FitchRatings

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 our assessment of Groupe Credit Mutuel's (Groupe CM) stable and profitable business model. The group has strong franchises in French retail banking, insurance and consumer finance, and its main autonomous regional sub-groups diversify into insurance, wealth and asset management and corporate banking. The ratings also factor sound asset quality, low risk profile, very strong capital, stable funding and conservative liquidity.

A Leading Bancassurer in France: Groupe CM has the third-largest retail- and commercial-banking franchise in France and has well-established market positions in life and non-life insurance. The group generates most of its revenue domestically, but has notable diversification in Germany through CM Alliance Federale, where it is primarily active in consumer finance, leasing and factoring and is rolling out insurance activities and, to a lesser extent, in Belgium.

Groupe CM's main regional groups have well-articulated strategies and follow conservative and credible long-term goals where they prioritise sustainable growth and strong capitalisation.

Conservative Risk Profile: Groupe CM's cooperative status supports a low risk appetite and conservative underwriting standards in key lending products. Regional sub-groups have limited tolerance for traded market risks, which benefits their risk profile. Similar to other French banks, Groupe CM has high exposure to structural interest rate risks, but these are managed conservatively by the main regional groups.

Sound Asset Quality: Groupe CM's 2.4% impaired loans ratio at end-2022 was higher than at similarly rated European peers. However, this is mitigated by high loan loss allowances and lower exposure to vulnerable corporate sectors and borrowers. The economic slowdown and higher-rate environment will only lead to a slight increase in the impaired loans ratio, which should, however, remain below 3% by end-2025. Groupe CM's loan impairment charges (LICs) will continue normalising from their low levels to about 25bp of gross loans for 2023-2025.

Resilient Profitability, Good Cost-Efficiency: Groupe CM has sound and consistent profitability, which benefits from the group's diversification. But its operating profit/risk-weighted assets (RWAs) ratio will likely remain below 2% in 2023-2024 (2022: 2.1%) due to interest margin pressure in France, reduced private-equity results, rising LICs and sustained underlying cost inflation. Despite being more decentralised than French peers, Groupe CM's main regional groups have a sound cost efficiency, in particular at CM Alliance Federale.

Very Strong Capitalisation: Groupe CM's very strong capitalisation underpins the ratings and compares favourably with most peers. This is because the main regional groups adopt prudent capital planning and have low payouts to cooperative owners. The group's end-2022 common equity Tier 1 (CET1) ratio of 18.8% provided an ample buffer above requirements. The CET1 ratio should remain above 18% in 2023 and gradually converge towards 20% over the medium term. The group's 6.7% leverage ratio at end-2022 is well above average.

Stable Funding, Conservative Liquidity: Groupe CM benefits from a large and stable deposit base, originating mainly from its local retail banking networks in France, although it structurally has a slightly higher loans/deposits ratio than that of large French peers, at about 110% at end-2022. Liquidity is managed conservatively by the main regional groups, which hold large liquid asset buffers, comfortably covering their short-term funding needs.

Ratings

Foreign Currency	
Long-Term IDR	A+
Short-Term IDR	F1
Viability Rating	a+
Government Support Rating	ns

Sovereign Risk (France)

Long-Term Foreign-Currency IDR	AA-
Long-Term Local-Currency IDR	AA-
Country Ceiling	AAA

Outlooks

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

Applicable Criteria

Bank Rating Criteria (September 2023)

Related Research

Fitch Affirms Credit Mutuel Alliance Federale at 'A+'; Outlook Stable (September 2023)
What Investors Want to Know: French Banks' Net Interest Margins (July 2023)
French Bank NIMs Squeezed as Deposits Reprice Faster Thank Loans (August 2023)
Large European Banks Quarterly Credit Tracker (July 2023)
Global Banks: Mid-Year Outlook 2023 (June 2023)
Global Economic Outlook (September 2023)
DM100 Banks Tracker - End-2022 (May 2023)

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Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

The ratings are primarily sensitive to a sharp deterioration in the French operating environment leading to an unmitigated marked weakening of the group's financial profile. In particular, the ratings could be downgraded on the combination of a sustained reduction of Groupe CM's operating profit/RWAs ratio to below 1.5%, deterioration of its CET1 ratio to below 14% and a sustained increase in the impaired loans ratio to materially above 3%, which we view as unlikely in our baseline scenario.

