BANQUE FÉDÉRATIVE
Crédit Mutuel

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PRESS RELEASE

BFCM Group
A strong, efficient, dynamic and customer-focused group

				change	at constant scope[1]
Net banking income	€9,830 m	➡	Income up	+6.4%	+4.0%
Net income of wich attributable at the owners of the company	€1,943 m €1,655 m	➡	Sound improvement in results	+3.6%	+1.5%
CET1 capital ratio	15.0% [2]	➡	Very good financial strength		
Activity					
Customer loans	€213.3 bn	➡	Ongoing development at the service of the economy	+11.7%	+5.4%
Total savings	€464.9 bn	➡	Significant inflows	-1.3%	-2.6%
of which, customer deposits	€178.3 bn			+10.0%	+6.6%
of which, insurance products	€43.5 bn			-34.3%	-34.3%
of which, savings	€243.2 bn			+0.1%	-0.1%

[1] for further details on the changes at constant scope, please seen the methodology note at the end of this press release
[2] Crédit Mutuel-CM11 Group's ratio; excluding transitional provisions

BFCM, whose core business is retail banking (nearly 68% of net banking income), has recorded good results and maintained its growth momentum. Its earnings growth enabled it to further strengthen its financial structure.

Business activity

At a time of low interest rates and stiff competition in the banking sector, BFCM Group continued to expand its sales efforts to best serve its customers.

Customer deposits rose by 10.0% from 2015 to €178.3 billion, reflecting steady growth in current accounts (up 13.7%) and passbook accounts (up 18.4%).

Total net customer loans rose by 11.7% from 2015 to €213.3 billion. Outstanding home loans increased by 3.3% to €72.9 billion.

The customer loans-to-deposits ratio was 119.7% at December 31, 2016 compared with 117.8% in the previous year.

The insurance business also performed well, with a 3.1% increase in the number of policies to 27.9 million and premium income of €10.2 billion.

Financial results

Net banking income grew by 4.0%[1] to €9,830 million. This includes the €241 million capital gain on the sale of Visa Europe shares, recognized in the "holding company" segment. Net

[1] *At constant scope*

banking income from retail banking accounted for 67.8% of net banking income from the operating businesses.

The cost-to-income ratio improved to 58.9% from 59.1% in the previous year, with a limited 2.5%[1] rise in operating expenses to €5,787 million compared with €5,458 million at end-2015.

Total net additions to/reversals from provisions for loan losses came to €749 million in 2016 compared with €696 million in 2015. This €53 million increase includes the first-time full consolidation of Targobank Spain, which represented a net addition to/reversal from provisions for loan losses of €100 million. Adjusting for this impact and other changes in scope (including the factoring and lease-financing subsidiaries acquired from GE Capital in 2016), BFCM Group's net additions to/reversals from provisions for loan losses fell by 9.0%.

The group's income before tax rose by 1.9%[1] to €2,999 million. It was affected by:

- the group's share of the losses of Banco Popular Español (BPE);
- the provisioning of the BPE securities at their fair value, in line with analyst consensus;
- an additional provision to fully provision the Targobank Spain goodwill.

With the rise in income after tax from divested activities from -€23 million at December 31, 2015 to €44 million at December 31, 2016, of which €66 million in funds reclassified from the translation adjustments (disposal of Banque Pasche), net income increased by 1.5%[1] to €1,943 million.

Banque Fédérative du Crédit Mutuel (BFCM) is a subsidiary of Crédit Mutuel-CM11 Group. The latter's Common Equity Tier 1 (CET1) ratio was 15.0%[2] at end-2016 and the capital adequacy ratio was 18.0%[2], up 10 basis points year over year. CET1 capital[2] progressed by 6.9% to €31.1 billion at end-2016 and risk-weighted assets by 7.6% year over year to €207.1 billion.

BFCM Group's ratings[3] at end-2016 are detailed in the table below. They compare favorably with French and European peers.

	Standard & Poor's	Moody's	Fitch Ratings
Long-term rating	A	Aa3	A+
Short-term	A-1	P-1	F1
Outlook	*Stable*	*Stable*	*Stable*

Standard & Poor's, Moody's and Fitch confirmed BFCM Group's short- and long-term ratings during the year[3].

Standard & Poor's raised its outlook from negative to stable in October 2016.

