FitchRatings

Banks
Universal Commercial Banks
France

Credit Mutuel Alliance Federale

Ratings

Credit Mutuel Alliance Federale

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 IDRs	AA
Country Ceiling	AAA

Outlooks

Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign- and Local-Currency IDRs	Stable

Applicable Criteria

Bank Rating Criteria (October 2018)

Short-Term Ratings Criteria (May 2019)

Related Research

Credit Mutuel Alliance Federale - Ratings Navigator (November 2019)

Large French Banks' 1H19 Results (September 2019)

Peer Review: Major French Banks (October 2019)

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Key Rating Drivers

Stable and Diversified Business Model: Credit Mutuel Alliance Federale's (CM Alliance Federale) ratings reflect its stable and diversified business model, low risk appetite and sound asset quality. They also reflect its resilient profitability, strong capitalisation and adequate liquidity.

Rated on Standalone Basis: CM Alliance Federale comprises 13 of the 18 regional federations of local banks of the wider Credit Mutuel (CM) cooperative group and accounts for about 80% of CM's revenue, total assets and equity. Fitch Ratings considers CM Alliance Federale on a standalone basis as its large size would make it difficult for other CM group members to support it, despite the legally based mutual solidarity between them. In addition, an internal CM ruling allows the orderly liquidation of a failing regional group in the absence of agreement among CM group members to support it.

Third Retail and Commercial Bank: CM Alliance Federale is third in retail and commercial banking in France and has well-established life and non-life insurance franchises. It generates most of its revenue domestically. Outside France it is mainly active in consumer finance, and its largest operations are in Germany.

Low Risk Appetite: About half of CM Alliance Federale's loan portfolio comprises low-risk housing loans. Higher-risk consumer finance loans account for about 10% of the portfolio and are adequately priced. The group is among the most prudent French banks in lending to professionals and SMEs. Loan quality is sound and improving.

Resilient Profitability: CM Alliance Federale's profitability is resilient despite the low interest rate environment. This is due to strong loan growth and a significant share of revenue from non-interest income (above 55% in 1H19), particularly from insurance activities. CM Alliance Federale's operating efficiency of about 60% compares well with that of large French and European peers.

Strong Capitalisation: CM Alliance Federale's capitalisation is solid. We consider in our assessment the common equity Tier 1 (CET1) target of above 18% set in the group's 2019-2023 strategic plan and a low dividend payout ratio.

Stable Deposit Base: CM Alliance Federale's funding benefits from a stable deposit base but it has a higher loans/deposits ratio than peers (about 120% at end-June 2019). High-quality liquid assets covered wholesale funding maturing over the next 12 months at end-June 2019.

Rating Sensitivities

Sensitive to Higher Risk Appetite: A marked increase in CM Alliance Federale's risk profile, potentially stemming from a material deterioration in asset quality, for example from corporate loans or higher private equity investments, lower liquidity coverage of wholesale funding or significant expansion in consumer finance or peripheral European countries could lead to pressure on the ratings.

Stronger Franchise and Financials: An upgrade would be contingent on a significant franchise expansion or demonstration of even stronger and stable financial metrics. In particular, we would expect an impaired loans ratio closer to 2%, and higher profitability and coverage of funding due within a year by high-quality liquid assets.

CM Alliance Federale's Short-Term Issuer Default Rating (IDR) of 'F1' is the lower of the two possible Short-Term IDRs mapping to an 'A+' Long-Term IDR due to Fitch's funding and liquidity assessment of 'a' for the banking group.

Issuer Ratings

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

Source: Fitch Ratings

Fitch has common Viability Ratings (VRs) and IDRs for CM Alliance Federale, BFCM and CIC. BFCM was 80% of CM Alliance Federale's consolidated assets at end-June 2019 (the other 20% relate to the local CM banks). It is the group's main issuing vehicle on the 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 within CM Alliance Federale in terms of management, systems, capital and liquidity. This means the subsidiaries and group's credit profiles cannot be separated.

Debt Rating Classes

Rating level	Rating
BFCM	
Senior preferred	A+/F1
Senior non-preferred	A+
Subordinated Tier 2	A
Legacy deeply subordinated Tier 1	BBB
CIC	
Senior preferred	A+/F1

Source: Fitch Ratings

On 15 November 2019, Fitch published *Exposure Draft: Bank Rating Criteria*, which included proposals to alter the notching of certain debt securities.