Although not expected, a material increase in risk appetite, for instance leading to outsized and uncontrolled expansion in volatile businesses or geographies and reduced capital targets, could put pressure on CM Alliance Federale's ratings.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

An upgrade would require a significant strengthening of Groupe CM's franchise and increased geographic and business diversification, while further improving operating profit/RWAs to levels consistently above 2.5% and maintaining a conservative risk appetite and very strong capitalisation. A sustained improvement in the impaired loans ratio to 1% or lower, which is unlikely given the current ratio, would also be rating positive.

Other Debt and Issuer Ratings

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

Source: Fitch Ratings

CM Alliance Federale's 'a+' score for funding and liquidity results in a Short-Term Issuer Default Rating (IDR) of 'F1', which is the lower of two possible Short-Term IDRs mapping to an 'A+' Long-Term IDR.

The total minimum requirement for own funds and eligible liabilities (MREL) is set at the level of Groupe CM at 20.99% of RWAs. As Groupe CM does not have a central debt-issuance entity, each of the CM sub-groups, including CM Alliance Federale and CM Arkea, will need to have own funds and eligible liabilities above this threshold for Groupe CM to comply with MREL.

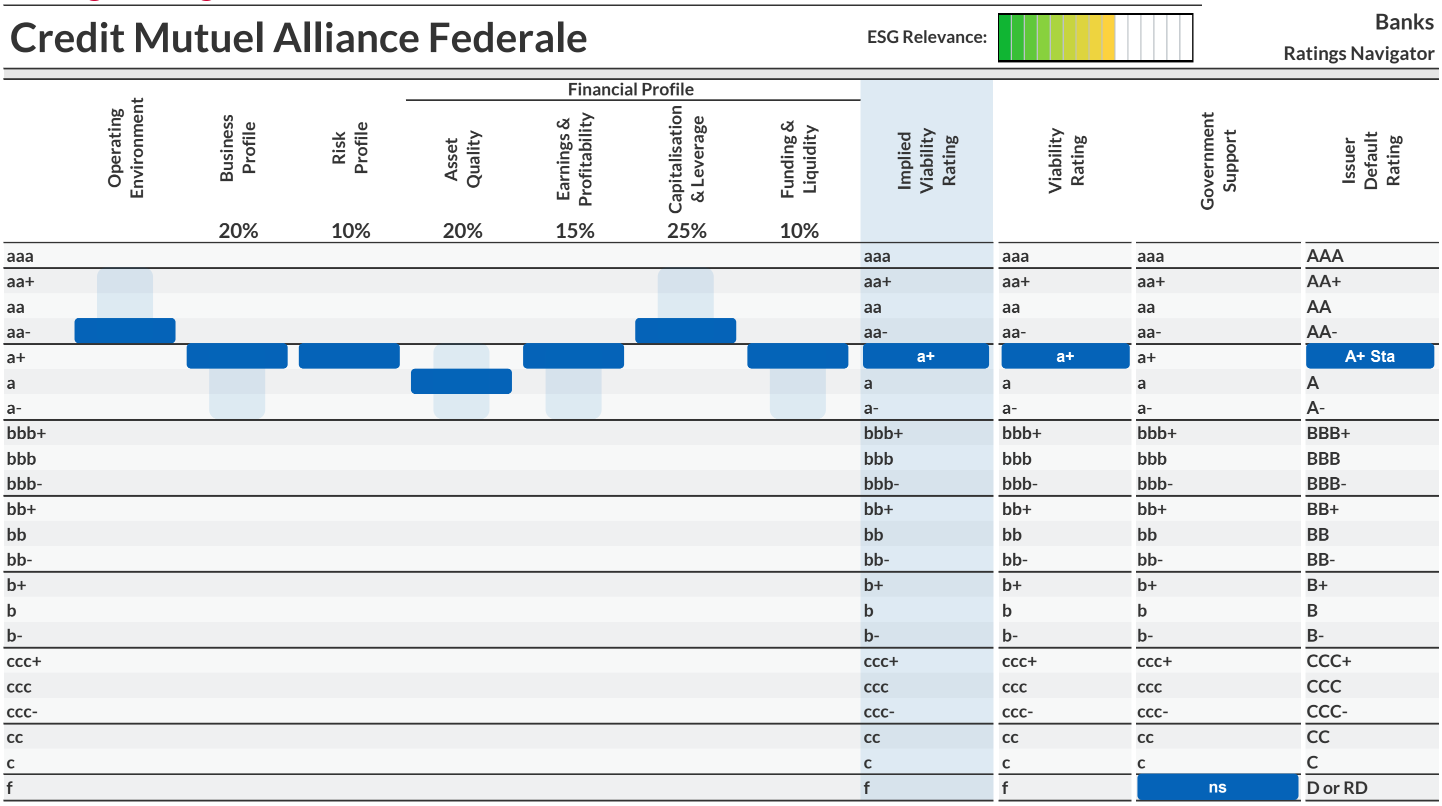
We expect Groupe CM will continue to meet MREL without recourse to senior preferred debt. Groupe CM reported a subordinated MREL ratio (excluding senior preferred debt) of 22.8% at end-2022. We estimate the ratio to have increased further at end-June 2023, as Banque Federative du Credit Mutuel S.A. recently issued large amounts of Tier 2 and senior non-preferred debt.

