Fitch Ratings

Banks
Universal Commercial Banks
France

Credit Mutuel Alliance Federale

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, and 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 in 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: Fitch expects Groupe CM's impaired loans ratio to remain slightly below 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. Loan impairment charges (LICs) should remain at 25bp-30bp of gross loans over 2024–2026, in line with the European banks' average.

Profitability Lags Peers, Good Efficiency: Groupe CM has a sound and consistent profitability record, which benefits from 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 increasing cost base. Despite being more decentralised than French peers, Groupe CM has a sound cost efficiency, in particular at CM Alliance Federale (57% in 1H24).

Very Strong Capitalisation: Groupe CM'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 pay-outs to cooperative owners. The group'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 benefits from 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	
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

Credit Mutuel Alliance Federale	
Environmental	2
Social	3
Governance	3

Applicable Criteria

Bank Rating Criteria (March 2024)

Related Research

Fitch Affirms Credit Mutuel Alliance Federale at 'A+'; Outlook Stable (December 2024)

Western European Banks Outlook 2025 (December 2024)

Global Economic Outlook (December 2024)

Large French Banks' Ratings Intact After Sovereign Action; Outlook Changes for SG, LBP (October 2024)

Fitch Revises France's Outlook to Negative; Affirms at 'AA-' (October 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 the 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, and 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 group's ratings would be capped at the level of the sovereign, all else being equal.

Although not expected, a material increase in the risk appetite, for instance 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 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 at the current level, the ratings could be upgraded if Groupe CM strengthens its franchise, as well as its geographic and business diversification, improves its operating profit/RWAs ratio towards 3%, while maintaining a conservative 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 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. We estimate it at 25.8% of RWAs at end-June 2024. This is based on Groupe CM's publicly disclosed MREL of 21.92%, which excludes the combined buffer requirement (CBR), and Groupe CM's CBR of 3.89% at end-June 2024. As Groupe CM does not have a central debt issuance entity, CM 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 about 26%-26.5% at end-June 2024 and we expect it to remain sustainably at or above this level.