Preferred and non-preferred senior debt ratings are aligned because the group's buffers of qualifying junior debt and non-preferred senior debt (in combination around 4% of risk-weighted assets (RWAs) at end-June 2019) are insufficient to justify an uplift of the preferred senior debt ratings under our current criteria. We estimate the required buffer at above 8% of RWAs.

We rate subordinated Tier 2 debt one notch below CM Alliance Federale's VR to reflect below-average recoveries for this type of debt. Legacy deeply subordinated 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 the bank's VR.

Ratings Navigator

Credit Mutuel Alliance Federale

ESG Relevance:

Banks
Ratings Navigator

Peer Comparison

Peer Group Summary	Operating Environment	Company Profile	Management & Strategy	Risk Appetite	Asset Quality	Earnings & Profitability	Capitalisation & Leverage	Funding & Liquidity	Viability Rating
Credit Mutuel Alliance Federale	aa-	a+	a	a+	a	a+	aa-	a	a+
Credit Agricole	aa-	aa-	a+	a+	a+	a+	aa-	a+	a+
Groupe BPCE	aa-	a+	a+	a+	a-	a	a+	a	a+
BNP Paribas S.A.	aa-	a+	a+	a	bbb+	a+	a-	a+	a+
Societe Generale S.A.	aa-	a	a	a	bbb+	a	a-	a	a
ING Group N.V.	aa-	a+	a+	a	a	a	a+	a+	a+
Cooperatieve Rabobank U.A.	aa-	a+	a	a+	a-	a-	a+	a+	a+
Nordea Bank Abp	aa-	aa-	aa-	aa-	a+	a+	aa-	a+	aa-
Lloyds Banking Group plc	aa-	a+	a+	a	a	a	a	a	a

Source: Fitch Ratings

Significant Changes

Integration of Other CM Federations

Two small CM federations (Massif Central and Antilles-Guyane) joined CM Alliance Federale on 1 January 2020, increasing the number of regional federations of local banks affiliated to CM Alliance Federale to 13 from 11. CM Massif Central's IT migration from Credit Mutuel Arkea's platform to CM Alliance Federale's Euro-Information's platform took place the next day, while CM Antilles-Guyane already used CM Alliance Federale's IT systems. These two regional federations will only be a small addition to CM Alliance Federale's franchise (112,000 and 155,000 clients at end-2018, respectively).

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 regional federations within the CM group. It is the third largest retail and commercial banking group in France and the fifth largest by total assets. CM Alliance Federale has a universal bancassurance business model largely oriented towards traditional banking activities.

CM Alliance Federale mainly operates in France, where it has two main branch networks: 13 CM regional federations and CIC's nationwide network. These are complemented by specialised consumer finance (Cofidis), leasing and factoring subsidiaries. CM Alliance Federale had sound domestic market shares of 13% in loans and 12% in deposits at end-2018 and has particularly strong market shares in the eastern part of France.

Insurance activities are key for the bank as an important source of fee income and diversification. The group was among the first French banks to diversify into insurance with Groupe des Assurances du Credit Mutuel (GACM) and has notable franchises in both life and non-life insurance (about 5% market share in life, car and home insurance). Other businesses including IT services, telecoms, home security systems or real estate brokerage, further contribute to revenue diversification.

Outside France, CM Alliance Federale is mainly present in Germany through Targobank AG, which specialises in consumer finance, leasing and factoring. CM Alliance Federale also has a modest bancassurance presence in Spain, and Cofidis' second largest country of operations after France is Portugal, followed by Spain, Belgium and Italy.

Revenue Diversification and Capital Preservation

CM Alliance Federale's management has a high degree of depth, credibility and experience but is subject to less market accountability than most peers as the group has no listed entity. As a cooperative, CM Alliance Federale is not exposed to short-term returns pressure, and its corporate governance provides reasonable protection of creditors' interests, despite the absence of external independent board members.

The group's 2019-2023 strategic plan focuses on revenue diversification (3% annual growth in revenue through increased cross-selling) and further capital strengthening (18% CET1 ratio target by 2023). CM Alliance Federale will expand its insurance offering targeting professionals and small corporates and grow ancillary businesses such as telecoms or real estate brokerage. The group's management does not rule out seizing moderate-size external growth opportunities in the eurozone.