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's 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.

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 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 the 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 the wider Groupe CM, which comprises nearly 2,000 local banks and 18 regional federations grouped into four main sub-groups, among which CM Alliance Federale (about 80% of group assets) and CM Arkea (over 15%) are the largest. We believe the existing solidarity mechanism binding all affiliated CM entities is cohesive enough to substantially 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, which further supports our assessment. 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.

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 larger 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 17% in deposits.

Earnings diversification primarily comes from CM Alliance Federale's well-integrated life and non-life insurance activities, through which it has strong domestic market positions. CM Alliance Federale's specialist consumer finance subsidiaries, Targobank and Cofidis group (about 8% of gross loans combined), have significant profit contribution given healthy interest margins. Wealth and asset management and corporate and investment banking activities are growing but remain small compared to that of larger French banks. CM Alliance Federale reorganised its asset management business to deploy a multi-boutique model, reaching about EUR170 billion of assets under management at end-June 2023.

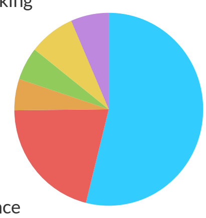
We expect CM Alliance Federale to accelerate its diversification efforts in its 2024-2027 plan. CM Alliance Federale's plans to continue rolling out its different businesses in Germany are credible and could further diversify its earnings generation. However, it will likely have to find solutions to face the fierce competition from the local German cooperative and savings banks, which may challenge the bottom line profitability of these operations. To improve its capacity to penetrate the German market, CM Alliance Federale has recently set up a local insurance company which should start operating in 2026.

Credible Management; Well-Articulated Strategy

CM Alliance Federale's senior management consists of highly experienced and credible professionals with strong backgrounds in retail and commercial banking. They have generally spent large parts of their careers in the CM group and most of them were internally promoted from operational roles at regional federations or key subsidiaries. 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.

CM Alliance Federale has a stronger execution record than some large French banks. Its strategy in domestic retail and commercial banking focuses on increased cross-selling with other business lines such as insurance, consumer and equipment finance (leasing) and real estate brokerage. The group also plans to increase cross sales between its retail banking networks and other ancillary activities. The bank is close to achieving its 2023 initial targets, which were ambitious when announced in 2019.

Pre-Tax Profit Split by Business 1H23



Source: Fitch Ratings, CM Alliance Federale

Main 2023 Financial Objectives for CM Alliance Federale

	1H23[a]	Revised 2023 targets	Initial 2023 targets
Total operating income	~EUR16bn	EUR14.6bn	~EUR16.3bn
Cost/income	58%	61%	<60%
Net income	EUR3.9bn	> EUR3bn	>EUR4bn
Net income/RWA	1.3%	[1.2%-1.4%]	>1.5%
CET1 ratio	18.5%	[17%-18%]	>18%

[a] annualised figure when relevant
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. The bank's sound credit risk is underpinned by its large portfolio of low-risk home loans in France, which represent about 50% of the loan book. Consumer loans originated through specialised subsidiaries induce 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.

