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CREDIT OPINION
4 April 2024

Update

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RATINGS

Credit Industriel et Commercial

Domicile	Paris, 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.

Contacts

Guy Combot +33.1.5330.5981
VP-Senior Analyst
guy.combot@moodys.com

Alain Laurin +33.1.5330.1059
Associate Managing Director
alain.laurin@moodys.com

Yana Ruvinskaya +33.1.5330.3393
Lead Ratings Associate
yana.ruvinskaya@moodys.com

Credit Industriel et Commercial

Update following rating affirmation

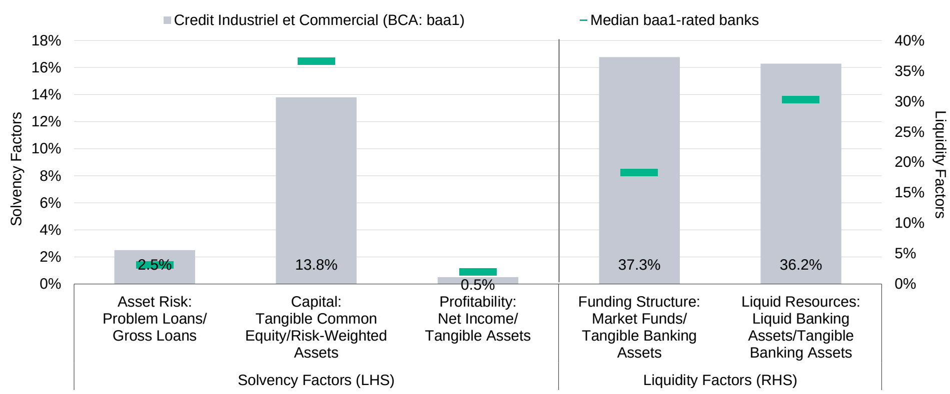
Summary

Credit Industriel et Commercial's (CIC) Baseline Credit Assessment (BCA) of baa1 reflects the bank's solid franchise and sound liquidity, which is managed by Credit Mutuel Alliance Federale (CMAF), its good solvency, single-name concentration in its corporate banking business and risks stemming from its capital market activities.

CIC benefits from a very high probability of affiliate support from Groupe Credit Mutuel (GCM), resulting in an Adjusted BCA of a3, which is based on our assessment of the stand-alone creditworthiness of CMAF and GCM.

CIC's long-term senior unsecured debt and deposit ratings of Aa3 with a stable outlook reflect the Adjusted BCA of a3; the application of our Advanced Loss Given Failure (LGF) analysis, resulting in two notches of uplift from the Adjusted BCA that stem from GCM's significant volume of senior debt and junior deposits; 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.

Exhibit 1
Rating scorecard - Key financial ratios



Source: Moody's Financial Metrics

Credit strengths

» Solid domestic retail and corporate banking franchises, driving low asset risks

» Good capital adequacy

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

Credit challenges

» Some earnings volatility arising from CIC's role as a hub for the group's corporate banking and financial market activities

» Inflation and lower economic growth, which affect customers' creditworthiness

» Low margins on residential mortgage loans in France

Outlook

The outlook on CIC's Aa3 long-term deposit and senior unsecured ratings is stable, reflecting our view that the bank will be able to maintain its strong financial and performance metrics close to the current levels over a 12-18-month horizon despite the subdued economic conditions in France.

The stable outlook also takes into consideration our assumption that the liability structure and probability of government support will remain broadly unchanged for GCM.

The outlook on CIC's long-term deposit and senior unsecured ratings is stable, reflecting the stable outlook on French sovereign debt rating and the proximity of the bank's ratings to the French sovereign debt rating.

Factors that could lead to an upgrade

An upgrade of CIC's long-term deposit and senior unsecured debt ratings (Aa3) is unlikely over a 12-18-month horizon.

A higher Adjusted BCA would not necessarily translate into higher long-term deposit and senior unsecured debt ratings because of the proximity with the French government bond rating, which currently provides a one-notch uplift.