Conservative Risk Approach

CM Alliance Federale's low risk appetite reflects the group's cooperative nature, its focus on France and its centralised and sound risk controls. The latter are supported by harmonised IT systems across group entities. Branch network employee remuneration does not include variable pay, which favours long-term business relationships with clients and reduces incentives for promoting risky loan applications.

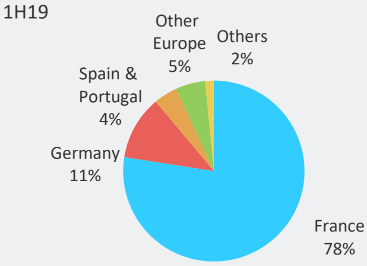
Low-risk housing loans are conservatively originated. They are generally fixed rate for life and fully amortising, in line with French banking peers. Consumer loans originated by Cofidis and Targobank AG are higher risk than those originated within the French branch networks, but this is appropriately compensated by high net interest margins. The share of revolving loans has decreased significantly due to more stringent regulation in France, and CM Alliance Federale aims at developing auto loans, traditonnally the best performing consumer loan market segment.

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.

Interest-rate risk from life insurance activities is mitigated by low minimum rates on French life insurance guaranteed savings contracts and a high 6.3% policyholder participation reserve at end-2018, which we expect to increase further at end-2019.

Operating Income by Geography

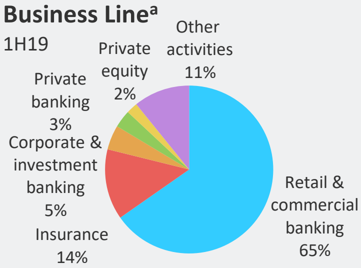
1H19



Note: Other Europe mainly relates to Luxembourg and Belgium
Source: Fitch Ratings, CM Alliance Federale

Operating Income by Business Line[a]

1H19



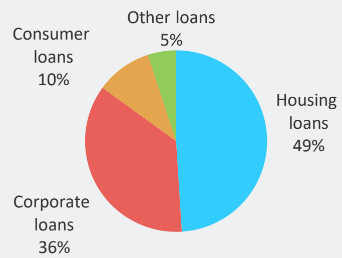
[a] Excl. Corporate Centre
Source: Fitch Ratings, CM Alliance Federale

Financial Targets

	2019-2023	1H19
Revenue growth (%)	3.0 annually	3.7[a]
Cost/income (%)	< 60	61
Net income	> EUR4bn	EUR3.3bn annualised
Net income/ RWAs (%)	> 1.5	1.5 annualised
CET1 ratio (%)	> 18.0	17.4 (fully loaded)

[a] Excluding corporate centre
Source: Fitch Ratings, CM Alliance Federale

Gross Loans by Type



Source: Fitch Ratings, CM Alliance Federale

Summary Financials and Key Ratios

	30 Jun 19	31 Dec 18	31 Dec 17	31 Dec 16
	6 months - interim	Year end	Year end	Year end
	(EURm)	(EURm)	(EURm)	(EURm)
	Audited - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified
Summary income statement				
Net interest & dividend income	3,307.0	6,217.0	5,842.0	5,658.0
Net fees and commissions	1,757.0	3,613.0	3,511.0	3,256.0
Other operating income	2,492.0	4,307.0	4,322.0	4,251.0
Total operating income	7,556.0	14,137.0	13,675.0	13,165.0
Operating costs	4,568.0	8,714.0	8,458.0	8,202.0
Pre-impairment operating profit	2,988.0	5,423.0	5,217.0	4,963.0
Loan & other impairment charges	462.0	904.0	871.0	826.0
Operating profit	2,526.0	4,519.0	4,346.0	4,137.0
Other non-operating items (net)	2.0	44.0	10.0	-130.0
Tax	899.0	1,570.0	1,929.0	1,383.0
Net income	1,629.0	2,993.0	2,427.0	2,624.0
Other comprehensive income	723.0	-326.0	40.0	-223.0
Fitch comprehensive income	2,352.0	2,667.0	2,467.0	2,401.0
Summary balance sheet				
Assets				
Gross loans	382,708.0	369,790.0	344,743.0	332,219.0
- Of which impaired	11,695.0	11,577.0	11,755.0	13,473.0
Loan loss allowances	8,172.0	8,109.0	7,016.0	8,492.0
Net loans	374,536.0	361,681.0	337,727.0	323,727.0
Interbank	40,072.0	36,991.0	28,263.0	28,644.0
Derivatives	8,642.0	7,111.0	6,698.0	9,024.0
Other securities & earning assets	196,567.0	184,649.0	164,488.0	161,529.0
Total earning assets	619,817.0	590,432.0	537,176.0	522,924.0
Cash and due from banks	63,358.0	56,696.0	57,049.0	61,044.0
Other assets	21,539.0	20,236.0	24,974.0	25,788.0
Total assets	704,715.0	667,364.0	619,199.0	609,756.0
Liabilities				
Customer deposits	315,903.0	302,295.0	286,515.0	274,690.0
Interbank and other short-term funding	120,514.0	112,631.0	106,315.0	118,136.0
Other long-term funding	74,643.0	70,282.0	64,404.0	57,313.0
Trading liabilities and derivatives	7,197.0	6,762.0	8,186.0	10,151.0
Total funding	518,256.0	491,970.0	465,420.0	460,290.0
Other liabilities	140,834.0	131,799.0	112,789.0	109,879.0
Pref. shares and hybrid capital	1,024.0	1,027.0	1,037.0	1,038.0
Total equity	45,625.0	43,595.0	40,990.0	39,587.0
Total liabilities and equity	704,715.0	667,364.0	619,199.0	609,756.0

