MOODY'S RATINGS

CREDIT OPINION

14 November 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	Negative
Long Term Deposit	Aa3
Type	LT Bank Deposits - Fgn Curr
Outlook	Negative

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 Industriel et Commercial

Update following rating affirmation, outlook changed to negative from stable

Summary

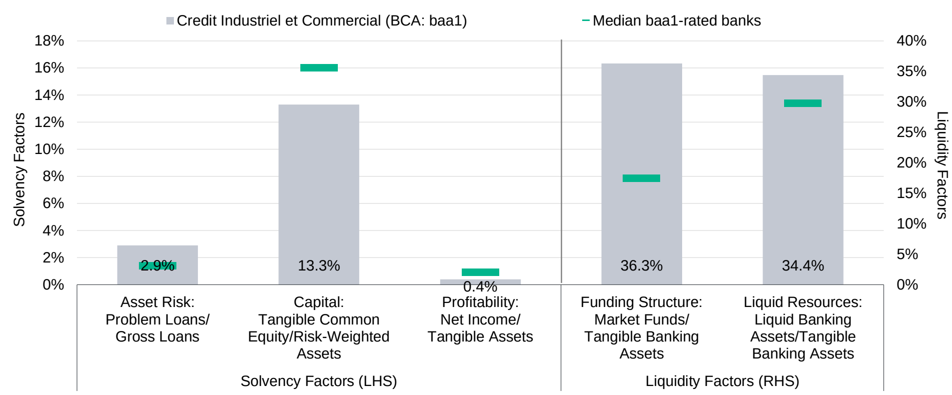
Credit Industriel et Commercial's (CIC) Baseline Credit Assessment (BCA) of baa1 reflects the bank's solid franchise and sound liquidity, which is managed by Credit Mutuel Alliance Federale (CMAF), its good solvency, single-name concentration in its corporate banking business and risks stemming from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

CIC's long-term senior unsecured debt and deposit ratings of Aa3 with a negative outlook reflect the Adjusted BCA of a3; the application of our Advanced Loss Given Failure (LGF) analysis, which results in two notches of uplift from the Adjusted BCA that stem from GCM's significant volume of senior debt and junior deposits; and an additional support uplift of one notch, reflecting a moderate probability of support from the Government of France (Aa2 negative) in view of GCM's systemic importance to the domestic economy.

Exhibit 1

Rating scorecard - Key financial ratios



Source: Moody's Ratings

Credit strengths

» CIC has solid domestic retail and corporate banking franchises.

» The bank's funding structure and comfortable liquidity buffer mitigate some reliance on wholesale funding.

» Robust solvency which is managed by the bank's parent company.

Credit challenges

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

» Higher prices and subdued economic growth, which affect French customers' creditworthiness.

» Low margins on residential mortgage loans in France.

Outlook

The negative rating outlook on CIC's Aa3 long-term deposit and senior unsecured debt ratings reflects the negative outlook on France's sovereign debt rating of Aa2. A downgrade of this rating would likely lead to the elimination of the one-notch government support uplift for CIC's instruments currently rated at Aa3.

Factors that could lead to an upgrade

An upgrade of CIC's Aa3 long-term deposit and senior unsecured debt ratings is unlikely because of their negative outlooks. The Adjusted BCA of CIC could be upgraded if GCM's solvency and liquidity were to improve further. The proximity of CIC' Aa3 long-term deposit and senior unsecured debt ratings with France's sovereign rating of Aa2 would nonetheless constrain the possibility of an upgrade of these ratings.

Factors that could lead to a downgrade

CIC's long-term deposit and senior unsecured debt ratings could be downgraded if there is a deterioration in the standalone financial strength of GCM, resulting in lower Adjusted BCA. This could happen in case of 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.

A downgrade could also follow a reduction in subordinated debt, resulting in a higher loss given failure.

A downgrade of France's Aa2 sovereign rating could also lead to a downgrade of CIC's deposit and senior unsecured debt ratings, given their proximity with the sovereign rating.

