Fitch Ratings

Banks
Universal Commercial Banks
France

Credit Mutuel Alliance Federale

Key Rating Drivers

Stable Business Model: Credit Mutuel Alliance Federale's (CM Alliance Federale) ratings reflect a stable and consistently profitable retail and commercial banking-focused business model. The ratings also consider a low risk appetite, sound asset quality, strong capitalisation and adequate liquidity.

Rated on Standalone Basis: CM Alliance Federale is part of the wider Credit Mutuel (CM) cooperative group. Fitch rates CM Alliance Federale as a banking group backed by a mutual-support mechanism. The agency's ratings distinguish CM Alliance Federale from CM group as CM Alliance Federale's large size would make it difficult for other CM group members to support it, despite the additional mutual-support mechanism between them.

Resilient Asset Quality: CM Alliance Federale's impaired loan ratio, at 2.8% at end-June 2021, remained higher than that of similarly rated northern European peers, but we believe the bank's fairly high coverage by loan loss allowances mitigates downside risks.

CM Alliance Federale's asset quality has been resilient to the crisis and we expect the impaired loan ratio will remain close to 3% in 2021 and 2022. This is despite the moderate impaired loan inflows from the bank's SME loan portfolio that we believe will materialise in 2022 as state support measures will be fully withdrawn.

Recovering Profitability: Operating profitability has steadily improved over the past 10 years as CM Alliance Federale has integrated a growing number of local CM federations while maintaining better cost efficiency than larger French peers. Diversification in earnings benefits from CM Alliance Federale's insurance and consumer-lending activities. We expect operating profit/risk-weighted assets (RWAs) to improve to at least 2% over 2021-2022 (2020: 1.3%) as activity picks up across CM Alliance Federale's main businesses.

Strong Capitalisation: CM Alliance Federale's strong capitalisation underpins its ratings and compares favourably with most French and European banks. This owes to the group's prudent capital planning and limited pay-outs to cooperative shareholders. The group's end-June 2021 fully loaded common equity Tier 1 (CET1) ratio and Basel leverage ratio of 18.3% and 7.2%, respectively, provide ample buffer above regulatory requirements.

Rating Sensitivities

Broader Franchise, Diversification: An upgrade would require a significant strengthening of CM Alliance Federale's franchise and increased geographic and business diversification, as well as further significant improvement in operating profit/RWAs while maintaining a conservative risk appetite. A sustainable improvement in the impaired loan ratio to 1% or lower, which is unlikely given the current ratio, would also be rating-positive.

Weaker Asset Quality, Profitability: The ratings could be downgraded on a sustained reduction of the bank's operating profit/RWAs below 1.5%, and deterioration in the CET1 ratio to below 14%. Asset-quality deterioration would also be rating-negative if CM Alliance Federale's impaired loan ratio increases materially above 4%.

Contagion from CM Group Entities: A weakening in the creditworthiness of other CM group members, although not expected, could also negatively affect CM Alliance Federale's ratings.

Ratings

Foreign Currency	
Long-Term IDR	A+
Short-Term IDR	F1
Viability Rating	a+
Support Rating	5
Support Rating Floor	NF
Sovereign Risk	
Long-Term Foreign and Local-Currency IDR	AA
Country Ceiling	AAA
Outlooks	
Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign- and Local-Currency IDRs	Negative

Applicable Criteria

Bank Rating Criteria (February 2020)

Bank Rating Criteria (November 2021)

Related Research

Global Economic Outlook (September 2021)

Fitch Affirms France at 'AA'; Outlook Negative (November 2021)

Large French Banks: Recovery Gains Momentum (September 2021)

Fitch Revises Outlook on Credit Mutuel Alliance Federale to Stable; Affirms at 'A+' (September 2021)

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Related Issuer Ratings

Banque Federative du Credit Mutuel S.A. (BCFM)	
Long- and Short-Term IDRs	A+/Stable/F1
Derivative Counterparty Rating	AA-(dcr)
Viability Rating	a+
Support Rating	5
Support Rating Floor	NF
Credit Industriel et Commercial S.A. (CIC)	
Long- and Short-Term IDRs	A+/Stable/F1
Viability Rating	a+
Support Rating	5
Support Rating Floor	NF

Source: Fitch Ratings

Fitch assigns common Viability Ratings (VRs) to CM Alliance Federale and its subsidiaries, BFCM and CIC. Neither subsidiaries are affiliated to CM Alliance Federale 's central body Caisse Federale de CM, but BFCM has been affiliated to CM group's central body since September 2020 and as such it benefits from the CM-wide support mechanism.