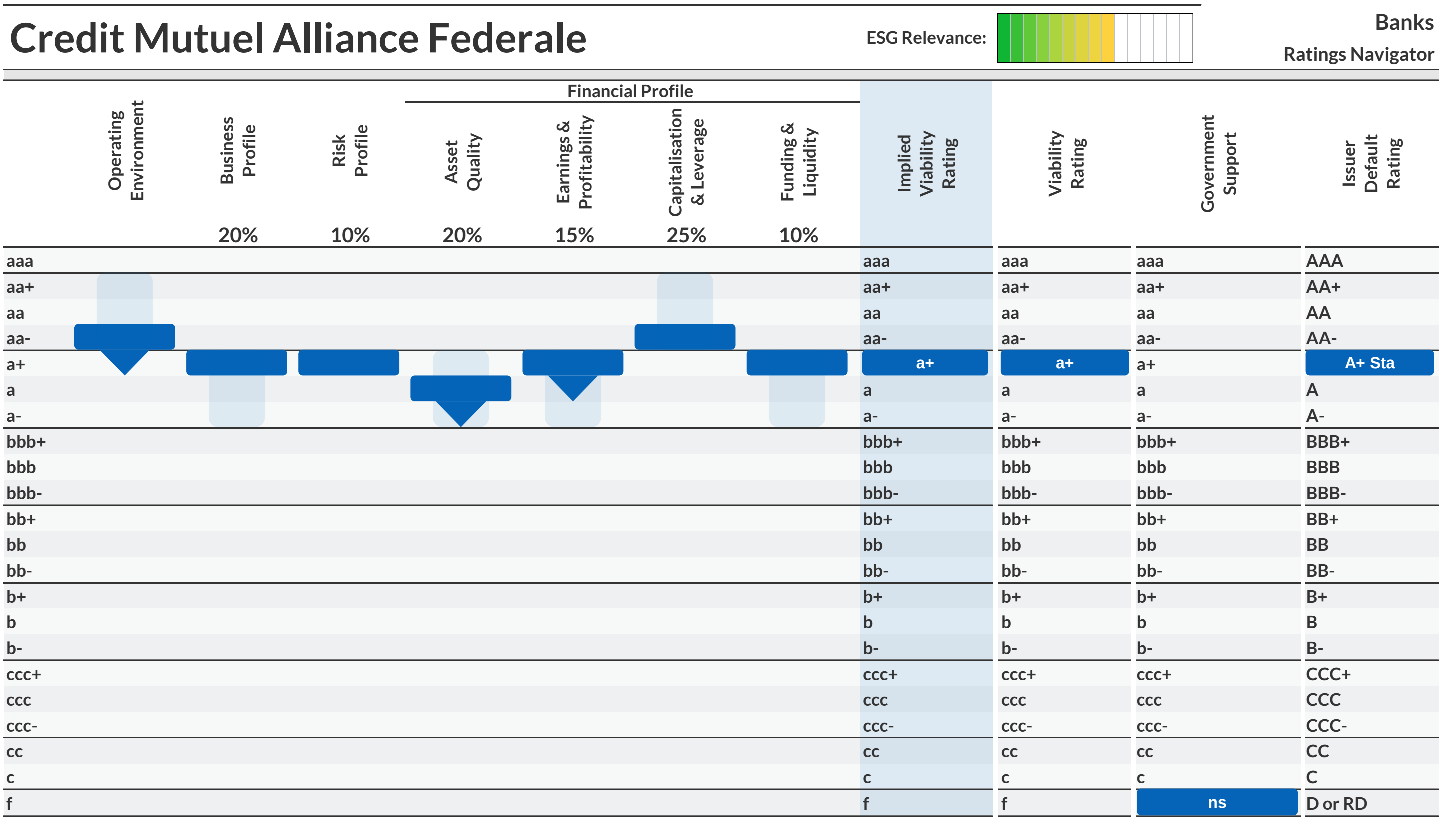
BFCM's and CIC's long-term deposits and senior preferred debt ratings are one notch above CM Alliance Federale's Long-Term IDR to reflect the protection that would accrue to their depositors and senior preferred creditors in a resolution from the sizeable equity and more junior debt buffers available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

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 and CM Arkea over 15%. We believe the existing 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 recent decision to abandon its independence project has strengthened the group's cohesion.

Groupe CM publishes consolidated audited accounts, is supervised as a group and 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 we view 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.

Company Summary and Key Qualitative Factors

Business Profile

Strong Bancassurance Franchise in France

CM Alliance Federale is the largest alliance of local cooperative banks within the Groupe CM cooperative banking group. It is the third-largest domestic retail and commercial bank in France and the fifth-largest by 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 market shares of about 15% in loans and 13% in deposits.

Earnings diversification primarily comes from well-integrated life and non-life insurance activities, which have strong domestic market positions. CM Alliance Federale's specialist consumer finance subsidiaries, Targobank and Cofidis group have significant profit contribution given healthy interest margins.

Wealth and asset management and CIB activities are growing but remain small compared with that of larger French banks. CM Alliance Federale reorganised its asset-management business to deploy a multi-boutique model, reaching EUR184 billion of assets under management at end-June 2024.

Credible Management; Well-Articulated Strategy

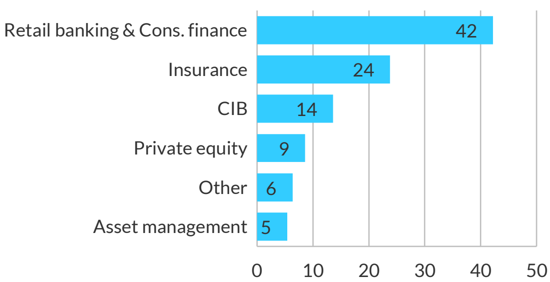
CM Alliance Federale's senior management consists of experienced and credible professionals with backgrounds in retail and commercial banking. As a cooperative group, CM Alliance Federale is less exposed to short-term pressure for shareholder returns than listed banks, allowing it to have a longer-term approach to strategy setting.