Besides a downgrade of the French government bond rating could also prompt a lower government support currently embedded in CIC's long-term deposits and senior unsecured debt ratings.

Factors that could lead to a downgrade

» The ratings of CIC's long-term deposits, senior unsecured debt and junior senior unsecured debt (also referred to as senior non-preferred) could be downgraded because of a deterioration in the standalone financial strength of GCM, resulting in lower Adjusted BCAs. This could be driven by a significant weakening in GCM's underlying profitability, mainly as a result of worsening asset quality or a further significant deterioration in its net interest margin; a significant weakening in the group's capitalisation, for example, following major acquisitions; adverse changes in its liquidity or funding profile; or a significant weakening of the operating environment in France.

» CIC 's long-term deposits, senior unsecured debt and junior senior unsecured could also be downgraded because of reduced subordinated debt, resulting in a higher loss given failure.

» A downgrade of the French government bond rating could also prompt a lower government support currently embedded in CIC's long-term deposits and senior unsecured debt ratings.

Key indicators

Exhibit 2
Credit Industriel et Commercial (Consolidated Financials) [1]

	06-23[2]	12-22[2]	12-21[2]	12-20[2]	12-19[2]	CAGR/Avg.[3]
Total Assets (EUR Million)	408,186.0	396,150.0	356,914.0	349,828.0	312,507.0	7.9[4]
Total Assets (USD Million)	445,331.1	422,790.0	404,421.4	428,034.1	350,788.6	7.1[4]
Tangible Common Equity (EUR Million)	19,162.0	18,003.0	16,643.0	14,920.0	15,349.0	6.5[4]
Tangible Common Equity (USD Million)	20,905.7	19,213.7	18,858.3	18,255.5	17,229.2	5.7[4]
Problem Loans / Gross Loans (%)	2.5	2.4	2.4	2.5	2.7	2.5[5]
Tangible Common Equity / Risk Weighted Assets (%)	13.8	13.3	13.8	13.2	14.5	13.7[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	27.6	27.2	26.3	28.6	28.4	27.6[5]
Net Interest Margin (%)	0.8	0.8	0.8	0.8	0.8	0.8[5]
PPI / Average RWA (%)	2.0	2.1	2.3	1.7	1.9	2.0[6]
Net Income / Tangible Assets (%)	0.5	0.6	0.6	0.2	0.5	0.5[5]
Cost / Income Ratio (%)	58.6	56.2	55.8	62.7	62.4	59.1[5]
Market Funds / Tangible Banking Assets (%)	38.6	37.3	31.6	31.8	37.6	35.4[5]
Liquid Banking Assets / Tangible Banking Assets (%)	36.8	36.2	33.9	36.3	34.3	35.5[5]
Gross Loans / Due to Customers (%)	111.1	109.0	102.4	98.9	112.6	106.8[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 Ratings and company filings

Profile

Credit Industriel et Commercial (CIC) is a French universal bank active in retail and private banking, finance and capital markets, specialised businesses, asset management, insurance and private equity. CIC has operations throughout France, and also carries out international operations, notably private banking and financial market activities.

CIC is owned by Banque Federative du Credit Mutuel (BFCM), which itself is owned by 14 regional federations and the local banks of the cooperative GCM. These 14 regional federations, together with BFCM and CIC, make up CMAF — the largest subgroup within the wider GCM, accounting for around 80% of GCM's consolidated total assets. Two federations — Maine Anjou and Ocean — remain independent, while two other federations, namely Bretagne and Sud Ouest, are jointly operating under the same name, that is, Credit Mutuel Arkea (CMA; Aa3/Aa3 stable, baa1[1]).

Please refer to Groupe Credit Mutuel: Mutual support guarantee in a fragmented group drives our ratings approach for a more comprehensive analysis of GCM's structure and rating construction.