Summary Financials and Key Ratios

	30 Jun 19	31 Dec 18	31 Dec 17	31 Dec 16
Ratios (annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	2.4	2.1	2.2	2.0
Net interet income/average earning assets	1.1	1.1	1.1	1.0
Non-interest expense/gross revenues	60.6	61.9	60.4	61.7
Net Income/average equity	7.4	7.1	6.0	6.8
Asset quality				
Impaired loans ratio	3.1	3.1	3.4	4.1
Growth in gross loans	3.5	7.3	3.8	8.7
Loan loss allowances/impaired loans	69.9	70.0	59.7	63.0
Loan impairment charges/average gross loans	0.2	0.2	0.3	0.3
Capitalisation				
Fitch Core Capital ratio	16.3	15.4	16.1	14.8
Tangible common equity/tangible assets	5.8	5.9	5.9	5.7
Fully loaded common equity Tier 1 ratio	17.4	16.6	16.5	15.0
Basel leverage ratio	6.3	6.1	6.1	6.0
Net impaired loans/Fitch Core Capital	11.7	12.3	17.3	18.6
Funding & liquidity				
Loans/customer deposits	121.2	122.3	120.3	120.9
Liquidity coverage ratio	138.0	125.8	130.9	140.3
Customer deposits/funding	61.6	62.1	62.4	60.8
Net stable funding ratio	n.a.	n.a.	n.a.	n.a.

Source: Fitch Ratings, Fitch Solutions

Key Financial Metrics – Latest Developments

Gradually Improving Loan Quality

CM Alliance Federale's impaired loans/gross loans ratio has gradually declined and was 3.1% at end-June 2019. It remains slightly higher than the peer average and is driven upwards by consumer finance exposure. This is offset by an above average loan loss allowance/impaired loans ratio of 70%, which limits CM Alliance Federale's reliance on collateral valuation and realisation. Loan impairment charges were contained and in line with the French sector average at about 25bp of gross loans in both 1H19 and 2018.

CM Alliance Federale's main corporate sector concentration is to commercial real estate and development, which were close to 10% of corporate exposure at end-2018. This portfolio is adequately managed. Other large exposures are to the distribution and construction sectors, which can be sensitive to economic cycles. Unlike other major French banks, exposure to oil and gas is low.

Resilient Profitability

Profitability is one of CM Alliance Federale's strengths. The group generates an operating profit/RWAs sustainably above 2%, which compares well with peers. It has been resilient to the low interest-rate environment owing to its universal bancassurance business model. The group's life and non-life insurance operations support the significant contribution of non-interest income to revenue.

CM Alliance Federale was one of the few French banks to be able to grow its domestic retail and commercial banking revenue since 2017 (at about +1% yoy). The group's operating efficiency also compares well with French and European peers. Its cost/income ratio was 61% in 1H19 and CM Alliance Federale targets to reduce it below 60%.