The major factors cited by the rating agencies to justify the ratings stability and levels are as follows:

- strong capitalization,
- strong internal capital generation capacity,
- robust banking and insurance model in France,
- low risk profile for the group's activities.

Retail banking

Net banking income from retail banking came to €6,715 million, up 1.5%[4]. Net fee and commission income rose by 4.9%. General operating expenses were stable, rising 0.3%[4] to

[2] *Excluding transitional measures*
[3] *Standard & Poor's: ratings for Crédit Mutuel Group scope; Moody's and Fitch: ratings for BFCM/Crédit Mutuel-CM11 Group scope*
[4] *At constant scope*

€4,080 million, compared with €3,896 million in 2015. Net additions to/reversals from provisions for loan losses were €727 million; the share of income (loss) of associates and gains (losses) on other assets represented an expense of €66 million.

Net income therefore amounted to €1,141 million.

Insurance

The insurance business contributed €695 million (down 2.5%) to net income. This takes into account the impact of rate cuts on provisions and on financial returns on investments. The adverse weather events of May/June 2016 had limited effects on the financial statements.

Corporate banking

Net banking income, at €375 million, fell 2.1% due to non-recurring items in 2015. Net additions to/reversals from provisions for loan losses were similar to the 2015 level with a €22 million expense. Net income fell by 7.2% from 2015 to €154 million.

Capital markets

The capital markets activity had net banking income of €433 million, up 7.5% from 2015. The 19.9% increase in operating expenses was due mainly to the contribution to the Single Resolution Fund (SFR), which was charged to this business and was €14 million higher than last year. Net income rose by 13.2% to €141 million.

Private banking

Net banking income rose from €510 million in 2015 to €512 million in 2016, while net income rose by 20.0% to €95 million.

Private equity (CM-CIC Investissement)

The proprietary investment portfolio totaled €2 billion, including €288 million invested in 2016. This portfolio comprises 408 equity holdings, of which the vast majority are in companies that are group customers.

The private equity business performed well in 2016, with net banking income of €195 million as of December 31, 2016, compared with €172 million in 2015, and net income of €149 million, compared with €126 million in the previous year.

Conclusion: growth and rigor

In an environment marked by a broad range of economic, social, technological, competitive and regulatory challenges, BFCM Group reiterated its priorities in 2016: development, adaptability, innovation and quality of service. These key areas enabled it to maintain its identity, stand out from the competition and report strong financial results, all of which are sources of strength and confidence. Its technological expertise has benefited all of the Group's businesses and reflects its determination to build a bank focused on its 16.9 million customers and, more broadly, on the general public and the real economy.

The consolidated financial statements have been audited. The audit report will be issued after finalization of the additional procedures required for publication of the annual financial report.

Complete regulatory information, including the registration document, is available on the internet site www.bfcm.creditmutuel.fr and is published by BFCM in accordance with the provisions of Article L451-1-2 of the French Monetary and Financial Code and Articles 222-1 and following of the General Regulations of the Autorité des Marchés Financiers (French financial markets authority - AMF).

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BFCM Group (*)

Key figures

(in € millions)	December 31, 2016	December 31, 2015 restated
Activity		
Total assets	491,344	458,650
Loans and advances to customers, including lease financing	213,329	190,903
Total savings	464,894	471,181
- of which, customer deposits	178,256	162,041
- of which, insurance products	43,481	66,170
- of which, savings (managed and in custody)	243,157	242,970
Shareholders' equity[1]		
Shareholders' equity attributable to the Group	22,826	21,657
Non-controlling interests	4,092	3,738
Employees, year-end [2]	45,522	42,825
Number of branches	2,575	2,496
Number of customers (in millions)	16.9	17.1

Financial results

Consolidated income statement (in € millions)	December 31, 2016	December 31, 2015 restated
Net banking income	9,830	9,239
General operating expenses	(5,787)	(5,458)
Gross operating income	4,043	3,781
Net provision allocations/reversals for loan losses	(749)	(696)
Operating income	3,295	3,085
Net gains/losses on other assets and equity affiliates	(296)	(46)
Income before tax	2,999	3,039
Corporate income tax	(1,100)	(1,142)
Net gain/(loss) on discontinued operations	44	(23)
Net income	1,943	1,875
Net income attributable to owners of the company	1,655	1,541

* Consolidated figures for Banque Fédérative du Crédit Mutuel and its principal subsidiaries: ACM, BECM, IT, etc. and including CIC, Targobank Germany and Spain, Cofidis and CIC Iberbanco
(1) Including net income for the year before dividend pay-outs
(2) Employees at group-controlled entities.