Detailed credit considerations

Domestic retail and corporate lending drives low asset risks

The bulk of CIC's activities relates to domestic retail and corporate lending, which results in a moderate risk profile, reflected by the bank's reported impaired loan ratio of 2.7% as of December 2023, slightly up from that as of year-end 2022. The EU nonperforming loan ratio as of September 2023 was slightly lower at 1.8%[2]. This drives our Asset Risk score of baa1, which also considers some single-name concentration in its corporate banking business and CIC's residential housing loans that accounted for 45% of the bank's loans as of December 2023.

CIC's reported cost of risk was 16 basis points (bps) as of December 2023, one of the lowest ratio amongst French banks despite provisions in retail banking, consumer credit and corporate finance, reflecting the weakening macroeconomic environment. This cost of risk includes the release of a so called "management overlay" of provisions allocated to performing loans as a precautionary measure (like the Covid-19 pandemic).

These levels of cost of risk are below the peak of 51 bps reported in 2020. We expect the cost of risk to increase in 2024.

Good capital adequacy

Our a3 Capital score for CIC takes into consideration both good regulatory buffers and a relatively weaker position on a stand-alone basis than its EU peers.

CIC reported a Common Equity Tier 1 (CET1) capital ratio of 12.8% as of H1 2023, down 10 bps from year-end 2022. The bank, as a stand-alone entity of CMAF, has no Supervisory Review and Evaluation Process requirement (SREP) to comply with.

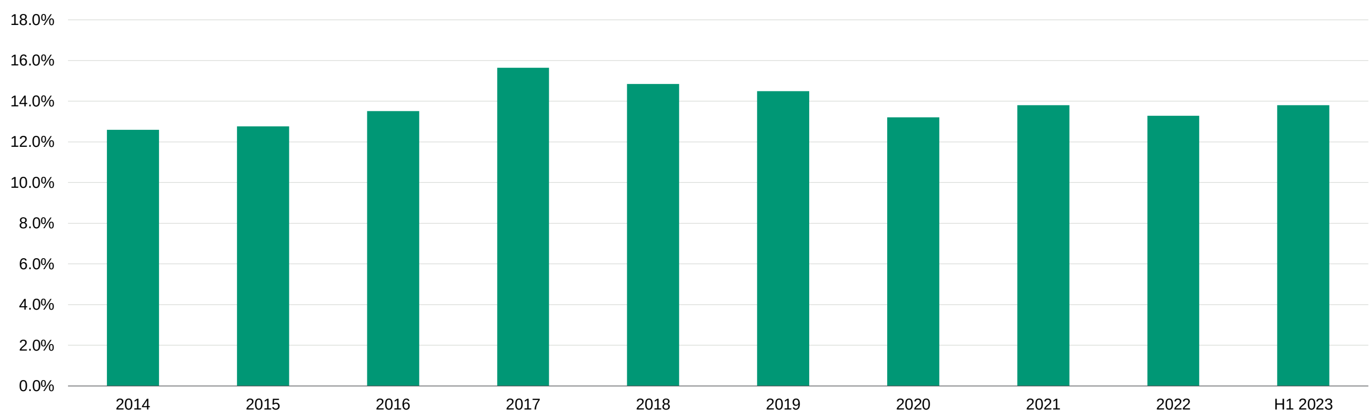
CIC's CET1 ratio of 12.8% compares unfavourably with the 16% EU average as of H1 2023[3], considering CIC's business activities, namely capital market and exposure to the small and medium-sized enterprise (SME) sector (close to 48% of its lending exposure as of December 2023). This is also the case for the bank's leverage ratio, which was 4.5% as of H1 2023 (4.9% as of year-end 2021), weaker than the 5.7% EU average as of H1 2023[4].

However, CIC's capital, which is managed at the group level, could benefit from parental support in case of need. CMAF's CET1 ratio was 18.5% as of December 2023 (more than 5 percentage points [pps] higher than CIC) and its leverage ratio was 6.9% (around 2.4 pps lower than CIC). CMAF's Moody's-calculated tangible common equity (TCE)/risk-weighted assets (RWA) was 18.8% as of June 2023, while CIC's TCE ratio was 13.8%.

