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Fitch Affirms Credit Mutuel Home Loan SFH's OFH at 'AAA'; Outlook Stable

Fitch Ratings - Madrid - 20 Aug 2024: Fitch Ratings has affirmed Credit Mutuel Home Loan SFH's (CM HL SFH) obligations de financement de l'habitat (OFH) at 'AAA' with a Stable Outlook. The affirmation follows Fitch's periodic review of the programme.

KEY RATING DRIVERS

Uplifts Above Reference IDR: The OFH's 'AAA' rating is based on Banque Federative du Credit Mutuel S.A.'s (BFCM) Long-Term Issuer Default Rating (IDR; A+/Stable), which is the reference IDR for the programme, the various uplifts above the reference IDR and the over-collateralisation (OC) providing more protection than Fitch's 'AAA' break-even OC level.

The OFH are rated four notches above the reference IDR. This is out of a maximum achievable rating uplift of 10 notches, consisting of a resolution uplift of two notches, a payment continuity uplift (PCU) of six notches and a recovery uplift of two notches. The Stable Outlook on the OFH reflects a six-notch buffer against a downgrade of the reference IDR.

Large OC: Fitch relies on the committed asset percentage (AP) of 74.9%. This provides more protection than the 95.5% 'AAA' breakeven AP.

'AAA' Breakeven AP Maintained: The break-even AP for the rating has been maintained at 95.5% (4.7% OC equivalent). It corresponds to the level of OC offsetting the credit loss in a 'AAA' stress scenario. The OFH 'AAA' rating can be achieved without using any notches of PCU, hence no ALM loss is modelled for this programme.

Two-Notch Resolution Uplift: The resolution uplift reflects that secured loans extended by the SFH to its parent bank are exempt from bail-in, that Fitch deems the risk of under-collateralisation at the point of resolution as sufficiently low, and that a resolution of the parent bank, should it happen, is not likely to result in the direct enforcement of the recourse against the cover pool. The two-notch uplift further reflects that BFCM's rating is driven by its Viability Rating.

Increased PCU: The PCU has been increased to six notches from four, as the share of hard-bullet bonds (0.3%), which have a weaker liquidity protection than soft-bullet bonds, has become immaterial. The six-notch PCU reflects the principal liquidity protection provided by the 12-month maturity extension of the soft-bullet bonds and the intention of the SFH to issue only soft-bullet bonds. A pre-maturity reserve also provides liquidity protection for senior costs and interest payments due over the following three months in outstanding OFH.

Two-Notch Recovery Uplift: The recovery uplift for the programme is two notches, as the OFH's timely rating payment level is in the investment-grade range and no material downside risk to recoveries has been identified. Both notches are used in the analysis as the AP relied upon covers the 'AAA' credit loss.

Strong Credit Quality Pool: The 'AAA' credit loss has been maintained at 4.5%. When determining the weighted-average foreclosure frequency (WAFF), Fitch applied an originator adjustment of 1.0x, a guaranteed loan adjustment of 0.6x and a mortgage loan adjustment of 1.4x. Fitch has carried forward the results of the previous asset analysis in accordance with its Covered Bond Rating Criteria, given the large OC cushion and the stable portfolio characteristics.

RATING SENSITIVITIES

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

The OFH are rated 'AAA', which is the highest level on Fitch's scale and cannot be upgraded.

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

The OFH rating would be vulnerable to a downgrade if BFCM's IDR was downgraded by seven or more notches to 'BB' or below, or if the relied upon AP provided less protection than Fitch's 'AAA' breakeven AP.

Fitch's 'AAA' break-even AP would decrease in the event of an IDR downgrade. If the IDR was downgraded by one notch to 'A', Fitch would test cash flows for timely payment. This usually absorbs more OC than in a recovery given default analysis, as recovery expectations are not tied to a particular time horizon.

Fitch's break-even AP for the covered bond rating will be affected, among other factors, by the composition and credit quality of the cover pool, which may change over time due to the dynamic nature of the portfolio, even in the absence of new issuance. Therefore, the break-even AP to maintain the covered bond's rating cannot be assumed to remain stable over time.

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>.

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Rating Actions

ENTITY/DEBT	RATING	RECOVERY	PRIOR
Credit Mutuel Home Loan SFH			
• senior secured, Mortgage Covered Bonds, LT Obligations de Financement	AAA 	Affirmed	AAA 

ENTITY/DEBT	RATING	RECOVERY	PRIOR
de l Habitat			

RATINGS KEY OUTLOOK WATCH

POSITIVE	⊕	◊
NEGATIVE	⊖	◊
EVOLVING	⊕	◆
STABLE	⊙	

Applicable Criteria

[Bank Rating Criteria \(pub.15 Mar 2024\) \(including rating assumption sensitivity\)](#)

[Covered Bonds Rating Criteria \(pub.06 Aug 2024\) \(including rating assumption sensitivity\)](#)

[European RMBS Rating Criteria \(pub.21 Jun 2023\) \(including rating assumption sensitivity\)](#)

[Structured Finance and Covered Bonds Counterparty Rating Criteria \(pub.28 Nov 2023\)](#)

[Structured Finance and Covered Bonds Counterparty Rating Criteria: Derivative Addendum \(pub.28 Nov 2023\)](#)

[Structured Finance and Covered Bonds Country Risk Rating Criteria \(pub.20 Jun 2024\)](#)

[Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria \(pub.05 Apr 2024\)](#)

Applicable Models

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Covered Bonds Cash Flow Model, v2.1.7 [\(1\)](#)

Additional Disclosures

Solicitation Status

Endorsement Status

Credit Mutuel Home Loan SFH EU Issued, UK Endorsed

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