

Research Update:

DRAFT: Credit Municipal de Paris Ratings Lowered To 'A+/A-1' Following Similar Rating Action On City of Paris; Outlook Stable

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CreditWire Vendor Headline (62 characters max) S&PGR Downgrades Credit Municipal de Paris To 'A+/A-1'

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Overview

- On June 7, 2024, we lowered our long-term issuer credit rating on the City of Paris, the sole owner of Credit Municipal de Paris (CMP) to 'AA-' from 'AA'.
- We consider that CMP continues to benefit from an extremely high likelihood of extraordinary support from Paris, if needed, and we now include six notches of support above its stand-alone credit profile (SACP) in the issuer credit rating.
- We therefore lowered our long- and short-term ratings on CMP to 'A+/A-1'.
- The stable outlook mirrors that on Paris.

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Rating Action

On June XX, 2024, S&P Global Ratings lowered its long- and short-term issuer credit ratings on Credit Municipal de Paris (CMP) to 'A+/A-1' from 'AA-/A-1+'. The outlook is stable.

Rationale

The downgrade on CMP follows our rating action on city of Paris. We revised our long-term issuer credit rating on city of Paris to 'AA-' from 'AA' following a similar rating action on France (see "Paris RU" published June 7, 2024, on RatingsDirect). We continue to see CMP as a government-related entity benefitting from an extremely high likelihood of extraordinary support from Paris in times of stress. However, the city's weakened ability to support CMP prompts us to reduce the rating uplift to six notches from seven above our 'bb+' stand-alone credit profile (SACP) for CMP. This leads to an 'A+' rating on the bank.

We expect CMP to maintain its very important role and integral link with Paris. In our opinion, CMP has an integral link with Paris as a 100% public sector-owned financial institution with the city being its sole owner. We expect CMP to benefit from the owner's strong commitment of support and tight supervision. Furthermore, we consider CMP to play a very important role for the city as a historical player in social and solidarity finance in the Paris region of Ile de France. We expect CMP to improve its coordination with the city in social and solidarity finance initiatives in the Paris region, for example, by expanding its offer of free budget support services to Parisians experiencing financial difficulties.

Our view on CMP's intrinsic creditworthiness is unchanged. The downgrade of Paris did not affect CMP's SACP that remains at 'bb+'. In our opinion, the bank's concentrated revenue on its pawnbroking activity in the Paris region, modest profitability, non-financial risks, and risks from its securities portfolio, as well as high share of market funding, are constraining its intrinsic creditworthiness. We think CMP's risk-adjusted capital (RAC) ratio will remain its key credit strength over the next two years with the RAC ratio at 30% at end-2023 compared with 26.2% in 2022. Capital build-up through earnings retention should compensate the increase in credit risk exposures, thereby supporting its stability. We project the cost of risk will remain low, thanks to the collateralized nature of pawnbroking loans as well as the partial guarantee on auctioneer's collateral valuation (8 basis points in 2023). We expect CMP to continue having an adequate liquidity position reflected in its regulatory liquidity coverage ratio of 191% and S&P Global Ratings' liquidity ratio at about 1.0x in 2023.

Outlook

Our stable outlook on CMP mirrors that on Paris. We expect CMP will continue to benefit from an extremely high likelihood of support from its owner over the next two years.

Downside scenario

We could lower our rating on CMP if we downgraded Paris. We could also take a negative rating action if CMP's role for or link with its owner weakens or in the case of a multi-notch downward revision of CMP's SACP.

Upside scenario

An upgrade could result from a similar action on Paris while our view of the extremely high likelihood of extraordinary support remains unchanged.

Ratings Score Snapshot

	To	From
Issuer Credit Rating	A+/Stable/A-1	AA-/Negative/A-1+
SACP	bb+	bb+
Anchor	bbb+	bbb+
Business position	Constrained (-3)	Constrained (-3)

	To	From
Issuer Credit Rating	A+/Stable/A-1	AA-/Negative/A-1+
Capital and earnings	Very Strong (+2)	Very Strong (+2)
Risk position	Moderate (-1)	Moderate (-1)
Funding and liquidity	Moderate and adequate (-1)	Moderate and adequate (-1)
Comparable ratings analysis	0	0
Support	+6	+7
ALAC support	0	0
GRE support	+6	+7
Group support	0	0
Sovereign support	0	0
Additional factors	0	0

SACP--Stand-alone credit profile.

Related Criteria

Related Research

- Paris RU, Jun. 7, 2024
- Full Analysis: Credit Municipal de Paris, April 29, 2024
- France-Based Credit Municipal de Paris Assigned 'AA-/A-1+' Ratings; Outlook Negative, Nov. 23, 2023

Ratings List

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.spglobal.com/ratings for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceld/504352>. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.spglobal.com/ratings. Alternatively, call S&P Global Ratings' Global Client Support line (44) 20-7176-7176.

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