BFCM makes up 80% of CM Alliance Federale's consolidated assets (the other 20% related to local CM banks). It is the group's main issuing vehicle on financial markets and it coordinates the group's subsidiaries. CIC is owned by BFCM and accounts for about 45% of group assets. It is one of the group's two retail and commercial networks in France and hosts the group's modest corporate and investment banking activities. BFCM and CIC are highly integrated with CM Alliance Federale in management, systems, capital and liquidity. This means that the subsidiaries' and CM Alliance Federale's credit profiles cannot be separated.

Debt Ratings

Deposits and Senior Debt

BFCM's and CIC's long-term deposits and senior preferred debt ratings are one notch above CM Alliance Federale's Long-Term Issuer Default Rating (IDR) to reflect the protection that would accrue to their depositors and senior preferred creditors from CM Alliance Federale's sizeable equity and resolution debt buffers in a resolution.

The total minimum requirement for own funds and eligible liabilities (MREL) is set at the level of the CM group at 20.99% of RWAs. As CM group does not have a central debt issuance entity, each of the CM sub-groups, including CM Alliance Federale, need to have own funds and eligible liabilities above this threshold for the CM group to comply. We estimate that CM Alliance Federale had eligible liabilities and own funds, excluding senior preferred debt, representing about 24% of its RWAs at end-June 2021. We expect CM Alliance Federale will continue to meet its share of CM group's MREL without recourse to senior preferred debt.

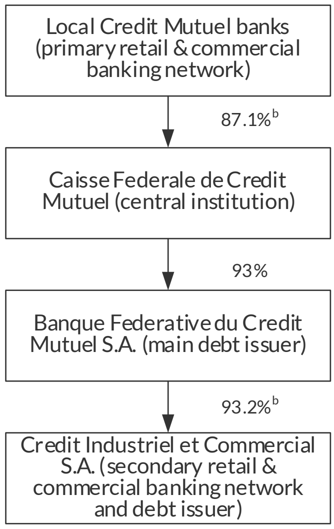
The deposit and senior preferred debt's short-term ratings of 'F1+' for BFCM and CIC map with the 'AA-' long-term ratings.

BFCM's senior non-preferred debt's long-term rating is in line with BFCM's Long-Term IDR.

Subordinated Debt

We rate BFCM's subordinated Tier 2 debt two notches below CM Alliance Federale's VR for loss severity as we expect recoveries to be poor for this type of debt in the event of 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.

Simplified Structure Chart[a]



