FitchRatings

Banks
Universal Commercial Banks
France

Credit Mutuel Alliance Federale

Update

Key Rating Drivers

Business Profile, Capital Drive Ratings: Credit Mutuel Alliance Federale's (CM Alliance Federale) ratings primarily reflect Fitch Ratings' assessment of Groupe Credit Mutuel's (Groupe CM) stable and profitable retail and commercial banking business model. The group leverages on strong franchises in bancassurance in France and in consumer finance. The ratings factor in Groupe CM's sound but deteriorating asset quality, low risk appetite, very strong capitalisation compared with most European peers, stable funding and conservative liquidity.

Leading Bancassurer in France: Groupe CM has the third-largest retail and commercial banking franchise in France and well-established market positions in insurance and consumer finance. The group generates most of its revenue domestically. The strategy is well articulated, conservative and has credible long-term goals.

Conservative Risk Profile: Groupe CM's cooperative status supports a low risk appetite and conservative underwriting standards in key lending products across the group. Regional groups have lower exposure to traded market risks than other large French banks. Similar to other French banks, Groupe CM has high exposure to structural interest rate risks, but these risks are managed conservatively by the main regional groups.

Sound but Deteriorating Asset Quality: We expect Groupe CM's impaired loans ratio to remain close to 3% over the next two years, marginally above that of similarly rated European peers. However, this is mitigated by the group's satisfactory coverage by loan loss allowances and lower exposure to vulnerable corporate sectors and borrowers. Groupe CM's loan impairment charges (LICs) increased by more than we expected in 2024. We now forecast LICs at about 30bp of gross loans in 2025–2026, in line with the European banks' average.

Profitability Lags Peers, Good Efficiency: Groupe CM has a sound and consistent profitability record, aided by the group's business diversification. However, we forecast its operating profit/risk-weighted assets (RWAs) ratio to only reach 2% in 2025, due to the slow recovery in interest margins in France, reduced private equity gains, rising LICs and an increasing cost base. Groupe CM is more decentralised than French peers but has sound cost efficiency, in particular at CM Alliance Federale (2024: 56%).

Very Strong Capitalisation: The group'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 payouts to cooperative owners. Groupe CM's common equity Tier 1 (CET1) ratio of close to 20% provided an ample buffer above requirements and its leverage ratio was well above the peer average.

Stable Funding, Conservative Liquidity: Groupe CM has a large and stable deposit base, mainly from its local retail banking networks in France, although its loans/deposits ratio is structurally slightly higher than large French peers'. Liquidity is managed conservatively by the main regional groups, and the group's sound buffer of high-quality liquid assets comfortably covers short-term funding and long-term debt falling due in the next 12 months.

Ratings

Foreign Currency	
Long-Term IDR	A+
Short-Term IDR	F1
Viability Rating	a+
Government Support Rating	ns
Sovereign Risk (France)	
Long-Term Foreign-Currency IDR	AA-
Long-Term Local-Currency IDR	AA-
Country Ceiling	AAA
Outlooks	
Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Negative
Sovereign Long-Term Local-Currency IDR	Negative

Highest ESG Relevance Scores

Environmental	2
Social	3
Governance	3

Applicable Criteria

Bank Rating Criteria (March 2025)

Related Research

Large European Banks Resilient Amid Weaker Macroeconomic Outlook (May 2025)

Fitch Affirms CM Alliance Federale and CM Arkea at 'A+'; Outlooks Stable (April 2025)

Global Economic Outlook - Update (April 2025)

Livret A Rate Cut to Boost French Bank Profits (January 2025)

Large French Banks' Debt Ratings Supported by Strong Buffers (January 2025)

Large French Banks Maintain Strategic Direction Amid Leadership Changes (November 2024)

French Banks' Profitability to Lag European Peers' Until Late 2025 (August 2024)

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Rating Sensitivities

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

CM Alliance Federale retains 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, its 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 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, its operating profit deteriorates sustainably to below 1.5% of RWAs, and the CET1 ratio falls towards 17% without sufficient remedial actions.