Key indicators

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

	06-24[2]	12-23[2]	12-22[2]	12-21[2]	12-20[2]	CAGR/Avg.[3]
Total Assets (EUR Million)	412,976.0	403,656.0	396,387.0	356,914.0	349,828.0	4.9[4]
Total Assets (USD Million)	442,608.6	445,900.6	423,042.9	404,421.4	428,034.1	1.0[4]
Tangible Common Equity (EUR Million)	20,066.0	20,211.0	18,134.0	16,643.0	14,920.0	8.8[4]
Tangible Common Equity (USD Million)	21,505.8	22,326.2	19,353.5	18,858.3	18,255.5	4.8[4]
Problem Loans / Gross Loans (%)	2.9	2.8	2.4	2.4	2.5	2.6[5]
Tangible Common Equity / Risk Weighted Assets (%)	13.3	13.9	13.4	13.8	13.2	13.5[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	30.5	29.2	27.0	26.3	28.6	28.3[5]
Net Interest Margin (%)	0.8	0.8	0.8	0.8	0.8	0.8[5]
PPI / Average RWA (%)	1.8	1.9	2.1	2.3	1.7	2.0[6]
Net Income / Tangible Assets (%)	0.4	0.5	0.6	0.6	0.2	0.5[5]
Cost / Income Ratio (%)	58.8	58.7	56.2	55.8	62.7	58.4[5]
Market Funds / Tangible Banking Assets (%)	38.0	36.3	37.3	31.6	31.8	35.0[5]
Liquid Banking Assets / Tangible Banking Assets (%)	35.5	34.4	36.2	33.9	36.3	35.2[5]
Gross Loans / Due to Customers (%)	113.3	110.5	109.0	102.4	98.9	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, Aa3, Aa3, negative, a3), which 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 as of December 2023. 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 (Aa3/Aa3 negative, baa1[1]).

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. The asset risk is, on average, moderate, which is reflected in the bank's low reported nonperforming loan ratio of 2.9% as of the end of June 2024, slightly up from year-end 2023. The EU nonperforming loan ratio average was slightly lower at 1.9% at the same date.[2]

Our Asset Risk score, currently at baa1, accounts for several key factors. These include the bank's significant proportion of low-risk residential housing loans in France, which made up 45% of the bank's total loan portfolio as of the end of June 2024. However, this is balanced by a considerable exposure to the small and medium-sized enterprise (SME) sector, constituting 44% of the bank's loans. Additionally, there is a certain degree of single-name concentration within the corporate banking business, which also affects our Asset Risk score.

CIC's track record on credit risk is sound. The bank reported an increase in the cost of risk to 23 basis points (bps) in H1 2024 from 10 bps in H1 2023. The increase in the cost of risk was primarily due to a higher number of defaults in retail banking and consumer finance, reflecting the weakening macroeconomic environment in France. However, the increase in the bank's cost of risk was mitigated by some release of provisions. Some of the provision releases were associated with major corporations that experienced a recovery in 2023. The current cost of risk is lower than the 51-bp peak seen in 2020. We expect a minor uptick in risk costs by 2025, but they are likely to stay under the around 45-bp average observed in France.[3] The subdued economic growth will continue to strain asset quality. We forecast slower economic growth in France (GDP growth of 1.3% in 2024 and 0.8% in 2025, compared with 1.1% in 2023), with a stable unemployment ratio (7.5% in 2024 and 2025, compared with 7.3% in 2023[4]).

Capital is commensurate with the low-risk profile and CMAF's policy

Our a3 Capital score for CIC takes into consideration the bank's good regulatory buffers and its relatively weaker capital position on a standalone basis than that of its EU peers. However, CIC's capital position is managed by CMAF and is commensurate with its low asset risk profile.

CIC reported a Common Equity Tier 1 (CET1) capital ratio of 12.3% as of the end of June 2024, down 40 bps from that as of year-end 2023 due to an increase in risk-weighted assets (RWA). The bank, as a standalone entity of CMAF, has no Supervisory Review and Evaluation Process (SREP) requirement to comply with.