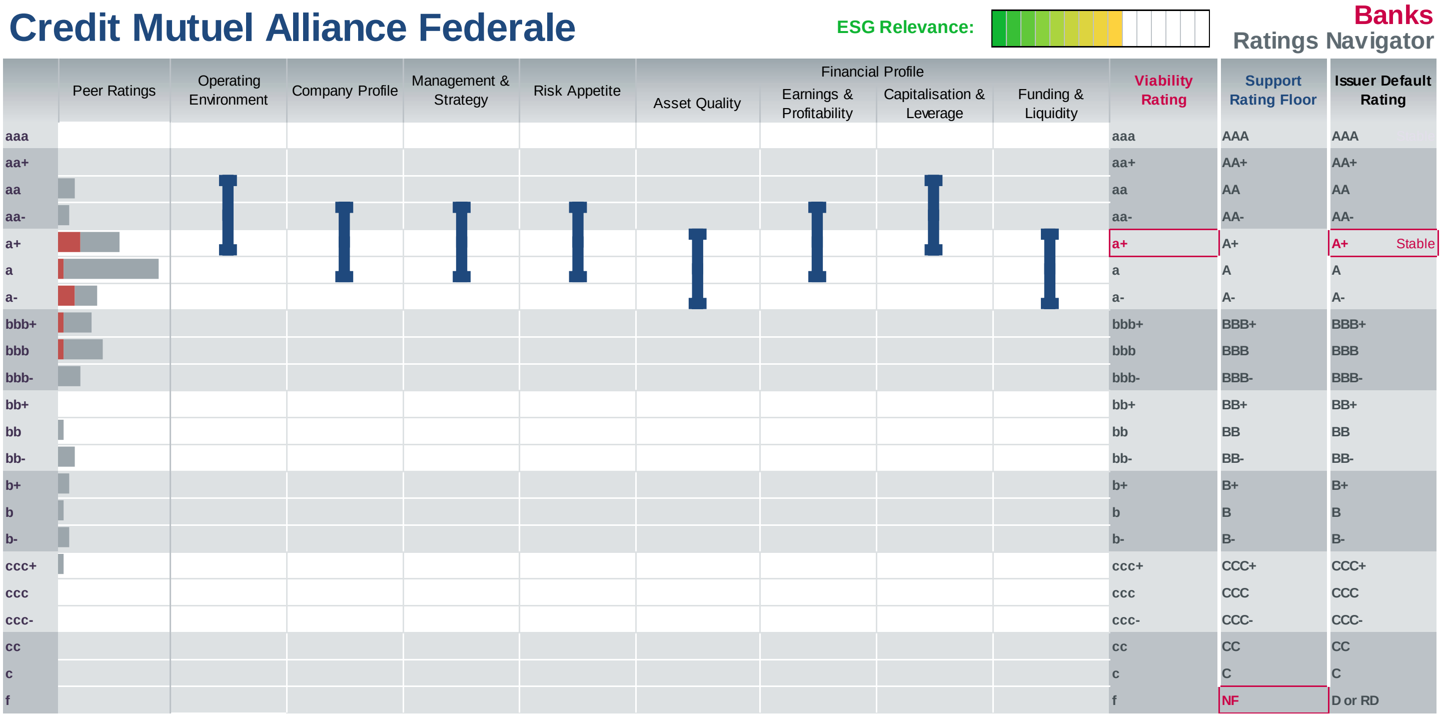
[a] Fitch's simplified representation of CM Alliance Federale's organisational structure differs from the group's own presentation
[b] Remaining balance owned by other CM Alliance Federale entities
Source: Fitch Ratings, CM Alliance Federale

Debt Rating Classes

Debt level	Rating
Banque Federative du Credit Mutuel S.A.	
Deposits	AA-/F1+
Senior preferred	AA-/F1+
Senior non-preferred	A+
Subordinated Tier 2	A-
Legacy Tier 1	BBB
Credit Industriel et Commercial S.A.	
Deposits	AA-/F1+
Senior preferred	AA-/F1+

Source: Fitch Ratings

Ratings Navigator



Significant Changes

Improving Operating Environment

We revised the outlook on French banks' 'aa-' operating environment to stable from negative in September 2021. The stabilisation of our assessment of operating environment reflects a more modest direct impact from the pandemic than expected and the strong economic recovery in France. In its September 2021 Global Economic Outlook Fitch made several upward revisions to GDP growth forecasts for the eurozone (5.2% for 2021 from 5.0%) and France (6.1% from 5.8%) as the re-opening of economies provided a larger-than-anticipated boost.

Capital Optimisation Within Group

Fitch views as slightly credit positive the ongoing capital structure optimisation at CM Alliance Federale's insurance activities.

Like most French banking peers, CM Alliance Federale accounts for its equity participation in its insurance business under the Danish compromise for prudential purposes (applying a 370% risk weighting) rather than fully deducting its equity participation from own funds. CM Alliance Federale has just started optimising the capital structure of its insurance activities, while some other French bancassurers have already started several years ago.

Groupe des assurances du Credit Mutuel (GACM), the holding company of CM Alliance Federale's insurance activities, recently issued EUR750 million in Tier 2 subordinated debt. This will allow for a reduced share of equity capital in the insurance subsidiary's capital structure through increased shareholder distributions and at the same time lower consolidated RWAs for CM Alliance Federale. Further subordinated debt issuance from GACM would allow CM Alliance Federale to continue improving its already high capital ratios.