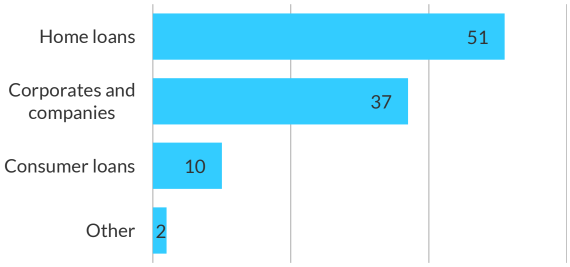
CM Alliance Federale has a higher concentration of lending to the real estate sector than domestic peers, but its exposure has performed well, with impaired loans ratios consistently below 2%. Its commercial real estate (CRE) portfolio reached EUR30 billion at end-2022 (55% of CET1 capital) and had an impaired loans ratio of about 0.7%. CM Alliance Federale's CRE portfolio has a strong domestic focus and primarily includes residential assets (43%), followed by offices (24%) and retail (18%). The non-recourse exposure has an average loan-to-value of 46%, which provides a sound buffer against falling collateral values.

Similarly to other French banks, Groupe CM (and therefore the main regional groups) is exposed to interest rate risks from its French retail banking activities and notably excess of fixed-rate housing loans over fixed-rate liabilities. The transition towards higher euro-interest rates is putting pressure on profitability in the short-term as assets (in particular home loans) repriced slower than liabilities (notably regulated savings and wholesale funding).

CM Alliance Federale's net interest income (NII) proved more resilient in 1H23 yoy than other large retail banks' in France. This partly reflects prudent and more efficient hedging strategy but also a faster repricing of the securities portfolio. At end-March 2023, the bank estimated that a parallel upward rate shock would lead to a decrease of the net present value of its equity by 8% of Tier 1 capital. Conversely, a fall in rates would also lead to a decrease in CM Alliance Federale's NII.

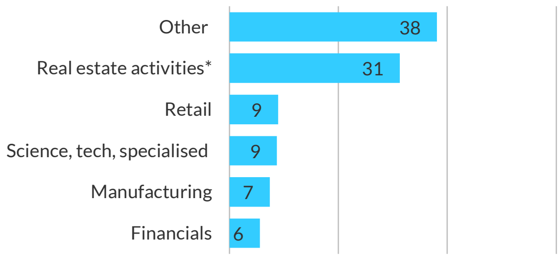
CM Alliance Federale has low appetite for traded market risk and equity investments, although these sometimes create moderate earnings volatility. CM Alliance Federale's capital markets activities comprise client flow-driven activities and a small proprietary trading operation, which invests in actively-traded securities and within prudent limits. The bank also holds a granular portfolio of private equity investments, through which it seeks to accompany local entrepreneurs (EUR3.4 billion or 6% of CET1 capital at end-June 2023).

Loan Split by Type (%)
End-June 2023



Total loan book of around EUR510 billion
Source: Fitch Ratings, Fitch Solutions, CM Alliance Federale

Loans to Companies Sector Split
End-June 2023



* include buy to let lending
Source: Fitch Ratings, Fitch Solutions, CM Alliance Federale

Financial Profile

Asset Quality

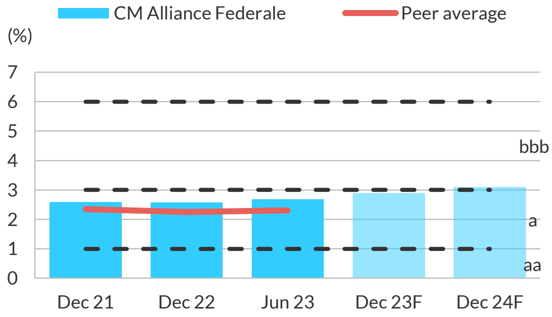
Impaired Loans to Moderately Increase from Satisfactory Levels

CM Alliance Federale's asset quality is resilient. Fitch forecasts the bank's impaired loans ratio will increase moderately from a satisfactory level of 2.7% at end-June 2023 driven by the economic slowdown in France and the eurozone and persisting inflationary pressures. This could lead to an impaired loans ratio of about 3% by end-2025, which would remain broadly in line with the average for large French banks. CM Alliance Federale's impaired loans coverage ratio fell slightly to a still sound 71% at end-June 2023, mainly due to a moderate rise in its impaired loans.