CIC's CET1 ratio of 12.3% compares unfavourably with the 16.1% EU average as of June 2024,[5] considering CIC's business activities, namely capital market and exposure to the SME sector. This is also the case for the bank's leverage ratio, which was 4.6% as of the end of June 2024 (4.7% as of year-end 2023), weaker than the 5.8% EU average as of Q2 2024.[6]

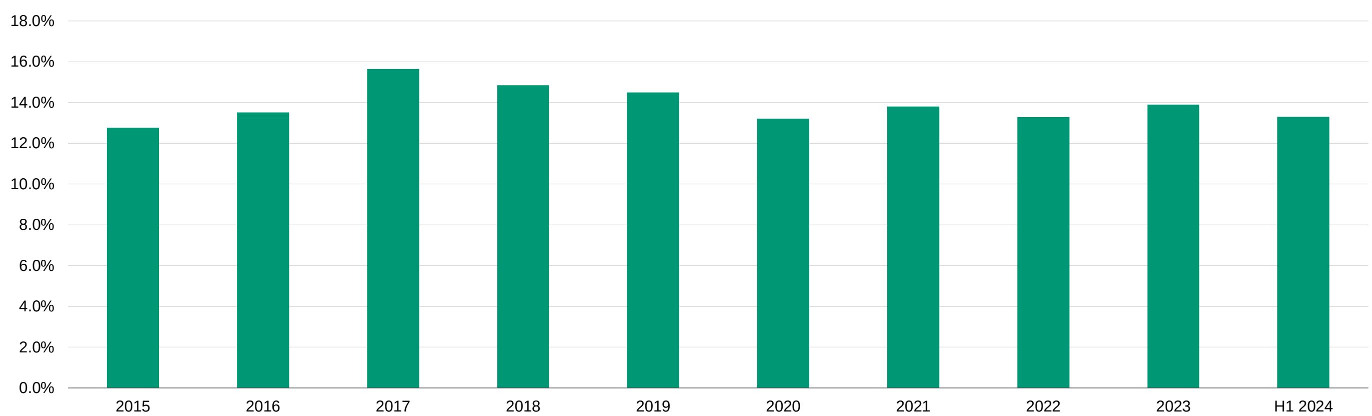
However, CIC's capital, which is managed at the group level, could benefit from parental support in case of need. CMAF's CET1 ratio was 18.5% as of June 2024 (more than six percentage points higher than that of CIC) and its leverage ratio was 7.3% (around 2.7 percentage points lower than that of CIC). CMAF's Moody's-calculated tangible common equity (TCE)/RWA was 19% as of the end of June 2024, while CIC's TCE ratio was 13.3%.

The minimum requirement for own funds and eligible liabilities (MREL) is set by the European Single Resolution Authority at the group level (GCM), which is the single point of entry. Although CIC is outside of GCM's solidarity mechanism,[7] 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 an 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 entail 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 close to half 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.

Our Profitability score of ba1 takes into consideration the above-mentioned factors, which entail low-risk return in its core businesses (retail and SME lending) but also some volatility because the bank is the hub for CMAF'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 9% of CIC's net banking income in H1 2024, compared with 13% in 2012.

CIC's net income as a percentage of its assets has seen a gradual decline, dropping to 0.4% in the first half of 2024, from 0.5% in 2023 and 0.6% in 2022, continuing the trend that began in 2021.

CIC's current return on assets of 0.4% is slightly lower than the 0.45% achieved by French banks in H1 2024. This figure is significantly below the EU average of 0.74%[8].

CIC's profitability was hurt by a decline in revenue (-3%) because of lower net interest margins. The net interest margin was strained by the continued decline in demand for credit since July 2022 when the European Central Bank's (ECB) increased its interest rates. In H1 2024, CIC's profitability also faced higher cost of risk (+68%).

We expect profitability to progressively benefit from higher interest rates in its lending book. 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 ECB's interest rates. 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.

