

FITCH AFFIRMS SOUTHEAST CORPORATE FCU'S IDR AT 'A+'; OUTLOOK STABLE

Fitch Ratings-New York-31 August 2011: Fitch Ratings has affirmed the 'A+' long-term Issuer Default Rating (IDR) and 'F1+' short-term IDR of Southeast Corporate Federal Credit Union (Southeast). The Rating Outlook is Stable. At this time, Fitch has also downgraded the Viability rating of Southeast to 'c' from 'ccc' based on the announcement that the company failed to recapitalize. In addition, Southeast's Viability rating of 'c', as well as its Individual rating of 'E' have been placed on Rating Watch Negative. All other ratings were affirmed. A complete list of ratings is provided at the end of this release.

Fitch's affirmation of Southeast's long-term IDR reflects that the company's IDR is currently at its Support rating Floor. In Fitch's opinion, Southeast continues to benefit from the various support mechanisms put in place to maintain liquidity in the corporate credit union system and that it is still operating with regulatory forbearance from the National Credit Union Association (NCUA) given its weak capital position.

The downgrade of the Viability rating and the placement on Negative Rating Watch reflects Fitch's concern that due to its failure to raise sufficient capital to meet new regulatory standards Southeast is at risk of regulatory intervention. The company recently announced that the capital commitments received from its members fell short of the \$80 million capital raise plan Southeast believed was necessary to meet the new capital requirements under the new NCUA corporate credit union rule and to operate as a standalone company.

Given this development, Fitch believes the probability of failure from a Viability rating perspective has increased. The Viability rating reflects the company's standalone intrinsic creditworthiness and its ability to meet its obligations absence support. However, as noted earlier, Southeast continues to benefit from significant external support, which is the reason Fitch has affirmed Southeast's long-term IDR.

Southeast is now in the process of seeking a merger partner. Fitch believes that if Southeast fails to find a merger partner, the company may be placed into conservatorship or otherwise liquidated and its operations transferred to another corporate credit union.

A resolution of the Rating Watch on both the Individual and Viability ratings will be predicated on Southeast's ability to find a merger partner. If the company is unable to find a merger partner in the next several months, the Individual and Viability ratings will be downgraded. However, should Southeast find a merger partner in the near term, Fitch would likely affirm the company's Individual and Viability ratings.

Fitch has downgraded following Southeast rating and placed it on Rating Watch Negative:

--Viability to 'c' from 'ccc'.

Fitch placed the following Southeast rating on Rating Watch Negative:

--Individual 'E'

Fitch affirms the following Southeast ratings:

--Long-term IDR at 'A+';

--Short-term IDR at 'F1+'

--Support at '1';

--Support Floor at 'A+'.

Contacts:

Primary Analyst
Rosalie Chua
Associate Director
+1-312-368-2051
Fitch, Inc.
70 West Madison
Chicago, IL 60602

Secondary Analyst
Ken Ritz
Senior Director
+1-212-908-0368

Committee Chairman
Christopher Wolfe
Managing Director
+1-212-908-0771

Media Relations: Brian Bertsch, New York, Tel: +1 212-908-0549, Email: brian.bertsch@fitchratings.com; Sandro Scenga, New York, Tel: +1 212-908-0278, Email: sandro.scenga@fitchratings.com.

Additional information is available at 'www.fitchratings.com'

Applicable Criteria and Related Research:

--'Global Financial Institutions Rating Criteria' (Aug. 16, 2011);
--'U.S. Corporate Credit Unions' (June 21, 2010).

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Global Financial Institutions Rating Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=649171

U.S. Corporate Credit Unions

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=535609

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