Fitch Ratings

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	Negative
Sovereign Long-Term Foreign- and Local-Currency IDRs	Negative

Key Rating Drivers

Stable and Diverse Business Model: Credit Mutuel Alliance Federale's (CM Alliance Federale) ratings reflect its stable and diversified business model, low risk appetite, resilient profitability, strong capitalisation and sound asset quality. Fitch Ratings believes these rating strengths mitigate downside risks in the current economic environment.

Third Retail and Commercial Bank: CM Alliance Federale ranks 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.

Downside Risks for Asset Quality: 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 benefit from a sound risk-return profile. The group is conservative in its lending to professionals and SMEs. Asset quality is sound but we expect impaired loans to pick up in the months to come as corporate insolvencies and unemployment rise.

Challenges to Profitability: CM Alliance Federale has strong recurring profitability. It has repeatedly had better operating efficiency than peers, despite its de-centralised structure and large branch network, and continuously demonstrates good cost control. The group has some capacity to absorb pressure from lower business volumes and from higher loan impairment charges (LICs).

Strong Capitalisation: Capitalisation is a key rating strength for CM Alliance Federale and compares favourably with most of its French and European banking peers. This is owing to the bank's low risk appetite, prudent capital planning and limited pay-outs to cooperative shareholders. The group's fully-loaded common equity Tier 1 (CET1) ratio of 17.1% and Basel leverage ratio of 5.9% at end-June 2020 provide ample buffers above regulatory requirements.

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 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 mutual support mechanism.

Rating Sensitivities

Negative Outlook: The Negative Outlook on CM Alliance Federale's ratings reflects downside risks to our base case, as pressure on the ratings would increase if the downturn is deeper or more prolonged than we currently expect. The ratings could be downgraded on a combination of a pronounced and sustained deterioration in impaired loans associated with a lower reserve coverage ratio, a sustained reduction of the bank's operating profitability/risk-weighted assets (RWAs) ratio below 1.5%, and deterioration in the CET1 ratio significantly below 16%.

Although currently not expected, a weakening in the creditworthiness of other CM group members could also negatively affect CM Alliance Federale's ratings. The Outlook could be revised to Stable if the economy continues to perform in line with our base case, keeping up the negative pressure on asset quality, earnings and capital in line with our current assessment.

Applicable Criteria

Bank Rating Criteria (February 2020)

Related Research

Global Economic Outlook (December 2020)
Large French Banks: 1H20 Results (September 2020)
Fitch Ratings 2021 Outlook: Western European Banks (December 2020)

Analysts

Rafael Quina, CFA
+33 1 44 29 91 81
rafael.quina@fitchratings.com

Lukas Rollmann
+33 1 44 29 91 22
lukas.rollmann@fitchratings.com

Related Issuer Ratings

	Rating
Banque Federative du Credit Mutuel S.A. (BFCM)	
Long and Short-Term IDRs	A+/Negative/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+/Negative/F1
Viability Rating	a+
Support Rating	5
Support Rating Floor	NF

Source: Fitch Ratings

Fitch has common Viability Ratings (VRs) and Issuer Default Ratings (IDRs) for CM Alliance Federale, BFCM and CIC. BFCM was 80% of CM Alliance Federale's consolidated assets at end-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 small 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
BFCM	
Deposits	AA-/F1+
Senior preferred	AA-/F1+
Senior non-preferred	A+
Subordinated Tier 2	A-
Legacy deeply subordinated Tier 1	BBB
CIC	
Deposits	AA-/F1+
Senior preferred	AA-/F1+

Source: Fitch Ratings

BFCM's and CIC's senior preferred debt ratings are one notch above CM Alliance Federale's IDRs to reflect the protection that will accrue to senior preferred debt from debt and equity resolution buffers. This is because Fitch expects CM Alliance Federale to meet its total minimum requirement for own funds and eligible liabilities (MREL) without recourse to senior preferred debt within the next five years.