Bar Chart Legend

Vertical bars – VR range of Rating Factor

Bar Colors – Influence on final VR

Higher influence

Moderate influence

Lower influence

Bar Arrows – Rating Factor Outlook

⇧ Positive ⇩ Negative

⇳ Evolving ▫ Stable

Company Summary and Key Qualitative Assessment Factors

Strong Bancassurance Franchise in France

CM Alliance Federale is the largest alliance of local cooperative banks within the larger CM cooperative banking group. It is the third-largest domestic retail and commercial bank in France and the fifth-largest by total assets. CM Alliance Federale mainly operates in France through two complementary banking networks, the local CM cooperative banks and CIC's regional banks, and has sound domestic market shares of about 13% in loans and deposits.

Earnings diversification primarily comes from CM Alliance Federale's well-integrated life and non-life insurance activities in which it has strong domestic market positions. CM Alliance Federale's specialist consumer finance subsidiaries, Targobank and Cofidis group (about 10% of gross loans combined), contribute significantly to group results as their unsecured loans and car financing provide significantly higher margins than other lending products. CM Alliance Federale's wealth and asset management and corporate and investment banking (CIB) activities make modest contributions to earnings and are small compared to larger French banking peers.

CM Alliance Federale's upcoming integration of Credit Mutuel Nord Europe (CMNE), another subset of CM group, will help it gain scale in the northern part of France and in Belgium and strengthen its asset management franchise (CMNE has close to EUR50 billion in assets under management).

Deep and Credible Management, Well-Articulated Strategy

CM Alliance Federale's senior management consists in highly experienced and credible professionals with strong backgrounds in retail and commercial banking. They have generally spent large parts of their careers in the CM group and most of them were internally promoted from operational roles at regional federations or key subsidiaries. CM Alliance Federale's supervisory board mainly comprises elected local bank customers who are assisted in their duties by non-voting directors, often experienced local bank executives.

As a cooperative CM Alliance Federale is less exposed to pressure for shareholder returns than listed banks, allowing it to have a longer-term approach to strategy setting. The bank's business strategy in domestic retail and commercial banking focuses on increased cross-selling with other business lines such as insurance, consumer and equipment finance (leasing) and real estate brokerage. The group also plans to increase cross-sales between its retail banking networks and activities such as remote surveillance and telephone plans, where it has recently set up partnerships with BNP Paribas S.A. and French telephone operator Bouygues Telecom.

CM Alliance Federale had revised down its 2019-2023 strategic plan in late 2020 with the ambition to return to pre-crisis activity levels by 2023. However, at end-June 2021, most of its revised targets were already met as the group's strong execution also benefited from the strong economic recovery in France.

Conservative Risk Appetite

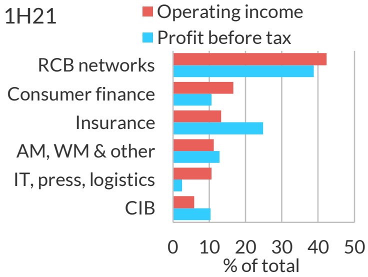
CM Alliance Federale’s low-risk appetite reflects the group’s cooperative nature, its domestic focus and its centralised and sound risk controls. The latter are supported by harmonised IT systems across group entities.

Low-risk housing loans are conservatively originated. They are generally fixed rate and fully amortising, in line with French bank peers. Consumer loans originated by Cofidis and Targobank are higher risk than those originated within the French branch networks, but we believe this is appropriately compensated for by high net interest margins. Lending to corporates is mainly to professionals, SMEs and midcaps, and CM Alliance Federale’s underwriting standards are among the most prudent within the French banking sector.

CM Alliance Federale’s capital markets activities comprise client flow driven activities and a small proprietary trading operation. The latter concentrates the bank’s traded market risk, albeit for low net long positions and predominantly in actively-traded securities. CM Alliance Federale has a conservative limit framework and has consistently reduced the capital allocated to these activities in recent years.

Business Lines

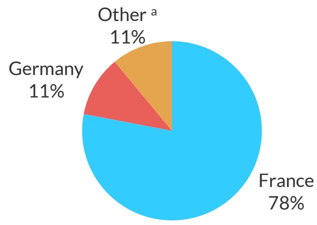
1H21



RCB: retail & commercial banking
AM,WM: asset- and wealth management
Source: Fitch Ratings, CM Alliance Federale

Operating Income

By Country; 1H21



[a] Mainly Spain, Luxembourg, Belgium and Portugal
Source: Fitch Ratings, CM Alliance Federale

