



## Fitch Affirms Credit Industriel et Commercial at 'AA-'; Outlook Stable

 Ratings

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Fitch Ratings-London/Paris-07 January 2011: Fitch Ratings has affirmed Credit Industriel et Commercial's (CIC) ratings at Long-term Issuer Default (IDR) 'AA-', Short-term IDR 'F1+', Individual 'B/C' and Support '1'. The Outlook on the Long-term IDR is Stable. A full rating breakdown is provided at the end of this comment.

CIC's IDRs are aligned with those of Banque Federative du Credit Mutuel (BFCM), the issuing vehicle of its parent (CM10-CIC). This reflects its strong integration with and its strategic importance to CM10-CIC. The two groups have common management, IT platforms and specialised subsidiaries. The Individual rating reflects CIC's satisfactory performance, acceptable risk profile and solid capitalisation, but also the bank's dependence on the wholesale market for its funding needs. The Support rating reflects the extremely high probability of support from CM10-CIC in case of need.

Retail banking, operated solely in France, generates two-thirds of CIC's operating income and provides the bank with a solid and recurring revenue stream. CM10-CIC's corporate and investment banking (CIB) activities are carried out by CIC and represent its second core business but their size is smaller than that of other large French banks and risk appetite is low. Annualised profitability improved somewhat in H110 compared with 2009 owing to reduced impairment charges as economic conditions recovered, improving net interest margin from a protracted steep yield curve and loan and deposit growth. CIC's strategy is to continue developing its franchise by opening branches and enhancing cross-selling while CIB's investment operations increasingly focus on client-driven activities.

The inflow of new impaired loans declined in H110; impaired loans stabilised at 3.85% of the loan book and were adequately covered by reserves. Of the loan book 93% is in France. 45% is in low-risk housing loans and there is no undue sector concentration in the corporate portfolio. Although CIC carries out all CM10-CIC's investment activities, market risk is moderate and regulatory capital allocated to this activity continues to be reduced in line with CIC's low risk appetite.

Customer deposits fund 65% of CIC's loan book with the remainder being sourced from capital markets. Long-term funding and liquidity management is centralised at BFCM. Capitalisation is solid and includes EUR2bn of deeply subordinated debt subscribed to by BFCM.

CIC's main business is retail banking where it enjoys a 4% market share of French retail deposits and 7% of lending markets. It also engages in CIB, asset management, private banking and private equity.

A Special Report on Credit Mutuel group (CM) entitled 'Credit Mutuel - Structure, Solidarity Mechanisms and Rating Rationale' is available on [www.fitchratings.com](http://www.fitchratings.com). The report provides details of CM's organisational structure, identifies the largest sub-groups operating within it and explains the solidarity mechanisms running throughout the group. It also provides information regarding Fitch's rating rationale applicable to CM entities.

The rating actions are as follows:

Credit Industriel et Commercial (CIC)

Long-term IDR: affirmed at 'AA-'; Outlook Stable

Short-term IDR: affirmed at 'F1+'

Individual rating: affirmed at 'B/C'

Support rating: affirmed at '1'

Senior unsecured debt: affirmed at 'AA-'

Certificates of deposit: affirmed at 'F1+'

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Additional information is available on [www.fitchratings.com](http://www.fitchratings.com).

Applicable criteria 'Global Financial Institutions Rating Criteria', dated 16 August 2010; 'Short-term Ratings Criteria for Corporate Finance' dated 2 November 2010, are available at [www.fitchratings.com](http://www.fitchratings.com).

**Applicable Criteria and Related Research:**

Global Financial Institutions Rating Criteria

Short-Term Ratings for Corporate Finance

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