The minimum requirement for own funds and eligible liabilities (MREL) is set by the European Single Resolution Authority at the group level, which is the single point of entry. Even though CIC is outside of the solidarity mechanism, the bank is considered a significant entity (referred to as "relevant legal entity") for the group according to the regulation. Hence, it is subject to a so-called internal minimum requirement for own funds and eligible liabilities (I-MREL) which is not disclosed.

Exhibit 3

CIC has consistently maintained good capital adequacy: TCE/RWA (%)



Sources: Bank's report and Moody's Ratings

Corporate banking and financial market activities involve some earnings volatility

CIC has a sound franchise in the domestic retail segment, with estimated market shares in France of around 7% in both loans and deposits (that is, CIC accounts for 48% of CMAF's market shares). CIC's strong franchise in the SME and corporate segments is a key credit strength providing the bulk of the bank's revenue and a relatively predictable earnings base.

However, CIC's profitability is satisfactory because of the bank's focus on low-risk and stable retail, and SME lending activities. CIC's earnings base is more volatile than that of CMAF overall because CIC is the hub for the group's capital market activities. These activities are now limited in absolute terms and have been scaled down over time. Capital market activities represented a low 7% of CIC's net banking income in 2023 compared with 13% in full-year 2012.

Net income represented around 0.5% of CIC's assets in 2023 in line with 2022 and 2021. Despite some increase in recurrent and nonrecurrent revenue in 2023, the bank was hit by higher loan loss provision charges and operating costs.

CIC's reported cost-to-income ratio of 58.7% as of December 2023 was much lower than French average (75%) even though higher than the average ratio for EU banks (56.5% as of H1 2023[5]).

We expect profitability to progressively further benefit from higher interest rates. CIC's net interest margin, in line with that of many of its French peers, has not fully benefitted from the successive hikes in the European Central Bank's (ECB) interest rates since July 2022. This is mainly because home loans are almost exclusively at fixed rates in France and because of the higher interest rate paid on time deposits. The remuneration of term deposits in France is largely a function of regulated savings rates. The net interest margin was strained because of two primary factors. First, the phenomenon known as "taux d'usure" led to a delay in the repricing of loans. Second, there has been a decrease in the demand for credit.

This context drives our Profitability score of ba1.

Retail deposits and comfortable liquidity buffer mitigate some reliance on wholesale funding

Our analysis focuses on the liquidity and funding of CMAF, which are managed centrally by BFCM for the whole group, including CIC. The assigned scores for CIC's Funding Structure and Liquid Resources in the bank's scorecard are, therefore, aligned with those of CMAF (both at baa1).

CMAF's reported loan-to-deposit ratio[6] was 109% as of December 2023, versus 110% as of year-end 2022 and 107% in 2021. Significant progress has been achieved since 2010 when this ratio was around 144%, mainly through the re-intermediation of off-balance-sheet customers' savings and the adoption of an internal policy requiring loan growth to be funded by new deposits.

In 2023, CMAF increased its deposits by 5%. However, like for its peers, the bank's share of time deposits also increased (7%, close to 56% of the outstanding mix) as interest rates increased.

Nonetheless, wholesale funding will still remain a significant funding source for the group in the foreseeable future. As of H1 2023, CMAF's total amount of market funding (including covered bonds) was €155 billion (or 41% of funding source), of which 66% was medium- to long-term resources.

CMAF's risk management policy mitigates risks related to its reliance on confidence sensitive market funding. CMAF's term structure of its debt minimises funding gaps (that is, shortfall of funding over assets needs) on all maturity buckets from three months up to five years.

CMAF had liquidity reserves of €170 billion as of December 2023, which are sufficient because they fully covered much more than the wholesale debt maturing within 12 months.

