Corporate Credit > Europe Investment Grade

BANQUE FED CRED MUTUEL

Updated: Oct 30, 2015

Trade Idea:

- Buy

Investment Rationale:

- BFCM presents very solid fundamentals. It is part of the CM11-CIC Group (solidarity mechanism) which has a 13% market share of the French retail banking market. Strong geographic focus on France (around 74%), but small positions in Germany (Targobank), Benelux and Spain.
- The business profile is healthy, with retail banking comprising around 70% of net banking income.

  BFCM released for 1H15 a net income of EUR919m (+2.6% yoy) based on higher net banking income (+9.5% yoy; increase in NIM, net fee in retail banking, and large contributions from gains on financial instruments at fair value and AfS assets), and slightly lower risk costs (-1.6% yoy).

  In regard to the capital adequacy levels the French regulator is focusing on the parent company Groupe CM11. The CET1 ratio was estimated at a solid 14.6% (under transitional rules) and the leverage ratio at 5.9%.

  Although the spreads recently recovered nicely there seems to be some juice left.

Recommendation(s):

View	Trade Horizon	Ticker	CPN	Maturity	Ratings		CCY	Issue Size	Yield	Spread			Cash Price	ISIN
					S&P	Moody's				Entry	Target	Loss		
Outperform	12 mo	BFCM	3	05/21/2024	BBB	A3	EUR	1,000	2.32	200	175	220	105.17	XS1069549761

* Levels as of 10/30/2015