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Bulletin:

Credit Mutuel Anchors Bank Insurance Franchise In Germany Through Acquisition Of Oldenburgische Landesbank

March 21, 2025

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PARIS (S&P Global Ratings) March 21, 2025--S&P Global Ratings said today that its ratings and outlook on France-based Banque Federative du Credit Mutuel (BFCM; A+/Stable/A-1) are unchanged following Credit Mutuel Alliance Federale (CMAF) announcing an agreement with the shareholders of Germany-based Oldenburgische Landesbank AG (OLB) to acquire 100% of OLB.

BFCM is the funding arm, central organ, and substantial part of CMAF--the largest subgroup of regional federations of cooperative banks that form the Credit Mutuel group (GCM, rated entity Caisse Centrale du Credit Mutuel, A+/Stable/A-1). CMAF plans to acquire OLB via BFCM's Germany-based subsidiary Targobank Deutschland GmbH.

We think that, following this transaction, CMAF will benefit from a better franchise and will be in a favorable position to expand further its activities in Germany, its second domestic market, in line with its strategic plan 2027. While this move will increase CMAF's diversification, it does not alter our overall view of GCM's business position, given the relatively small size of OLB compared to CMAF's French operations.

OLB is a profitable universal bank with a network of 80 branches, operations throughout Germany, and a strong foothold in Lower Saxony. It serves one million customers and provides a full range of banking and insurance services to individuals and professionals. As of year-end 2024, OLB's customer loans stood at €25.4 billion, and were well balanced between retail (80% of which being mortgages, essentially in Germany) and diversified corporate lending. CMAF said that with this acquisition, Targobank will be the 10th largest bank by assets in Germany, with a consolidated 4.8 million customers and €79 billion in total assets. In 2024, OLB generated a net banking income of nearly €750 million with a low cost-to-income ratio, well below 50%, and a net income after tax of €270 million.

CMAF estimates that this move will lower its common equity tier 1 ratio by 115 basis points. This immediate impact materially reduces its buffer to absorb any potential pressure on asset quality and earnings, or growth in exposures. However, we do not expect the acquisition to alter our view of GCM's strong capitalization, which is supported by sound earnings and a conservative dividend policy owing to its cooperative structure. We continue to forecast that our risk-adjusted capital ratio before diversification for GCM will stand well above our 10% mark until 2026. We do not expect this acquisition to materially change the group's risk profile. We will monitor the execution of the transaction and the further integration of OLB.

CMAF said the completion of the transaction is expected by the first half of 2026, subject to receipt of customary regulatory approvals.

This report does not constitute a rating action.