
Fitch Downgrades BFCM to 'A+'; Outlook Stable

Fitch Ratings-Paris/London-14 December 2011: Fitch Ratings has downgraded Banque Federative du Credit Mutuel's (BFCM, the issuing vehicle of the CM10-CIC group) Long-term Issuer Default Rating (IDR) to 'A+' from 'AA-' and simultaneously removed it from Rating Watch Negative (RWN). The Outlook on the Long-term IDR is Stable. A full list of rating actions is at the end of this comment.

The downgrade forms part of a broad review of the ratings for the largest banking institutions in the world. As is the case for a number of other highly rated banks (see 'Fitch Downgrades Five Major European Commercial Banks and Banking Groups' dated 14 December 2011 and available at www.fitchratings.com), the downgrade of BFCM's Long-term IDR is driven by the substantial changes in the banking industry and related material challenges facing many banks, particularly in Europe as highlighted by the agency in a recent special report 'European Banks and Market Turmoil' dated 20 September 2011 at www.fitchratings.com.

BFCM is the issuing vehicle for CM10-CIC, manages the group's liquidity and is also the entity through which CM10-CIC controls and coordinates its subsidiaries. Credit Industriel et Commercial (CIC) is CM10-CIC's largest subsidiary, representing around 50% and 40% of group's assets and equity, respectively. CIC's main business is domestic retail banking where it enjoys a 6% market share in loans and deposits. It runs CM10-CIC's small corporate and investment banking activities. BFCM's Long- and Short-term IDRs are aligned with CM10-CIC's and they have not been assigned a Viability Rating.

CM10-CIC's IDRs and Viability Rating are supported by the group's healthy franchise in retail banking and insurance in France, sound and resilient earnings generation, and solid capitalisation. However, they also incorporate some reliance on capital markets for funding and, as funding conditions have materially toughened, this remains one of the main challenges for the banking industry. Fitch recognises improvements have been achieved in CM10-CIC's funding profile as the share of interbank and capital markets funding has reduced and customer deposits increased. However, the longevity of the increased deposit base is still to be tested and the benefit is, in Fitch's view, offset by a notable shift in market confidence towards the overall banking sector, making access to capital markets more difficult and expensive.

Hybrid capital instruments issued by BFCM have been maintained on RWN to reflect the heightened downgrade risk associated with the pending completion of Fitch's review into how it rates bank's regulatory capital that was initiated by the exposure draft entitled 'Rating Bank Regulatory Capital Securities' published on 28 July 2011 at www.fitchratings.com.

The rating actions are as follows:

CM10-CIC

Long-term IDR: 'A+' published; Outlook Stable

Short-term IDR: 'F1+' assigned

Viability Rating: 'a+' published

Support Rating: '1' assigned

Support Rating Floor: 'A+' assigned

BFCM

Long-term IDR: downgraded to 'A+' from 'AA-'; Outlook Stable

Short-term IDR: affirmed at 'F1+'

Support Rating: affirmed at '1'

Support Rating Floor: affirmed at 'A+'

Senior Unsecured debt: downgraded to 'A+' from 'AA-' removed from RWN

Market linked notes: downgraded to 'A+(emr)' from 'AA-(emr)' removed from RWN

Lower Tier 2: downgraded to 'A' from 'A+' removed from RWN
Hybrid Capital Instruments: downgraded to 'A-' from 'A'; maintained on RWN
Commercial paper: affirmed at 'F1+'
Certificate of deposit: affirmed at 'F1+'

CIC

Long-term IDR: downgraded to 'A+' from 'AA-'; Outlook Stable
Short-term IDR: affirmed at 'F1+'
Individual Rating: affirmed at 'B/C'
Support Rating: affirmed at '1'
Senior unsecured debt: downgraded to 'A+' from 'AA-' removed from RWN
Certificates of deposit: affirmed at 'F1+'

Banque de l'Economie du Commerce et de la Monetique (BECM)
BMTN program downgraded to 'A+' from 'AA-' removed from RWN

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Additional information is available at '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 16 August 2011; 'Treatment of Hybrids in Bank Capital Analysis' dated 11 July 2011; 'Rating Hybrid Securities', dated 28 July 2011; 'Rating Criteria for European Banking Structures Backed by Mutual Support Mechanisms', dated 11 April 2011, are available at www.fitchratings.com.

Applicable Criteria and Related Research:

[Global Financial Institutions Rating Criteria](#)

[Treatment of Hybrids in Bank Capital Analysis](#)

[Rating Hybrid Securities](#)

[Rating Criteria for Banking Structures Backed by Mutual Support Mechanisms](#)

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