Downside asset quality risks to CM Alliance Federale's loan book are limited. It has a lower exposure than its peers to vulnerable corporate sectors and borrowers. Its conservative underwriting standards, the relative resilience of the French economy and its loan book skewed towards fixed-rate housing loans should contain impaired loans inflows over the next 24 months. CM Alliance Federale has set a record at disposing or writing off large amounts of unsecured consumer loans over the recent years. We believe this could help it accelerate the work out of new impaired loans, which has historically been slower at French banks than at Northern European peers.

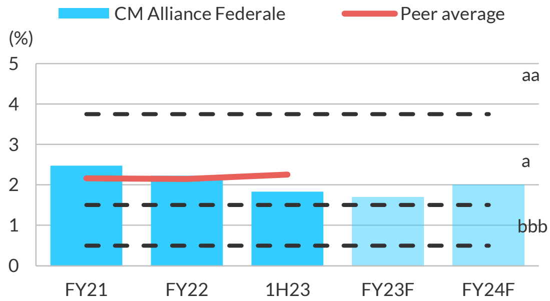
Home loans originated by the CM and CIC French retail networks and loans to small businesses, SMEs and corporates have strong asset quality, highlighting conservative underwriting. We estimate that consumer loans represent a proportionately large share of impaired loans relative to their 10% contribution to the loan book. These are concentrated at Cofidis and Targobank, but healthy net interest margins compensate for higher expected credit losses. CM Alliance Federale's largest corporate exposures are of good quality and do not present undue concentration.

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, Sound Earnings Generation Amid Rising Funding Costs

CM Alliance Federale has a sound and consistent profitability record, with an operating profit/RWAs ratio generally over 2%, a level that is above average in France. However, we expect a moderate and temporary fall in its operating profit in 2023 to about 1.7% of RWAs, due to interest margin pressures in France, sustained underlying growth in staff costs and investments and rising LICs. We project performance will gradually improve from 2024 and return to above 2% from 2025, therefore reverting to its strong 2021-2022 performance.

CM Alliance Federale's net interest margin proved more resilient in 1H23 than its French cooperative peers, in part thanks to strong NII growth in its German consumer finance business and higher revenue from the repricing of its liquid asset buffer. While less diversified than some of its larger peers, it still benefits from fairly diverse earnings generation away from pure domestic retail. This is particularly thanks to diversification into insurance, consumer finance, asset and wealth management, and corporate and investment banking, which support group performance.

The sharp increase in interest rates and persisting inflation since 2022 have put pressure on French banks' funding costs relative to European peers, notably due to the large contribution of regulated savings to their deposit mix. In addition, like other French cooperative banks, CM Alliance Federale's loan book reprices more slowly than elsewhere in Europe as it remains dominated by fixed-rate housing loans. As a result, NII has not benefited yet from higher rates.

CM Alliance Federale has a sound cost-efficiency with a cost/income ratio, which should remain between 55%-60% throughout 2023-2025. We believe this owes to a large extent to a more efficient IT system than some peers and increased cost and product mutualisation, despite being a fairly decentralised group. A sound pre-impairment profit generation provides a resilient buffer against the projected increase in LICs over 2023-2024 towards 25bp-30bp.

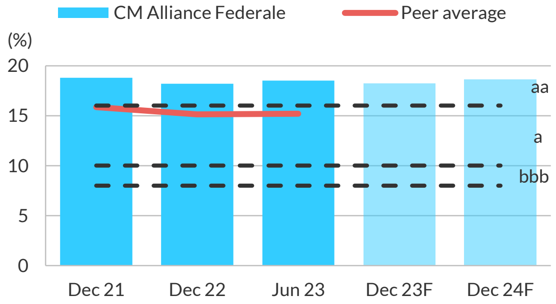
Capital and Leverage

Ample Capital Buffers Provide Rating Headroom

CM Alliance Federale is well-positioned to withstand the economic slowdown as it is strongly capitalised compared with most peers. The group has a strong record of organically building and maintaining high capital ratios due to its low risk appetite and high earnings retention. The bank's end-June 2023 CET1 ratio provided it with a comfortable buffer (over 10pp, or EUR30 billion) above its 8.2% requirement. The 30bp increase in the ratio in 1H23 primarily reflected sound organic capital generation, which offset regulatory impacts and RWA inflation.

