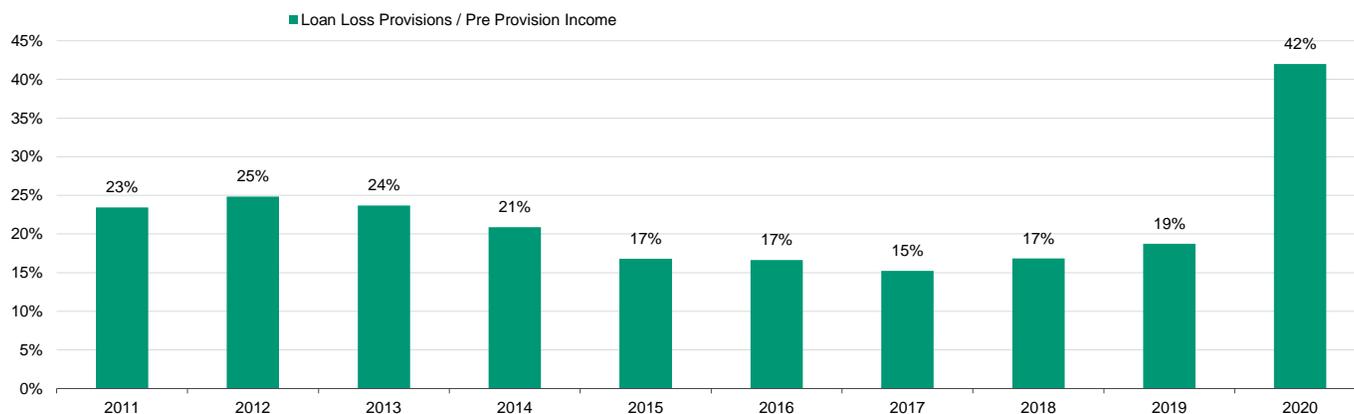
Nonetheless, the Covid crisis has not yet resulted in a material wave of defaults/likely defaults at French SMEs and households. CMAF reported a lower problem loan ratio of 2.9% as of year-end 2020 compared to 3.1% as of the end of 2019, which essentially reflects in fact a material increase in loan balances.

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 2020 and represented 42% of pre-provision income under our calculations. The bank did not disclose any guidance on provisions for 2021, but we believe they will decrease to levels much below those recorded in 2020.

Exhibit 5

Credit costs surged in 2020, reflecting the unprecedented macroeconomic shock

Loan-loss provisions/pre-provision income



Sources: 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 Common Equity Tier 1 (CET1) capital ratio as of YE 2020 was 17.8% versus a Supervisory Review and Evaluation Process (SREP) requirement of 7.8% for 2020². Its Tier 1 leverage ratio was 6.9% as of YE 2020. While all French bancassurers' risk-weighted capital ratios are somewhat boosted by the so-called Danish compromise³, Credit Mutuel Alliance Federale's leverage measured as Moody's-adjusted tangible common equity (TCE)/total assets⁴ (including insurance assets) was sound at 5.1% as of the end of YE 2020.

The minimum requirement for own funds and eligible liabilities (MREL) is set at the level of GCM on a consolidated basis. GCM's MREL requirements are currently as follows : 20,99% of RWAs (14.35% of RWAs for the subordination MREL requirement) and 6,55% in terms of Leverage Ratio Exposure (LRE). As of year-end 2020, GCM displayed MREL ratios well above these requirements. GCM's subordinated MREL ratio, made with own funds, eligible subordinated and senior non-preferred liabilities, was 21.02% of RWAs and 9.67% of LRE at year-end 2020.

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 4% to €6.8 billion in 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 (historically above 90%) 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 Covid 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 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 moderate reliance on wholesale funding

Credit Mutuel Alliance Federale reported a loan-to-deposit ratio of 103% as of 2020 versus 114% in 2019. Material progress was achieved since 2010 when this ratio was around 144%, 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 strong lending growth even though the Covid crisis resulted in a significant increase in deposits.