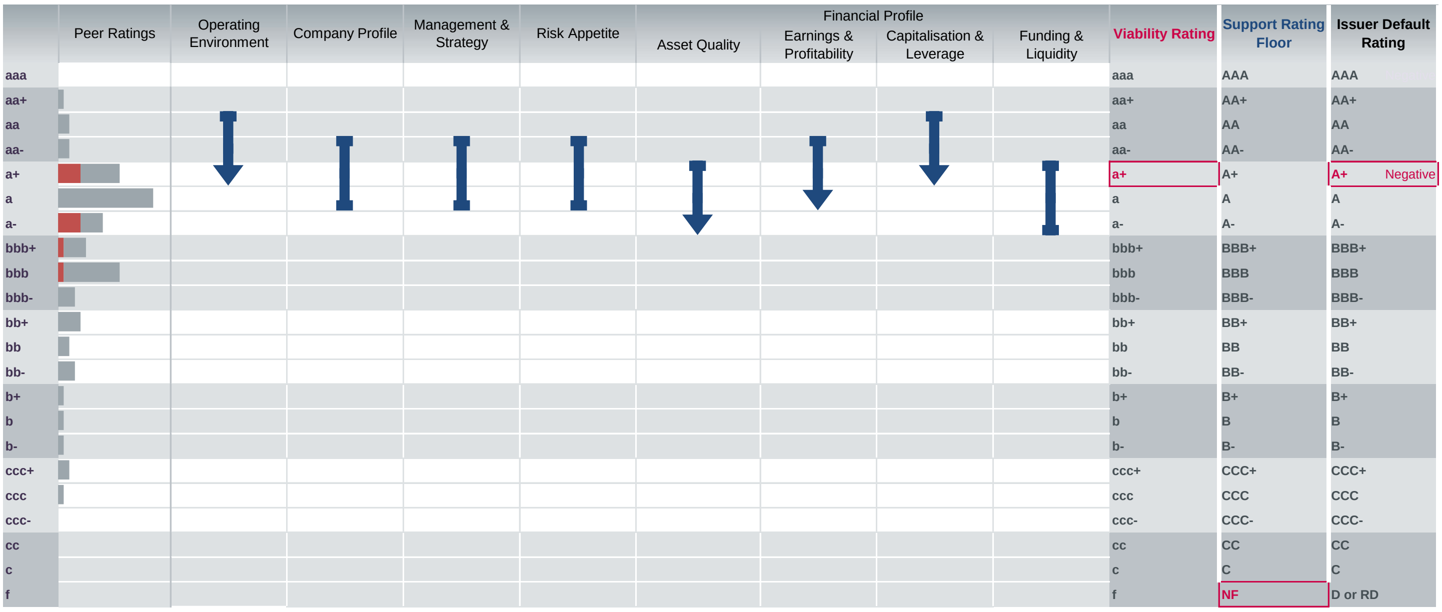
We rate BFCM's subordinated Tier 2 debt two notches below CM Alliance Federale's VR for loss severity as we expect recoveries to be poor for this type of debt in the event of failure or resolution. Legacy Tier 1 securities are rated four notches below CM Alliance Federale's VR to reflect the high loss 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

Credit Mutuel Alliance Federale

ESG Relevance:

Banks
Ratings Navigator



Significant Changes

Continued Downside Risks to Operating Environment

Fitch revised the outlook of the French operating environment to negative from stable in March 2020, in the context of the coronavirus pandemic and material downward revisions in our GDP forecasts for France and the eurozone.

Fitch forecasts a GDP fall of about 9.7% in France and 7.6% in the eurozone in 2020 as a result of lockdown measures, followed by a recovery of 4.8% and 4.7% respectively, in 2021. Although we have seen some signs of improvement as illustrated by a strong growth in 3Q20 (+18.2% qoq), risks remain on the downside, notably due to the new lockdown measures, which increases uncertainties on the path to economic recovery in 2021. Government support for the private sector has been strong in France and continues throughout the second lockdown, which has mitigated French banks' asset quality deterioration in 2020.

Likely Sale of Telecom Subsidiary to Bouygues Telecom

On 26 June 2020, CM Alliance Federale started exclusive negotiations for the sale of 100% of its subsidiary Euro Information Telecom to French network operator Bouygues Telecom. Euro Information Telecom is a long-standing part of CM Alliance Federale's diversification businesses, which also include IT services, home security systems or real-estate brokerage.

The transaction also involves a ten-year exclusive distribution agreement. CM Alliance Federale stands to receive at least EUR530 million from the sale. Closing of the transaction is expected by end-2020, and Fitch estimates this could marginally benefit CM Alliance Federale's solvency ratios.