The 2024–2027 strategic plan primarily focuses on further growth in retail and commercial banking in France and increased cross-selling with other business lines, such as insurance, consumer and equipment finance. The group also intends to diversify outside its well-performing retail-banking business model, by strengthening its modest franchises in CIB and asset management over the medium term. CM Alliance Federale's plans to continue rolling out its different businesses in Germany and, to a lesser extent, in Belgium, are credible and could further diversify its earnings.

CM Alliance Federale targets to reach EUR19 billion of revenue by 2027, which implies an ambitious CAGR of over 4% over 2024–2027. Higher rates are gradually benefitting CM Alliance Federale's French retail banking operations and we expect this to result in a strong single-digit revenue growth in 2025 and 2026. This will help the bank achieve its revenue target.

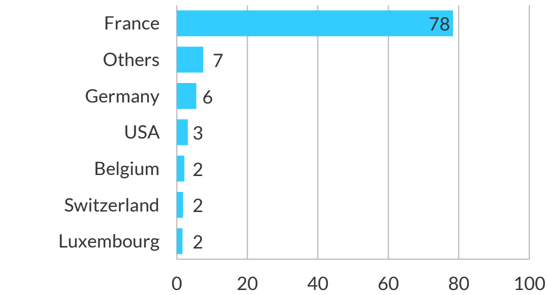
The group also has a stronger execution record than some large French banks. CM Alliance Federale largely executed on its previous strategic plan targets, and we believe it is well-positioned to reach its 2027 goals.

Net Income Split by Business (%)
1H24



Source: Fitch Ratings, Fitch Solutions, CM Alliance Federale

Exposure by Geography (%)
End-June 2024



Source: Fitch Ratings, Fitch Solutions, CM Alliance Federale

Risk Profile

Conservative Risk Appetite

CM Alliance Federale's low-risk appetite reflects the group's cooperative nature, domestic focus and centralised and sound risk controls. Sound credit risk is underpinned by its large portfolio of low-risk home loans in France, which represent a large share of the loan book. Consumer loans originated through specialised subsidiaries result in above-average default rates, 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 among French banks.

The bank has a higher concentration of lending to the real-estate sector than domestic peers, but its exposure has performed well, with an impaired loans ratio consistently below 2%. Its commercial real estate (CRE) on- and off-balance-sheet exposure reached EUR30 billion at end-2023, or 54% of CET1 capital. The CRE portfolio has a strong domestic focus (89%) and the non-recourse exposure has an average loan-to-value of 48%, which provides a sound buffer against falling collateral values.

CM Alliance Federale is exposed to interest-rate risks from its French retail banking activities and, notably, the excess of fixed-rate housing loans over fixed-rate liabilities, similar to other French banks. The bank's net interest income (NII) proved more resilient in 2023 than other large retail banks' in France. This reflects the prudent and more efficient hedging strategy, and faster repricing of the securities portfolio. At end-June 2024, the bank estimated that a 200bp parallel upward rate shock would lead to a decrease of the net present value of its equity by 9% of Tier 1 capital. Conversely, a fall in rates would also lead to a decline of about 15% of NII.

CM Alliance Federale has a low appetite for traded market risks and equity investments, although these sometimes create moderate earnings volatility. Its capital markets activities comprise client flow-driven activities and a small proprietary trading operation, which invests in actively traded securities within prudent limits. The bank also holds a granular portfolio of private equity investments, through which it seeks to support local entrepreneurs (EUR3.9 billion or 7% of CET1 capital at end-June 2024).