In line with industry trends, the bank experienced over the 2 years to June 2024 an increase in the proportion of time deposits and saving accounts (+16 percentage points), which now constitute 56% of its total deposit mix. This contributed to overall growth (2.4%) in CIC's deposits during this period.

CIC's reported cost-to-income ratio of 58.8% as of the end of June 2024 was much lower than the French average (66%) but higher than the average ratio for EU banks (53% as of Q2 2024[9]).

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, 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).

We assign a baa1 Funding Structure score to CMAF. Despite having a broad and stable deposit base, its loan-to-deposit ratio declined to 111%[10] as of June 2024, from 105% as of year-end 2020. This decline is mainly attributed to its commercial operations expanding at a slightly quicker rate than its deposit collection activities.

In this context, wholesale funding will remain a significant funding source for CMAF over the next 12-18 months. As of June 2024, the total amount of market funding (including covered bonds) was €162 billion, of which 64% were medium- to long-term resources.

CMAF'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 in funding over asset needs) in all maturity buckets from three months to five years. CMAF had liquidity reserves of €166 billion as of June 2024, which we consider sufficient because they more than fully cover the wholesale debt maturing within 12 months.

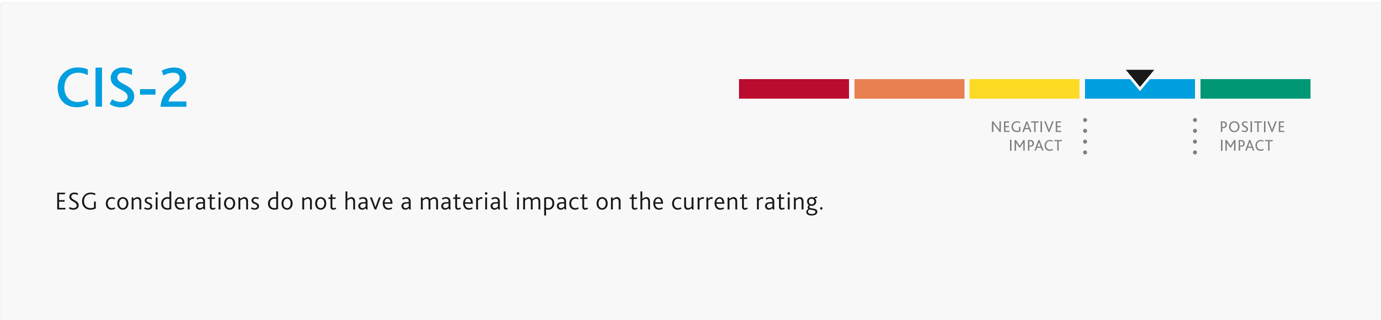
CMAF reported a good liquidity coverage ratio of 178% on average in H1 2024. The average high-quality liquid asset portfolio during the same period was high and amounted to €124 billion, 77% of which were deposits with the central banks (mainly the ECB).

The assigned Liquidity Resources score of baa1 incorporates a negative adjustment for ECB's financing 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 negative).