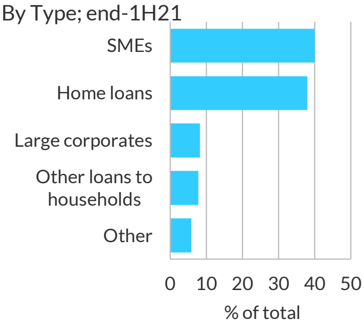
Main 2023 Targets

	1H21[a]	Revised targets	Initial targets
Operating income	EUR15.9bn	EUR14.6bn	EUR15.9bn[b]
Cost/income ratio	59.5%	61%	<60%
Net income	EUR4.2bn	>EUR3.1bn	>EUR4bn
Net income/ RWAs	1.8%	[1.2%;1.4%]	>1.5%
CET1 ratio[c]	18.3%	[17%;18%]	>18%

[a] Annualised as appropriate
[b] 3% CAGR target from 2019 operating income
[c] Constant regulatory-and consolidation scope
Source: Fitch Ratings, CM Alliance Federale

Gross Loans

By Type; end-1H21



Source: Fitch Ratings, CM Alliance Federale

Summary Financials and Key Ratios

	30 Jun 21		31 Dec 20	31 Dec 19	31 Dec 18
	6 months - interim	6 months - interim	Year end	Year end	Year end
	(USDm)	(EURm)	(EURm)	(EURm)	(EURm)
	Reviewed - unqualified	Reviewed - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified
Summary income statement					
Net interest and dividend income	4,139	3,483	7,069	6,645	6,217
Net fees and commissions	2,298	1,934	3,650	3,599	3,613
Other operating income	3,020	2,541	3,506	4,332	4,307
Total operating income	9,457	7,958	14,225	14,576	14,137
Operating costs	5,628	4,736	8,867	8,942	8,714
Pre-impairment operating profit	3,829	3,222	5,358	5,634	5,423
Loan and other impairment charges	223	188	2,377	1,061	904
Operating profit	3,606	3,034	2,981	4,573	4,519
Other non-operating items (net)	-74	-62	582	79	44
Tax	1,052	885	968	1,507	1,570
Net income	2,480	2,087	2,595	3,145	2,993
Other comprehensive income	68	57	2	579	-326
Fitch comprehensive income	2,548	2,144	2,597	3,724	2,667
Summary balance sheet					
Assets					
Gross loans	518,773	436,531	428,052	392,068	369,790
- Of which impaired	14,376	12,097	12,497	12,079	11,577
Loan loss allowances	10,915	9,185	9,612	8,445	8,109
Net loans	507,858	427,346	418,440	383,623	361,681
Interbank	67,505	56,803	54,109	39,184	36,991
Derivatives	8,413	7,079	7,268	7,510	7,111
Other securities and earning assets	239,471	201,507	196,584	195,299	184,649
Total earning assets	823,246	692,735	676,401	625,616	590,432
Cash and due from banks	146,675	123,422	99,575	71,171	56,696
Other assets	22,960	19,320	20,002	21,732	20,236
Total assets	992,880	835,477	795,978	718,519	667,364
Liabilities					
Customer deposits	494,638	416,222	408,812	336,803	302,295
Interbank and other short-term funding	164,167	138,141	110,762	108,796	112,631
Other long-term funding	89,755	75,526	74,928	75,468	69,255
Trading liabilities and derivatives	9,489	7,985	5,927	6,057	6,762
Total funding	758,049	637,874	600,429	527,124	490,943
Other liabilities	172,104	144,820	144,951	143,222	131,799
Preference shares and hybrid capital	1,215	1,022	1,023	1,026	1,027
Total equity	61,513	51,761	49,575	47,147	43,595
Total liabilities and equity	992,880	835,477	795,978	718,519	667,364
Exchange rate		USD1 = EUR0.841468	USD1 = EUR0.821963	USD1 = EUR0.89015	USD1 = EUR0.873057

