

**ISSUER COMMENT**

26 March 2025



**RATINGS**

**Banque Federative du Credit Mutuel**

Domicile	Strasbourg, France
Long Term CRR	Aa3
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	A1
Type	Senior Unsecured - Fgn Curr
Outlook	Stable
Long Term Deposit	A1
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

**Oldenburgische Landesbank AG**

Domicile	Oldenburg, Germany
Long Term CRR	A2
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Baa1
Type	Senior Unsecured - Dom Curr
Outlook	Rating(s) Under Review
Long Term Deposit	Baa1
Type	LT Bank Deposits - Fgn Curr
Outlook	Rating(s) Under Review

Source: Moody's Rating

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# Banque Federative du Credit Mutuel

## Credit Mutuel Alliance Federale's acquisition of German bank OLB is credit positive

On 20 March, French mutualist bank Credit Mutuel Alliance Federale (CMAF), a part of Groupe Credit Mutuel, announced that it had agreed to acquire [Oldenburgische Landesbank AG](#) (OLB, Baa1/Baa1 review for upgrade, baa2<sup>1</sup>), a small but profitable universal bank in northwestern [Germany](#) (Aaa stable). The acquisition for a price we estimate at around €2 billion is subject to standard closing conditions and regulatory approvals. CMAF's German subsidiary TARGO Deutschland GmbH (TARGO) will hold OLB.

The acquisition will accelerate CMAF's business diversification in Germany without materially diminishing the bank's superior capital ratio, a credit positive. The acquisition aims to improve CMAF's coverage of Germany's retail banking market with residential mortgages and lending to small and medium-sized enterprises (SME). OLB also provides corporate lending as well as more specialised acquisition, commercial real estate, wind power, football, shipping, and fund finance. These activities will complement TARGO's activities with customer overlap likely being limited. CMAF will also aim to increase its distribution of insurance products in Germany to replicate its French bancassurance model.

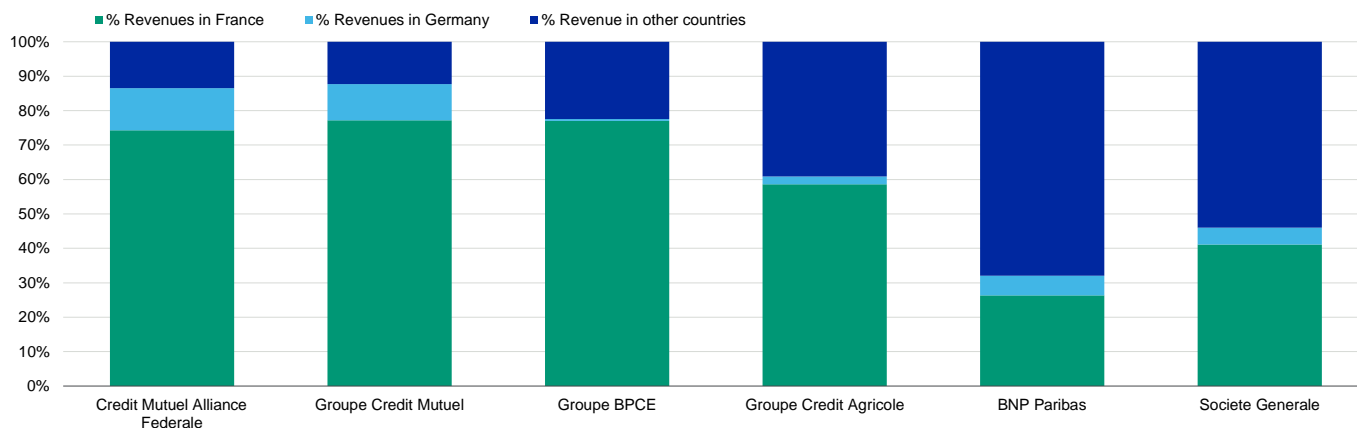
Transaction risks are limited. However, the estimated purchase price exceeds OLB's Common Equity Tier 1 (CET1) capital of €1.7 billion, which will weaken CMAF's CET1 ratio by 115 basis points to 17.6%, based on December 2024 figures. However, we expect CMAF's profitability to gradually restore the capital ratio because of its high profit retention and the solid profitability of TARGO and OLB, which each generate a reported return on assets of close to 1%. Additionally, no merger of these two German subsidiaries is considered at this stage, which reduces operational risks.

However, Germany's current growth outlook is weak as uncertainty weighs on consumption and investment, while weak external demand limits export growth. We anticipate that real GDP growth will recover only in 2026, following a modest increase of 0.3% this year. Germany's GDP decreased by 0.2% in 2024 and 0.3% in 2023. However, the 21 March [approval of a large fiscal stimulus package for public investment and military spending](#) should have positive growth effects on Germany's economy.

OLB would add close to 5% to CMAF's loans and has implemented effective cost-cutting measures under the management of its current shareholders, primarily US and UK investment funds. In 2024, OLB reported net banking income of €742 million and net profit of €270 million, achieving a return on equity of 17%.

CMAF has been expanding its operations in Germany, which accounted for around 12% of its revenues in the last two years compared with around 74% for France (see exhibit). In common with French banking peers, declining interest revenue has weakened its financial performance over the past three years. We estimate that after the acquisition of OLB, Germany will contribute around 16% to CMAF's total revenues.

Exhibit 1

**CMAF will increase its international revenue diversification****Breakdown of revenues of French banks**

For Groupe BPCE, Societe Generale and BNP Paribas data is at year-end 24; for CMAF, GCM and Groupe Credit Agricole data is as at year-end 2023.

Source: banks' annual reports

CMAF acquired the bank that became TARGO for €5.2 billion in 2008 and has since sought to expand it beyond its focus on consumer lending. In 2023, CMAF recognised a goodwill impairment of nearly €1 billion for that investment.

The OLB bolt-on acquisition by CMAF adds to the current wave of M&A in the EU banking industry in search of diversification amid expectations that interest rates will decrease. Compared with some other significant EU banking groups, the acquisition focuses on a profitable business rather than seeking an immediate sizeable effect. While there are potential revenue and expense synergies between TARGO and OLB, the group has not yet decided whether the two banks will merge, which is why having two entities that are already soundly profitable is important.

The German authorities expressed concern about the Italian bank [UniCredit S.p.A.](#)'s (Baa1/Baa1 stable, baa3) plans to acquire [Commerzbank AG](#) (A1/A2 positive, baa2) and merge it into [UniCredit Bank GmbH](#) (A2/A2 positive, baa2), raising political risks. However, we assume CMAF's acquisition presents lower risks given OLB's small size and already current foreign shareholders.

## Moody's related publications

- » Banking System Outlook – Germany, [Stable operating conditions, solid earnings shift outlook to stable from negative](#), March 2025
- » Banking System Outlook – France, [Outlook shifts to stable on recovering profitability prospects](#), March 2025

## Endnotes

<sup>1</sup> The ratings shown in this report are the banks' deposit ratings, senior unsecured ratings (where available) and Baseline Credit Assessment.

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