CM Alliance Federale'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'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 rating 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 score at the current level, the ratings could be upgraded if Groupe CM strengthens its franchise, as well as its geographical and business diversification, and improves its operating profit/RWAs ratio towards 3% while maintaining a low 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

Rating Level	Rating
Banque Federative du Credit Mutuel S.A. (BFCM)	
Issuer Default Ratings	A+/F1
Viability Rating	a+
Government Support Rating	ns
Derivative Counterparty Rating	AA-(dcr)
Deposits	AA-/F1+
Senior preferred debt	AA-/F1+
Senior non-preferred debt	A+
Subordinated Tier 2 debt	A-
Legacy Tier 1 debt	BBB
Credit Industriel et Commercial S.A. (CIC)	
Issuer Default Ratings	A+/F1
Viability Rating	a+
Government Support Rating	ns
Deposits	AA-/F1+
Senior preferred debt	AA-/F1+

Source: Fitch Ratings

Short-Term Issuer Default Ratings

CM Alliance Federale's 'a+' score for funding and liquidity results in Short-Term Issuer Default Ratings (IDRs) of 'F1' for CM Alliance Federale, BFCM and CIC, which is the lower of the two possible Short-Term IDRs mapping to an 'A+' Long-Term IDR.

Senior Debt, Deposits and Derivative Counterparty Ratings

The total minimum requirement for own funds and eligible liabilities (MREL) is set at the level of Groupe CM and was 25.83% of RWAs at end-2024. This is based on Groupe CM's publicly disclosed MREL of 21.92%, which excludes the combined buffer requirement, and Groupe CM's combined buffer requirement of 3.91% at end-2024. As Groupe CM does not have a central debt-issuance entity, CM's regional groups, including CM Alliance Federale, need to have sufficient own funds and to issue eligible liabilities to ensure that the group complies with its MREL. We expect Groupe CM will continue to meet MREL without recourse to senior preferred debt. We estimate Groupe CM's total capital and buffer of senior non-preferred debt at 28.5%–29% at end-2024, and we expect it to remain sustainably at or above this level.

BFCM's and CIC's long-term deposits and senior preferred debt ratings are one notch above CM Alliance Federale's Long-Term IDR to reflect the protection that would accrue to their depositors and senior preferred creditors in a resolution from the sizeable equity and more junior debt buffers available within Groupe CM. For the same reasons, we rate BFCM's senior non-preferred long-term debt in line with its Long-Term IDR.

BFCM and CIC's 'F1+' short-term deposit and senior preferred debt ratings are the only options mapping to their 'AA-' long-term ratings. BFCM's Derivative Counterparty Rating (DCR) of 'AA-(dcr)' is in line with its equally ranking senior preferred debt and deposits.

Subordinated and Junior Subordinated Debt Ratings

We rate BFCM's subordinated Tier 2 debt two notches below CM Alliance Federale's Viability Rating (VR) for loss severity as we expect poor recoveries for this type of debt in a bank failure or resolution. Deeply subordinated legacy Tier 1 securities are rated four notches below CM Alliance Federale's VR to reflect the high loss severity risk of these securities (two notches from the VR), and a higher risk of non-performance (an additional two notches) relative to CM Alliance Federale's VR.

Significant Changes from Last Review

Resilient Performance Despite Pressures on Margins and Asset Quality

CM Alliance Federale had an adequate performance in 2024, albeit weaker than similarly rated French and European peers. The operating profit/RWAs ratio was about 1.7%, which is materially lower than the cyclically high European average of close to 3% and slightly below CM Alliance Federale's long-term historical average. CM Alliance Federale's diverse business model has contributed to resilient results despite domestic margin pressure and higher LICs.

Revenue rose by 3% yoy, with sustained growth in insurance, corporate banking and consumer finance. This more than offset persisting weakness in French retail banking, mainly because of net interest income pressure. We expect revenue in French retail to gradually recover throughout 2025 and 2026. A gradual decline in policy rates should support French banks' net interest margins through reduced funding costs and a potential recovery in credit volumes.

CM Alliance Federale's cost/income ratio (2024: 56%) remains the lowest of all large French banks. This is despite some revenue pressure in domestic retail and sustained cost inflation. Cost inflation is higher than at domestic peers, mainly due to higher staff costs, IT investments and contributions to the bank's social dividend.