Financial Profile

Asset Quality

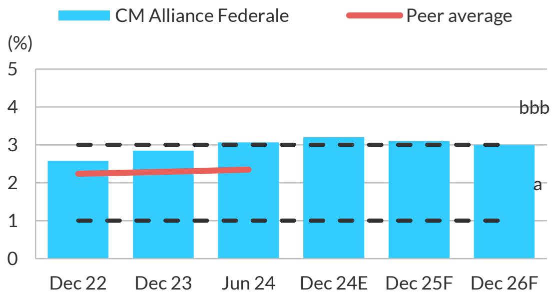
Sound Asset Quality Pressured by Deteriorating Environment

CM Alliance Federale's sound asset quality is underpinned by a large portfolio of fixed-rate housing loans and its lower exposure than peers to vulnerable corporate sectors and borrowers. Strong asset quality highlights the conservative underwriting for home loans and loans to small businesses, SMEs and corporates. Consumer loans represent a large share of impaired loans relative to their weight in the loan portfolio, but healthy net interest margins compensate for higher expected credit losses. The group's largest corporate exposures are of good quality, without excessive concentration.

We believe that the bank's conservative underwriting standards should help contain impaired loans inflows over the next 24 months, but we expect the uncertain economic environment to moderately weaken the group's asset quality. The stock of impaired loans rose by 8% from end-2023, leading to an increase in the impaired loans ratio of about 20bp to 3.1% at end-June 2024. Pressure from exposure to small companies, SMEs and consumer loans increased more than at some domestic peers. This comes in addition to some large corporate defaults, which also affected other peers.

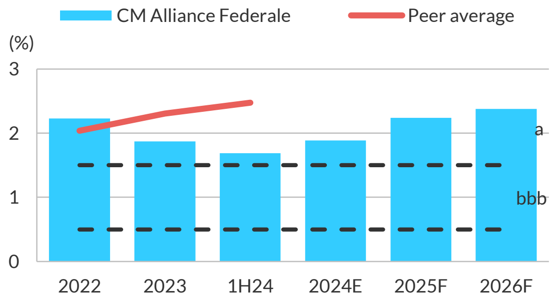
We expect the LICs/gross loans ratio to have exceeded 30bp in 2024 (1H24: 35bp), which is slightly above French average. It should be mitigated by the bank's satisfactory impaired loans reserve coverage ratio (end-June 2024: 65%), although the latter has declined over the last three years. CM Alliance Federale also has a record of disposing or writing off large amounts of unsecured consumer loans in recent years. We believe this could help accelerate the workout of new impaired loans, which has historically been slower at French banks than at European peers.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, banks

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, banks

Earnings and Profitability

Resilient Earnings Generation Despite Higher LICs and Pressure in French Retail Banking

CM Alliance Federale has a sound and consistent profitability record, which benefits from diversification and good cost efficiency. However, the bank's 1H24 operating profit/RWAs ratio (1.7%) was materially lower than the cyclically high European average of close to 3%. Revenue rose by 3% year-on-year (yoy), benefitting from strong growth in insurance, corporate banking and consumer finance. This more than offset persisting weakness in French retail banking revenue. We expect the bank's operating profit/RWAs ratio to remain below 2% in 2024 due to the slower-than-expected rebound of the domestic net interest margin, reduced private equity results and rising LICs.

CM Alliance Federale's cost/income ratio (1H24: 57%) remains the best of all large French banks. This is despite the revenue pressure in domestic retail and sustained cost inflation. Cost inflation is higher than at domestic peers, primarily due to higher staff costs, IT investments, and contributions to CM Alliance Federale's social dividend.

We forecast revenue in French retail banking to gradually recover from 2H24 and to increase in 2025. A gradual decline in policy rates should support French banks' net interest margins through reduced funding cost pressures, and potential recovery in new credit volumes. We project CM Alliance Federale's operating profit will return to above 2% of RWAs in 2025, reverting to its strong 2021 and 2022 performance.