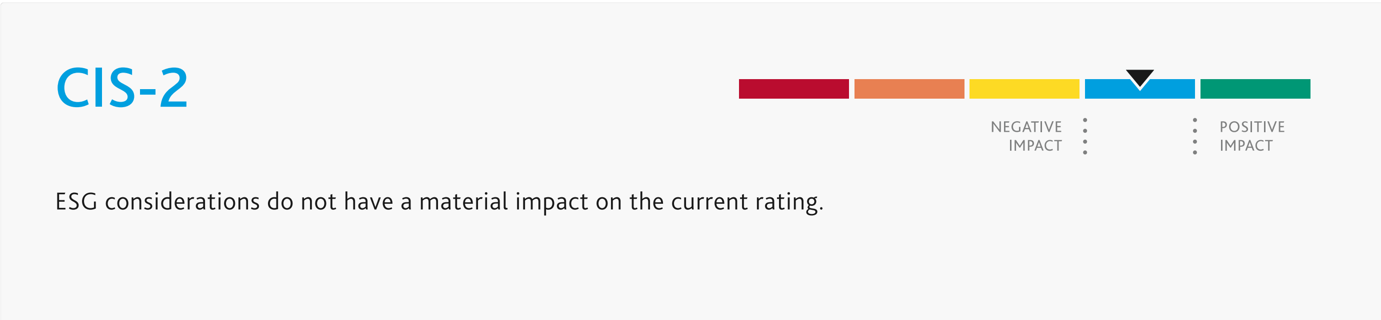
CMAF reported a liquidity coverage ratio (LCR) of 163% on average in 2023. The average high-quality liquid asset portfolio during the same period amounted to €126 billion, 80% of which were deposits with the central banks (mainly the ECB).

The assigned Liquidity Resources score of baa1 incorporates a negative adjustment for targeted longer-term refinancing operations (TLTRO) and the share of regulated deposits that are not available for business because they are mandatorily centralised at Caisse des Depots et Consignations (Aa2/Aa2 stable). We expect CMAF's liquidity to decrease in 2024 as a result of the repayment of its TLTRO (€11 billion), although it will remain at a good level.

ESG considerations

Credit Industriel et Commercial's ESG credit impact score is CIS-2

Exhibit 4
ESG credit impact score



Source: Moody's Ratings

Credit Industriel et Commercial (CIC)'s **CIS-2** reflects that ESG considerations are not material to the rating.

Exhibit 5
ESG issuer profile scores

Source: Moody's Ratings

Environmental

CIC faces moderate environmental risks primarily because of its portfolio exposure to carbon transition risk as a diversified bank. In line with its peers, the bank is exposed to mounting business risks and stakeholder pressure to meet broader carbon transition goals. In response, CIC is developing its climate risk and portfolio management capabilities, and is actively transitioning its lending portfolios to achieve carbon neutrality targets.

Social

CIC is exposed to high social risks particularly related to customer relations risk and associated regulatory and litigation risks, requiring high compliance standards. These risks are mitigated by CIC's developed policies and procedures. CIC's sound IT framework helps to manage high cyber and data security risks.

Governance

CIC faces low governance risks, and its risk management policies and procedures are in line with industry practices. CIC is controlled by the Banque Federative du Credit Mutuel through its 93% ownership. Therefore, we have aligned the subsidiary's board structure, policies and procedures score with that of its parent, given (i) the bank's strategic importance for the mutualist group, (ii) the parent's oversight over the board's subsidiary and (iii) the same regulatory frameworks both entities are required to comply with.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Support and structural considerations

Affiliate support

We assign an Adjusted BCA of a3 to CIC, incorporating one notch of uplift from its BCA of baa1 for the affiliate support provided by GCM.

Although CIC does not fall under the legal scope of GCM's solidarity mechanisms, because it is not an affiliated member of the mutualist group, it is fully integrated within CMAF both strategically and operationally, and holds one of the main franchises of the group. Therefore, an adverse scenario affecting CIC would likely hurt the credit strength of CMAF and, by extension, that of GCM. Hence, our ratings incorporate a very high probability of support from CMAF and, in turn, from GCM.