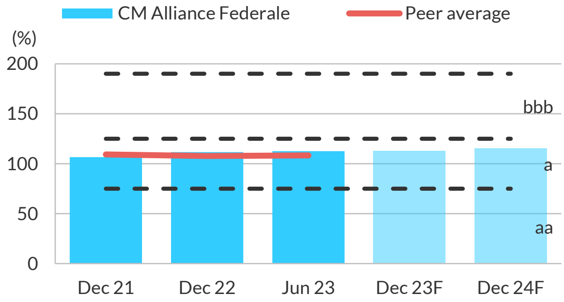
CM Alliance Federale has a higher RWA density than large French peers, which is the basis for its superior regulatory leverage ratio (end-June 2023: 6.9%). Although fairly sophisticated, the group uses less internal models to compute credit risk RWA than other large French banks (about 40% of its exposure are assessed under the standard approach), which we think contributes to an 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

The regional CM 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 over 65% of total funding, which is higher than at other large French banks. We expect CM Alliance Federale's loans/deposits ratio to slightly increase over the next 18 months, at about 115%.

The group also maintained its well-established access to wholesale funding despite challenging markets throughout 2022 and 1H23. It raised its medium- and long-term funding programme to about EUR20 billion in 2023 to manage targeted longer-term refinancing operations redemptions, balance sheet growth and the increased competition for customer resources in a rising rate environment.

CM Alliance Federale has a sound liquidity profile, with central bank deposits and high-quality liquid assets totalling about EUR127 billion at end-June 2023. 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 as they improved moderately in 1H23.

Additional Notes on Charts

The forecasts in the charts in this section reflect Fitch's forward view on the bank's core financial metrics in line with Fitch's Bank Rating Criteria. They are based on a combination of Fitch's macroeconomic 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 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. Light-blue columns represent Fitch's forecasts. Peer average includes Credit Agricole (VR: a+), Groupe BPCE (a), BNP Paribas S.A. (a+), Societe Generale S.A. (a-), Lloyds Banking Group plc (a), Cooperatieve Rabobank U.A. (a+), Genossenschaftliche FinanzGruppe (aa-) and Nordea Bank Abp (aa-). Latest average uses FY22 data for Genossenschaftliche FinanzGruppe.

Financials

Summary Financials and Key Ratios

	30 June 23		31 December 2022	31 December 2021	31 December 2020
	6 months - interim (USDm) Reviewed - unqualified	6 months - interim (EURm) Reviewed - unqualified	Year end (EURm) Audited - unqualified	Year end (EURm) Audited - unqualified	Year end (EURm) Audited - unqualified
Summary income statement					
Net interest and dividend income	4,490	4,132.0	8,027.0	7,158.0	7,069.0
Net fees and commissions	2,473	2,276.0	4,531.0	4,098.0	3,650.0
Other operating income	1,728	1,590.0	4,783.0	4,649.0	3,506.0
Total operating income	8,691	7,998.0	17,341.0	15,905.0	14,225.0
Operating costs	5,052	4,649.0	10,328.0	9,137.0	8,867.0
Pre-impairment operating profit	3,639	3,349.0	7,013.0	6,768.0	5,358.0
Loan and other impairment charges	738	679.0	768.0	699.0	2,377.0
Operating profit	2,901	2,670.0	6,245.0	6,069.0	2,981.0
Other non-operating items (net)	4	4.0	-1,186.0	-838.0	582.0
Tax	774	712.0	1,557.0	1,704.0	968.0
Net income	2,132	1,962.0	3,502.0	3,527.0	2,595.0
Other comprehensive income	373	343.0	-2,197.0	164.0	2.0
Fitch comprehensive income	2,505	2,305.0	1,305.0	3,691.0	2,597.0
Summary balance sheet					
Assets					
Gross loans	563,377	518,477.0	510,464.0	452,954.0	428,052.0
- Of which impaired	15,145	13,938.0	13,180.0	11,723.0	12,497.0
Loan loss allowances	10,720	9,866.0	9,571.0	9,195.0	9,612.0
Net loans	552,657	508,611.0	500,893.0	443,759.0	418,440.0
Interbank	65,994	60,734.0	55,696.0	59,277.0	54,109.0
Derivatives	4,789	4,407.0	4,191.0	6,130.0	7,268.0
Other securities and earning assets	212,982	196,008.0	186,796.0	193,221.0	196,584.0
Total earning assets	836,421	769,760.0	747,576.0	702,387.0	676,401.0
Cash and due from banks	115,398	106,201.0	111,929.0	121,181.0	99,575.0
Other assets	28,134	25,892.0	25,582.0	20,338.0	20,002.0
Total assets	979,953	901,853.0	885,087.0	843,906.0	795,978.0
Liabilities					
Customer deposits	500,324	460,449.0	456,995.0	425,183.0	408,812.0
Interbank and other short-term funding	117,335	107,984.0	129,030.0	128,475.0	110,762.0
Other long-term funding	129,016	118,734.0	88,443.0	80,457.0	75,228.0
Trading liabilities and derivatives	13,549	12,469.0	11,357.0	7,360.0	5,927.0
Total funding and derivatives	760,224	699,636.0	685,825.0	641,475.0	600,729.0
Other liabilities	153,351	141,129.0	141,899.0	148,198.0	144,651.0
Preference shares and hybrid capital	668	615.0	615.0	1,022.0	1,023.0
Total equity	65,710	60,473.0	56,748.0	53,211.0	49,575.0
Total liabilities and equity	979,953	901,853.0	885,087.0	843,906.0	795,978.0
Exchange rate		USD1 = EUR0.920302	USD1 = EUR0.937559	USD1 = EUR0.884173	USD1 = EUR0.821963