Asset quality remains sound but weakened more than at domestic peers in 2024. The stock of impaired loans has risen by close to EUR2 billion from end-2023 (up 13% yoy), leading to an increase in the impaired loans ratio of more than 30bp to 3.2%, which however remained broadly consistent with our initial forecasts. Pressure from exposure to SMEs and consumer loans increased more than at some domestic peers, and comes in addition to some large corporate defaults, which also affected peers. The LICs/gross loans ratio therefore reached a relatively high 38bp in 2024.

Capital remains a rating strength, with a CET1 ratio of 18.8% at end-2024 (up 30bp yoy).

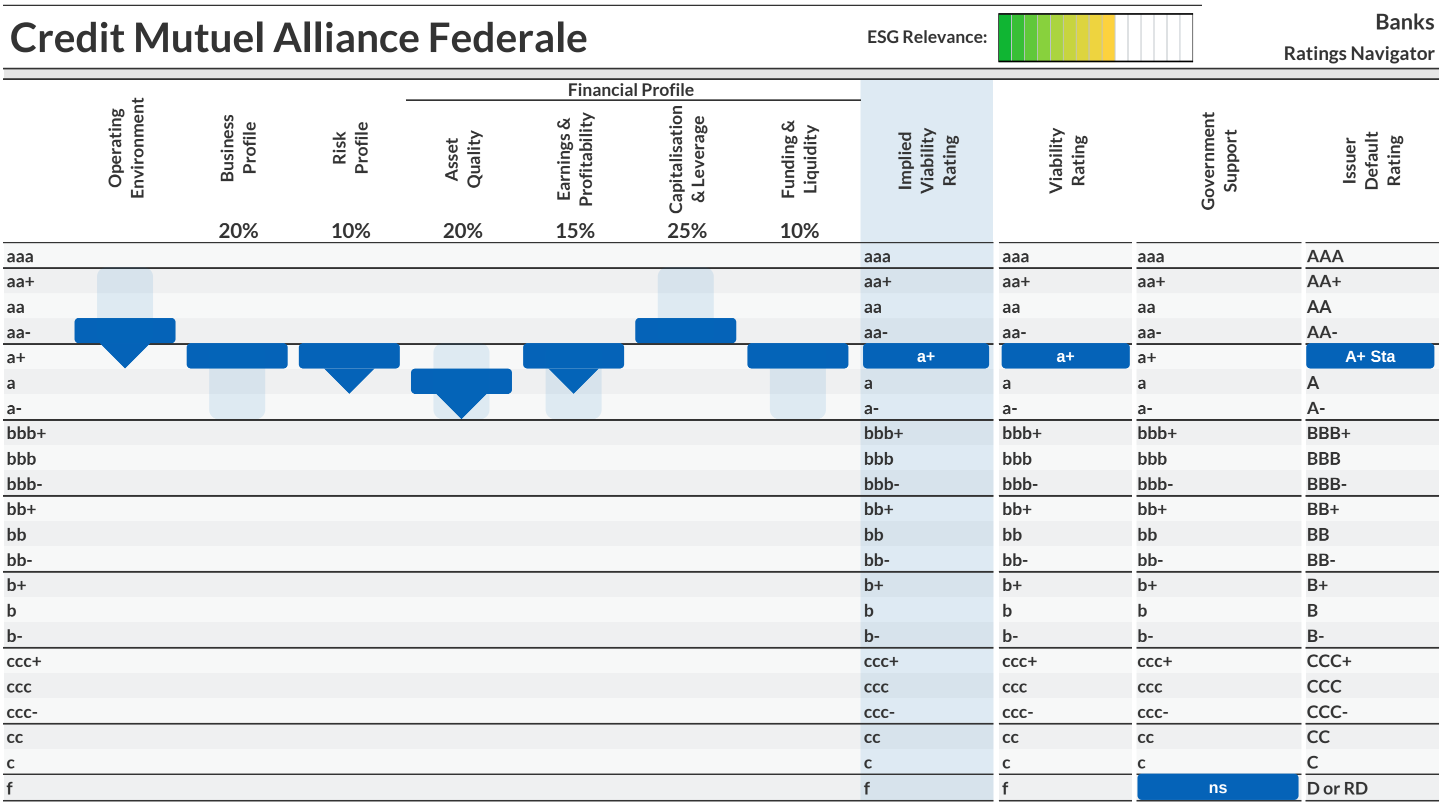
OLB Acquisition to Broaden Presence in the Highly Competitive German Market

CM Alliance Federale announced the acquisition of German bank Oldenburgische Landesbank (OLB) in March 2025 from a consortium of three large investment firms that has owned OLB since 2013. This acquisition will be carried out by Targobank, the entity that consolidates CM Alliance Federale's activities in Germany.