Strong Capitalisation

CM Alliance Federale's fully loaded CET1 ratio increased to a high 17.4% at end-June 2019, which is above the peer average. This is due to a high level of retained earnings, as the remuneration of cooperative shares placed with retail customers is capped by law. Issuance of cooperative shares has been low in the past few years and leaves some capacity for raising capital if needed.

The group's CET1 and total capital ratios provide ample buffer above the 8.75% and 12.25% Supervisory Review and Evaluation Process requirements for 2019 including a 0.25% countercycliclical buffer introduced in July. Regulatory leverage also compares well with that of peers.

GACM's Solvency 2 capital requirement was also well covered at 211% at end-2018, but could suffer from a prolonged low interest rate environment. CM Alliance Federale's CET1 ratio benefits from the treatment of GACM under the "Danish compromise", but Fitch estimates this benefit to have a contained impact on the ratio. The FCC ratio was about 16.3% at end-June 2019 when deducting the net asset value of insurance subsidiaries from the FCC and an estimate of insurance RWAs from regulatory RWAs.

Stable Deposit Base; Adequate Liquidity Coverage

CM Alliance Federale benefits from a stable deposit base, originating mostly from the domestic branch networks and Targobank AG. Customer deposits represent about 60% of total funding.

The loans/deposits ratio was about 120% at end-June 2019, slightly higher than most French and European banking peers. This is partly explained by the absence of deposit collection at Cofidis, and at the leasing and factoring subsidiaries. A significant volume of deposits is also diverted to life insurance savings. The group has a good access to financial markets and short-term funding is manageable at about 10% of total funding.

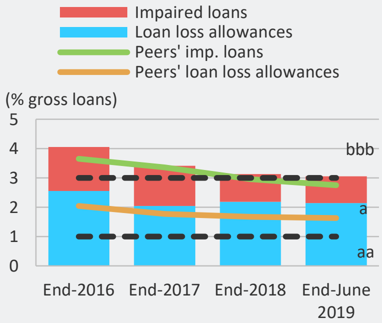
Liquidity management is prudent and centralised at the BFCM level. At end-June 2019, the group had a high-quality liquid assets reserve representing close to 15% of total assets excluding insurance assets. It covered short-term wholesale funding and medium-to-long-term funding maturing within the next 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.

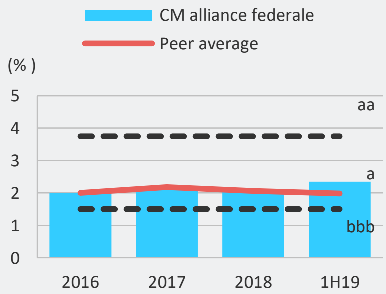
Peer average includes Credit Mutuel Alliance Federale (VR: a+), BNP Paribas S.A. (a+), Credit Agricole (a+), Groupe BPCE (a+), Societe Generale S.A. (a), Cooperatieve Rabobank U.A. (a+), ING Group N.V. (a+), Lloyds Banking Group plc (a) and Nordea Bank Abp (aa-).

Asset Quality



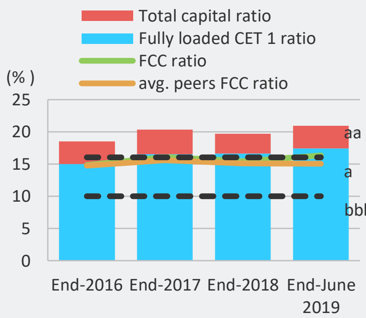
Source: Fitch Ratings, Banks

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, BFCM and CIC's Support Ratings of '5' and Support Rating Floors 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, or ahead of, the bank receiving sovereign support, despite CM's systemic importance.

Environmental, Social and Governance (ESG) 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	E Scale
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	Company Profile; Management & Strategy; Risk Appetite; Asset Quality	1

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
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	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; Company Profile; Management & Strategy; Risk Appetite	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile; Management & Strategy	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	Company Profile; Financial Profile	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Operational implementation of strategy	Management & Strategy	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	Management & Strategy; Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Company Profile	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Management & Strategy	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 left-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 the [number of] general 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 and sub-sector ratings criteria and the General Issues and the Sector-Specific Issues have been informed with SASB's Materiality Map.

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 to the way in which they are being managed by the entity. For more information on our ESG Relevance Scores, visit www.fitchratings.com/esg.

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.