Bar Chart Legend

Vertical bars – VR range of Rating Factor

Bar Colors – Influence on final VR

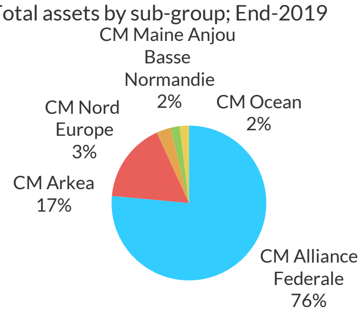
- Higher influence
- Moderate influence
- Lower influence

Bar Arrows – Rating Factor Outlook

- ⇧ Positive
- ⇩ Negative
- ⇳ Evolving
- ▫ Stable

Credit Mutuel Group

Total assets by sub-group; End-2019



Source: Fitch Ratings, Banks

Company Summary and Key Qualitative Assessment Factors

Strong Bancassurance Franchise in France

CM Alliance Federale is the largest alliance of local cooperative banks within CM. 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 focused on traditional banking activities.

The group mainly operates in France, where it has two branch networks: about 1,400 local cooperative banks operating under the Credit Mutuel brand name and CIC's nationwide network of nearly 1,900 branches. These are complemented by specialised consumer finance, leasing and factoring subsidiaries. The group had sound domestic market shares of 13% in loans and 12% in deposits at end-2019 and particularly strong market shares in the east of France.

Insurance activities are an important source of fee income and diversification. CM Alliance Federale was among the first French banks to diversify into insurance and currently has the fourth largest life insurance franchise in France. The group also has notable market share in non-life activities (about 5% for car and home insurance). Other businesses including IT services, home security systems or real estate brokerage, also contribute to revenue diversification.

Outside France, CM Alliance Federale is mainly present in Germany with its subsidiary Targobank AG, which specialises in consumer finance, leasing and factoring. CM Alliance Federale also has a modest bancassurance presence in Spain, and has moderate exposure to Portugal, Belgium, Italy and Central and Eastern Europe through its consumer finance subsidiary Cofidis.

Deep and Credible Management, Well-Articulated Strategy

Management has a high degree of depth and credibility. Key executives are highly experienced and the majority has been with the group in different capacities for over 20 years.

The group's supervisory board members are mainly elected customers and comprise academics or business-owners with good knowledge of their local economies. CM Alliance Federale has strengthened its training programmes towards board members in recent years. The group lacks independent board members but, positively, as a cooperative group owned by its customers, CM Alliance Federale is not pressured for short-term returns compared to some listed peers. We view its corporate governance as reasonably protective of creditors' interests.

CM Alliance Federale has revised its 2019-2023 strategic plan. The original plan had been formulated in a more supportive operating environment and Fitch views the revised targets as conservative in light of the bank's sound execution record. The group had a record year in 2019 and was on track to deliver on most of its financial targets, but income, profitability and cost efficiency targets have been revised downwards given the sharp economic deterioration.

Conservative Risk Approach

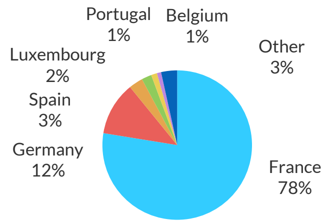
CM Alliance Federale's low-risk appetite reflects the group's cooperative nature, its focus on France and its centralised and sound risk controls. The latter are supported by harmonised IT systems across group entities. Branch network employee remuneration does not include variable pay, which favours 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 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 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 continuously reduced the capital allocated to these activities in past years.

Operating Income

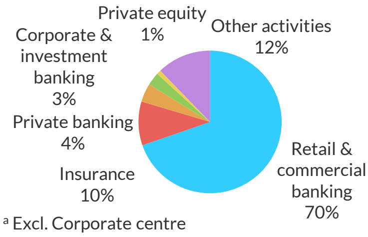
By Geography; 2019



Source: Fitch Ratings, CM Alliance Federale

Operating Income[a]

By business line; 1H20



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

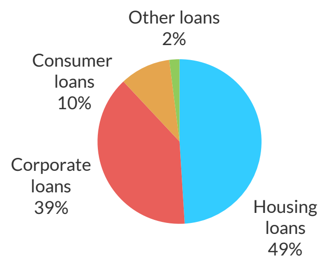
Selected Financial Targets

	Original	Revised
Operating income	+3% per year	EUR14.6 billion by 2023
Cost/income	<60%	61%
2023 Net income	>EUR4 billion	>EUR3.1 billion
Net income/ RWA	>1.5%	1.2%-1.4%
CET1 ratio	>18%	17%-18%