The transaction is expected to be finalised in 1H26, and the two banks will together form the 10th largest bank in Germany by total assets (about EUR80 billion). Germany accounted for 13% of CM Alliance Federale's operating income in 2024. The integration of OLB will slightly support the geographical diversification of CM Alliance Federale's business model. We estimate the share of revenue generated in Germany could rise to about 17% in 2027.

OLB has better asset-quality and profitability metrics than CM Alliance Federale, but we do not expect OLB's integration to have a material impact on the bank's financial metrics, except for its capital ratios. The impact of the transaction on CM Alliance Federale's CET1 ratio is estimated by the bank at a relatively sizeable 115bp. This does not affect our assessment of the bank's capitalisation, given that its ample buffer over regulatory requirements (about 10pp) is one of the largest among European banks.

Ratings Navigator



The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

VR - Adjustments to Key Rating Drivers

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

Other

Decentralised Cooperative Banking Group

Fitch rates CM Alliance Federale as a core part of Groupe CM. CM Alliance Federale is about 80% of Groupe CM's assets, while CM Arkea is over 15%. Fitch believes the solidarity mechanism binding all affiliated CM entities is cohesive enough to equalise their default risk. This is supported by a legally established and effective support mechanism, as the central body can access the group's resources to support its affiliated members.

In addition, CM Arkea's decision to abandon its independence project has strengthened the group's cohesion.

Groupe CM publishes consolidated audited accounts, is supervised as a group, and is assigned consolidated resolution debt requirements. There is a common risk framework and overarching risk supervision from the central body, which can prevent affiliated banks from taking on excessive risks. That said, regional groups run independent risk functions and strategies.

Fitch assigns a group VR to CM Alliance Federale and its subsidiaries, BFCM and CIC, which are core banks for Groupe CM. This is because the two subsidiaries are large and highly integrated domestic banks. Their credit profiles cannot be disentangled from those of CM Alliance Federale and Groupe CM, and Fitch views their failure risk as substantially the same as that of the group as a whole. As a result of the above, the IDRs of BFCM and CIC are equalised with those of CM Alliance Federale.

Financials

Financial Statements

	31 Dec 24		31 Dec 23	31 Dec 22	31 Dec 21
	Year end	Year end	Year end	Year end	Year end
	(USDm)	(EURm)	(EURm)	(EURm)	(EURm)
	Unaudited	Unaudited	Audited - unqualified	Audited - unqualified	Audited - unqualified
Summary income statement					
Net interest and dividend income	9,156	8,810	8,524	8,027	7,158
Net fees and commissions	4,996	4,807	4,585	4,531	4,098
Other operating income	3,135	3,016	2,977	4,783	4,649
Total operating income	17,287	16,633	16,086	17,341	15,905
Operating costs	9,623	9,259	9,174	10,328	9,137
Pre-impairment operating profit	7,664	7,374	6,912	7,013	6,768
Loan and other impairment charges	2,152	2,071	1,296	768	699
Operating profit	5,511	5,303	5,616	6,245	6,069
Other non-operating items (net)	23	22	45	-1,186	-838
Tax	1,248	1,201	1,546	1,557	1,704
Net income	4,286	4,124	4,115	3,502	3,527
Other comprehensive income	18	17	321	-2,197	164
Fitch comprehensive income	4,304	4,141	4,436	1,305	3,691
Summary balance sheet					
Assets					
Gross loans	559,407	538,254	530,609	510,464	452,954
- Of which impaired	17,787	17,114	15,133	13,180	11,723
Loan loss allowances	11,588	11,150	10,103	9,571	9,195
Net loans	547,819	527,104	520,506	500,893	443,759
Interbank	71,201	68,509	64,932	55,696	59,277
Derivatives	6,972	6,708	5,073	4,191	6,130
Other securities and earning assets	231,126	222,386	205,019	186,796	193,221
Total earning assets	857,118	824,707	795,530	747,576	702,387
Cash and due from banks	90,015	86,611	97,504	111,929	121,181
Other assets	21,712	20,891	20,496	25,582	20,338
Total assets	968,845	932,209	913,530	885,087	843,906
Liabilities					
Customer deposits	501,922	482,942	481,157	456,995	425,183
Interbank and other short-term funding	117,102	112,674	106,316	129,030	128,475
Other long-term funding	119,348	114,835	116,432	88,443	80,457
Trading liabilities and derivatives	10,084	9,703	8,752	11,357	7,360
Total funding and derivatives	748,456	720,154	712,657	685,825	641,475
Other liabilities	151,086	145,373	137,879	141,899	148,198
Preference shares and hybrid capital	659	634	615	615	1,022
Total equity	68,644	66,048	62,379	56,748	53,211
Total liabilities and equity	968,845	932,209	913,530	885,087	843,906
Exchange rate		USD1 = EUR0.962186	USD1 = EUR0.912742	USD1 = EUR0.937559	USD1 = EUR0.884173

