

FITCH AFFIRMS CM11-CIC AT 'A+'; OUTLOOK STABLE

Fitch Ratings-London/Paris-09 October 2012: Fitch Ratings has affirmed CM11-CIC's Long-term Issuer Default Rating (IDR) at 'A+', Short-term IDR at 'F1+' and Viability Rating (VR) at 'a+'. The Outlook on the Long-term IDR is Stable. The group's Support Rating (SR) and Support Rating Floor (SRF) have been affirmed at '1' and 'A+', respectively. A full list of rating actions is at the end of this rating action commentary.

RATING ACTION RATIONALE

CM11-CIC's Long-term IDR remains driven by its standalone strength, as reflected in its 'a+' VR. CM11-CIC is the name given to a subset of 11 regional banks of the 18 that make up Credit Mutuel (CM), the third-largest retail banking group in France. Although CM11-CIC is not a legal entity, Fitch bases its analysis on consolidated group figures given solidarity mechanisms in place within CM11-CIC. CM11-CIC's business mix is largely dominated by retail banking which represents around 90% of its consolidated revenues. CM11-CIC has a 13% market share of retail banking market in France.

Banque Federative du Credit Mutuel (BFCM) is the issuing vehicle of CM11-CIC, manages the group's liquidity and coordinates the group's subsidiaries. Credit Industriel et Commercial (CIC) is CM11-CIC's largest subsidiary, representing around 50% of group's assets. CIC's main business is domestic retail banking and it runs all of CM11-CIC's limited Corporate and Investment Banking (CIB) activities. Fitch considers it to be a core subsidiary and, although not technically part of the mutual support mechanism, it is analysed on a consolidated basis with the group.

RATING DRIVERS AND SENSITIVITIES - Long-term IDR, VR and Senior Debt

CM11-CIC's Long-term IDR and senior debt rating are driven by the group's intrinsic creditworthiness and therefore its Long-term IDR is equalised with its VR. The group's VR is driven by its healthy franchise in French retail banking, which generates recurring earnings and carries low risk. The VR also reflects the group's prudent strategy and solid capitalisation (10.3% Fitch core capital ratio at end-June 2012, a 230bp improvement from end-2011 of which around half comes from the removal of the Basel II transitional floors). In Fitch's view, the group's cooperative ownership structure removes it from excessive market return pressure and contributes to a prudent strategy, which defines CM11-CIC's culture.

CM11-CIC's VR also takes into account some reliance, albeit reducing, on capital markets, a highly confidence-sensitive funding source. A strategic focus of the group has been improving its funding mix by increasing the share of customer deposits (with success regarding the marked improvement of its loan/deposits ratios over the past years: 133% at end-June 2012 versus 170% at end-2008) and lengthening the maturity of its wholesale funding. CM11-CIC has also increased its portfolio of liquid assets, but not all is 'high quality' as defined by the provisional Basel III LCR criteria.

The group's VR is sensitive to the progress in its funding profile, liquidity and capital. Further and enduring improvement in these areas could lead to an upgrade of CM11-CIC's VR, in the absence of any marked deterioration in its performance and/or risk profile. Any set-back in CM11-CIC's ambition to rebalance its funding mix, weakening liquidity position or any marked deterioration in the group's risk profile, for example linked to a long and severe recession in France, could lead to negative pressure on the VR.

However, even if the group's VR was downgraded, its Long-Term IDR would remain the same, unless its SRF of 'A+' was also downgraded. In this case, CM11-CIC's IDRs would no longer be based on its standalone strength but on expected support from the French state, if required.

RATING DRIVERS AND SENSITIVITIES - Short-term IDR, SR and SRF

CM11-CIC's Short-term IDR, SR and SRF reflect Fitch's opinion that given CM11-CIC's systemic

importance in France, there is an extremely high probability that the French authorities would support it, if required. Such support would, in Fitch's view, be provided through BFCM, as the group's issuing vehicle, and therefore BFCM is assigned the same SR and SRF.

CM11-CIC's and BFCM's Short-term IDRs, SR and SRF are potentially sensitive to any change in assumptions around the French state's ability (as reflected in its ratings) or willingness to provide timely support to CM11-CIC, if required.

SUBORDINATED DEBT AND OTHER HYBRID SECURITIES

Subordinated debt and hybrid securities issued by BFCM are notched off CM11-CIC's VR. Therefore, their respective ratings have been affirmed and are sensitive to any change in CM11-CIC's VR.

In accordance with Fitch's criteria 'Rating Bank Regulatory Capital and Similar Securities', subordinated lower Tier 2 debt is rated one notch below CM11-CIC's VR to reflect below average loss severity of this type of debt when compared to average recoveries. The hybrid Tier 1 securities are rated four notches below CM11-CIC's VR to reflect higher loss severity risk of these securities when compared to average recoveries (two notches from the VR) as well as a higher risk of non-performance (an additional two notches).

SUSBIDIARY AND AFFILIATED COMPANY RATING DRIVERS AND SENSITIVITIES

Given their strong integration with and high strategic importance to CM11-CIC, BFCM's and CIC are seen as 'core' subsidiaries of CM11-CIC and their respective IDRs are aligned with CM11-CIC. Their ratings are therefore sensitive to any evolution in those of CM11-CIC. They have not been assigned a VR as BFCM does not operate a business of its own and as CIC, which handles part of the group's retail banking business and acts as the group's CIB subsidiary, lacks the strategic autonomy to be meaningfully assessed on a standalone basis

The rating actions are as follows:

CM11-CIC

Long-term IDR: affirmed at 'A+'; Outlook Stable

Short-term IDR: affirmed at 'F1+'

Viability Rating: affirmed at 'a+'

Support Rating: affirmed at '1'

Support Rating Floor: affirmed at 'A+'

BFCM

Long-term IDR: affirmed at 'A+'; Outlook Stable

Short-term IDR: affirmed at 'F1+'

Support Rating: affirmed at '1'

Support Rating Floor: affirmed at 'A+'

Senior Unsecured debt: affirmed at 'A+'

Market linked notes: affirmed at 'A+(emr)

Lower Tier 2: affirmed at 'A'

Hybrid Capital Instruments: affirmed at 'BBB'

Commercial paper: affirmed at 'F1+'

Certificate of deposit: affirmed at 'F1+'

CIC

Long-term IDR: affirmed at 'A+'; Outlook Stable

Short-term IDR: affirmed at 'F1+'

Support Rating: affirmed at '1'

Senior unsecured debt: affirmed at 'A+'

Certificates of deposit: affirmed at 'F1+'

Banque de l'Economie du Commerce et de la Monetique (BECM)

BMTN program affirmed at 'A+'

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Additional information is available on www.fitchratings.com. The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

Applicable criteria: 'Global Financial Institutions Rating Criteria', dated 15 August 2012; 'Rating Criteria for Banking Structures Backed by Mutual Support Mechanisms', dated 11 April 2012; 'Rating FI Subsidiaries and Holding Companies' dated 10 August 2012 are available at www.fitchratings.com.

Applicable Criteria and Related Research:

Global Financial Institutions Rating Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=686181

Rating Criteria for Banking Structures Backed by Mutual Support Mechanisms

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=666999

Rating FI Subsidiaries and Holding Companies

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=679209

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