BANQUE FÉDÉRATIVE Crédit Mutuel

February 21, 2019

PRESS RELEASE

BFCM Group

Year ended December 31, 2018

Net income	**€2.440 billion**	**+33.8%**
Net banking income	**€10.354 billion**	**-0.7%**
Transactions with customers	**Customer loans**	€244.0 bn **+8.6%**
	Customer deposits	€193.5 bn **+5.1%**
Financial structure	**CET1 ratio(1)** (excluding transitional provisions)	16.6% **10 bp**
	Leverage ratio(2) (excluding transitional provisions)	6.0% **10 bp**
	Shareholders' equity	€29.6 bn **+€2.9 bn(2)**

(1) ratio of Crédit Mutuel Alliance Fédérale.

(2) ratio of Crédit Mutuel Alliance Fédérale. It would be 6.2% with the exemption of amounts in regulated savings (according to the July 13, 2018 ruling of the EU Tribunal.

(3) relative to 1/01/2018.

BFCM Group, whose core business is retail banking, posted good results and continuing 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 totaled €193.5 billion at end-December 2018, up by 5.1% from 2017, reflecting steady growth in current accounts (up 10.5%).

Total net customer loans increased by 8.6% during the year, ending 2018 at €244 billion. Outstanding equipment loans increased by 12.1% to €66 billion.

The insurance business also performed well, with a 6.4% increase in premium income to €11.3 billion.

Financial results

Net banking income was down slightly, by 0.7%, at €10.354 billion. Both the group's core businesses recorded good growth, with increases of 3.2% for retail banking and 2.5% for insurance; net banking income from corporate banking and capital markets activities was down by 16.5% given the unfavorable conditions for these activities.

General operating expenses remained well under control, up by only 1.2% to €6.051 billion.

Net additions to/reversals from provisions for loan losses amounted to €805 million in 2018, of which €681 million in respect of provisions for known risks, which were down by 11.1% year on year, illustrating the high quality of the assets.

For their part, net additions to/reversals from provisions for unverified risk increased, mainly as the result of the application of the new IFRS 9 accounting standard which requires the provisioning of performing loans and automatically increases net additions to/reversals from provisions for loan losses when sales increase.

Income before tax amounted to €3.664 billion, up 9.6% year over year.

"Net gains/(losses) on other assets and associates" showed a gain of €167 million in 2018, which corresponded mainly to the group's share in the profit of associates, which included Banque Marocaine du Commerce Extérieur (BMCE Bank of Africa, Euro Information, Banque de Tunisie and Royale Marocaine d'Assurance. In 2017, this item showed a loss of €318 million due mainly to the impact of the resolution of Banco Popular.

Corporate income tax decreased by 20.5% relative to 2017, which had included the extraordinary surtax imposed on large companies to partly offset the unconstitutionality of the tax on dividends.

Net income came to €2.4 billion, up by 33.8% year on year thanks to good earnings resilience, tight risk control and the non-recurrence of certain expenses recorded in 2017.

Banque Fédérative du Crédit Mutuel (BFCM) is a subsidiary of Crédit Mutuel Alliance Fédérale. The latter's Common Equity Tier 1 (CET1) ratio was 16.6%[1] at end-2018, up 10 basis points, and its overall capital adequacy ratio was 19.7%[1]. Risk-weighted assets amounted to €214 billion at December 31, 2018, including €190.6 billion (89% of the total) for credit risk. CET1 capital[1] was up by 8.7% (€2.8 billion) to €35.5 billion at end-December 2018.

BFCM Group's ratings[2] at end-2018 are shown in the table below. They compare favorably with those of its French and European peers.

	LT/ST Counterparty*	Issuer/LT preferred senior debt	Outlook	ST preferred senior debt	Date of last publication
Standard & Poor's	A+/A-1	A	Stable	A-1	10/24/2018
Moody's	Aa2/P-1	Aa3	Stable	P-1	10/29/2018
Fitch Ratings	A+	A+	Stable	F1	12/3/2018

**The counterparty ratings correspond to the ratings of the following agencies:* Resolution Counterparty for Standard & Poor's, Counterparty Risk Rating for Moody's and Derivative Counterparty Rating for Fitch Ratings

[1] *Excluding transitional provisions*
[2] *Standard & Poor's Senior LT rating is a Crédit Mutuel group rating that applies to all the Crédit Mutuel and CIC federal banks; Moody's and Fitch rate BFCM and CIC by taking into account the entire Crédit Mutuel Alliance Fédérale scope.*

During the year, all three agencies – Standard & Poor's, Moody's and Fitch Ratings – confirmed Crédit Mutuel Alliance Fédérale's short-term and long-term ratings.

These ratings reflect the following strengths:

- a solid franchise in retail bankinsurance in France,
- a low risk appetite,
- strong capitalization and liquidity,
- a strong ability to generate capital internally.

Retail banking

Net banking income from retail banking came to €7.302 billion, up 3.2%. Net fee and commission income rose by 1.8%. General operating expenses increased 1.9% to €4.298 billion, compared with €4.217 billion in 2017. Net additions to/reversals from provisions for loan losses were €776 million.

Net income therefore amounted to €1.448 billion, up 4.6%.

Insurance

The insurance business contributed €806 million (up 15.2%) to net income thanks to growth in premium income and the inclusion as from January 1, 2018 of Crédit Mutuel Nord Europe's insurance holding company.

Corporate banking

Net banking income from corporate banking activities totaled €395 million in 2018, 3.4% more than in 2017.

Operating expenses rose by 3.1% to €112 million and included a contribution to the Single Resolution Fund that was €3 million larger than that of the previous year.

