

RATING ACTION COMMENTARY

Fitch Affirms CM Alliance Federale and CM Arkea at 'A+'; Outlooks Stable

Wed 02 Apr, 2025 - 13:40 ET

Fitch Ratings - Paris - 02 Apr 2025: Fitch Ratings has affirmed Credit Mutuel Alliance Federale (CM Alliance Federale) and Credit Mutuel Arkea's (CM Arkea) Long-Term Issuer Default Ratings (IDRs) at 'A+' with Stable Outlooks and Viability Ratings (VRs) at 'a+'. A full list of rating actions is below.

The affirmation follows CM Alliance Federale's announcement of an agreement to acquire the German bank Oldenburgische Landesbank (OLB) through its subsidiary Targo Deutschland GmbH (Targobank). The transaction is subject to regulatory approvals and should be completed in 1H26. We expect this acquisition to be neutral for CM Alliance Federale and CM Arkea's ratings. The rating action also considers the larger-than-expected deterioration of Groupe Credit Mutuel's (Groupe CM) asset quality in 2024.

KEY RATING DRIVERS

Business Profile, Capital Drive Ratings: CM Alliance Federale and CM Arkea's ratings primarily reflect Fitch's assessment of Groupe CM's stable and profitable retail and commercial banking business model. We expect OLB's acquisition to primarily impact the group's capital and for the group's common equity Tier 1 (CET1) ratio to reduce to about 19% by end-2026, which remains commensurate with CM Alliance Federale and CM Arkea's ratings. We expect the impact on other financial metrics to be limited.

The ratings continue to reflect Groupe CM's very strong capitalisation, low risk appetite, sound but deteriorating asset quality, stable funding and conservative liquidity management (see the last rating action commentaries for additional details: [Fitch Affirms Credit Mutuel Alliance Federale at 'A+'; Outlook Stable](#) and [Fitch Affirms Credit Mutuel Arkea at 'A+'; Outlook Stable](#)).

Acquisition Slightly Increases Diversification: Groupe CM has the third-largest retail and commercial banking franchise in France. The group generates most of its revenue

domestically, but has notable diversification in Germany through CM Alliance Federale, where it is primarily active in consumer finance, leasing and factoring. OLB's acquisition should strengthen Groupe CM's German franchise and support diversification away from domestic retail banking. The transaction will broadly double Targobank's size, although it will remain modest relative to Groupe CM (around 7% of the group's total assets).

Conservative Risk Profile: Groupe CM's cooperative status supports a low risk appetite. Our assessment also considers the potential execution risks stemming from OLB's acquisition, in the context of a deteriorating economic environment in both France and Germany, as well as the recent deterioration of Groupe CM's asset quality. However, we expect Groupe CM's conservative underwriting standards and sound credit risk management will mitigate these downside risks and translate into stronger asset quality metrics over time.

Sound but Deteriorating Asset Quality: Fitch expects Groupe CM's impaired loans ratio to remain close to 3% over the next two years, above that of similarly rated European peers. Loan impairment charges materially increased in 2024, partly due to higher Stage 1 and Stage 2 provisions. We now expect them to remain at about 30bp of gross loans in 2025, slightly above French banks' average. This is mitigated by the group's satisfactory coverage by loan loss allowances and lower exposure to vulnerable corporate sectors and borrowers.

Capitalisation a Key Rating Strength: Groupe CM's very strong capitalisation underpins the ratings and compares favourably with most European banks. This is because the regional groups adopt prudent capital planning and have limited pay-outs to cooperative owners. The group's CET1 ratio of close to 20% provided an ample buffer above requirements and its leverage ratio was well above the peer average. We expect CM Alliance Federale's acquisition of OLB to have a limited impact of up to 100bp on Groupe CM's CET1 ratio in 2026, which is neutral to our assessment of the group's capitalisation.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

CM Alliance Federale and CM Arkea retain sufficient rating headroom to potentially withstand a one-notch downgrade of the French sovereign to 'A+' or a negative revision of the operating environment score for French banks to 'a+' from 'aa-'.