Source: Fitch Ratings, Fitch Solutions, CM Alliance Federale

Summary Financials and Key Ratios

	30 Jun 21	31 Dec 20	31 Dec 19	31 Dec 18
Ratios (annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	2.6	1.3	2.0	2.1
Net interest income/average earning assets	1.0	1.1	1.1	1.1
Non-interest expense/gross revenue	59.5	62.3	61.4	61.9
Net income/average equity	8.3	5.4	6.9	7.1
Asset quality				
Impaired loans ratio	2.8	2.9	3.1	3.1
Growth in gross loans	2.0	9.2	6.0	7.3
Loan loss allowances/impaired loans	75.9	76.9	69.9	70.0
Loan impairment charges/average gross loans	0.1	0.5	0.3	0.2
Capitalisation				
Common equity Tier 1 ratio	18.3	17.8	17.3	16.6
Fully loaded common equity Tier 1 ratio	18.3	17.8	17.3	16.6
Tangible common equity/tangible assets	5.6	5.7	5.9	5.9
Basel leverage ratio	7.2	6.9	6.5	6.1
Net impaired loans/common equity Tier 1	6.7	6.9	9.3	9.8
Funding and liquidity				
Loans/customer deposits	104.9	104.7	116.4	122.3
Liquidity coverage ratio	187.4	170.2	153.7	125.8
Customer deposits/funding	65.7	68.5	64.4	62.1
Net stable funding ratio[a]	129.4	n.a.	n.a.	n.a.

[a] CM Alliance Federale's NSFR was above 100% in 2020 and 2019
Source: Fitch Ratings, Fitch Solutions, CM Alliance Federale

Key Financial Metrics – Latest Developments

Resilient Asset Quality

CM Alliance Federale's conservative loan origination practices, and regulatory safeguards on borrowers' debt serviceability in French home loans, will prevent material asset quality deterioration in this segment. We expect moderate impaired loan inflows in 2022 and increased loan impairment charges (LICs) primarily from the bank's SME and small business lending portfolios as state support measures are now largely withdrawn.

Over 2020 and 1H21 CM Alliance Federale's asset quality has remained sound with limited defaults on loans which had benefited from moratoriums, despite sizeable initial take-up of forbearance measures by corporate customers. In total, CM Alliance Federale has granted moratoriums on loans representing about 11% of gross loans but they had almost all expired by end-June 2021. State-guaranteed facilities (EUR16 billion of outstanding loans/4% of gross loans) are also performing better than expected with less than 3% impaired at end-June 2021.

CM Alliance Federale has maintained conservative sector-specific loan loss provisioning to prevent deterioration in vulnerable corporate segments (e.g. hotels, restaurants, tourism, auto and non-food retail) which it estimates represent about 3% of gross loans when deducting state-guarantees. The impaired loan ratios at CM Alliance Federale's consumer lending subsidiaries Cofidis and Targobank also remained in line with long-term averages, despite a reduction in loan production with the lockdown-induced fall in discretionary spending.

Recovery in Operating Profitability

CM Alliance Federale has strong recurring profitability despite its retail and commercial banking-focused business model. We believe that it will exceed its profitability targets in 2021 and 2022 due to sustained loan growth, increased drawings under the ECB's targeted long-term refinancing operations (EUR43 billion drawn at end-June 2021), controlled cost growth and LICs staying below long-term averages.

The profitability of CM Alliance Federale's insurance subsidiary will also recover as investment and underwriting results pick up and because its EUR180 million voluntary pay-out to policyholders in 2020 will not be repeated. Exceptionally strong performance in the group's small capital market and private equity businesses in 1H21 was driven by very supportive market conditions and is unlikely to be sustained over the long-term.

The integration of CMNE in 2022 will not burden group profitability, despite its somewhat weaker cost efficiency due to its small size, and because it already shares the same IT infrastructure as CM Alliance Federale.

Large Capital Buffers

CM Alliance Federale is strongly capitalised compared with most of its French and European peers. The group's fully-loaded CET1 ratio of 18.3% at end-June 2021 provided it with comfortable buffer above its supervisory requirement of 7.8% of RWAs (10.5pp or EUR25 billion of buffer). CM Alliance Federale is able to maintain high capital ratios owing to its low risk appetite and strong earnings retention.

The negative capital impact from the integration of CMNE will be limited. CM Alliance Federale's large buffer above regulatory requirements allows it to deploy capital towards further organic or external growth opportunities.

Stable Deposit Funding

CM Alliance Federale's main funding sources are stable, granular deposits from retail customers (about 40% of total funding). These deposits have been bolstered by large inflows of precautionary savings over 2020-1H21. The group also has an established presence in debt capital markets with long-term debt issuance of about EUR10 to EUR15 billion annually.