Net additions to/reversals from provisions for loan losses showed income of €9 million compared with an expense of €19 million a year earlier, with actual net provisioning for known risks showing income of €9 million at end-2018 compared with an expense of €38 million at end-2017. Net additions to/reversals from provisions for loan losses with unverified risk amounted to zero at end-2018 compared with income of €19 million at end-2017.

Net income totaled €217 million compared with €179 million a year earlier.

Capital markets

The capital markets activities operated in a challenging market environment in 2018, particularly as a result of the year-end portfolio valuations, which drove net banking income down by 36.3% to €244 million after allocation of income resulting from commercial transactions to the activities and entities that handle relations with customers.

Operating expenses were stable.

Net additions to/reversals from provisions for loan losses totaled a charge of €1 million at end-2018 compared with income of €8 million at end-2017.

Income before tax amounted to €31 million versus €179 million the previous year and net income was €20 million compared with €112 million.

Private banking

The percentage changes provided below are stated at constant scope following the inclusion of Banque de Luxembourg Investissements in the consolidation scope in 2018.

Net banking income was €551 million, an increase of 4.9%. General operating expenses totaled €375 million (+3.3%).

Net additions to/reversals from provisions for loan losses totaled €16 million compared with €5 million the previous year. Net gains on non-current assets totaled €26 million (€4 million in 2017), €18 million of which was generated by the initial consolidation of Banque de Luxembourg Investissement.

Income before tax was therefore €186 million, an increase of 16.1%, while net income came to €139 million compared with €141 million in 2017, €22 million of which was a net profit on discontinued operations at December 31, 2017 (sale of the Singapore and Hong Kong private banking activities in 2017).

Private equity

The group's proprietary investments totaled €2.3 billion, including €334 million invested in 2018 by all the entities of the private equity division. Approximately €1.9 billion of equity has been contributed over the past five years. The portfolio is made up of nearly 335 non-fund holdings, the vast majority of which are in companies that are customers of the group's networks. Funds managed for third parties came to €157 million.

The private equity business performed well in 2018, with net banking income of €278 million in 2018 compared with €259 million in 2017 and net income of €231 million compared with €213 million the previous year.

The audit of the consolidated financial statements is underway. 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 at 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 et seq. of the General Regulation of the French Financial Markets Authority (Autorité des Marchés Financiers (- AMF).

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BFCM Group

Key figures (1)

in € millions	12/31/2018	1/1/2018	12/31/2017
Financial structure and activity			
Total assets	535,112	492,799	493,585
Shareholders' equity (including net income for the period before dividend pay-outs)	29,654	26,758	27,604
Customer loans (including lease financing)	244,000	223,143	224,682
Total savings	428,002	410,709	410,801
- of which customer deposits	193,459	183,922	184,014
- of which insurance-based savings	56,926	44,360	44,360
- of which bank savings (invested in savings products)	177,617	182,427	182,427

	12/31/2018	12/31/2017
Key figures		
Employees, end of period (group-controlled entities)	46,661	46,236
Number of points of sale	2,502	2,546
Number of customers (in millions)	17.9	17.4

in € millions	2018	2017
Financial results		
Net banking income	**10,354**	**10,422**
Operating expenses	-6,051	-5,979
Gross operating income	**4,303**	**4,443**
Net additions to/reversals from provisions for loan losses	-805	-783
Operating income	**3,498**	**3,660**
Net gains/losses on other assets and contributions by associates	167	-318
Income before tax	**3,664**	**3,342**
Corporate income tax	-1,224	-1,541
Net gains/losses on discontinued operations	0	22
Net income	**2,440**	**1,823**
Non-controlling interests	356	275
Net income attributable to owners of the company	**2,084**	**1,548**

(1) Consolidated figures for Banque Fédérative du Crédit Mutuel and its main subsidiaries: CIC, ACM, BECM, TARGOBANK in Germany and Spain, COFIDIS, informatique, CIC Iberbanco, etc.

Alternative performance indicators – Article 223-1 of the General Regulation of the Autorité des Marchés Financiers (French financial markets authority - AMF)/ESMA guidelines (ESMA/2015-1415)

Name	Definition/calculation method	For the ratios, justification of use
cost-/-income 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 “net banking income”	measure of the bank’s operational efficiency
total net additions to/reversals from provisions for customer loan losses as a percentage of outstanding loans (expressed in % or basis points).	net additions to/reversals from provisions for customer loan losses from the note to the consolidated financial statements as a percentage of gross outstanding loans at year-end	allows the level of risk to be assessed as a percentage of the balance-sheet credit commitments
Net additions to/reversals from provisions for loan losses	“net additions to/reversals from provisions for loan losses” item in the publishable consolidated income statement	measures the level of risk
customer loans	“loans and receivables due from customers” item of the asset side of the consolidated balance sheet	measure of customer activity in terms of loans
customer deposits; bank deposits	“due to customers” item of the liabilities side of the consolidated balance sheet	measure of customer activity in terms of balance sheet deposits
insurance-based savings	life insurance products held by our customers - management data (insurance company)	Measure of customer activity in terms of life insurance
bank savings products	off-balance sheet savings products held by our customers or under custody (securities accounts, mutual funds, etc.) - management data (group entities)	measure representing activity in terms of off-balance sheet funds (excluding life insurance)
total savings	Sum of bank deposits, insurance savings and bank savings products	measure of customer activity in terms of savings
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”	measures the level of operating expenses
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	representative measure of profitability
loan production	amount of new loans released to customers - source management data, sum of individual data from entities of the “retail banking - branch network” segment + COFIDIS	measure of customer activity in terms of new loans
ratio of non-performing loans to gross loans	ratio of individually impaired gross receivables (S3) to gross customer outstanding loans (calculated from note "loans and receivables due from customers" to the consolidated financial statements: gross receivables + finance leases)	indicator of asset quality