Source: Fitch Ratings, CM Alliance Federale

Gross Loans

By Type; end-June 2020



Source: Fitch Ratings, CM Alliance Federale

Summary Financials and Key Ratios

	30 Jun 20		31 Dec 19	31 Dec 18	31 Dec 17
	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	4,037	3,605	6,645	6,217	5,842
Net fees and commissions	1,982	1,770	3,599	3,613	3,511
Other operating income	1,664	1,486	4,332	4,307	4,322
Total operating income	7,683	6,861	14,576	14,137	13,675
Operating costs	5,096	4,551	8,942	8,714	8,458
Pre-impairment operating profit	2,587	2,310	5,634	5,423	5,217
Loan and other impairment charges	1,171	1,046	1,061	904	871
Operating profit	1,415	1,264	4,573	4,519	4,346
Other non-operating items (net)	-4	-4	79	44	10
Tax	451	403	1,507	1,570	1,929
Net income	960	857	3,145	2,993	2,427
Other comprehensive income	-300	-268	579	-326	40
Fitch comprehensive income	660	589	3,724	2,667	2,467
Summary balance sheet					
Assets					
Gross loans	464,385	414,704	392,068	369,790	344,743
- Of which impaired	14,187	12,669	12,079	11,577	11,755
Loan loss allowances	10,220	9,127	8,445	8,109	7,016
Net loans	454,165	405,577	383,623	361,681	337,727
Interbank	59,751	53,359	39,184	36,991	28,263
Derivatives	9,196	8,212	7,510	7,111	6,698
Other securities and earning assets	226,726	202,470	195,299	184,649	164,488
Total earning assets	749,838	669,618	625,616	590,432	537,176
Cash and due from banks	107,326	95,844	71,171	56,696	57,049
Other assets	21,302	19,023	21,732	20,236	24,974
Total assets	878,466	784,485	718,519	667,364	619,199
Liabilities					
Customer deposits	427,276	381,565	336,803	302,295	286,515
Interbank and other short-term funding	145,661	130,078	108,796	112,631	106,315
Other long-term funding	88,911	79,399	75,468	69,255	63,367
Trading liabilities and derivatives	7,559	6,750	6,057	6,762	8,186
Total funding	669,407	597,792	527,124	490,943	464,383
Other liabilities	154,696	138,146	143,222	131,799	112,789
Preference shares and hybrid capital	1,146	1,023	1,026	1,027	1,037
Total equity	53,217	47,524	47,147	43,595	40,990
Total liabilities and equity	878,466	784,485	718,519	667,364	619,199
Exchange rate		USD1 = EUR0.893017	USD1 = EUR0.89015	USD1 = EUR0.873057	USD1 = EUR0.83382

Source: Fitch Ratings, Fitch Solutions, CM Alliance Federale

Summary Financials and Key Ratios

	30 Jun 20	31 Dec 19	31 Dec 18	31 Dec 17
Ratios (annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	1.1	2.0	2.1	2.2
Net interest income/average earning assets	1.1	1.1	1.1	1.1
Non-interest expense/gross revenue	66.4	61.4	61.9	60.4
Net income/average equity	3.6	6.9	7.1	6.0
Asset quality				
Impaired loans ratio	3.1	3.1	3.1	3.4
Growth in gross loans	5.8	6.0	7.3	3.8
Loan loss allowances/impaired loans	72.0	69.9	70.0	59.7
Loan impairment charges/average gross loans	0.5	0.3	0.2	0.3
Capitalisation				
Common equity Tier 1 ratio	17.1	17.3	16.6	16.4
Fully loaded common equity Tier 1 ratio	17.1	17.3	16.6	16.5
Tangible common equity/tangible assets	5.5	5.9	5.9	5.9
Basel leverage ratio	5.9	6.5	6.1	6.1
Net impaired loans/common equity Tier 1	10.0.	9.3	9.8	14.5
Funding and liquidity				
Loans/customer deposits	108.7	116.4	122.3	120.3
Liquidity coverage ratio	159.8	153.7	125.8	130.9
Customer deposits/funding	64.3	64.4	62.1	62.4
Net stable funding ratio	n.a.	n.a.	n.a.	n.a.

Note: The Liquidity Coverage Ratio at end-June 2020 is the half-year average.
Source: Fitch Ratings, Fitch Solutions, CM Alliance Federale

Key Financial Metrics – Latest Developments

Expected Asset Quality Deterioration

CM Alliance Federale maintained sound asset quality in 1H20 with an impaired loans/gross loans ratio at 3.1% and high coverage of impaired loans by total loan loss allowances (72%). This is because of strong loan growth, particularly for home loans and state-guaranteed loans, which offset deterioration in the creditworthiness of some large corporate files and higher impairments at its consumer finance subsidiaries. CM Alliance Federale's impaired loans have only risen by about 5% from end-2019, which is less than some other large French peers.