Source: Fitch Ratings, Fitch Solutions, Credit Mutuel Alliance Federale

Key Ratios

(%)	31 Dec 24	31 Dec 23	31 Dec 22	31 Dec 21
Profitability				
Operating profit/risk-weighted assets	1.7	1.9	2.2	2.5
Net interest income/average earning assets	1.1	1.1	1.1	1.0
Non-interest expense/gross revenue	55.7	57.1	59.6	57.4
Net income/average equity	6.4	6.9	6.3	6.9
Asset quality				
Impaired loans ratio	3.2	2.9	2.6	2.6
Growth in gross loans	1.4	4.0	12.7	5.8
Loan loss allowances/impaired loans	65.2	66.8	72.6	78.4
Loan impairment charges/average gross loans	0.4	0.2	0.2	0.2
Capitalisation				
Common equity Tier 1 ratio	18.8	18.5	18.2	18.8
Tangible common equity/tangible assets	6.7	6.5	5.8	5.9
Basel leverage ratio	7.4	7.1	6.6	7.6
Net impaired loans/common equity Tier 1 capital	10.1	9.0	7.1	5.5
Funding and liquidity				
Gross loans/customer deposits	111.5	110.3	111.7	106.5
Liquidity coverage ratio	177.0	150.0	144.0	182.0
Customer deposits/total non-equity funding	67.1	68.2	67.5	66.8
Net stable funding ratio	116.7	115.1	116.1	125.6

Source: Fitch Ratings, Fitch Solutions, Credit Mutuel Alliance Federale

Support Assessment

Commercial Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	a or a-
Actual jurisdiction D-SIB GSR	ns
Government Support Rating	ns
Government ability to support D-SIBs	
Sovereign Rating	AA-/ Negative
Size of banking system	Negative
Structure of banking system	Negative
Sovereign financial flexibility (for rating level)	Neutral
Government propensity to support D-SIBs	
Resolution legislation	Negative
Support stance	Neutral
Government propensity to support bank	
Systemic importance	Neutral
Liability structure	Neutral
Ownership	Neutral

The colours indicate the weighting of each KRD in the assessment.
Higher influence Moderate influence Lower influence

No Reliance on Sovereign Support

CM Alliance Federale, BFCM and CIC's Government Support Ratings of 'no support' (ns) reflect Fitch's view that, although possible, sovereign support cannot be relied on. Legislative, regulatory and policy initiatives, including the implementation of the EU's Bank Recovery and Resolution Directive, have substantially reduced the likelihood of sovereign support for EU commercial banks in general, in Fitch's view. This implies that senior creditors are likely to be required to participate in losses, if necessary, instead of the bank receiving sovereign support, despite Groupe CM's systemic importance.

Environmental, Social and Governance Considerations

FitchRatings **Credit Mutuel Alliance Federale**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Credit Mutuel Alliance Federale has 5 ESG potential rating drivers

- Credit Mutuel Alliance Federale has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			ESG Relevance to Credit Rating
key driver	0	issues	5
driver	0	issues	4
potential driver	5	issues	3
not a rating driver	4	issues	2
	5	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2
				1

How to Read This Page
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact.h scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

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.

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

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