Source: Fitch Ratings, Fitch Solutions, CM Alliance Federale

Summary Financials and Key Ratios

	30 June 2023	31 December 2022	31 December 2021	31 December 2020
Ratios (annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	1.8	2.2	2.5	1.3
Net interest income/average earning assets	1.1	1.1	1.0	1.1
Non-interest expense/gross revenue	58.2	59.6	57.4	62.3
Net income/average equity	6.8	6.3	6.9	5.4
Asset quality				
Impaired loans ratio	2.7	2.6	2.6	2.9
Growth in gross loans	1.6	12.7	5.8	9.2
Loan loss allowances/impaired loans	70.8	72.6	78.4	76.9
Loan impairment charges/average gross loans	0.3	0.2	0.2	0.5
Capitalisation				
Common equity Tier 1 ratio	18.5	18.2	18.8	17.8
Fully loaded common equity Tier 1 ratio	18.5	18.2	18.8	17.8
Tangible common equity/tangible assets	6.3	5.8	5.9	5.7
Basel leverage ratio	6.9	6.6	7.6	7.0
Net impaired loans/common equity Tier 1	7.5	7.1	5.5	6.9
Funding and liquidity				
Gross loans/customer deposits	112.6	111.7	106.5	104.7
Gross loans/customer deposits + covered bonds	112.6	111.7	106.5	104.7
Liquidity coverage ratio	152.1	144.0	182.0	170.2
Customer deposits/total non-equity funding	66.6	67.5	66.8	68.5
Net stable funding ratio	117.4	116.1	125.6	n.a.

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-/ Stable
Size of banking system	Negative
Structure of banking system	Negative
Sovereign financial flexibility (for rating level)	Positive
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's, BFCM's and CIC's Government Support Ratings of '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 CM group's systemic importance.

Subsidiaries and Affiliates

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 the group as a whole.

Only BFCM is affiliated to Groupe CM's central body and, as such, it could benefit from the national-support mechanism, which, by extension, could also benefit CIC if BFCM is unable to provide the necessary support to CIC, because it would find itself in financial difficulties.

BFCM made up about 65% of Groupe CM's consolidated assets at end-2022. BFCM is the group's main issuing vehicle on the financial markets and it coordinates the activities of CM Alliance Federale's subsidiaries. CIC is owned by BFCM and accounts for about 40% of group assets. It is one of the group's two retail and commercial networks in France and hosts the group's modest corporate- and investment-banking activities. BFCM and CIC are highly integrated with CM Alliance Federale in management, systems, capital and liquidity.

As a result of the above, the IDRs of BFCM and CIC are equalised with those of CM Alliance Federale.

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'. 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. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation of the materiality and relevance of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

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.