We expect the bank's loan quality will deteriorate due to the economic fallout of the pandemic. CM Alliance Federale's exposure to small businesses and sole proprietors will be hit hardest, despite unprecedented government support measures. At end-June 2020, the group had deferred about EUR3.5 billion in loan payments until end-September 2020. We expect further deferrals will be granted to support businesses in particularly exposed sectors (restaurants, hotels, tourism for example) as France experienced a second lockdown in the autumn.

The group reported a large increase in Stage 2 loans (+40% from end-2019) as it conservatively classified nearly 50% of its exposure to sensitive sectors as Stage 2. The latter amounted to 7.4% of gross loans at end-June 2020. CM Alliance Federale's gross exposure to sensitive sectors including hotels, restaurants, non-food retail and automobile, was a total of EUR11.4 billion at end-June 2020 or about 3% of gross loans.

Earnings Headwinds

CM Alliance Federale's 1H20 revenue fell 9% year-on-year. The group's retail and commercial banking networks were supportive of group operating income over the period with sustained loan production, despite the first lockdown in 2Q20. Conversely, insurance activities faced lower business volumes and higher claim rates. They were also negatively affected by adverse movements in asset valuations and one-time subsidies paid on contracts with business customers totalling nearly EUR170 million. Performance in CM Alliance Federale's capital markets and private equity divisions was also weak.

CM Alliance Federale managed to stabilise costs in 1H20, while costs declined markedly at other large French banks. Cost efficiency was insufficient to balance out weaker revenue, and group profitability was further burdened by higher LICs. These reached an annualised level of about 50bp of average gross loans in 1H20 and we expect the group will continue to record LICs above their long-term average in 2021.

Strong Capitalisation to Weather Downturn

CM Alliance Federale is strongly capitalised compared with most of its French and European banking peers, owing to low risk appetite, prudent capital planning and limited pay-outs to cooperative shareholders. The bank's fully-loaded CET1 ratio fell slightly to 17.1% at end-June 2020 from 17.3% at end-2019. This was due to an increase in RWAs as a result of sustained business growth and to the delay for the activation of the guarantee on state-guaranteed loans.

CM Alliance Federale has very strong buffers over its regulatory capital requirements. At end-June 2020, the group exceeded its regulatory requirement for CET1 capital by about EUR21 billion or 930bp of RWAs. In combination with the bank's strong pre-impairment profit, this provides ample cushion against asset quality shocks.

Stable Deposit Base; Improved Liquidity

CM Alliance Federale's loans/deposits ratio as well as its liquidity coverage ratio improved markedly in 1H20, owing to very strong deposit inflows. These improvements are partly cyclical as households have built precautionary savings, and corporates have drawn liquidity lines and held on to state-guaranteed loan proceeds to strengthen their liquidity positions.

CM Alliance Federale has also sought to improve its liquidity position to weather potential tensions on capital markets. At end-June 2020, the group had central bank placements and high-quality liquid assets totalling EUR125 billion or close to 20% of total assets, excluding insurance. Liquid assets were nearly 80% in cash and central bank placements and comfortably covered short-term maturities.

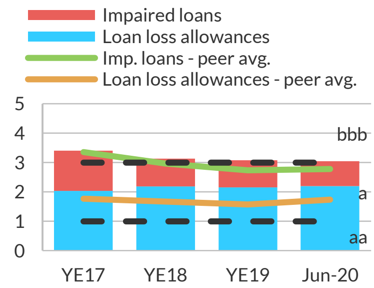
Note on Charts

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

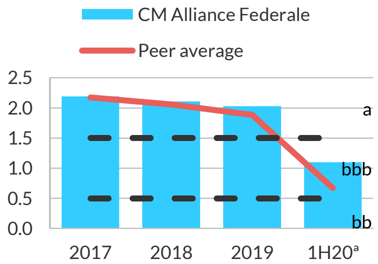
(% gross loans)



Source: Fitch Ratings, banks

Operating Profit

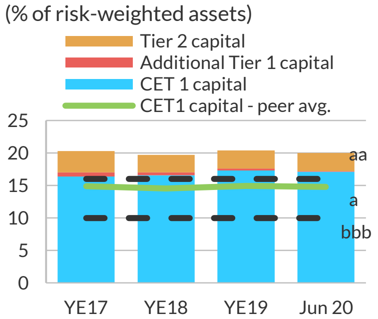
(% of risk-weighted assets)



[a]1H20 annualised
Source: Fitch Ratings, banks

Regulatory Capital

(% of risk-weighted assets)



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		✓	

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. 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.

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	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 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.