

ISSUER COMMENT

27 January 2021



Contacts

Guillaume Lucien-Baugas +33.1.5330.3350
 VP-Senior Analyst
 guillaume.lucien-baugas@moodys.com

Yana Ruvinskaya +33.1.53.30.33.93
 Associate Analyst
 yana.ruvinskaya@moodys.com

Alain Laurin +33.1.5330.1059
 Associate Managing Director
 alain.laurin@moodys.com

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Credit Mutuel Alliance Federale

Integration of Credit Mutuel Nord Europe consolidates Credit Mutuel Alliance Federale's leadership

Summary

On 16 January, the regional federation of Credit Mutuel Nord Europe (CMNE) announced that it will join Credit Mutuel Alliance Federale¹, the largest regional subgroup of French mutualist Groupe Credit Mutuel (GCM). The decision is credit positive for Credit Mutuel Alliance Federale as it increases its scale, geographic footprint and capitalisation. CMNE's decision to become member of Credit Mutuel Alliance Federale occurs at a time when the operating environment becomes more challenging for all banks in Europe, in particular small and mid-sized banks, which are eager to enter into business combinations.

The regional federation CMNE represented 3% of assets of the overall GCM at year-end 2019. Its adhesion will add around €28 billion of assets to the €784 billion of subgroup Credit Mutuel Alliance Federale², which will then represent approximately 87% of total group assets. CMNE will be the 14th federation to join Credit Mutuel Alliance Federale out of GCM's 18 federations. CMNE will join Credit Mutuel Alliance Federale on 1 January 2022, after the approval from local banks' mutual shareholders and supervisory authorities' clearance have been obtained. CMNE's decision comes after the same move was initiated by the federations of Antilles-Guyane and Massif Central on 1 January 2020. Two federations remains independent, Maine Anjou and Ocean, while two other federations namely Bretagne and Sud Ouest which are jointly operating under the umbrella of [Credit Mutuel Arkea](#) (Aa3/Aa3 negative, baa1) are eager to exit Group Credit Mutuel and pursue an independent strategy.

CMNE is active in retail banking and insurance in seven departments in Northern France and operates the Belgian bank Beobank with a physical network of 223 branches in this country. It owns the asset manager La Française, which reported €69 billion of assets under management at year-end 2019. CMNE reported a Common Equity Tier 1 (CET1) of €2.8 billion as of year-end 2019, which represented 3% of GCM's total CET1. Its CET1 ratio of 18.6% was above the one reported by Credit Mutuel Alliance Federale of 17.3% at year-end 2019 (17.1% at end-June 2020), suggesting that the transaction could result in a slightly positive evolution of the CET1 ratio for Credit Mutuel Alliance Federale.

CMNE's decision points to the need for some small banks to join forces with larger entities at a time when all banks' profitability is under pressure in the context of low interest rates. Large investments needed in digitalisation and the regulatory burden also add to the challenges currently being faced by small regional banks. The consolidation within GCM will reinforce Credit Mutuel Alliance Federale's leadership.

Endnotes

- ¹ Credit Mutuel Alliance Federale issues debt through its subsidiary [Banque Federative du Credit Mutuel](#) (Aa3/Aa3 stable, a3: the ratings shown are Banque Federative's du Credit Mutuel's deposit rating, senior unsecured debt rating and Baseline Credit Assessment), which is also the holding company of Credit Mutuel Alliance Federale's operating subsidiaries.
- ² Total assets of Credit Mutuel Alliance Federale at end-June 2020, including the assets of the federations of Antilles-Guyane and Massif Central.

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