Methodology notes: the **changes at constant scope** are calculated after:

- adjusting for companies which entered the consolidation scope between January 1, 2016 and December 31, 2016: the leasing and factoring entities acquired from General Electric Capital in France and Germany (retail banking segment); North Europe Life Belgium (insurance segment);
- a restatement for the difference in the consolidation period of Banif Mais (6 months in 2015, 12 months in 2016, retail banking segment), Atlantis (6 months in 2015, 12 months in 2016, insurance segment);
- a restatement due to the change in consolidation method of Targobank Spain (retail banking segment) and RASE (insurance segment): accounted for using the equity method in 2015, fully consolidated in 2016.

Alternative performance indicators – article 223-1 of the General Regulation of the Autorité des Marchés Financiers (French financial markets authority - AMF)

Name	Definition/calculation method	For the ratios, justification of use
Operating ratio	Ratio calculated from items of the consolidated income statement: ratio of general operating expenses (sum of items “general operating expenses” and “allocations/reversals of depreciation, amortization and provisions for property, plant and equipment and intangible assets” of the consolidated income statement) to “IFRS net banking income”	Measure of the bank’s operational efficiency
Total net provision allocations/reversals for customer loan losses as a proportion of total outstanding loans (expressed in % or basis points).	Net provision allocations/reversals for customer loan losses from Note 31 to the consolidated financial statements as a percentage of gross loan outstandings at the end of the period (loans and receivables due from customers excluding individual and collective impairment)	Allows the level of risk to be assessed as a percentage of the balance-sheet credit commitments
Total net provision allocations/reversals for loan losses	“Net provision allocations/reversals for loan losses” item of the publishable consolidated income statement; by comparison with the net provision allocations/reversals for loan losses on an individual basis (definition in this table)	-
Net provision allocations/reversals for loan losses on an individual basis	Total net provision allocations/reversals for loan losses excluding collective provisions (see definition in this table)	-
Customer loans	“Loans and receivables due from customers” item of the asset side of the consolidated balance sheet	-
Customer deposits; bank deposits	“Due to customers” item of the liabilities site of the consolidated balance sheet	-
Insurance products	Life insurance products held by our customers - management data (insurance company)	
Bank savings products	Off-balance sheet savings products held by our customers or under custody (securities accounts, mutual funds, etc.) management data (group entities)	
Total savings	Sum of bank deposits, insurance savings and bank savings products	
Operating expenses, general operating expenses, management fees	Sum of lines “General operating expenses” and “Allocations/reversals of depreciation, amortization and provisions for property, plant and equipment and intangible assets”	-
Interest margin, net interest revenue, net interest income	Calculated from items of the consolidated income statement: Difference between the interest received and the interest paid: - interest received = "interest and similar income" item of the publishable consolidated income statement - interest paid = "interest and similar expenses"	-

	item of the publishable consolidated income statement	
Loan production	Amount of new loans released to customers - source management data, sum of individual data from entities of the “retail banking - branch network” sector + COFIDIS	-
Collective provisions	Application of IAS 39 which provides for a collective examination of loans, in addition to the individual examination, and, if applicable, the creation of a corresponding collective provision (IAS 39 paragraphs 58-65 and application guidance AG 84-92)	-
Loans-to-deposits ratio; commitment factor	Ratio calculated from items of the consolidated balance sheet: ratio expressed as a percentage between total customer loans (“loans and receivables due from customers” item of the asset side of the consolidated balance sheet) and customer deposits (“due to customers” item of the liabilities side of the consolidated balance sheet)	Measures the dependency on external refinancing
Overall non-performing loan coverage ratio	Determined by calculating the ratio of provisions for credit risk (including collective provisions) to the gross outstandings identified as in default within the meaning of the regulations; Calculation from Note 8a to the consolidated financial statements: “Individual impairment” + “collective impairment” / “individually-impaired receivables”	This coverage rate measures the maximum residual risk associated with loans in default (“non-performing loans")