However, their ratings could come under pressure if the economic environment deteriorated more significantly than we expect, for instance, due to a larger than

anticipated effect of a more restrictive fiscal policy, or structurally higher risks from the already high private-sector debt. Rating pressure would arise if Groupe CM's impaired loans ratio increases materially above 3% without a clear path to reduction, and its operating profit deteriorates sustainably to below 1.5% of risk-weighted assets (RWAs), and the CET1 ratio falls towards 17% without sufficient remedial actions.

CM Alliance Federale and CM Arkea's ratings would also be sensitive to a downgrade of the French sovereign by more than one notch, as the ratings would be capped at the level of the sovereign, all else being equal.

Although not expected, a material increase in risk appetite, stemming for instance from OLB's acquisition, or leading to outsized and uncontrolled expansion in volatile businesses or geographies and less conservative capital management, could also put pressure on CM Alliance Federale and CM Arkea's ratings. Evidence of weaker risk controls or looser credit risk management at a time when there are rising downside risks in France could also be negative.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

An upgrade is unlikely given the Negative Outlook on the French sovereign and the negative trend on the operating environment score. Over the medium term, and with a stabilisation of the operating environment at the current level, the ratings could be upgraded if Groupe CM strengthens its franchise, as well as its geographic and business diversification, improves its operating profit/RWAs ratio towards 3%, while maintaining a conservative risk appetite and very strong capitalisation. An improvement in the impaired loans ratio towards 1% would also be rating positive.

OTHER DEBT AND ISSUER RATINGS: KEY RATING DRIVERS

Fitch has affirmed BFCM and CIC's Long-Term IDRs and VRs, CM Alliance Federale, BFCM and CIC's Short-Term IDRs and Government Support Ratings (GSRs), as well as BFCM and CIC's senior preferred debt and deposit ratings, and BFCM's derivative counterparty, senior non-preferred debt, subordinated debt and junior subordinated debt ratings.

Fitch has affirmed CM Arkea S.A.C.C.V.'s Long-Term IDR, CM Arkea and CM Arkea S.A.C.C.V.'s Short-Term IDRs and CM Arkea's GSR, as well as CM Arkea S.A.C.C.V.'s senior preferred debt, deposit, senior non-preferred debt and subordinated debt ratings.

The rationale outlined in the previous rating action commentaries on CM Alliance Federale and CM Arkea remains applicable.

OTHER DEBT AND ISSUER RATINGS: RATING SENSITIVITIES

See the previous rating action commentaries ([Fitch Affirms Credit Mutuel Alliance Federale at 'A+'; Outlook Stable](#), [Fitch Affirms Credit Mutuel Arkea at 'A+'; Outlook Stable](#)).

VR ADJUSTMENTS

CM Arkea's implied VR key rating drivers are derived from Groupe CM's consolidated accounts.

Sources of Information

The principal sources of information used in the analysis are described in the Applicable Criteria.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

RATING ACTIONS

ENTITY / DEBT ⇅	RATING ⇅			PRIOR ⇅
Credit Mutuel Alliance Federale	LT IDR	A+	Affirmed	A+
	ST IDR	F1	Affirmed	F1

	Viability	a+	Affirmed	a+
	Government Support	ns	Affirmed	ns
Credit Mutuel Arkea	LT IDR	A+	Affirmed	A+
	ST IDR	F1	Affirmed	F1
	Viability	a+	Affirmed	a+
	Government Support	ns	Affirmed	ns
Banque Federative du Credit Mutuel S.A.	LT IDR	A+	Affirmed	A+
	ST IDR	F1	Affirmed	F1

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APPLICABLE CRITERIA

[Bank Rating Criteria \(pub. 21 Mar 2025\) \(including rating assumption sensitivity\)](#)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Credit Industriel et Commercial S.A.	EU Issued, UK Endorsed
Credit Mutuel Alliance Federale	EU Issued, UK Endorsed
Credit Mutuel Arkea	EU Issued, UK Endorsed
Credit Mutuel Arkea S.A.C.C.V.	EU Issued, UK Endorsed

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