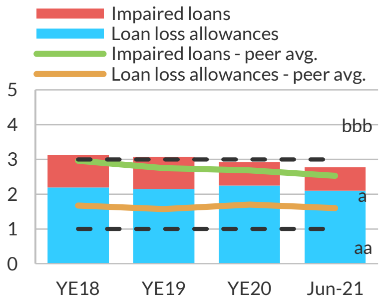
We believe the group's liquidity management is adequate and at end-June 2021, it had central bank deposits and high-quality liquid assets of about EUR153 billion (20% of total assets, excluding insurance), comfortably covering short-term funding and long-term debt coming due over the next 12 months.

Note on Charts

Black dashed lines represent indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'aa' category like France.

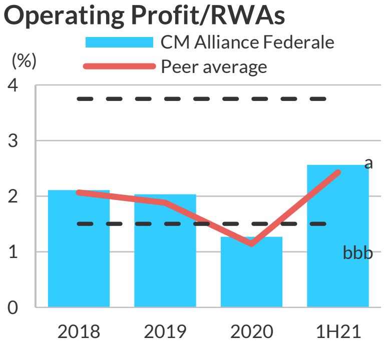
Peer average includes CM Alliance Federale (VR: 'a+'), Credit Agricole (a+), Groupe BPCE (a+), BNP Paribas S.A. (a+), Societe Generale S.A. (a-), Nordea Bank Abp (aa-), Cooperatieve Rabobank U.A. (a+), ING Groep N.V. (a+), and Lloyds Banking Group plc (a)

Asset Quality
(% gross loans)



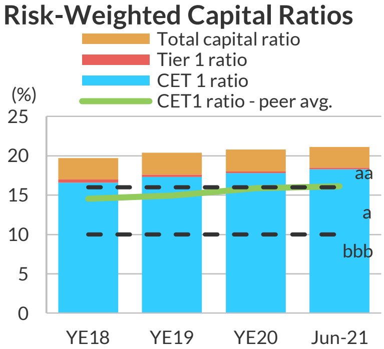
Source: Fitch Ratings, banks

Operating Profit/RWAs



Source: Fitch Ratings, banks

Risk-Weighted Capital Ratios



Source: Fitch Ratings, banks

Sovereign Support Assessment

Support Rating Floor			Value
Typical D-SIB SRF for sovereign's rating level (assuming high propensity)			A or A-
Actual country D-SIB SRF			NF
Support Rating Floor:			**NF**
Support Factors	**Positive**	**Neutral**	**Negative**
Sovereign ability to support system			
Size of banking system relative to economy			✓
Size of potential problem	✓		
Structure of banking system			✓
Liability structure of banking system		✓	
Sovereign financial flexibility (for rating level)	✓		
Sovereign propensity to support system			
Resolution legislation with senior debt bail-in			✓
Track record of banking sector support		✓	
Government statements of support		✓	
Sovereign propensity to support bank			
Systemic importance		✓	
Liability structure of bank		✓	
Ownership		✓	
Specifics of bank failure		✓	
Policy banks			
Policy role			
Funding guarantees and legal status			
Government ownership			

No Reliance on Sovereign Support

CM Alliance Federale's, BFCM's and CIC's Support Ratings (SR) of '5' and Support Rating Floors (SRF) of 'No Floor' 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 our view. This implies that senior creditors would probably be required to participate in losses, if necessary, instead of the bank receiving sovereign support, despite CM group'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.

			Overall ESG Scale
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)

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

E Scale: 5, 4, 3, 2, 1

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Company Profile; Management & Strategy; Risk Appetite
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; Company Profile; Management & Strategy; Risk Appetite
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile; Management & Strategy
Employee Wellbeing	1	n.a.	n.a.
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	Company Profile; Financial Profile

S Scale: 5, 4, 3, 2, 1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Operational implementation of strategy	Management & Strategy
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	Management & Strategy; Earnings & Profitability; Capitalisation & Leverage
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Company Profile
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Management & Strategy

G Scale: 5, 4, 3, 2, 1

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

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with 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) and the Sustainability Accounting Standards Board (SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

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.

CM Alliance Federale's highest level of ESG credit relevance is a score of '3'. This 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.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.