Nonetheless, wholesale funding will still remain a significant funding source for the group in the foreseeable future. As of the end of 2020, the total amount of market funding (including covered bonds), represented €147 billion, out of which 67% 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 2020 on any maturity bucket, based on a static balance sheet⁵ (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 €189 billion as of YE 2020, which we consider sufficient and adequate since they fully covered the wholesale debt maturing within 12 months. Credit Mutuel Alliance Federale reported a liquidity coverage ratio (LCR) of 165% on average in 2020. The high-quality liquid asset portfolio amounted to €117 billion, 75% 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 Advanced LGF analysis indicates likely moderate loss severity for junior senior creditors in the event of the bank's failure, leading to a rating identical to the bank's Adjusted BCA of a3.
- » Our Advanced LGF analysis indicates a high loss given failure for subordinated debt securities, leading to a negative adjustment of one notch to the Adjusted BCA. This adjustment is prompted by a small volume of debt and limited protection from more subordinated instruments and residual equity.

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)

BFCM's CRRs are 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

BFCM's CR Assessment is 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	3.0%	a3	↔	a2	Expected trend	Long-run loss performance	
Capital							
Tangible Common Equity / Risk Weighted Assets (Basel III - fully loaded)	17.2%	aa2	↔	aa2	Expected trend	Capital retention	
Profitability							
Net Income / Tangible Assets	0.3%	ba2	↔	baa3	Earnings quality	Loan loss charge coverage	
Combined Solvency Score		a3		a2			
Liquidity							
Funding Structure							
Market Funds / Tangible Banking Assets	25.9%	baa2	↔	baa2	Term structure		
Liquid Resources							
Liquid Banking Assets / Tangible Banking Assets	32.4%	a2	↔	a3	Asset encumbrance		
Combined Liquidity Score		baa1		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				-			
Adjusted BCA				a3			
BALANCE SHEET		IN-SCOPE (EUR MILLION)	% IN-SCOPE	AT-FAILURE (EUR MILLION)	% AT-FAILURE		
Other liabilities		169,411	21.3%	222,626	28.0%		
Deposits		521,716	65.6%	468,501	58.9%		
Preferred deposits		386,070	48.5%	366,766	46.1%		
Junior deposits		135,646	17.0%	101,735	12.8%		
Senior unsecured bank debt		64,144	8.1%	64,144	8.1%		
Junior senior unsecured bank debt		6,225	0.8%	6,225	0.8%		
Dated subordinated bank debt		9,112	1.1%	9,112	1.1%		
Junior subordinated bank debt		30	0.0%	30	0.0%		
Preference shares (bank)		1,247	0.2%	1,247	0.2%		
Equity		23,873	3.0%	23,873	3.0%		
Total Tangible Banking Assets		795,758	100.0%	795,758	100.0%		

DEBT CLASS	DE JURE WATERFALL		DE FACTO WATERFALL		NOTCHING		LGF NOTCHING VS. ADJUSTED BCA	ASSIGNED LGF NOTCHING	ADDITIONAL LGF NOTCHING	PRELIMINARY RATING ASSESSMENT
	INSTRUMENT VOLUME SUBORDINATION	SUB-ORDINATION	INSTRUMENT VOLUME SUBORDINATION	SUB-ORDINATION	DE JURE	DE FACTO				
Counterparty Risk Rating	25.9%	25.9%	25.9%	25.9%	3	3	3	3	0	aa3
Counterparty Risk Assessment	25.9%	25.9%	25.9%	25.9%	3	3	3	3	0	aa3 (cr)
Deposits	25.9%	5.1%	25.9%	13.1%	2	3	2	2	0	a1
Senior unsecured bank debt	25.9%	5.1%	13.1%	5.1%	2	1	2	2	0	a1
Junior senior unsecured bank debt	5.1%	4.3%	5.1%	4.3%	0	0	0	0	0	a3
Dated subordinated bank debt	4.3%	3.2%	4.3%	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 FAILURE	ADDITIONAL NOTCHING	PRELIMINARY RATING ASSESSMENT	GOVERNMENT SUPPORT NOTCHING	LOCAL CURRENCY RATING	FOREIGN CURRENCY RATING
	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	0	0	a3	0	A3	
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	A3
Junior Senior Unsecured MTN -Dom Curr	(P)A3
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](#) European Banking Authority's risk dashboard.
- [2](#) 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%)
- [3](#) 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 RWAs 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%.
- [4](#) The bank's TCE leverage ratio is lower than the regulatory Tier 1 leverage ratio because, 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 implies a lower ratio.
- [5](#) Static funding gaps are based on contractual maturities and incorporate off-balance-sheet commitments.

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