ESG considerations

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

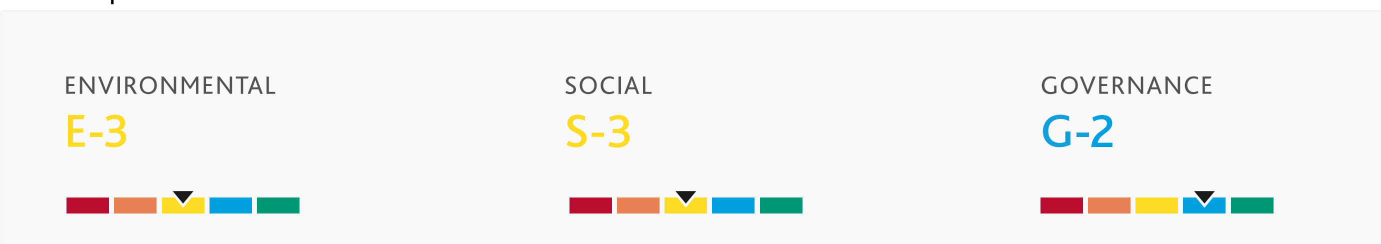
Exhibit 4
ESG credit impact score



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 faces moderate social risks mainly related to customer relations as well as to demographic and societal trends. The bank's developed policies and procedures mitigate conduct risk associated with the distribution of financial products such as regulatory and reputational risks, as well as exposure to litigation. Continued investments in technology and the bank's long track record of handling sensitive customer data, as well as appropriate culture and governance that ensure adherence to regulatory standards, help to manage high cyber and personal data risks. CIC operates mainly in France, which faces challenges from adverse demographic trends affecting long-term economic growth prospects and impacting the demand for certain banking products. Product diversity as well as an ability to adapt to consumer preferences, regulatory changes and societal trends such as digitization are key to address these 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 mechanism, 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 EU Bank Recovery and Resolution Directive, which is an operational resolution regime. We assume that a resolution, if any, would occur at the level of GCM once the said group reaches the point of non-viability. If financial difficulties occur at the CIC level, these would be addressed by GCM through affiliate support.

Our analysis incorporates our standard assumptions under our Advanced LGF.

Our Advanced LGF analysis indicates a very low loss given failure for deposits and senior unsecured debt, leading to a two-notch uplift to the Adjusted BCA. This uplift is prompted by the loss absorption provided by a combination of substantial deposit volume and subordinated instruments including 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.

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
Rating Factors

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	2.9%	a2	↔	baa1	Market risk	Single name concentration
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - fully loaded)	13.3%	a2	↓	a3		
Profitability						
Net Income / Tangible Assets	0.4%	ba1	↔	ba1		
Combined Solvency Score		a3		baa1		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	36.3%	ba2	↔	baa1	Term structure	
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	34.4%	a2	↔	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	211,984	22.9%	272,324	29.4%
Deposits	591,571	63.9%	531,231	57.4%
Preferred deposits	437,763	47.3%	415,874	44.9%
Junior deposits	153,808	16.6%	115,356	12.5%
Senior unsecured bank debt	65,937	7.1%	65,937	7.1%
Junior senior unsecured bank debt	15,874	1.7%	15,874	1.7%
Dated subordinated bank debt	12,120	1.3%	12,120	1.3%
Junior subordinated bank debt	22	0.0%	22	0.0%
Preference shares (bank)	816	0.1%	816	0.1%
Equity	27,783	3.0%	27,783	3.0%
Total Tangible Banking Assets	926,107	100.0%	926,107	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	25.7%	25.7%	25.7%	25.7%	3	3	3	3	0	aa3
Counterparty Risk Assessment	25.7%	25.7%	25.7%	25.7%	3	3	3	3	0	aa3 (cr)
Deposits	25.7%	6.1%	25.7%	13.2%	2	3	2	2	0	a1
Senior unsecured bank debt	25.7%	6.1%	13.2%	6.1%	2	1	2	2	0	a1
Dated subordinated bank debt	4.4%	3.1%	4.4%	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	Negative
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	Negative
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, Q2 2024.

3 EBA, Risk Dashboard, Q2 2024.

4 Growth and inflation converging to steady state as economic expansion persists, October 2024.

5 EBA, Risk Dashboard, Q2 2024.

6 EBA, Risk Dashboard, Q2 2024.

7 Groupe Credit Mutuel's unity is ensured by a mutual support guarantee. The cohesion of GCM's subgroups is secured by the group's central body, which mainly performs oversight because it is required by law to ensure that all group entities have sufficient liquidity and capital. GCM's entities are also mutually bound by law to ensure adequate capital and liquidity for all. Accordingly, any entity facing significant financial difficulties or a major disruption would receive support from the rest of the group as long as that entity remains part of the group.

8 EBA Risk Dashboard, Q2 2024.

9 EBA Risk Dashboard, Q2 2024.

10 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