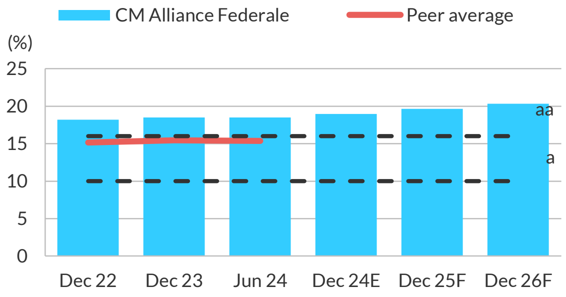
Capitalisation and Leverage

Ample Capital Buffers Provide Rating Headroom

CM Alliance Federale is well-positioned to withstand the economic slowdown in France as it is strongly capitalised compared with most peers. The end-June 2024 CET1 ratio of 18.5% provided a very comfortable buffer (about 10pp, or EUR30 billion) above the 8.9% requirement. We expect the bank to maintain these ample capital buffers despite having discontinued its CET1 ratio target. The bank's sound earnings generation, low risk appetite and moderate payout ratio to cooperative owners should offset the regulatory impacts from Basel III endgame rules.

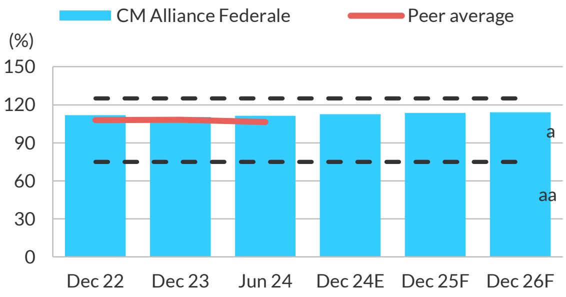
CM Alliance Federale has a higher RWA density than large French peers, which is the basis for its superior regulatory leverage ratio (end-June 2024: 7.3%). Although fairly sophisticated, the group uses fewer internal models to compute credit-risk RWAs than other large French banks, and assesses about 37% of its exposures under the standard approach, which contributes towards even more conservative capital management.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions, banks

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, banks

Funding and Liquidity

Stable Deposits; Well-Established Market Access

Groupe CM's regional groups manage their funding and liquidity profiles independently and conservatively. Stable, granular deposits from retail customers are CM Alliance Federale's main funding source. Total customer deposits represent close to 70% of total funding, which is higher than at other large French banks. We expect CM Alliance Federale's loans/deposits ratio to remain in the range of 110%–115% over the next two years. The bank has well-established access to wholesale funding. CM Alliance Federale has completed its EUR16 billion–17 billion 2024 funding plan and started to prefund for 2025. Investor appetite for CM Alliance Federale's debt has not materially lowered despite the political uncertainties in France, and credit spreads remained broadly stable.

CM Alliance Federale has a sound liquidity profile, with central bank deposits and high-quality liquid assets totalling about EUR116 billion at end-June 2024. Fitch calculates that this buffer comfortably covers the group's short-term funding and long-term debt coming due over the next 12 months. The liquidity coverage ratio and net stable funding ratio comfortably exceed requirements and compare well with French peers, having improved moderately in 1H24.

Additional Notes on Charts

The forecasts in the charts in this section reflect Fitch's forward view on the bank's core financial metrics per Fitch's Bank Rating Criteria. They are based on a combination of Fitch's macro-economic forecasts, outlook at the sector level and company-specific considerations. As a result, Fitch's forecasts may materially differ from the guidance provided by the rated entity to the market.

To the extent Fitch is aware of material non-public information with respect to future events, such as planned recapitalisations or merger and acquisition activity, Fitch will not reflect these non-public future events in its published forecasts. However, where relevant, such information is considered by Fitch as part of the rating process.

Black dashed lines represent boundaries for 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.

Peer average includes Credit Agricole (VR: a+), Groupe BPCE (a), BNP Paribas SA (a+), Societe Generale S.A. (a-), Lloyds Banking Group plc (a+), Cooperatieve Rabobank U.A. (a+), Genossenschaftliche FinanzGruppe (aa-) and Nordea Bank Abp (aa-). Unless otherwise stated, financial year (FY) end is 31 December for all banks in this report. Latest average does not include Genossenschaftliche FinanzGruppe.