Loss Given Failure (LGF) analysis

GCM and its operating entities in France are subject to the European Union Bank Recovery and Resolution Directive, which we consider an operational resolution regime. We assume that the 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 CIC, 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 debt securities, leading us to assign a negative adjustment of one notch to the Adjusted BCA. This negative adjustment comes from the 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 CIC because of GCM's systemic importance in France. This results in a one-notch government support uplift for CIC's deposit and senior unsecured ratings to Aa3. Subordinated securities do not benefit from government support because their purpose is to absorb losses.

Counterparty Risk Ratings (CRRs)

CIC's CRRs are at Aa2/Prime-1

The long-term CRR for CIC, 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

CIC'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 the 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 significantly differ from that suggested by raw data alone (although 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 Industriel et Commercial

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	2.5%	a2	↔	baa1	Market risk	Single name concentration
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - fully loaded)	13.8%	a2	↓	a3		
Profitability						
Net Income / Tangible Assets	0.5%	ba1	↔	ba1		
Combined Solvency Score		a3		baa1		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	37.3%	ba2	↔	baa1	Term structure	
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	36.2%	a1	↔	baa1	Asset encumbrance	
Combined Liquidity Score		baa2		baa1		
Financial Profile				baa1		
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				a3 - baa2		
Assigned BCA				baa1		
Affiliate Support notching				-		
Adjusted BCA				a3		

Balance Sheet	**in-scope (EUR Million)**	**% in-scope**	**at-failure (EUR Million)**	**% at-failure**
Other liabilities	205,796	23.4%	263,443	29.9%
Deposits	565,169	64.1%	507,522	57.6%
Preferred deposits	418,225	47.5%	397,314	45.1%
Junior deposits	146,944	16.7%	110,208	12.5%
Senior unsecured bank debt	61,136	6.9%	61,136	6.9%
Junior senior unsecured bank debt	10,826	1.2%	10,826	1.2%
Dated subordinated bank debt	10,870	1.2%	10,870	1.2%
Junior subordinated bank debt	27	0.0%	27	0.0%
Preference shares (bank)	824	0.1%	824	0.1%
Equity	26,432	3.0%	26,432	3.0%
Total Tangible Banking Assets	881,080	100.0%	881,080	100.0%

Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF Notching Guidance vs. Adjusted BCA	Assigned LGF notching	Additional Notching	Preliminary Rating Assessment
	Instrument volume + subordination	Sub-ordination	Instrument volume + subordination	Sub-ordination	De Jure	De Facto				
Counterparty Risk Rating	25.0%	25.0%	25.0%	25.0%	3	3	3	3	0	aa3
Counterparty Risk Assessment	25.0%	25.0%	25.0%	25.0%	3	3	3	3	0	aa3 (cr)
Deposits	25.0%	5.6%	25.0%	12.5%	2	3	2	2	0	a1
Senior unsecured bank debt	25.0%	5.6%	12.5%	5.6%	2	1	2	2	0	a1
Dated subordinated bank debt	4.3%	3.1%	4.3%	3.1%	-1	-1	-1	-1	0	baa1

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
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	Aa3
Dated subordinated bank debt	-1	0	baa1	0		(P)Baa1

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

Ratings

Exhibit 7

Category	Moody's Rating
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
PARENT: 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	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, NEW YORK BR	
Commercial Paper	P-1

Source: Moody's Ratings

Endnotes

1 The ratings shown here are the bank's long-term deposit and senior unsecured debt ratings, together with the outlook and BCA.

2 European Banking Authority, EBA, Risk Dashboard Data as of Q3 2023.

3 EBA, Risk Dashboard Data as of Q3 2023.

4 EBA, Risk Dashboard Data as of Q3 2023.

5 Risk Dashboard Data as of Q3 2023.

6 Moody's calculation.

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CLIENT SERVICES

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