Financials

Financial Statements

	30 Jun 24		31 Dec 23	31 Dec 22	31 Dec 21
	6 months - interim	6 months - interim	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	4,728	4,400	8,524	8,027	7,158
Net fees and commissions	2,504	2,330	4,585	4,531	4,098
Other operating income	1,655	1,540	2,977	4,783	4,649
Total operating income	8,886	8,270	16,086	17,341	15,905
Operating costs	5,064	4,713	9,174	10,328	9,137
Pre-impairment operating profit	3,822	3,557	6,912	7,013	6,768
Loan and other impairment charges	1,028	957	1,296	768	699
Operating profit	2,794	2,600	5,616	6,245	6,069
Other non-operating items (net)	44	41	45	-1,186	-838
Tax	654	609	1,546	1,557	1,704
Net income	2,183	2,032	4,115	3,502	3,527
Other comprehensive income	n.a.	n.a.	321	-2,197	164
Fitch comprehensive income	2,183	2,032	4,436	1,305	3,691
Summary balance sheet					
Assets					
Gross loans	572,845	533,127	530,609	510,464	452,954
- Of which impaired	17,522	16,307	15,133	13,180	11,723
Loan loss allowances	11,405	10,614	10,103	9,571	9,195
Net loans	561,440	522,513	520,506	500,893	443,759
Interbank	73,358	68,272	64,932	55,696	59,277
Derivatives	-1,597	-1,486	5,073	4,191	6,130
Other securities and earning assets	237,438	220,975	205,019	186,796	193,221
Total earning assets	870,640	810,274	795,530	747,576	702,387
Cash and due from banks	96,682	89,979	97,504	111,929	121,181
Other assets	23,302	21,686	20,496	25,582	20,338
Total assets	990,624	921,939	913,530	885,087	843,906
Liabilities					
Customer deposits	512,977	477,410	481,157	456,995	425,183
Interbank and other short-term funding	37,478	34,879	118,041	129,030	128,475
Other long-term funding	213,325	198,534	104,707	88,443	80,457
Trading liabilities and derivatives	1,960	1,824	8,752	11,357	7,360
Total funding and derivatives	765,740	712,647	712,657	685,825	641,475
Other liabilities	156,025	145,207	137,879	141,899	148,198
Total equity	68,859	64,085	62,379	56,748	53,211
Total liabilities and equity	990,624	921,939	913,530	885,087	843,906
Exchange rate		USD1 = EUR0.930665	USD1 = EUR0.912742	USD1 = EUR0.937559	USD1 = EUR0.884173

Source: Fitch Ratings, Fitch Solutions, CM Alliance Federale

Key Ratios

	30 June 24	31 December 23	31 December 22	31 December 21
Ratios (%; annualised as appropriate)				
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	57.1	57.1	59.6	57.4
Net income/average equity	6.5	6.9	6.3	6.9
Asset quality				
Impaired loans ratio	3.1	2.9	2.6	2.6
Growth in gross loans	0.5	4.0	12.7	5.8
Loan loss allowances/impaired loans	65.1	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	18.5	18.5	18.2	18.8
Tangible common equity/tangible assets	6.6	6.5	5.8	5.9
Basel leverage ratio	7.3	7.1	6.6	7.6
Net impaired loans/common equity Tier 1 capital	10.0	9.0	7.1	5.5
Funding and liquidity				
Gross loans/customer deposits	111.7	110.3	111.7	106.5
Liquidity coverage ratio	178.0	150.0	144.0	182.0
Customer deposits/total non-equity funding	67.2	68.2	67.5	66.8
Net stable funding ratio	119.6	115.1	116.1	125.6

Source: Fitch Ratings, Fitch Solutions, CM 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 'ns' (no support) 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 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 result in 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

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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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